

**Approved by the Resolution of
the General Meeting of Slavneft's Shareholders
30.06.2017
Minutes of Meeting 04.07.2017 No. 53**

**Preliminary approved by
the Slavneft Board of Directors
25.05.2017
Minutes of Meeting 29.05.2017 No. 8**



ANNUAL REPORT **of Open Joint-Stock Oil and Gas Company Slavneft for 2016**

Company's location: Moscow, Russian Federation
Post address: 4th Lesnoi pereulok, 4, Moscow, Russia, 125047

President of OAO NGK Slavneft

M.L. Osipov

Chief Accountant of
OAO NGK Slavneft

A.A. Shuvayev

Date of signing: 19.04.2017

Moscow

CONTENTS

| | |
|------------------------|---|
| MAIN PART | 6 |
| 1. GENERAL INFORMATION | 6 |

| | |
|---|----|
| 1.1. INFORMATION ABOUT THE COMPANY | 7 |
| 1.2. COMPANY'S BRANCHES AND REPRESENTATIVE OFFICES | 7 |
| 1.3. COMPOSITION OF THE COMPANY'S BOARD OF DIRECTORS | 7 |
| INFORMATION ABOUT THE MEMBERS OF THE SLAVNEFT BOARD OF DIRECTORS | 7 |
| 1.4. INFORMATION ABOUT THE PERSON HOLDING THE POSITION OF THE SOLE EXECUTIVE BODY AND MEMBERS OF THE COLLEGIAL EXECUTIVE BODY | 10 |
| 1.4.1. SOLE EXECUTIVE BODY | 10 |
| 1.4.2. COLLEGIAL EXECUTIVE BODY | 10 |
| 1.5. MAIN PROVISIONS OF THE SLAVNEFT REMUNERATION AND (OR) EXPENSES REIMBURSEMENT POLICY. INFORMATION ABOUT REMUNERATION TO THE SLAVNEFT GOVERNING BODIES | 12 |
| 1.6. INFORMATION ABOUT THE PERSONS INCLUDED INTO THE COMPOSITION OF THE COMPANY'S FINANCIAL AND OPERATING ACTIVITY CONTROL BODIES | 13 |
| 1.7. COMPANY'S AUTHORIZED CAPITAL | 13 |
| 1.7.1. INFORMATION ABOUT THE AUTHORIZED CAPITAL | 13 |
| 1.7.2. INFORMATION ABOUT MAJOR SHAREHOLDERS OWNING 5% AT LEAST OF THE COMPANY'S VOTING SHARES AS OF THE REPORTING PERIOD END | 14 |
| 1.7.3. INFORMATION ABOUT THE COMPANY'S RESERVE FUND | 14 |
| 1.7.4. INFORMATION ABOUT COMPANY'S SECURITIES, INCLUDING INFORMATION ON PLACEMENT OF COMPANY'S ISSUE-GRADE SECURITIES (EXCEPT FOR THE SHARES) IN THE REPORTING PERIOD | 14 |
| 1.8. INFORMATION ABOUT YIELD ON COMPANY'S SECURITIES | 14 |
| 1.8.1. COMPANY'S DIVIDEND POLICY | 14 |
| 1.8.2. EARNINGS PER SHARE FROM ORDINARY AND PREFERRED SHARES IN THE REPORTING YEAR (DECLARED DIVIDENDS) | 14 |
| 1.8.3. REPORT ON PAYMENT OF THE DECLARED (ACCRUED) DIVIDENDS ON COMPANY'S SHARES | 15 |
| 1.9. INFORMATION ON OBSERVANCE OF THE CORPORATE GOVERNANCE CODE PRINCIPLES AND RECOMMENDATIONS BY THE COMPANY | 15 |

| | |
|---|----|
| 2. Description of the Slavneft business | 17 |
|---|----|

| | |
|---|----|
| 2.1. PRIORITY TYPES OF THE COMPANY'S BUSINESS | 18 |
| 2.1.1. BRIEF DESCRIPTION OF THE SLAVNEFT PRIORITY ACTIVITIES | 18 |
| 2.1.2. MAIN TYPES OF PRODUCTS, WORKS, SERVICES | 19 |
| 2.2. REPORT OF THE SLAVNEFT BOARD OF DIRECTORS ON RESULTS OF THE COMPANY'S DEVELOPMENT BY PRIORITY BUSINESS TYPES | 19 |
| 2.3. PROSPECTS FOR THE COMPANY'S DEVELOPMENT. INFORMATION ABOUT PROGRAMS (PROJECTS), WHICH ARE PLANNED FOR IMPLEMENTATION IN 2017 | 20 |
| 2.3.1 SOCIAL PROGRAMS | 20 |
| 2.4. COMPANY'S POSITION IN THE INDUSTRY | 21 |
| 2.4.1. INDUSTRY SECTOR PROFILE OF THE COMPANY | 21 |
| 2.4.2. MARKETS FOR SALE OF COMPANY'S PRODUCTS (WORKS, SERVICES) | 21 |
| 2.4.3. MAIN COMPETITORS | 21 |
| 2.5. UTILITIES CONSUMPTION | 22 |

| | |
|--|----|
| 3. Description of main risk factors related to the Company's business | 23 |
| 3.1. INDUSTRY RISKS BY TYPES OF THE COMPANY'S BUSINESS | 24 |
| 3.2. FINANCIAL RISKS | 24 |
| 3.2.1. RISKS RELATED TO FUNDS RAISING | 24 |
| 3.2.2. RISKS RELATED TO CHANGE IN CURRENCY EXCHANGE RATES | 24 |
| 3.3. LEGAL RISKS | 24 |
| 3.4. OTHER RISKS RELATED TO THE COMPANY'S BUSINESS | 25 |
| 4. Report on the Company's financial and economic activity for the reporting period | 26 |
| 4.1. KEY OPERATING AND ECONOMIC INDICATORS | 27 |
| 4.2. ANALYSIS OF THE COMPANY'S FINANCIAL POSITION AND BRIEF EXPLANATORY NOTES TO THE SLAVNEFT FINANCIAL STATEMENTS FOR THE REPORTING PERIOD | 27 |
| 4.2.1 ANALYSIS OF CHANGE IN THE STRUCTURE OF COMPANY'S ASSETS AND LIABILITIES FOR THE REPORTING PERIOD | 27 |
| 4.2.2 ANALYSIS OF CHANGES IN THE INDICATORS OF THE SLAVNEFT PROFIT AND LOSS STATEMENT IN THE REPORTING PERIOD | 30 |
| 4.3. ADDITIONAL FINANCIAL INDICATORS OF THE SLAVNEFT BUSINESS IN THE REPORTING PERIOD | 31 |
| 4.3.1. INFORMATION ON THE AMOUNT OF COMPANY'S NET ASSETS | 31 |
| 4.3.2. INFORMATION ABOUT PROFIT APPLICATION IN THE REPORTING YEAR IN ACCORDANCE WITH THE RESOLUTIONS ON NET INCOME DISTRIBUTION AND COVER OF PRIOR YEAR LOSSES ADOPTED BY GENERAL SHAREHOLDERS' MEETINGS | 31 |
| 4.3.3. TAXES, LEVIES AND OTHER CHARGES PAID TO THE BUDGET BY THE COMPANY IN THE REPORTING YEAR | 32 |
| 5. Information disclosure | 33 |
| 5.1. TRANSACTIONS MADE BY THE COMPANY IN THE REPORTING YEAR AND RECOGNIZED AS MAJOR ONES UNDER FEDERAL LAW NO.208 ON JOINT-STOCK COMPANIES DATED DECEMBER 26, 1995, AND OTHER TRANSACTIONS, TO WHICH THE MAJOR TRANSACTION APPROVAL PROCEDURE SHALL BE APPLIED IN LINE WITH THE SLAVNEFT ARTICLES OF ASSOCIATION | 34 |
| 5.2. TRANSACTIONS MADE BY THE COMPANY IN THE REPORTING YEAR AND RECOGNIZED AS RELATED-PARTY ONES UNDER FEDERAL LAW NO.208 ON JOINT-STOCK COMPANIES DATED DECEMBER 26, 1995 | 35 |
| SUPPLEMENT | 39 |
| 1. General information | 39 |
| 1.1. INFORMATION ABOUT THE SLAVNEFT GROUP ENTERPRISES | 40 |
| 1.2. BRANCHES AND REPRESENTATIVE OFFICES OF THE SLAVNEFT GROUP MAIN ENTERPRISES | 41 |
| 1.3. COMPOSITION OF THE BOARD OF DIRECTORS OF THE SLAVNEFT GROUP MAIN ENTERPRISES | 41 |
| INFORMATION ABOUT THE NUMBER AND COMPOSITION OF THE BOARD OF DIRECTORS OF THE SLAVNEFT GROUP MAIN ENTERPRISES, CHANGES MADE IN THE COMPOSITION OF THE BOARD OF DIRECTORS DURING 2016 | 41 |
| 1.4. INFORMATION ABOUT THE PERSON HOLDING THE POSITION (EXERCISING THE FUNCTIONS) OF THE SOLE EXECUTIVE BODY AND MEMBERS OF THE COLLEGIAL EXECUTIVE BODY OF THE SLAVNEFT GROUP ENTERPRISES | 44 |

| | |
|--|----|
| 1.4.1. SOLE EXECUTIVE BODY | 44 |
| 1.4.2. COLLEGIAL EXECUTIVE BODY | 45 |
| 1.5. CRITERIA FOR DETERMINATION OF THE REMUNERATION (EXPENSES REIMBURSEMENT) AMOUNT TO BE PAID TO MEMBERS OF THE GOVERNING BODIES OF SLAVNEFT GROUP MAIN ENTERPRISES..... | 47 |
| 1.6. INFORMATION ABOUT THE PERSONS INCLUDED INTO THE COMPOSITION OF THE BODIES FOR CONTROL OVER THE FINANCIAL AND ECONOMIC ACTIVITY OF THE SLAVNEFT GROUP MAIN ENTERPRISES..... | 48 |
| 1.7. AUTHORIZED CAPITAL | 49 |
| 1.7.1. INFORMATION ABOUT THE AUTHORIZED CAPITAL OF THE SLAVNEFT GROUP MAIN ENTERPRISES ... | 49 |
| 1.7.2. INFORMATION ABOUT MAJOR SHAREHOLDERS OWNING 5% AT LEAST OF VOTING SHARES/ INTERESTS OF THE SLAVNEFT GROUP MAIN ENTERPRISES AS OF THE REPORTING PERIOD END..... | 50 |
| 1.7.3. INFORMATION ABOUT THE RESERVE FUND OF THE SLAVNEFT GROUP MAIN ENTERPRISES..... | 51 |
| 1.7.4. INFORMATION ABOUT SECURITIES OF THE SLAVNEFT GROUP ENTERPRISES, INCLUDING INFORMATION ON PLACEMENT OF ISSUE-GRADE SECURITIES (EXCEPT FOR THE SHARES) IN THE REPORTING PERIOD..... | 52 |
| 1.8. INFORMATION ABOUT YIELD ON SECURITIES OF THE SLAVNEFT GROUP MAIN ENTERPRISES | 52 |
| 1.8.1. DIVIDEND POLICY OF THE SLAVNEFT GROUP MAIN ENTERPRISES | 52 |
| 1.8.2. EARNINGS PER SHARE OF THE SLAVNEFT GROUP MAIN ENTERPRISES FROM ORDINARY AND PREFERRED SHARES IN THE REPORTING YEAR (DECLARED DIVIDENDS)..... | 53 |
| 1.8.3. REPORT ON PAYMENT OF THE DECLARED (ACCRUED) DIVIDENDS ON SHARES/ INTERESTS OF THE SLAVNEFT GROUP ENTERPRISES | 53 |
| 1.9. INFORMATION ABOUT OBSERVANCE OF THE CORPORATE GOVERNANCE CODE BY THE SLAVNEFT GROUP MAIN ENTERPRISES | 54 |

| | |
|---|----|
| 2. Description of the Slavneft Group business | 56 |
|---|----|

| | |
|---|----|
| 2.1. PRIORITY TYPES OF THE SLAVNEFT GROUP BUSINESS | 57 |
| 2.1.1. BRIEF DESCRIPTION OF THE SLAVNEFT GROUP'S PRIORITY ACTIVITIES..... | 57 |
| 2.1.2. MAIN TYPES OF PRODUCTS, WORKS, SERVICES..... | 63 |
| 2.2. COMPANY'S BOARD REPORT ON RESULTS OF THE SLAVNEFT GROUP DEVELOPMENT BY PRIORITY TYPES OF THE BUSINESS ACTIVITY | 64 |
| 2.3. PROSPECTS FOR THE SLAVNEFT GROUP DEVELOPMENT. INFORMATION ON THE PROGRAMS (PROJECTS), WHICH ARE PLANNED TO BE IMPLEMENTED IN 2017..... | 65 |
| 2.4. SLAVNEFT GROUP'S POSITION IN THE INDUSTRY | 65 |
| 2.4.1. INDUSTRY SECTOR PROFILE OF THE SLAVNEFT GROUP ENTERPRISES | 65 |
| 2.4.2. MARKETS FOR SALE OF PRODUCTS (WORKS, SERVICES) OF THE SLAVNEFT GROUP ENTERPRISES... | 65 |
| 2.4.3. MAIN COMPETITORS OF THE SLAVNEFT GROUP ENTERPRISES | 66 |
| 2.5. UTILITIES CONSUMPTION BY THE SLAVNEFT GROUP ENTERPRISES | 66 |

| | |
|--|----|
| 3. Description of the main risk factors related the business of the Slavneft Group Enterprises | 67 |
|--|----|

| | |
|--|----|
| 3.1. INDUSTRY RISKS BY TYPES OF THE SLAVNEFT GROUP ENTERPRISES' BUSINESS | 68 |
| 3.2. FINANCIAL RISKS | 69 |
| 3.2.1. RISKS RELATED TO FUNDS RAISING..... | 69 |
| 3.2.2. RISKS RELATED TO CHANGE IN CURRENCY EXCHANGE RATES | 69 |
| 3.3. LEGAL RISKS..... | 69 |
| 3.4. OTHER RISKS RELATED TO THE BUSINESS OF THE SLAVNEFT GROUP ENTERPRISES | 70 |

| | |
|---|----|
| 4. Report on the financial and economic activity of the Slavneft Group Enterprises for 2016 | 71 |
|---|----|

| | |
|--|----|
| 4.1. KEY OPERATING AND ECONOMIC INDICATORS OF THE SLAVNEFT GROUP ENTERPRISES | 72 |
| 4.2. ANALYSIS OF THE SLAVNEFT GROUP FINANCIAL POSITION AND BRIEF EXPLANATORY NOTES TO THE 2016 FINANCIAL STATEMENTS PREPARED UNDER IFRS | 73 |
| 4.2.1. ANALYSIS OF CHANGES IN THE ASSETS/ LIABILITIES STRUCTURE OF THE SLAVNEFT GROUP IN 2016 | 73 |
| 4.2.2. ANALYSIS OF CHANGES IN THE INDICATORS OF THE SLAVNEFT GROUP PROFIT AND LOSS STATEMENT FOR 2016 | 74 |
| 4.3. ADDITIONAL FINANCIAL INDICATORS OF THE SLAVNEFT GROUP BUSINESS IN THE REPORTING PERIOD. | 75 |
| 4.3.1. INFORMATION ABOUT THE AMOUNT OF NET ASSETS OF THE SLAVNEFT GROUP ENTERPRISES | 75 |
| 4.3.2. INFORMATION ABOUT PROFIT APPLICATION IN THE REPORTING YEAR IN ACCORDANCE WITH THE RESOLUTIONS ON NET INCOME DISTRIBUTION AND COVER OF PRIOR YEAR LOSSES ADOPTED BY GENERAL SHAREHOLDERS' MEETINGS | 76 |
| 4.3.3. TAXES, LEVIES AND OTHER CHARGES PAID TO THE BUDGET BY THE SLAVNEFT GROUP ENTERPRISES IN THE REPORTING YEAR | 77 |

| | |
|---------------------------|----|
| 5. Information disclosure | 78 |
|---------------------------|----|

| | |
|---|----|
| 5.1. TRANSACTIONS MADE BY THE SLAVNEFT GROUP ENTERPRISES IN THE REPORTING YEAR AND RECOGNIZED AS MAJOR ONES UNDER FEDERAL LAW No.208 ON JOINT-STOCK COMPANIES DATED DECEMBER 26, 1995, AND OTHER TRANSACTIONS, TO WHICH THE MAJOR TRANSACTION APPROVAL PROCEDURE SHALL BE APPLIED IN LINE WITH ENTERPRISES' ARTICLES OF ASSOCIATION | 79 |
| 5.2. TRANSACTIONS MADE BY THE SLAVNEFT GROUP ENTERPRISES IN THE REPORTING YEAR AND RECOGNIZED AS RELATED-PARTY ONES UNDER FEDERAL LAW No.208 ON JOINT-STOCK COMPANIES DATED DECEMBER 26, 1995 | 79 |

| | |
|---|----|
| ATTACHMENT No.1 TO THE ANNUAL REPORT OF OAO NGK SLAVNEFT FOR 2016 | 80 |
|---|----|

MAIN PART

1. GENERAL INFORMATION

The Enterprises of OAO NGK Slavneft Group (the Slavneft Group) form the holding's vertically integrated structure that ensures the full operating cycle starting from field development and hydrocarbons production to feedstock refining.

Slavneft (the Company for this part of the Annual Report) is an oil production enterprise in this structure and also the company, which assets include major blocks of voting shares of oil production/ refining enterprises.

This Annual Report contains assessments and forecasts of the Company's authorized governing bodies regarding future events and/ or actions, development prospects in the economy sector where the Company carries out its main business, and regarding Company's performance results, including Company's plans, probability of definite events occurrence and certain actions fulfillment. Users of this Report shall not completely rely on the assessments and forecasts of the Company's governing bodies, since Company's actual performance results may differ from the forecasted ones for many reasons in future.

1.1. Information about the Company

| | | |
|----------|---|--|
| 1.1.1. | Full legal name: | Open Joint-Stock Oil and Gas Company Slavneft |
| 1.1.2. | Abbreviated legal name: | OAO NGK Slavneft |
| 1.1.3. | Location: | Moscow, Russian Federation |
| 1.1.3.1. | Post address: | 4-th Lesnoi pereulok, 4, Moscow, Russia, 125047 |
| 1.1.4 | Date of Company's state registration and registration number: | The Company was registered by the Moscow Registration Chamber on August 26, 1994; Registration Certificate No.033.530. Primary State Registration Number: 1027739026270 |

1.2. Company's branches and representative offices

Slavneft does not have any branches and representative offices.

1.3. Composition of the Company's Board of Directors

Information about the members of the Slavneft Board of Directors

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|---|---|
| 30.06.2015-30.06.2016 | 1. Vladimir G. Aladin 2. Vitaliy V. Baranov 3. Svetlana V. Gritskevich 4. Didier Casimiro 5. Rostislav R. Latysh 6. Eric Maurice Liron 7. Sergei A. Papenko 8. Anatoly M. Cherner 9. Vadim V. Yakovlev 10. Alexei V. Yankevich | The specified composition of the Company's Board of Directors was elected at the Annual General Meeting of Slavneft's Shareholders on June 30, 2015 (Minutes of Meeting No.50). The powers of this Board composition were terminated due to election of the Company Board's new composition at the Annual General Meeting of Slavneft's Shareholders on June 30, 2016 (Minutes of Meeting No.52). |
| 30.06.2016-31.12.2016 | 1. Vitaliy V. Baranov 2. Svetlana V. Gritskevich 3. Sergei G. Danilyuk 4. Didier Casimiro 5. Rostislav R. Latysh 6. Eric Maurice Liron 7. Sergei A. Papenko 8. Anatoly M. Cherner 9. Vadim V. Yakovlev 10. Alexei V. Yankevich | The specified composition of the Company's Board was elected at the Annual General Meeting of Slavneft's Shareholders on June 30, 2016 (Minutes of Meeting No.52). |

Background profile for the members of the Company's Board of Directors as of December 31, 2016:

Full name: **Vitaliy V. Baranov**

Status: **member of the Board of Directors**

Year of birth: **1966**

Education: **higher professional**

Information about the primary place of employment (company, job position):

PJSC Gazprom Neft, Deputy Chairman of the Management Board, Deputy CEO for Administration

Stake of this person in the Slavneft authorized capital: **none**

Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Svetlana V. Gritskevich**

Status: **member of the Board of Directors**

Year of birth: **1974**

Education: **higher professional**

Information about the primary place of employment (company, job position):

PJSC Rosneft Oil Company, Director of the Corporate Governance Department – Corporate Secretary

Stake of this person in the Slavneft authorized capital: **none**

Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Sergei G. Danilyuk**

Status: **member of the Board of Directors**

Year of birth: **1958**

Education: **higher professional**

Information about the primary place of employment (company, job position):

PJSC Rosneft Oil Company, Head of the Organizational and Analytical Directorate, Security Service (till July 2016)

Stake of this person in the Slavneft authorized capital: **none**

Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Didier Casimiro**

Status: **member of the Board of Directors**

Year of birth: **1966**

Education: **higher professional**

Information about the primary place of employment (company, job position):

PJSC Rosneft Oil Company, member of the Management Board, Vice President for Refining, Petrochemical, Commerce and Logistics

Stake of this person in the Slavneft authorized capital: **none**

Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Rostislav R. Latysh**

Status: **member of the Board of Directors**

Year of birth: **1973**

Education: **higher professional**

Information about the primary place of employment (company, job position):

PJSC Rosneft Oil Company, Director of the Consolidated Planning and Reporting Department

Stake of this person in the Slavneft authorized capital: **none**

Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Eric Maurice Liron**
Status: **member of the Board of Directors**
Year of birth: **1954**
Education: **higher professional**
Information about the primary place of employment (company, job position):
PJSC Rosneft Oil Company, member of the Management Board, First Vice President
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Sergei A. Papenko**
Status: **member of the Board of Directors**
Year of birth: **1973**
Education: **higher professional**
Information about the primary place of employment (company, job position):
PJSC Gazprom Neft, Head of the Department for Business Performance and Liaison with Joint Ventures
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Anatoly M. Cherner**
Status: **member of the Board of Directors**
Year of birth: **1954**
Education: **higher professional**
Information about the primary place of employment (company, job position):
PJSC Gazprom Neft, Deputy Chairman of the Management Board, Deputy CEO for Logistics, Processing and Sales
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Vadim V. Yakovlev**
Status: **member of the Board of Directors**
Year of birth: **1970**
Education: **higher professional**
Information about the primary place of employment (company, job position):
PJSC Gazprom Neft, Deputy Chairman of the Management Board, First Deputy CEO
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Full name: **Alexei V. Yankevich**
Status: **member of the Board of Directors**
Year of birth: **1973**
Education: **higher professional**
Information about the primary place of employment (company, job position):
PJSC Gazprom Neft, member of the Management Board, Deputy CEO for Economics and Finance
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

In the reporting year, the members of the Company's Board of Directors didn't settle any transactions on acquisition or sale of Slavneft's shares.

1.4. Information about the person holding the position of the Sole Executive Body and members of the Collegial Executive Body¹

1.4.1. Sole Executive Body

Information about the person holding the position of the Slavneft Sole Executive Body:

Job position: **President**

Full name: **Mikhail L. Osipov**

Year of birth: **1961**

Education: **higher professional**

Information about the primary place of employment (company, job position):

OA O NGK Slavneft, President, Chairman of the Management Board

Stake of this person in the Slavneft authorized capital:

none

Interest of Slavneft's ordinary shares held by this person:

none

1.4.2. Collegial Executive Body

Information about the members of the Slavneft Collegial Executive Body as of December 31, 2016:

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. June 29, 2015

(Minutes of Meeting No.5)

Full name: **Mikhail L. Osipov**

Status: **Chairman of the Management Board**

Year of birth: **1961**

Education: **higher professional**

Information about the primary place of employment (company, job position):

OA O NGK Slavneft, President

Stake of this person in the Slavneft authorized capital:

none

Interest of Slavneft's ordinary shares held by this person:

none

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. May 21, 2015
(Minutes of Meeting No.4)

Full name: **Alexei V. Bureyev**

Status: **member of the Management Board**

Year of birth: **1967**

Education: **higher professional**

Information about the primary place of employment (company, job position):

OA O NGK Slavneft, Manager of the Accounting and Tax Control Block

Stake of this person in the Slavneft authorized capital:

none

Interest of Slavneft's ordinary shares held by this person:

none

¹ Information about the person holding the position (exercising the powers) of the Sole Executive Body, about the members of the Company's Collegial Executive Body is included into the Annual Report while meeting the requirements of the RF legislation related to personal data.

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. April 17, 2013
(Minutes of Meeting No.3)
Full name: **Andrei V. Kovalenko***
Status: **member of the Management Board**
Year of birth: **1976**
Education: **higher professional**
Information about the primary place of employment (company, job position):
OAo NGK Slavneft, Vice President for Economics and Finance (till August 2015; the job position is specified as of the appointment date)
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. April 17, 2013
(Minutes of Meeting No.3)
Full name: **Vladimir V. Krylov***
Status: **member of the Management Board**
Year of birth: **1955**
Education: **higher professional**
Information about the primary place of employment (company, job position):
OAo NGK Slavneft, Vice President for Downstream (till May 2015; the job position is specified as of the appointment date)
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. April 17, 2013
(Minutes of Meeting No.3)
Full name: **Ilya B. Medvedev***
Status: **member of the Management Board**
Year of birth: **1970**
Education: **higher professional**
Information about the primary place of employment (company, job position):
OAo NGK Slavneft, Vice President for Administration (till August 2015; the job position is specified as of the appointment date)
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

Appointed in accordance with the resolution of the Slavneft Board of Directors dd. February 07, 2013, (Minutes of Meeting No.10)
Full name: **Andrei N. Trukhachev**
Status: **member of the Management Board**
Year of birth: **1964**
Education: **higher professional**
Information about the primary place of employment (company, job position):
OAo NGK Slavneft, Vice President for Corporate Relations and Administration
Stake of this person in the Slavneft authorized capital: **none**
Interest of Slavneft's ordinary shares held by this person: **none**

In the reporting year, the members of the Company's Management Board didn't settle any transactions on acquisition or sale of Slavneft's shares.

*** Information after the reporting date:**

1. The powers of A.V. Kovalenko, V.V. Krylov, I.B. Medvedev were terminated in accordance with the resolution of the Slavneft Board of Directors dd. January 27, 2017 (Minutes of Meeting No.5).
2. Appointed in accordance with the resolution of the Slavneft Board of Directors dd. January 27, 2017, (Minutes of Meeting No.5)

Full name: **Konstantin S. Karabadzhak**

Status: **member of the Management Board**

Year of birth: **1975**

Education: **higher professional**

Information about the primary place of employment (company, job position):

OA O NGK Slavneft, Vice President for Economics and Finance

Stake of this person in the Slavneft authorized capital:

none

Interest of Slavneft's ordinary shares held by this person:

none

In the reporting year, K.S. Karabadzhak, member of the Company's Management Board, didn't settle any transactions on acquisition or sale of Slavneft's shares.

1.5. Main Provisions of the Slavneft Remuneration and (or) Expenses Reimbursement Policy. Information about Remuneration to the Slavneft Governing Bodies

Information on the criteria and ground for determining the remuneration (expenses reimbursement) amount to be paid to the person holding the position of the Sole Executive Body and members of the Collegial Executive Body:

The amount, procedure and conditions of remuneration payment (expenses reimbursement) to the person holding the position of the Sole Executive Body and members of the Company's Collegial Executive Body are stipulated by terms and conditions of the labor contracts made between the Company and specified officers.

Signing of these labor contracts, including determination of the amount, procedure and conditions of remuneration payment (expenses reimbursement) to the above-mentioned officers, falls within the competence of the Company's Board of Directors.

Information on the criteria and ground for determining the remuneration (expenses reimbursement) amount to be paid to the members of the Company's Board of Directors:

The Regulations on the Company's Board of Directors envisage the procedure for determining the amount of remuneration to be paid to the Board's members and for determining the amount of expenses to be reimbursed to them for exercising the functions of the Board's members. Remunerations are paid and (or) expenses related to exercising the functions of the Board's members are reimbursed to the Board's members upon the resolution adopted by the General Meeting of Company's Shareholders.

| 2016 | Salary, RUB | Bonus, RUB | Benefits and/ or expenses reimbursement, RUB | Other remuneration payments, RUB | Remuneration payments for exercising the functions of governing bodies' members | Remuneration payments, total, RUB |
|---|-------------|------------|--|----------------------------------|---|-----------------------------------|
| Members of the Collegial Executive Body | 75,919,607 | 83,496,661 | - | - | - | 159,416,268 |
| Members of the Board of Directors | - | - | - | - | - | - |

Within the reporting period, the General Meeting of Company's Shareholders did not consider the items on remuneration payment and (or) expenses reimbursement to the members of the Slavneft Board of Directors.

1.6. Information about the persons included into the composition of the Company's financial and operating activity control bodies

Name of the body that controls Slavneft's financial and operating activity: **Audit Commission**

In accordance with the resolution adopted at the Annual (under the 2015 performance results) General Meeting of Slavneft's Shareholders on June 30, 2016, the Audit Commission consisting of the following 6 (six) persons was elected:

1. **Roman V. Babich**
2. **Galina Yu. Delvig**
3. **Andrei N. Melnikov**
4. **Margarita I. Mironova**
5. **Yuri L. Moshkin**
6. **Marat Kh. Salekhov**

1.7. Company's Authorized Capital

1.7.1. Information about the authorized capital

| | |
|---|--------------------|
| Authorized capital amount: | 4,754,238 RUB |
| Par value of ordinary shares: | 0.1 kopeks |
| Number of outstanding ordinary registered uncertified shares (ea)/ %: | 4,754,238,000/100% |
| The Company didn't issue preferred shares | |
| During the reporting period, the resolution on changing the Company's authorized capital amount was not passed. | |

1.7.2. Information about major shareholders owning 5% at least of the Company's voting shares as of the reporting period end

| Full legal name/ status of a major shareholder | Abbreviated legal name | Taxpayer identification number | Location | Stake in the Company's authorized capital | Interest of issuer's ordinary shares owning to this shareholder |
|--|-------------------------|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Limited Liability Company Invest Oil | LLC Invest-Oil | 5029065916 | st. Profsoyuznaya 125, Moscow, Russian Federation, 117647 | 86.5342% | 86.5342% |
| Select Holdings Limited | SELECT HOLDINGS LIMITED | Not applicable. The entity is not an RF resident. | Agiou Tychona, 70, Agios Tychonas, 4521, Limassol, Cyprus | 7.7037% | 7.7037% |

1.7.3. Information about the Company's reserve fund

In accordance with the Slavneft Articles of Association, the Company established the reserve fund in the amount of 100% of the authorized capital, which is equal to RUB 4,754 ths.

The reserve fund was established in full as of the reporting period end.

The reserve fund was not used in the reporting year.

1.7.4. Information about Company's securities, including information on placement of Company's issue-grade securities (except for the shares) in the reporting period

In 2016, Slavneft didn't issue securities.

1.8. Information about Yield on Company's Securities

1.8.1. Company's dividend policy

Dividends are paid out from the Company's net income.

Resolutions on payment (declaration) of dividends on the shares of each category, the dividend amount and form of its payment are adopted by the General Meeting of Shareholders. The dividend amount may not exceed the amount recommended by the Company's Board of Directors.

The dividends are paid out in monetary terms.

When adopting the resolution on dividend payment (declaration), the Company follows the rules specified in Chapter 5 of the Federal Law on Joint-Stock Companies and provisions of the Slavneft Articles of Association.

1.8.2. Earnings per share from ordinary and preferred shares in the reporting year (declared dividends)

| Security type | Yield on securities in the reporting period | |
|-----------------|---|------------------|
| | Amount (RUB) | % to a par value |
| Ordinary share | 0 | 0 |
| Preferred share | The Company didn't issue preferred shares | |

1.8.3. Report on payment of the declared (accrued) dividends on Company's shares

On June 30, 2016 (Minutes of Meeting No.52 dd. July 05, 2016), the Annual General Meeting of Company's Shareholders adopted the resolution not to pay the dividends on Slavneft's ordinary shares under performance results of the 2015 financial year.

The General Meeting of Company's Shareholders did not pass resolutions on payment of interim dividends (under QI/ HI/ 9-month performance results) in the reporting period.

Slavneft's obligations on dividend payment were fulfilled except for the cases when the Company doesn't bear any responsibility therefor in accordance with Article 44 of the Federal Law on Joint-Stock Companies. Dividends were not paid out to the persons, who are entitled to receive dividends for the respective period, but who don't promptly notify the keeper of the Register of Company's Shareholders about changes in their data.

1.9. Information on observance of the Corporate Governance Code principles and recommendations by the Company

The Code of Corporate Conduct (Governance) of Open Joint-Stock Oil and Gas Company Slavneft was approved in the Company (resolution of the Slavneft Board of Directors dd. November 17, 2008, Minutes of Meeting No.1).

To review the above-mentioned Code, please follow the link:
http://www.slavneft.ru/upload/doc/corp_behav_codex.pdf.

Open Joint-Stock Oil and Gas Company Slavneft adheres to corporate governance principles based on the provisions of the respective Russian legislation, the Russian Code of Corporate Governance recommended by Letter No.06-52/2463 of the Bank of Russia dd. April 10, 2014 (hereinafter referred to as the Corporate Governance Code), as well as applicable international corporate governance standards.

The report on observance of the Corporate Governance Code principles and recommendations reflects the information and assessments related to observance of the Corporate Governance Code principles and recommendations by the Company and reasons for partial observance/non-observance of the above-mentioned principles (Attachment No.1 hereto).

Observance of the corporate governance principles in the Company was assessed using the following procedure: Slavneft had developed a questionnaire on the basis of the corporate governance principles and recommendations to these principles set forth in the Corporate Governance Code. The questionnaire consists of 7 sections. The content of these sections reflects the corporate governance principles and recommendations thereto.

Scores for observance of the Corporate Governance Code principles and recommendations were determined:

- Observed;
- Partially observed;
- Not observed.

In December 2016, the RAEX (Expert RA) rating agency confirmed the A+.gq management quality rating for Slavneft that means the Very High Management Quality Level.

RAEX experts highlighted arrangement of the activity of the Board of Directors and its committees, as well as arrangement of the activity of Company's executive bodies among the positive aspects of Slavneft's management practice. Besides, the Slavneft financial results, effective risk management and high level of Company's information transparency had a positive impact on the expert opinion.

The management quality rating is a comprehensive assessment of the Company's activity and expresses the Expert RA opinion on how the management quality system enables to observe and protect stakeholders' rights. The rating scale includes assessments from C.gq (the low management quality rating) up to A++gq (the highest management quality level). You can find the rating assignment methods on the Agency's official website: <http://www.raexpert.ru/ratings/corporate/method/>.

The corporate governance system, which is in effect in Slavneft, is aimed to ensure making of effective managerial decisions that facilitate the Company's progressive and sustainable development in the interests of all shareholders.

The General Shareholders Meeting is the Company's supreme governing body in accordance with the Slavneft Articles of Association.

The Board of Directors carries out strategic management of the Company's business (http://slavneft.ru/company/corporate/management/board_of_directors/).

The Board of Directors established the Audit Committee and the Staff and Remuneration Committee. The Committees' activities are of advisory and consultative nature and serve to ensure the efficient function performance by the Board of Directors.

The President (sole executive body) and the Management Board (collegial executive body) are responsible for management of Slavneft's current business.

The Slavneft corporate governance practice includes three main components:

- Informational transparency;
- Guarantee of ownership rights;
- Activity of governing and control bodies.

2. DESCRIPTION OF THE SLAVNEFT BUSINESS

2.1. Priority types of the Company's business

2.1.1. Brief description of the Slavneft priority activities

Slavneft is a part of the vertically integrated oil and gas holding. The Holding structure ensures the full operating cycle starting from hydrocarbons exploration and production to feedstock refining and products sale.

The main (priority) types of the Company's business are as follows:

- Crude oil and gas production;
- Management of holding companies.

Resource base

Slavneft holds the license for development of the Achimovsky license area. As of January 01, 2017, AB₁ remaining recoverable oil reserves in the Achimovsky LA made 30.694 million tons.

Oil production

In the reporting period, Slavneft produced 574.830 thousand tons of crude oil.

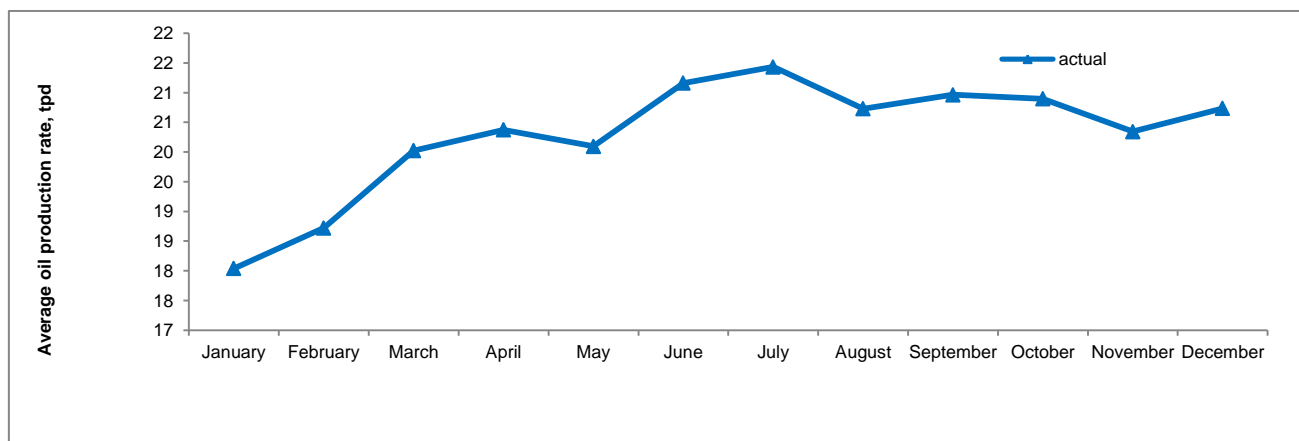
Year-to-date, Slavneft placed 19 new wells on production with the average production rate of 53.3 tpd. The incremental oil production from the new wells made 156.969 thousand tons.

Table 1. Oil production

| Enterprise | 2015 | 2016 | thousand tons 2016/2015 variance |
|-------------------|-------|-------|--|
| OA O NGK Slavneft | 438.1 | 574.8 | 131.2% |

In the reporting period, the average oil production rate from the wells was equal to 20.3 tpd.

Figure 1. Dynamics of the average oil production rate for Slavneft



In the reporting period, the oil water cut made 80.5%.

Oil delivery

In 2016, Slavneft delivered 575.142 thousand tons of crude oil that is 30.6% more than the volume of oil delivered during the similar period of the previous year.

Table 2. Oil delivery

| | | | thousand tons |
|------------------|-------|---------|-----------------------|
| Enterprise | 2015 | 2016 | 2016/2015 variance |
| OAo NGK Slavneft | 440.3 | 575.142 | 130.6% |

In the reporting period, gas production was recorded at the level of 1.8 mln m³.

As of January 01, 2017, the Slavneft operating well stock included 98 wells; the idle well stock consisted of 11 wells (10% of the operating well stock).

Actual indicators of the production (works, services) volume in monetary and physical terms

| Indicator | UoM | 2015 | 2016 |
|--------------------------|---------|----------|----------|
| Revenue (less VAT) | RUB mln | 11,211.9 | 13,301.4 |
| Revenue from main sales | RUB mln | 5,397.2 | 7,102.9 |
| Crude oil | RUB mln | 5,397.1 | 7,102.7 |
| Gas | RUB mln | 0.1 | 0.1 |
| Revenue from other sales | RUB mln | 5,814.7 | 6,198.5 |

2.1.2. Main types of products, works, services

- Crude oil production – 574.8 thousand tons
- Crude oil sale – 575.142 thousand tons
- Services for shipment of commercial petroleum products – 12,635.23 thousand tons

2.2. Report of the Slavneft Board of Directors on results of the Company's development by priority business types

The Slavneft Investment Program is focused on decreasing the oil production decline rates, developing the resource base, enhancing the exploration efficiency. In 2016, the CAPEX for Upstream made RUB 2,677.2 mln.

| Program (project) name | Project goal | Actual expenses for the project in the reporting year (RUB ths) | Brief information about goal achievement/ about work progress – for uncompleted projects |
|--|--|---|--|
| Development drilling | Maintenance of production volumes | 2,008,781 | Funds were spent in full |
| Preparatory works and well development | Maintenance of production volumes | 213,866 | Funds were spent in full |
| Pipelines | Construction of new pipelines and goal-oriented program "Pipeline Reliability Enhancement" | 105,481 | Funds were spent in full |
| Site facilities | Maintenance of site facilities integrity | 25,467 | Funds were spent in full |
| Power facilities | Maintenance of power facilities integrity | 19,898 | Funds were spent in full |

| Program (project) name | Project goal | Actual expenses for the project in the reporting year (RUB ths) | Brief information about goal achievement/ about work progress – for uncompleted projects |
|------------------------|-------------------------------------|---|--|
| Other | Maintenance of operating activities | 303,689 | Funds were spent in full |
| Total | | 2,677,181 | |

2.3. Prospects for the Company's development. Information about programs (projects), which are planned for implementation in 2017

The total amount of investments planned for 2017 is equal to RUB 4,059.9 ths, including:

| Promising activities | Due date | Implementation goal |
|--|----------|---|
| 1. Actions focused on development and upgrading of production facilities. CAPEX planned for 2017 – RUB 3,873 mln | | |
| <i>Including:</i> | | |
| Development drilling | 2017 | Incremental oil production |
| Sidetracking | | Incremental oil production |
| Infrastructure for development | | Production volume increase (support of crude oil production from new wells, development of production facilities) |
| 2. Other actions, which ensure reliable and safe operation of enterprises. CAPEX planned for 2017 – RUB 186.9 mln | | |
| <i>Including:</i> | | |
| Site facilities | 2017 | Perform a set of works for construction and revamping of site facilities |
| Power facilities | | Maintain the integrity of power facilities |
| Failed, out-of-service equipment | | Replacement of failed, out-of-service equipment; support of new well commissioning |
| Other support | 2017 | Reliable and safe operation of facilities; fulfillment of license requirements |

2.3.1 Social programs

Package of social programs aimed at covering the social losses, financing the actions prescribed by the collective agreement, payments to the trade union committee, and corporate programs - RUB 15.827 mln

| | | |
|--|------|--|
| <i>Including:</i> | | |
| Social benefits and expenses from income | 2017 | Within implementation of the HR policy, for ensuring the social support of Company's employees |
| Social benefits and expenses from cost | | |
| Charity and sponsor support | | |

2.4. Company's position in the industry

2.4.1. Industry sector profile of the Company

| OKVED (Russian Classifier of Economic Activities) | |
|---|--|
| 06.10 | Production of crude oil and petroleum (associated) gas |
| 70.10.2 | Activity for management of holding companies |
| 19.20 | Manufacturing of petroleum products |
| 47.30 | Retail sales of motor fuel in specialized shops |
| 46.12.1 | Activity of agents for wholesale of solid, liquid, gaseous fuel, and related products |
| 46.71.2 | Wholesale of motor fuel, including aviation gasoline |
| 46.90 | Unspecialized wholesale |
| 47.99 | Other non-shop/ non-stall/ non-market retailing |
| 64.99 | Rendering of other financial services not included into other groups, except for insurance services and pension support |
| 66.11.2 | Management and control over the activity of stock exchange, commodity exchange, currency exchange, currency and stock exchange |
| 72.19 | Research and development in the field of natural and engineering sciences |
| 73.20.1 | Research of the market environment |
| 71.12.3 | Exploration, geophysical and geochemical works in the field of subsurface studies and resource base replenishment |
| 73.11 | Activity of advertising agencies |

2.4.2. Markets for sale of Company's products (works, services)

Slavneft sells crude oil and associated petroleum gas, renders services for arrangement of oil transportation through the system of PJSC Transneft in the domestic market of the Russian Federation. Main buyers (consumers), which procure 10% and more of Slavneft's products (works, services), are legal entities registered in the Russian Federation.

Information by regions of buyer's presence

| Product | % in the total volume of revenue from sales |
|---|---|
| Crude oil is sold to producers' metering stations in West Siberia. | 100 |
| Associated petroleum gas is sold in West Siberia. | 100 |
| Services for arrangement of crude oil delivery and transportation are rendered in Moscow. | 100 |

2.4.3. Main competitors

In 2016, approximately 240 companies produced crude oil in Russia. About 95% of the total production volume equal to 548 million tons fell to 11 largest vertically integrated companies.

In 2016, the crude oil production volume was distributed among the largest vertically integrated companies in the following way:

| Company | 2016* | million tons |
|---------------------------------------|-------|--------------|
| PJSC LUKOIL | 83 | |
| OJSC Surgutneftegas | 62 | |
| PJSC Tatneft named after V.D. Shashin | 29 | |
| PJSC Bashneft Oil Company | 21 | |
| OAo NGK Slavneft (group) | 15 | |

| | |
|--------------------------|---|
| JSC RussNeft Oil Company | 7 |
|--------------------------|---|

* According to the data published in V.D. Andrianov's article "Vertically Integrated Companies: Crude Oil Production, Refining and Export" (February 08, 2017)

2.5. Utilities consumption

When performing the main business in 2016, the Company consumed the following types of utilities purchased from suppliers:

| Type of utilities | Consumption volume in physical terms | UoM | Consumption in RUB ths |
|-----------------------|--------------------------------------|------|------------------------|
| Nuclear power | not consumed | | |
| Thermal power | 703 | Gcal | 930 |
| Electric power | 714,854 | kW*h | 2,921 |
| Motor gasoline | 8,753 | l | 263 |
| Diesel oil | 25,303 | l | 735 |
| Electromagnetic power | not consumed | | |
| Crude oil | | | |
| Fuel oil | | | |
| Natural gas | | | |
| Coal | | | |
| Combustible shale | | | |
| Peat | | | |
| Other | | | |

3. DESCRIPTION OF MAIN RISK FACTORS RELATED TO THE COMPANY'S BUSINESS

3.1. Industry risks by types of the Company's business

Slavneft holds the license for exploration, prospecting and production of raw hydrocarbons at the Achimovsky LA in the Khanty-Mansi Autonomous Area-Yugra.

Company's proved oil reserves, which comply with the definitions of such reserves specified in the rules and regulations of the US Securities and Exchange Commission (SEC), made 7.480 million tons and 7.945 million tons as of January 01, 2016 and as of January 01, 2017, respectively. Considering the 2016 oil production (0.575 million tons), the oil reserves increment for 2016 amounted to 1.04 million tons.

Slavneft assigns a high priority to development of the resource base and oil production. The Company's enterprises use the high-performance subsurface exploration methods. Slavneft strives for reducing the oil production decrease rates by increasing the operating well stock and by fulfilling a full range of wellwork jobs, including, along with development drilling, hydraulic fracturing, sidetracking, inflow stimulation, recompletion, and other jobs.

3.2. Financial risks

3.2.1. Risks related to funds raising

The portfolio of Slavneft's borrowed funds mainly consists of long-term loans denominated in rubles. Interest rates on a part of loans are not fixed and change depending on the level of the Bank of Russia key rate. The increase in these interest rates may cause the appreciation of Company's debt servicing. The rise in loan costs may have a negative impact on financial solvency and liquidity indicators. For management of the interest rate risk, Slavneft diversifies the debt portfolio by including instruments with the fixed and floating interest rates therein.

Slavneft ensures availability of the sufficient funds for proper execution of loan commitments. No facts of failure to execute the Company's loan commitments in due time were discovered.

3.2.2. Risks related to change in currency exchange rates

All revenues of Slavneft are denominated in Russian rubles. Main expenses and financial liabilities are also denominated in Russian rubles. The risk related to change of foreign currency exchange rates against the Russian ruble doesn't have any significant impact on the Company's business.

3.3. Legal risks

As of December 31, 2016, the Company didn't have any material court proceedings that may have an impact on its financial and economic activity.

On a regular basis, Slavneft monitors verdicts delivered by Supreme Courts, assesses trends in the law enforcement practice developed at the level of district commercial courts, and actively uses this practice not only during protection of its rights and legal interests through judicial proceedings, but also during settlement of law matters that arise in the course of Company's normal business. Thus, the risks related to changes in the judicial practice are believed to be negligible.

No restrictions were imposed on the Company's business; no Slavneft property was seized.

3.4. Other risks related to the Company's business

Slavneft takes all the actions necessary for receiving licenses, keeping them in force, and mitigating the probability of license suspension, change or withdrawal; the Company also implements the programs aimed at fulfillment of license obligations.

At the moment of this Report preparation, Slavneft did not have any risks, which might significantly influence the Company's business and which were related to the probability of incurring the liability for third parties' debts, under which a surety, guarantee, and surety for a bill had been granted.

The Company's operating activity, which covers exploration of oil and gas fields, drilling of new wells and maintenance of active well performance, is a complicated process associated with a wide range of technical risks.

Slavneft's sustainable work for PP&E maintenance and upgrading, recruitment of highly qualified specialists and cooperation with the leading Russian and international scientific organizations specialized in the oil industry enabled to mitigate the impact of technical risks on the Company's operating processes.

Facilities are regularly assessed for their conformance to the applicable industrial safety laws and regulations; the actual condition of the equipment, technical devices and pipelines is inspected. Programs and methods for industrial and occupational safety training and certification of the Slavneft personnel, including the programs and methods for incident/emergency response activities, are constantly enhanced and supported.

Company's operating activities have a significant impact on the environment. Slavneft envisages the actions, which are necessary for execution of all jobs in line with the requirements of the environment protection legislation, carries out the intensive work focused on enhancing environmental safety of the production facilities.

In order to prevent oil spillage and soil contamination, the Company fulfills regular jobs on ensuring the field pipeline integrity. Slavneft developed and is implementing the Action Program on Associated Gas Utilization Enhancement to meet the legislation requirements about 95% associated gas utilization by oil production companies and to mitigate the risk of penalties for associated gas excessive flaring.

The important lines of the Company's activity are as follows:

- Permanent improvement of the HSE status, guarantee of control over fulfillment of HSE obligations;
- Continuous decrease in the indicators of occupational injuries, accidents and environment adverse impact;
- Increase in industrial and environmental safety of the production facilities.

Slavneft performs the risk insurance in accordance with the RF legislation requirements.

4. REPORT ON THE COMPANY'S FINANCIAL AND ECONOMIC ACTIVITY FOR THE REPORTING PERIOD

4.1. Key operating and economic indicators

| No. | Indicator | UoM | 2016 | 2015 | Variance (ea) | Variance (%) |
|-----|---|--------------------|------------|------------|---------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Raw hydrocarbons production: | | | | | |
| 1.1 | Crude oil and gas condensate | ths tons | 574.8 | 438.1 | 136.7 | 31.2 |
| 1.2 | Associated petroleum gas (APG) | mln m ³ | 1.8 | 2.4 | -0.6 | -25.0 |
| 2 | Process losses during crude oil production | ths tons | 0.2 | 0.2 | 0.0 | 0.0 |
| 3 | Crude oil delivery to PJSC Transneft | ths tons | 575.1 | 440.3 | 134.8 | 30.6 |
| 4 | Average oil well rate | tpd | 20.4 | 18.7 | 1.7 | 9.1 |
| 5 | Active well stock | well | 91.0 | 75.0 | 16.0 | 21.3 |
| 6 | Revenue from sales, including: | RUB ths | 13,301,375 | 11,211,893 | 2,089,482 | 18.6 |
| 6.1 | from crude oil sale | RUB ths | 7,102,726 | 5,397,074 | 1,705,652 | 31.6 |
| 7 | Revenue from crude oil sale per ton of the oil produced | RUB/t | 12,357 | 12,319 | 38 | 0.3 |
| 8 | Production costs (cost, G&A, selling), including: | RUB ths | 12,613,094 | 11,938,487 | 674,607 | 5.7 |
| 8.1 | oil and gas production costs (cost, G&A, selling, excluding MET and amortization) | RUB ths | 2,115,136 | 2,316,109 | -200,973 | -8.7 |
| 9 | Costs per ton of the oil produced | RUB/t | 3,680 | 5,287 | -1,607 | -30.4 |
| 10 | Net income/ loss | RUB ths | 10,241,809 | 2,645,840 | 7,595,969 | 287.1 |
| 11 | Net income/ loss to revenue | % | 77 | 24 | 53 | 220.8 |

4.2. Analysis of the Company's financial position and brief explanatory notes to the Slavneft Financial Statements for the reporting period

4.2.1 Analysis of change in the structure of Company's assets and liabilities for the reporting period

| Line of Form No.1 | Line code | Variance in physical terms (RUB ths) | | | | Variance of the specific weight in assets and liabilities, % | | |
|-----------------------|-----------|--------------------------------------|----------------------|----------|--|--|--|-----------------------------|
| | | As of the period beginning | As of the period end | Variance | Variance in % against the period beginning | Specific weight in assets/ liabilities as of the period beginning, % | Specific weight in assets/ liabilities as of the period end, % | Specific weight variance, % |
| I. Non-current assets | | | | | | | | |
| Intangible assets | 1110 | 244,415 | 221,197 | -23,218 | -9.50 | 0.58 | 0.46 | -0.12 |

| Line of Form No.1 | Line code | Variance in physical terms (RUB ths) | | | | Variance of the specific weight in assets and liabilities, % | | |
|---|-----------|--------------------------------------|----------------------|------------|--|--|--|-----------------------------|
| | | As of the period beginning | As of the period end | Variance | Variance in % against the period beginning | Specific weight in assets/ liabilities as of the period beginning, % | Specific weight in assets/ liabilities as of the period end, % | Specific weight variance, % |
| PP&E | 1150 | 6,918,020 | 8,473,872 | 1,555,852 | 22.49 | 16.53 | 17.68 | 1.15 |
| Financial investments (as part of non-current assets) | 1170 | 18,831,917 | 18,004,169 | -827,748 | -4.40 | 45.00 | 37.56 | -7.44 |
| Deferred tax assets | 1180 | 3,933,097 | 3,933,303 | 206 | 0.01 | 9.40 | 8.21 | -1.19 |
| Other non-current assets | 1190 | 118,793 | 118,793 | 0 | 0.00 | 0.28 | 0.25 | -0.04 |
| II. Current assets | | | | | | | | |
| Inventory | 1210 | 84,859 | 119,660 | 34,801 | 41.01 | 0.20 | 0.25 | 0.05 |
| Value added tax on purchased assets | 1220 | 139,242 | 162,031 | 22,789 | 16.37 | 0.33 | 0.34 | 0.01 |
| Accounts receivable | 1230 | 10,975,037 | 2,890,635 | -8,084,402 | -73.66 | 26.23 | 6.03 | -20.20 |
| Financial investments (except cash equivalents) | 1240 | 0 | 13,884,995 | 13,884,995 | - | 0.00 | 28.97 | 28.97 |
| Cash and cash equivalents | 1250 | 601,402 | 120,604 | -480,798 | -79.95 | 1.44 | 0.25 | -1.19 |
| Total assets | 1600 | 41,846,782 | 47,929,259 | 6,082,477 | 14.54 | - | - | - |
| III. Equity and reserves | | | | | | | | |
| Authorized capital (pooled capital, charter capital, partners' contributions) | 1310 | 4,754 | 4,754 | 0 | 0.00 | 0.01 | 0.01 | 0.00 |
| Additional paid-in capital | 1350 | 1,977,373 | 1,977,373 | 0 | 0.00 | 4.73 | 4.13 | -0.60 |
| Reserve capital | 1360 | 4,754 | 4,754 | 0 | 0.00 | 0.01 | 0.01 | 0.00 |
| Retained earnings (uncovered loss) | 1370 | 7,073,834 | 17,315,643 | 10,241,809 | 144.78 | 16.90 | 36.13 | 19.22 |
| IV. Non-current liabilities | | | | | | | | |
| Loans and borrowings | 1410 | 11,507,276 | 8,143,462 | -3,363,814 | -29.23 | 27.50 | 16.99 | -10.51 |
| Deferred tax liabilities | 1420 | 134,925 | 96,142 | -38,783 | -28.74 | 0.32 | 0.20 | -0.12 |
| Estimated liabilities | 1430 | 183,752 | 236,933 | 53,181 | 28.94 | 0.44 | 0.49 | 0.06 |
| Other liabilities | 1450 | 3,599,522 | 4,423,534 | 824,012 | 22.89 | 8.60 | 9.23 | 0.63 |

| Line of Form No.1 | Line code | Variance in physical terms (RUB ths) | | | | Variance of the specific weight in assets and liabilities, % | | |
|------------------------|-----------|--------------------------------------|----------------------|------------|--|--|--|-----------------------------|
| | | As of the period beginning | As of the period end | Variance | Variance in % against the period beginning | Specific weight in assets/ liabilities as of the period beginning, % | Specific weight in assets/ liabilities as of the period end, % | Specific weight variance, % |
| V. Current liabilities | | | | | | | | |
| Loans and borrowings | 1510 | 11,510,216 | 9,098,863 | -2,411,353 | -20.95 | 27.51 | 18.98 | -8.52 |
| Accounts payable | 1520 | 5,351,913 | 6,211,101 | 859,188 | 16.05 | 12.79 | 12.96 | 0.17 |
| Estimated liabilities | 1540 | 494,807 | 414,243 | -80,564 | -16.28 | 1.18 | 0.86 | -0.32 |
| Other liabilities | 1550 | 3,656 | 2,457 | -1,199 | -32.80 | 0.01 | 0.01 | 0.00 |
| Total liabilities | 1700 | 41,846,782 | 47,929,259 | 6,082,477 | 14.54 | - | - | - |

The decrease in *Intangible Assets* (line 1110) by RUB 23,218 ths is caused by accrual of amortization for the subsurface exploration and hydrocarbons production licenses.

The main reason for the increase in *PP&E* (line 1150) by RUB 1,555,852 ths is commissioning of facilities (including 26 wells of the operating stock) at the Achimovskoye oil field, but this increase was partially compensated by the amortization accrual.

The reduction in *Financial Investments* (line 1170) by RUB 827,748 ths mainly occurred due to transfer of the loan issued to OAO Slavneft-YaNOS to the category of short-term financial investments (line 1240); such transfer was triggered by change in the loan duration.

The main reason for the increase in *Inventory* (line 1210) by RUB 34,801 ths is creation of the current stock of spares for repair of rail tank cars.

The amount in the *Value-Added Tax on Purchased Assets* (line 1220) increased by RUB 22,789 ths mainly due to submission of the documents related to completed capital construction works as of the end of 2016.

The main reason for the decrease in *Accounts Receivable* (line 1230) by RUB 8,084,402 ths is repayment of the interest-free loans earlier granted to the Subsidiaries.

The amount in *Financial Investments* (line 1240) increased by RUB 13,884,995 ths due to granting of interest-bearing loans to the Subsidiaries.

The *Cash* balance (line 1250) reduced by RUB 480,798 ths mainly due to the decreased amounts of opened short-term deposits against the year beginning.

The main reason for the increase in *Retained Earnings* (line 1370) by RUB 10,241,809 ths is the 2016 financial result (net income).

The reduction in *Non-Current Loans and Borrowings* (line 1410) by RUB 3,363,814 ths was caused by repayment of some long-term loans and transfer of a part of long-term loans into the category of short-term ones.

The amount in *Deferred Tax Liabilities* (line 1420) decreased by RUB 38,783 ths mainly due to excess of the PP&E accounting amortization over the PP&E tax amortization resulting from accelerated amortization application to the assets operated in the aggressive environment in the previous periods.

The main reason for the increase in *Non-Current Estimated Liabilities* (line 1430) by RUB 53,181 ths is the liquidation provision growth due to commissioning of new facilities and change in the discount rate.

The amount in *Other Non-Current Liabilities* (line 1450) increased by RUB 824,012 ths due to the growth in long-term accounts payable to OAO SN-MNG resulting from the increased scope of well capital construction works accepted in the reporting period.

The reduction in *Current Loans and Borrowings* (line 1510) by RUB 2,411,353 ths is related to repayments of bank loans and loan interests.

The main reason for the increase in *Current Accounts Payable* (line 1520) by RUB 859,188 ths is the growth in short-term accounts payable to OAO SN-MNG resulting from the increased scope of well capital construction works accepted in the reporting period.

The reduction in *Estimated Liabilities* (line 1540) by RUB 80,564 ths is caused by adjustment of the provision for staff salaries and bonuses.

The main reason for the decrease in *Other Liabilities* (line 1550) by RUB 1,199 ths is writing-off of the unclaimed indebtedness related to the previous years.

4.2.2 Analysis of changes in the indicators of the Slavneft Profit and Loss Statement in the reporting period

RUB ths

| Line of Form No.2 | Line No. | In the reporting period | In the similar period of the previous year | Variance | Variance in %, against the previous period |
|--|----------|-------------------------|--|------------|--|
| Revenue | 2110 | 13,301,375 | 11,211,893 | 2,089,482 | 18.64 |
| Cost of sales | 2120 | -10,890,181 | -9,538,955 | -1,351,226 | 14.17 |
| Gross income (loss) | 2100 | 2,411,194 | 1,672,938 | 738,256 | 44.13 |
| Selling expenses | 2210 | - | - | - | |
| G&A expenses | 2220 | - 1,722,913 | -2,399,532 | 676,619 | -28.20 |
| Profit (loss) from sales | 2200 | 688,281 | -726,594 | 1,414,875 | -194.73 |
| Income from equity participation in other entities | 2310 | 3,676,027 | 5,563,596 | -1,887,569 | -33.93 |
| Interests receivable | 2320 | 1,090,441 | 1,004,386 | 86,055 | 8.57 |
| Interests payable | 2330 | -2,056,377 | -1,940,610 | -115,767 | 5.97 |
| Other income | 2340 | 7,320,160 | 677,627 | 6,642,533 | 980.26 |
| Other expenses | 2350 | -506,418 | -2,533,318 | 2,026,900 | -80.01 |
| Income (loss) before taxes | 2300 | 10,212,114 | 2,045,087 | 8,167,027 | 399.35 |
| Current income tax | 2410 | -7,478 | -53,223 | 45,745 | -85.95 |
| Net income (loss) | 2400 | 10,241,809 | 2,645,840 | 7,595,969 | 287.09 |

The increase in *Revenue* (line 2110) by RUB 2,089,482 ths is stipulated by the fact that the crude oil production and sales grew by 135 thousand tons.

The increase in *Cost of Sales* (line 2120) by RUB 1,351,226 ths is caused by the hydrocarbons production growth and the increase in tariffs for third-party's services.

The main reasons for the reduction in *General and Administrative Expenses* (line 2220) by RUB 676,619 ths is the personnel cost optimization and the decreased office rent cost due to the reduced rented area.

The decrease in *Income from Equity Participation in Other Entities* (line 2310) by RUB 1,887,569 ths is caused by the reduction in dividends received from Company's Subsidiaries and Affiliates against the previous year.

The main reason for the increase in *Interests Receivable* (line 2320) by RUB 86,055 ths is granting of interest-bearing loans to the Subsidiaries in the reporting period.

The amount in *Interests Payable* (line 2330) grew by RUB 115,767 ths due to the interest-bearing loan raising in the reporting period.

The main reason for the increase in *Other Income* (line 2340) by RUB 6,642,533 ths is receipt of the gratuitous financial aid from OOO Realizatsia-T (Company's Subsidiary).

The decrease in *Other Expenses* (line 2350) by RUB 2,026,900 ths is mainly caused by the reduction in exchange rate losses against the previous period.

The main reason for the reduction in the *Current Income Tax* (line 2410) by RUB 45,745 ths is decreased amount of the tax accrued and paid by the tax agent.

Considering all the above-mentioned factors, the net income for 2016 made RUB 10,241,809 ths that is RUB 7,595,969 ths more than the net income for 2015.

4.3. Additional financial indicators of the Slavneft business in the reporting period

4.3.1. Information on the amount of Company's net assets

| No. | Financial indicator | Indicator amount in the reporting period, RUB ths |
|-----|---|---|
| 1. | Net assets amount (RUB ths) ² | 19,302,524 |
| 2. | Authorized capital (RUB ths) | 4,754 |
| 3. | Reserve fund (RUB ths) | 4,754 |
| 4. | Ratio of net assets to the authorized capital (line 1/line 2) (%) | 406,027 |
| 5. | Ratio of net assets to the authorized capital + reserve fund (line 1/(line 2+ line 3)(%). | 203,014 |

In the reporting period, the Company's net assets increased by RUB 10,241,809 ths, or by 113 per cent.

The margin between the Company's net assets and authorized capital is positive and makes RUB 19,297,770 ths.

The net assets are equal to 406,027% of the Company's authorized capital.

The margin between the Company's net assets and the sum of the authorized capital and reserve fund is positive and makes RUB 19,293,016 ths. The net assets are equal to 203,014% of the Slavneft authorized capital summed up with the reserve fund.

Considering the restrictions specified in clause 1, Article 43 of Federal Law No.208-FZ *On Joint-Stock Companies* dd. December 26, 1995, the Company is entitled to pass a resolution on dividend payment.

4.3.2. Information about profit application in the reporting year in accordance with the resolutions on net income distribution and cover of prior year losses adopted by General Shareholders' Meetings

On June 30, 2016, the Annual General Meeting of Slavneft's Shareholders adopted the following resolution (Minutes of Meeting No.52):

Distribute the Slavneft net income in the amount of RUB 2,645,839,819.51 generated under the 2015 performance results as follows:

² This financial indicator is determined in accordance with the Procedure for Estimation of the Net Assets Cost approved by Order No.84H of the RF Ministry of Finance on Approval of the Procedure for estimation of the Net Assets Cost

- Allocate a part of the Slavneft net income equal to RUB 1,686,959,157.94 for financing the Investment Program;
- Allocate a part of the Slavneft net income equal to RUB 958,880,661.57 for repayment of loan commitments.

Not to pay dividends on Slavneft's ordinary shares for 2015.

4.3.3. Taxes, levies and other charges paid to the budget by the Company in the reporting year

| No. | Indicator | Outstanding balance as of the year beginning (-) – in favor of the budget; (+) – in favor of the Company | Accrued for the year (-) | Paid for the year (+) |
|-----|-------------------------|--|-----------------------------|--------------------------|
| 1. | Value added tax | -204,887 | -702,201 | 704,438 |
| 2. | Property tax | -33,681 | -147,433 | 141,281 |
| 3. | Income tax | 224 | -37 | 37 |
| 4. | Land use tax | 0 | 0 | 0 |
| 5. | Excise | 0 | 0 | 0 |
| 6. | Export customs duties | 0 | 0 | 0 |
| 7. | Import customs duties | 0 | 0 | 0 |
| 8. | Individual income tax | 1 | -165,211 | 165,210 |
| 9. | Vehicle tax | -19 | -40 | 66 |
| 10. | Insurance contributions | 1,182 | -245,847 | 213,791 |
| 11. | MET | -160,841 | -3,389,861 | 3,134,045 |
| 12. | Pollution charge | 0 | -296 | 1,166 |
| 13. | Water tax | -71 | -135 | 175 |
| 14. | Other taxes | 1,159 | -18 | 15 |
| | Total | -396,933 | -4,651,079 | 4,360,224 |

5. INFORMATION DISCLOSURE

5.1. Transactions made by the Company in the reporting year and recognized as major ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995, and other transactions, to which the major transaction approval procedure shall be applied in line with the Slavneft Articles of Association

| Information on the transaction: | |
|---|---|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>ОАО NGK Slavneft (loan holder) ООО Slavneft-Krasnoyarskneftegaz (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 20,737,000 ths at most</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>21.03.2016</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>General Shareholders Meeting</i> |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QI 2016)</i> |

| Information on the transaction: | |
|---|---|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>ОАО SN-MNG (loan holder) ОАО NGK Slavneft (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 39,493, 500 ths at most</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>04.04.2016</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>General Shareholders Meeting</i> |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QII 2016)</i> |

5.2. Transactions made by the Company in the reporting year and recognized as related-party ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995

| Information on the transaction: | |
|--|--|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>ОАО НКГК Славнефт (loan holder) ЗАО Обнефтегеология (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 3,495,000 ths</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>21.03.2016</i> |
| Party (parties) held stake in the transaction: | <i>LLC Invest-Oil</i> |
| Grounds, based on which the respective party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>86.5342%</i> |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>-</i> |
| Party (parties) held stake in the transaction: | <i>ЗАО Славвест</i> |
| Grounds, based on which the respective party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>0.002%</i> |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>-</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>General Shareholders Meeting</i> |
| Reference to the webpage where this information is disclosed: | <i>www.slavneft.ru, http://www.e-disclosure.ru/portal/company.aspx?id=560</i> |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QI 2016)</i> |

| Information on the transaction: | |
|--|---|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>ОАО НКГК Славнефт (loan holder) ООО Славнефт-Красноярскнефтегаз (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 7,930,000 ths at most</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>21.03.2016</i> |

| | |
|--|---|
| Party (parties) held stake in the transaction: | <i>LLC Invest-Oil</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>86.5342%</i> |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>-</i> |
| Party (parties) held stake in the transaction: | <i>ZAO Slavvest</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>0.002%</i> |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>0.007%</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>General Shareholders Meeting</i> |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QI 2016)</i> |

| Information on the transaction: | |
|--|--|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>OAO NGK Slavneft (loan holder) OOO Slavneft-Krasnoyarskneftegaz (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 20,737,000 ths at most</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>21.03.2016</i> |
| Party (parties) held stake in the transaction: | <i>LLC Invest-Oil</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>86.5342%</i> |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>-</i> |
| Party (parties) held stake in the transaction: | <i>ZAO Slavvest</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | <i>0.002%</i> |

| | |
|--|---|
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | 0.007% |
| Company's governing body adopted the resolution on transaction approval: | General Shareholders Meeting |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | 1. Corporate Action Notice; 2. Company's Quarterly Report (QI 2016) |

| Information on the transaction: | |
|--|---|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>DAO SN-MNG (loan holder)</i> <i>DAO NGK Slavneft (borrower)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 39,493,500 ths at most</i> |
| Subject matter of the transaction: | <i>Loan agreement. Loan granting under the terms stipulated by the agreement</i> |
| Transaction date: | <i>04.04.2016</i> |
| Party (parties) held stake in the transaction: | <i>LLC Invest-Oil</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | 86.5342% |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | - |
| Party (parties) held stake in the transaction: | <i>ZAO Slavvest</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995</i> |
| Stake of the related party in the Company's authorized capital: | 0.002% |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | - |
| Company's governing body adopted the resolution on transaction approval: | General Shareholders Meeting |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | 1. Corporate Action Notice; 2. Company's Quarterly Report (QII 2016) |

| Information on the transaction: | |
|--|--|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>DAO NGK Slavneft (supplier)</i> <i>PJSC Gazprom Neft (buyer)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 5,526,159,079.65</i> |

| | |
|--|---|
| Subject matter of the transaction: | <i>Crude Oil Supply Agreement</i> |
| Transaction date: | <i>19.12.2016</i> |
| Party (parties) held stake in the transaction: | <i>V.V. Baranov A.M. Cherner V.V. Yakovlev A.V. Yankevich</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995. Members of the Company's Board of Directors</i> |
| Stake of the related party in the Company's authorized capital: | - |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>V.V. Baranov: 0.00316116%; V.V. Yakovlev: 0.001051526%</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>The transaction has been submitted for further approval</i> |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QIV 2016)</i> |

| Information on the transaction: | |
|--|---|
| Transaction essentials and procedure for their determination: | |
| Party (parties) of the transaction: | <i>OAo NGK Slavneft (supplier) PJSC Rosneft Oil Company (buyer)</i> |
| Transaction beneficiary: | <i>No transaction beneficiaries</i> |
| Transaction price: | <i>RUB 5,526,159,079.65</i> |
| Subject matter of the transaction: | <i>Crude Oil Supply Agreement</i> |
| Transaction date: | <i>31.12.2016</i> |
| Party (parties) held stake in the transaction/stake in the authorized capital: | <i>Didier Casimiro Eric Maurice Liron</i> |
| Grounds, based on which the party (parties) is (are) recognized to hold stake in the transaction: | <i>In accordance with Article 81 of Federal Law No.208-FZ On Joint-Stock Companies dd. December 26, 1995. Members of the Company's Board of Directors</i> |
| Stake of the related party in the Company's authorized capital: | - |
| Stake of the related party in the authorized capital of the legal entity, which is a party of the transaction as of the transaction date: | <i>Didier Casimiro: 0.0043% Eric Maurice Liron: 0.0051%</i> |
| Company's governing body adopted the resolution on transaction approval: | <i>The transaction has been submitted for further approval</i> |
| Reference to the webpage where this information is disclosed: | www.slavneft.ru , http://www.e-disclosure.ru/portal/company.aspx?id=560 |
| Name of the document, in which this information is disclosed: | <i>1. Corporate Action Notice; 2. Company's Quarterly Report (QIV 2016)</i> |

SUPPLEMENT

1. GENERAL INFORMATION

Results of the Slavneft activity related to management of Subsidiaries/ Affiliates are disclosed in this part of the Annual Report.

In the Supplement of the Annual Report, Open Joint-Stock Oil and Gas Company Slavneft discloses the material information about the Slavneft Group Enterprises, which financial and economic indicators are reflected in the 2016 Slavneft Group Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards.

The main Enterprises of the Slavneft Group (the Enterprises, which indicators make 5% and more of the Group's assets) are as follows:

- OAO NGK Slavneft (hereinafter referred to as the Company);
- OAO SN-MNG;
- OAO Slavneft-YaNOS;
- OAO ONGG;
- OOO Slavneft-Krasnoyarskneftegaz;
- OOO Slavneft-Nizhnevartovsk.

* Hereinafter referred to as the main Enterprises of the Slavneft Group

1.1. Information about the Slavneft Group Enterprises

| Full legal name | Abbreviated legal name | Location | Date of state registration and registration number |
|--|----------------------------------|---|---|
| 1.1.1. | 1.1.2. | 1.1.3. | 1.1.4. |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | Moscow, Russian Federation Post address: 4th Lesnoi pereulok, 4, Moscow, Russia, 125047 | 26.08.1994 Registration number: 033.530 Primary State Registration Number: 1027739026270 |
| Open Joint-Stock Company Slavneft-Megionneftegaz | OAO SN-MNG | Kuzmina str., 51, Megion, Khanty-Mansi Autonomous Area-Yugra, Russian Federation | 23.09.1996 Registration number: 64648 Primary State Registration Number: 1028601354088 |
| Open Joint-Stock Company Slavneft-Yaroslavnefteorgsintez | OAO Slavneft-YaNOS | Moskovsky prospekt, 130, Yaroslavl, Russian Federation, 150023 | 07.05.1993 Registration number: 160 Primary State Registration Number: 1027600788544 |
| Open Joint-Stock Company Obneftegazgeologia | OAO ONGG | Fyodorova st., 68a, Surgut, Khanty-Mansi Autonomous Area-Yugra, Russian Federation | 23.05.1996 Registration number: 07-8036 Primary State Registration Number: 1028600579985 |
| Limited Liability Company Slavneft-Krasnoyarskneftegaz | OOO Slavneft-Krasnoyarskneftegaz | Krasnoyarsk, Russian Federation | 26.03.2001 Registration number: 283 Primary State Registration Number: 1022402296465 |
| Limited Liability Company Slavneft-Nizhnevartovsk | OOO Slavneft-Nizhnevartovsk | Lenina st., 4-й, bld.19, Nizhnevartovsk, Khanty-Mansi Autonomous Area-Yugra, Russian Federation, 628600 | 28.12.2000 Registration number: 124154 Primary State Registration Number: 1038603650612 |

1.2. Branches and representative offices of the Slavneft Group Main Enterprises

In the reporting year, the Slavneft Group Enterprises didn't have any branches and representative offices.

1.3. Composition of the Board of Directors of the Slavneft Group Main Enterprises

Information about the number and composition of the Board of Directors of the Slavneft Group Main Enterprises, changes made in the composition of the Board of Directors during 2016

Information about the Slavneft Board of Directors:

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|---|---|
| 30.06.2015-30.06.2016 | 1. Vladimir G. Aladin 2. Vitaliy V. Baranov 3. Svetlana V. Gritskevich 4. Didier Casimiro 5. Rostislav R. Latysh 6. Eric Maurice Liron 7. Sergei A. Papenko 8. Anatoly M. Cherner 9. Vadim V. Yakovlev 10. Alexei V. Yankevich | The specified composition of the Company's Board of Directors was elected at the Annual General Meeting of Slavneft's Shareholders on June 30, 2015 (Minutes of Meeting No.50). The powers of this Board composition were terminated due to election of the Company Board's new composition at the Annual General Meeting of Slavneft's Shareholders on June 30, 2016 (Minutes of Meeting No.52). |
| 30.06.2016-31.12.2016 | 1. Vitaliy V. Baranov 2. Svetlana V. Gritskevich 3. Sergei G. Danilyuk 4. Didier Casimiro 5. Rostislav R. Latysh 6. Eric Maurice Liron 7. Sergei A. Papenko 8. Anatoly M. Cherner 9. Vadim V. Yakovlev 10. Alexei V. Yankevich | The specified composition of the Company's Board was elected at the Annual General Meeting of Slavneft's Shareholders on June 30, 2016 (Minutes of Meeting No.52). |

In the reporting year, the Company Board's members did not hold Slavneft's ordinary registered uncertified shares and any stake in the Slavneft authorized capital; they did not settle any transactions on acquisition or sale of Slavneft's shares.

The background profile for the members of the Slavneft Board of Directors is disclosed in Clause 1.3 of the main part of this Annual Report.

Information about the Board of Directors of OAO SN-MNG:

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|--|---|
| 25.06.2015-24.06.2016 | <ol style="list-style-type: none"> 1. Vadim V. Yakovlev 2. Alexander V. Zhagrin 3. Larisa V. Balashova 4. Sergei A. Papenko 5. Sergei N. Rezayev 6. Sergei M. Nesterenko 7. Alexei V. Timonov 8. Elena V. Plavkova | The specified composition of the SN-MNG Board of Directors was elected at the Annual General Shareholders Meeting on June 25, 2015 (Minutes of Meeting No.42). The powers of this Board composition were terminated due to election of the SN-MNG Board's new composition at the Annual General Meeting of Enterprise's Shareholders on June 24, 2016 (Minutes of Meeting No.44). |
| 24.06.2016-31.12.2016 | <ol style="list-style-type: none"> 1. Alexander V. Zhagrin 2. Igor A. Zherzh 3. Eric Maurice Liron 4. Olga Yu. Makarova 5. Sergei A. Papenko 6. Artem V. Prigoda 7. Sergei N. Rezayev 8. Vadim V. Yakovlev | The specified composition of the SN-MNG Board was elected at the Annual General Shareholders Meeting on June 24, 2016 (Minutes of Meeting No.44). |

In the reporting year, the SN-MNG Board members did not hold Enterprise's ordinary registered uncertified shares and any stake in the SN-MNG authorized capital; they did not settle any transactions on acquisition or sale of SN-MNG's shares.

The background profile for the members of the Enterprise's Board of Directors is disclosed in Clause 1.3 of the SN-MNG Annual Report, which is posted on the Enterprise's web-site and on the following web-page:

<http://www.sn-mng.ru/>; <http://www.e-disclosure.ru/portal/company.aspx?id=568>

Information about the Board of Directors of OAO Slavneft-YaNOS:

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|---|--|
| 18.06.2015-17.06.2016 | <ol style="list-style-type: none"> 1. Larisa V. Balashova 2. Didier Casimiro 3. Vladimir K. Konstantinov 4. Igor G. Kuzmin 5. Sergei N. Menshonkov 6. Alexander A. Romanov 7. Alexander L. Sannikov 8. Anatoly M. Cherner | The specified composition of the Slavneft-YaNOS Board was elected by the resolution of the Annual General Meeting of Enterprise's Shareholders on June 18, 2015 (Minutes of Meeting No.38). The powers of this Board composition were terminated due to election of the SN-YaNOS Board new composition at the Annual General Meeting of Enterprise's Shareholders on June 17, 2016 (Minutes of Meeting No.39). |
| 17.06.2016-31.12.2016 | <ol style="list-style-type: none"> 1. Svetlana V. Gritskevich 2. Petr A. Degtyarev 3. Didier Casimiro 4. Vladimir K. Konstantinov 5. Alexander A. Krastilevsky 6. Olga Yu. Makarova 7. Alexander A. Romanov 8. Anatoly M. Cherner | The specified composition of the SN-YaNOS Board was elected by the resolution of the Annual General Meeting of Enterprise's Shareholders on June 17, 2016 (Minutes of Meeting No.39). |

In the reporting year, the SN-YaNOS Board members did not hold Enterprise's ordinary registered uncertified shares and any stake in the SN-YaNOS authorized capital; they did not settle any transactions on acquisition or sale of SN-YaNOS's shares.

The background profile for the members of the Enterprise's Board of Directors is disclosed in Clause 1.3 of the SN-YaNOS Annual Report, which is posted on the Enterprise's web-site and on the following web-page:

<http://www.refinery.yaroslavl.ru/>; <http://www.e-disclosure.ru/portal/company.aspx?id=947>.

Information about the Board of Directors of OAO ONGG:

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|--|--|
| 23.06.2015-21.06.2016 | <ol style="list-style-type: none"> 1. Mikhail L. Osipov 2. Konstantin M. Mulyavin 3. Oleg V. Tsursumia 4. Vladimir A. Yagutkin 5. Andrei A. Shustrov 6. Andrei N. Trukhachev 7. Vyacheslav V. Orekhov | The specified composition of the ONGG Board was elected by the resolution of the Annual General Shareholders Meeting on June 23, 2015 (Minutes of Meeting No.26). The powers of this Board composition were terminated due to election of the ONGG Board new composition at the Annual General Meeting of Enterprise's Shareholders on June 21, 2016 (Minutes of Meeting No.28). |
| 21.06.2016-31.12.2016 | <ol style="list-style-type: none"> 1. Mikhail L. Osipov 2. Vyacheslav V. Orekhov 3. Andrei N. Trukhachev 4. Oleg V. Tsursumia 5. Yuri M. Nikolayev 6. Alexei V. Bureyev 7. Vyacheslav V. Aliev | The specified composition of the ONGG Board was elected by the resolution of the Annual General Shareholders Meeting on June 21, 2016 (Minutes of Meeting No.28). |

In the reporting year, the ONGG Board members did not hold Enterprise's ordinary registered uncertified shares and any stake in the ONGG authorized capital; they did not settle any transactions on acquisition or sale of ONGG's shares.

The background profile for the members of the Enterprise's Board of Directors is disclosed in Clause 1.3 of the ONGG Annual Report, which is posted on the following web-page:

<http://www.e-disclosure.ru/portal/company.aspx?id=3838>

Information about the Board of Directors of OOO Slavneft-Krasnoyarskneftegaz

| Periods | Composition of the Company's Board of Directors, which is current within the specified period | Comments |
|-----------------------|---|---|
| 04.05.2016-31.12.2016 | <ol style="list-style-type: none"> 1. Alexei A. Vashkevich 2. Alexander V. Zhagrin 3. Rinat A. Malakhov 4. Alexei V. Malinin 5. Dmitry A. Minchenko 6. Sergei A. Papenko 7. Denis A. Sugaipov 8. Vadim A. Shashel | The Board of Directors was appointed by submission of the written notification to the Enterprise on May 04, 2016. |

The information related to the background profile for the members of the Enterprise's Board of Directors is not disclosed, since Limited Liability Company Slavneft-Krasnoyarskneftegaz is not public.

Information about the Board of Directors of OOO Slavneft-Nizhnevartovsk

The Board of Directors is not envisaged by the Enterprise's Articles of Association.

1.4. Information about the person holding the position (exercising the functions) of the Sole Executive Body and members of the Collegial Executive Body of the Slavneft Group Enterprises

1.4.1. Sole Executive Body

Information about the persons holding the position of the Sole Executive Body in the Slavneft Group Main Enterprises:

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|---|---------------|-----------|--|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| ОАО НКГК Slavneft | | | | | |
| Mikhail L. Osipov | 1961 | higher | President ОАО НКГК Slavneft | - | - |
| ОАО SN-MNG | | | | | |
| Alexei G. Kan | 1966 | higher | General Director ОАО SN-MNG | - | - |
| ОАО Slavneft-YaNOS | | | | | |
| Nikolai V. Karpov | 1973 | higher | General Director ОАО Slavneft-YaNOS | - | - |
| ОАО ONGG | | | | | |
| Oleg V. Pirogov | 1966 | higher | General Director, ОАО ONGG (concurrently) | - | - |
| ООО Slavneft-Krasnoyarskneftegaz | | | | | |
| Sergei V. Telyshev | 1962 | higher | Interim General Director ООО Slavneft-Krasnoyarskneftegaz | - | - |
| ООО Slavneft-Nizhnevartovsk | | | | | |
| Oleg V. Pirogov | 1966 | higher | General Director ООО Slavneft-Nizhnevartovsk | - | - |

In the reporting year, the persons holding the position of the Sole Executive Body in the Slavneft Group Main Enterprises, didn't settle any transactions on acquisition or sale of Enterprises' shares (stakes).

1.4.2. Collegial Executive Body

Information about the members of the Collegial Executive Body of the Slavenft Group Main Enterprises

OAo NGK SLAVNEFT

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|---|---------------|-----------|--|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Information about the members of the Collegial Executive Body – Management Board</i> | | | | | |
| Chairman of the Management Board | | | | | |
| Mikhail L. Osipov | 1961 | higher | President, OAo NGK Slavneft | - | - |
| Members of the Management Board | | | | | |
| Alexei V. Bureyev | 1967 | higher | Manager of the Accounting and Tax Control Block, OAo NGK Slavneft | - | - |
| Andrei V. Kovalenko* | 1976 | higher | Vice President for Economics and Finance (till August 2015, the job position is specified as of the appointment date) | - | - |
| Vladimir V. Krylov* | 1955 | higher | Vice President for Downstream (till May 2015, the job position is specified as of the appointment date) | - | - |
| Ilya B. Medvedev* | 1970 | higher | Vice President for Administration (till August 2015, the job position is specified as of the appointment date) | - | - |
| Konstantin S. Karabadzhak** | 1975 | higher | Vice President for Economics and Finance, OAo NGK Slavneft | - | - |
| Andrei N. Trukhachev | 1964 | higher | Vice President for Corporate Relations and Administration, OAo NGK Slavneft | - | - |

*The powers of the Slavneft Management Board members were terminated in accordance with the resolution of the Company's Board of Directors (dd. January 27, 2017, Minutes of Meeting No.5).

**Mr. Karabadzhak was appointed to be the member of the Slavneft Management Board in accordance with the resolution of the Company's Board of Directors (dd. January 27, 2017, Minutes of Meeting No.5).

In the reporting year, the members of the Collegial Executive Body didn't settle any transactions on acquisition or sale of Slavneft's shares.

OAo SN-MNG

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|---|---------------|-----------|--|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Information about the members of the Collegial Executive Body – Management Board</i> | | | | | |
| Chairman of the Management Board | | | | | |
| Alexei G. Kan | 1966 | higher | General Director, OAo SN-MNG | - | - |

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|--|---------------|-----------|---|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Members of the Management Board</i> | | | | | |
| Irina L. Kovalenko | 1964 | higher | Deputy General Director – Director for Economics and Finance, OAO SN-MNG | - | - |
| Nina M. Nikhti | 1957 | higher | Director of the Megion Regional Center, Chief Accountant – Project Manager, LLC Gazprom Neft Business Service | - | - |
| Stanislav A. Ilichev | 1973 | higher | Deputy General Director for Drilling and Oilfield Services, OAO SN-MNG | - | - |
| Andrei M. Pyatayev | 1978 | higher | Deputy General Director – Chief Engineer (till November 2016), OAO SN-MNG | - | - |
| Danil A. Nikolayev | 1979 | higher | Deputy General Director for Prospective Development and Project Activity, OAO SN-MNG | - | - |
| Maksim A. Kuznetsov | 1978 | higher | Deputy General Director – Chief Geologist, OAO SN-MNG | - | - |

In the reporting year, the members of the Collegial Executive Body didn't settle any transactions on acquisition or sale of SN-MNG's shares.

OAO Slavneft-YaNOS

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|--|---------------|-----------|--|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Information about the members of the Collegial Executive Body – Management Board | | | | | |
| Chairman of the Management Board | | | | | |
| Nikolai V. Karpov | 1973 | higher | since 27.12.2016 | - | - |
| | | | General Director, OAO Slavneft-YaNOS | | |
| Member of the Management Board | | | | | |
| Evgeny N. Karasev | 1966 | higher | Chief Engineer, OAO Slavneft-YaNOS | - | - |

In the reporting year, the members of the Collegial Executive Body didn't settle any transactions on acquisition or sale of Slavneft-YaNOS's shares.

OAO ONGG

| Full name | Year of birth | Education | Information about the primary place of employment | Stake in the authorized capital | Interest of ordinary shares |
|---|---------------|-----------|--|---------------------------------|-----------------------------|
| | | | Job position occupied at the end of the reporting period | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Information about the members of the Collegial Executive Body – Management Board</i> | | | | | |
| <i>Chairman of the Management Board</i> | | | | | |
| Oleg V. Pirogov | 1966 | higher | General Director, OAO ONGG (concurrently) | - | - |

| <i>Members of the Management Board</i> | | | | | |
|--|------|--------|---|---|---|
| Lina N. Pozharova* | 1961 | higher | Chief Accountant – Project Manager, LLC Gazprom Neft Business Service | - | - |
| Vladimir V. Golovnin | 1961 | higher | Deputy General Director, OAO ONGG | - | - |
| Larisa M. Khvostova | 1954 | higher | Deputy General Director for Economics and Finance, OAO ONGG | - | - |

* Member of the ONGG Management Board till November 30, 2016

In the reporting year, the members of the Collegial Executive Body didn't settle any transactions on acquisition or sale of ONGG's shares.

000 Slavneft-Krasnoyarskneftegaz

The Collegial Executive Body is not envisaged by the Enterprise's Articles of Association.

000 Slavneft-Nizhnevartovsk

The Collegial Executive Body is not envisaged by the Enterprise's Articles of Association.

1.5. Criteria for determination of the remuneration (expenses reimbursement) amount to be paid to members of the governing bodies of the Slavneft Group Main Enterprises

Information about the criteria and ground for determination of the remuneration amount to be paid to the person holding the position of the Sole Executive Body and members of the Collegial Executive Body of the Slavneft Group Enterprises:

The remuneration amount, procedure and conditions of its payment to the person holding the position of the Sole Executive Body and members of the Collegial Executive Body are stipulated by terms and conditions of the labor contracts signed with the specified officers.

Information about the criteria and ground for determination of the remuneration amount to be paid to members of the Boards of Directors of the Slavneft Group Enterprises:

The Regulations on the Board of Directors envisage the procedure for determination of the remuneration amount to be paid to the Board's members and for determination of the amount for reimbursement of expenses related to exercising the functions of the Board's members. Remunerations are paid and (or) expenses related to exercising the functions of the Board's members are compensated upon the resolution adopted by the General Shareholders Meeting.

The information about the aggregate amount of remuneration (expenses reimbursement) paid to the members of the governing bodies of the Slavneft Group Public Enterprises is disclosed in the Annual Reports of the above-mentioned Enterprises, which are posted on the following web-sites and web-pages:

- for OAO SN-MNG: <http://www.sn-mng.ru/>;
<http://www.e-disclosure.ru/portal/company.aspx?id=568>;
- for OAO Slavneft-YaNOS: <http://www.refinery.yaroslavl.ru/>;
<http://www.e-disclosure.ru/portal/company.aspx?id=947>;

- for OAO NGK Slavneft: the respective information is disclosed in Clause 1.5 of the main part of this Annual Report – for OAO NGK Slavneft;
- for OAO ONGG: <http://www.e-disclosure.ru/portal/company.aspx?id=3838>.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

1.6. Information about the persons included into the composition of the bodies for control over the financial and economic activity of the Slavneft Group Main Enterprises

| Composition of the Slavneft Audit Commission, which is current in the reporting period | Comments |
|--|---|
| Roman V. Babich Galina Yu. Delvig Andrei N. Melnikov Margarita I. Mironova Yuri L. Moshkin Marat Kh. Salekhov | The specified composition of the Audit Commission was elected by the resolution of the Annual General Shareholders Meeting on June 30, 2016 (Minutes of Meeting No.52). |
| Composition of the SN-MNG Audit Commission, which is current in the reporting period | Comments |
| Elena L. Maslova Vadim S. Kozlov Maksim A. Melnik | The specified composition of the Audit Commission was elected by the resolution of the Annual General Shareholders Meeting on June 24, 2016 (Minutes of Meeting No.44). |
| Composition of the Slavneft-YaNOS Audit Commission, which is current in the reporting period | Comments |
| Zhanna Yu. Gusakova Dmitry A. Degtev Margarita R. Makareikina Tatyana A. Rumyantseva Sergei D. Semenov | The specified composition of the Audit Commission was elected by the resolution of the Annual General Shareholders Meeting on June 17, 2016 (Minutes of Meeting No.39). |
| Composition of the ONGG Audit Commission, which is current in the reporting period | Comments |
| Tatyana A. Rumyantseva Vladislav V. Pashin Nadia Z. Blazhko | The specified composition of the Audit Commission was elected by the resolution of the Annual General Shareholders Meeting on June 21, 2016 (Minutes of Meeting No.28). |
| Auditor of OOO Slavneft-Krasnoyarskneftegaz who is acting in the reporting period | Comments |
| Lilia N. Prokhorova | The specified Auditor was elected by the resolution of the Annual General Participants Meeting on April 26, 2016. |
| Auditor of OOO Slavneft-Nizhnevartovsk who is acting in the reporting period | Comments |
| Sergei S. Kolesnikov | The specified Auditor was elected by the resolution of the Annual General Participants Meeting on April 28, 2016. |

1.7. Authorized Capital

1.7.1. Information about the authorized capital of the Slavneft Group Main Enterprises

| Information about the authorized capital of OAO NGK Slavneft | |
|---|-------------------|
| Authorized capital amount: | RUB 4,754,238 |
| Par value of ordinary shares: | 0.1 kopecks |
| Number of outstanding ordinary registered uncertified shares (ea/ %): | 4,754,238,000/100 |
| The Company didn't issue preferred shares. | |
| During the reporting period, the resolution on changing the Company's authorized capital amount was not passed. | |

| Information about the authorized capital of OAO SN-MNG | |
|--|-------------------|
| Authorized capital amount: | RUB 3,313,289,500 |
| Par value of ordinary and preferred shares: | RUB 25 |
| Number of outstanding ordinary registered uncertified shares (ea/ %): | 99,474,705/75.06 |
| Number of preferred shares (ea/%): | 33,056,875/24.94 |
| During the reporting period, the resolution on changing the Enterprise's authorized capital amount was not passed. | |

| Information about the authorized capital of OAO Slavneft-YaNOS | |
|--|-------------------|
| Authorized capital amount: | RUB 1,243,539,297 |
| Par value of ordinary and preferred shares: | RUB 1 |
| Number of outstanding ordinary registered uncertified shares (ea/ %): | 932,654,723/75 |
| Number of preferred shares (ea/%): | 310,884,574/25 |
| During the reporting period, the resolution on changing the Enterprise's authorized capital amount was not passed. | |

| Information about the authorized capital of OAO ONGG | |
|--|---------------|
| Authorized capital amount: | RUB 3,368,542 |
| Par value of ordinary and preferred shares: | RUB 1 |
| Number of outstanding ordinary registered uncertified shares (ea/ %): | 2,526,406/75 |
| Number of preferred shares (ea/%): | 842,136/ 25 |
| During the reporting period, the resolution on changing the Enterprise's authorized capital amount was not passed. | |

| Information about the authorized capital of OOO Slavneft-Krasnoyarskneftegaz | |
|--|-------------------|
| Authorized capital amount: | RUB 3,864,063,559 |

| Information about the authorized capital of OOO Slavneft-Nizhnevartovsk | |
|---|-----------------|
| Authorized capital amount as of the reporting period beginning: | RUB 108,905,151 |
| Authorized capital amount as of the reporting period end: | RUB 120,063,151 |

1.7.2. Information about major shareholders owning 5% at least of voting shares/ interests of the Slavneft Group Main Enterprises as of the reporting period end

| Full legal name | Abbreviated legal name | Taxpayer identification number | Location | Stake in the Company's/ Enterprise's authorized capital | Interest of issuer's ordinary shares owned to this shareholder |
|--|------------------------------------|---|--|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| OAO NGK Slavneft | | | | | |
| Limited Liability Company Invest-Oil | LLC Invest-Oil | 5029065916 | st. Profsoyuznaya 125, Moscow, Russian Federation, 117647 | 86.5342% | 86.5342% |
| Select Holdings Limited / holder of securities | SELECT HOLDINGS LIMITED | Not applicable. The Company is not an RF resident | Agiou Tychona, 70, Agios Tychonas, 4521, Limassol, Cyprus | 7.7037% | 7.7037% |
| OAO SN-MNG | | | | | |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | 7707017509 | Moscow, Russian Federation | 56.4240% | 69.1170% |
| Edie Holdings Limited | Edie Holdings Limited | Not applicable. The Company is not an RF resident | Arch. Makaraïou III, 284 Fortuna Court Block B, 2nd floor, 3105, Limassol, Cyprus | 15.7946% | 9.7397% |
| Hassla Holdings (Overseas) Limited | Hassla Holdings (Overseas) Limited | Not applicable. The Company is not an RF resident | Eptakomis, 2 AGIOS ATHANASIOS COURT, Flat/Office 103, Ag. Athanasios, 4105, Limassol, Cyprus | 16.6571% | 9.8844% |
| Select Holdings Limited | Select Holdings Limited | Not applicable. The Company is not an RF resident | Agiou Tychona, 70 Agios Tychonas, 4521, Limassol, Cyprus | 5.9143% | 7.8797% |
| OAO Slavneft-YaNOS | | | | | |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | 7707017509 | Moscow, Russian Federation | 39.20% | 50.78% |
| Edie Holdings Limited | Edie Holdings Limited | Not applicable. The Company is not an RF resident | Arch. Makaraïou III, 284 Fortuna Court Block B, 2nd floor, 3105, Limassol, Cyprus | 19.48% | 17.16% |
| Hassla Holdings (Overseas) Limited | Hassla Holdings (Overseas) Limited | Not applicable. The Company is not an RF resident | Eptakomis, 2 AGIOS ATHANASIOS COURT, Flat/Office 103, Ag. Athanasios, 4105, Limassol, Cyprus | 19.48% | 17.16 |
| Select Holdings Limited | Select Holdings Limited | Not applicable. The Company is not an RF resident | Agiou Tychona, 70 Agios Tychonas, 4521, Limassol, Cyprus | 16.01% | 11.92% |

| Full legal name | Abbreviated legal name | Taxpayer identification number | Location | Stake in the Company's/ Enterprise's authorized capital | Interest of issuer's ordinary shares owned to this shareholder |
|---|------------------------|--------------------------------|----------------------------|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| OAO ONGG | | | | | |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | 7707017509 | Moscow, Russian Federation | 79.6674% | 91.7413% |
| OOO Slavneft-Krasnoyarskneftegaz | | | | | |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | 7707017509 | Moscow, Russian Federation | 99.993% | - |
| OOO Slavneft-Nizhnevartovsk | | | | | |
| Open Joint-Stock Oil and Gas Company Slavneft | OAO NGK Slavneft | 7707017509 | Moscow, Russian Federation | 96.47777% | - |

1.7.3. Information about the reserve fund of the Slavneft Group Main Enterprises

OAO NGK Slavneft

In accordance with the Slavneft Articles of Association, the Company established the reserve fund in the amount of 100% of the authorized capital, which is equal to RUB 4,754 ths.

The reserve fund was established in full as of the reporting period end.

The reserve fund was not used in the reporting year.

OAO SN-MNG

In accordance with the SN-MNG Articles of Association, the Company established the reserve fund in the amount of 100% of the authorized capital, which is equal to RUB 3,313,289.500 ths.

The reserve fund was established in full as of the reporting period end.

The reserve fund was not used in the reporting year.

OAO Slavneft-YaNOS

In accordance with the Slavneft-YaNOS Articles of Association, the Company established the reserve fund in the amount of 15% of the authorized capital, which is equal to RUB 186,531 ths.

The reserve fund was established in full as of the reporting period end.

The reserve fund was not used in the reporting year.

OAO ONGG

In accordance with the ONGG Articles of Association, the Company established the reserve fund in the amount of 100% of the authorized capital, which is equal to RUB 3,368.542 ths.

The reserve fund was established in full as of the reporting period end.

The reserve fund was not used in the reporting year

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

1.7.4. Information about securities of the Slavneft Group Enterprises, including information on placement of issue-grade securities (except for the shares) in the reporting period

In 2016, the Slavneft Group Main Enterprises didn't issue securities.

1.8. Information about yield on securities of the Slavneft Group Main Enterprises

1.8.1. Dividend policy of the Slavneft Group Main Enterprises

ОАО NGK Slavneft

Dividends are paid out from the Company's net income.

Resolutions on payment (declaration) of dividends on the shares of each category, the dividend amount and form of its payment are adopted by the General Meeting of Shareholders. The dividend amount may not exceed the amount recommended by the Company's Board of Directors.

The dividends are paid out in monetary terms.

When adopting the resolution on dividend payment (declaration), the Company follows the rules specified in Chapter 5 of the Federal Law on Joint-Stock Companies and provisions of the Slavneft Articles of Association.

ОАО SN-MNG

When adopting the resolution on dividend payment (declaration), the Enterprise follows the rules specified in Chapter 5 of Federal Law No.208 on Joint-Stock Companies dd. December 26, 1995 and provisions of the SN-MNG Articles of Association.

The more detailed information about the SN-MNG dividend policy is disclosed in the Enterprise's Annual Report, which is posted on the SN-MNG web-site and on the following web-page:

<http://www.sn-mng.ru/>;

<http://www.e-disclosure.ru/portal/company.aspx?id=568>

ОАО Slavneft-YaNOS

In accordance with the Enterprise's Articles of Association:

A holder of preferred shares is entitled to collect an annual dividend on shares in the amount of 1% at least of the share par value. Herewith, if the amount of dividends paid out on each ordinary share by the Enterprise in a specific year exceeds the amount to be paid out as a dividend on each preferred share, the amount of the dividend on preferred shares shall be increased up to the amount of the dividend paid out on ordinary shares.

Resolutions about payment of dividends on shares, the dividend amount and form of its payment are passed by the Shareholders' Meeting considering proposals of the Enterprise's Board of Directors. The dividend amount may not exceed the amount recommended by the Board of Directors, but can be reduced by the Shareholders' Meeting.

ОАО ONGG

When adopting the resolution on dividend payment (declaration), the Enterprise follows the rules of the Federal Law on Joint-Stock Companies and provisions of the ONGG Articles of Association.

The more detailed information about the ONGG dividend policy is disclosed in the Enterprise's Annual Report, which is posted on the ONGG web-site and on the following web-page: <http://www.e-disclosure.ru/portal/company.aspx?id=3838>.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

1.8.2. Earnings per share of the Slavneft Group Main Enterprises from ordinary and preferred shares in the reporting year (declared dividends)

ОАО NGK Slavneft

| Security type | Yield on securities in the reporting period | |
|-----------------|---|------------------|
| | Amount (RUB) | % to a par value |
| Ordinary share | 0 | 0 |
| Preferred share | The Company didn't issue preferred shares. | |

ОАО SN-MNG

| Security type | Yield on securities in the reporting period | |
|-----------------|---|------------------|
| | Amount (RUB) | % to a par value |
| Ordinary share | 0 | 0 |
| Preferred share | 0 | 0 |

ОАО Slavneft-YaNOS

| Security type | Yield on securities in the reporting period | |
|-----------------|---|------------------|
| | Amount (RUB) | % to a par value |
| Ordinary share | 0 | 0 |
| Preferred share | 0.01 | 1 |

ОАО ONGG

| Security type | Yield on securities in the reporting period | |
|-----------------|---|------------------|
| | Amount (RUB) | % to a par value |
| Ordinary share | 0 | 0 |
| Preferred share | 0 | 0 |

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

1.8.3. Report on payment of the declared (accrued) dividends on shares/ interests of the Slavneft Group Enterprises

ОАО NGK Slavneft

On June 30, 2016 (Minutes of Meeting No.52 dd. July 05, 2016), the Annual General Meeting of Company's Shareholders adopted the resolution not to pay the dividends on Slavneft's ordinary shares under performance results of the 2015 financial year.

The General Meeting of Company's Shareholders did not pass resolutions on payment of interim dividends (under QI/ HI/ 9-month performance results) in the reporting period.

Slavneft's obligations on dividend payment were fulfilled except for the cases when the Company doesn't bear any responsibility therefor in accordance with Article 44 of the Federal Law on Joint-Stock Companies. Dividends were not paid out to the persons, who are entitled to

receive dividends for the respective period, but who don't promptly notify the keeper of the Register of Company's Shareholders about changes in their data.

ОАО SN-MNG

In accordance with Minutes No.228 of the Board's Meeting dd. May 13, 2016, the draft resolution on the item related to *"Payment (announcement) of dividends on SN-MNG's shares under the 2015 performance results, determination of the dividend amount, due date and form of its payment under the 2015 performance results"* was not adopted, therefore voting on the above-mentioned item included into the agenda of the Annual (under the 2015 performance results) General Meeting of SN-MNG's Shareholders was not carried out.

The General Meeting of Enterprise's Shareholders did not pass resolutions on payment of interim dividends (under QI/ HI/ 9-month performance results) in the reporting period.

ОАО Slavneft-YaNOS

On August 26, 2016 and in line with the resolution of the Board of Directors, it was recommended to the Extraordinary General Shareholders Meeting to allocate RUB 3,108,845.74, that made RUB 0.01 per preferred share, for dividend payment under performance results of HI 2016.

On September 30, 2016, the Extraordinary General Shareholders Meeting passed the resolution on dividend payment in accordance with recommendations of the Board of Directors. RUB 3,084,949.86 was paid to the Enterprise's Shareholders.

Slavneft-YaNOS's obligations on dividend payment were fulfilled except for the cases when the Enterprise doesn't bear any responsibility therefor in accordance with Article 44 of the Federal Law on Joint-Stock Companies. Dividends were not paid out to the persons, who are entitled to receive dividends for the respective period, but who don't promptly notify the keeper of the Register of Enterprise's Shareholders about changes in their data.

ОАО ONGG

In accordance with the resolution of the General Meeting of ONGG's Shareholders dd. June 21, 2016 (Minutes of Meeting No.28 dd. June 23, 2016), it was resolved not to pay dividends on Enterprise's shares under performance results of the 2015 financial year.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

1.9. Information about observance of the Corporate Governance Code by the Slavneft Group Main Enterprises

The Public Enterprises of the Slavneft Group strive for observing the corporate governance principles based on regulations of the respective Russian legislation, Russian Corporate Governance Code recommended by Letter No.06-52/ 2463 of the Bank of Russia dd. April 10, 2014 (hereinafter referred to as the Corporate Governance Code), and applicable international corporate governance standards.

Observance of the corporate governance principles by the Public Enterprises of the Slavneft Group was assessed using the following procedure: Slavneft had developed a questionnaire on the basis of the corporate governance principles and recommendations to these principles set

forth in the Corporate Governance Code. The questionnaire includes 7 sections. The content of these sections reflects the corporate governance principles and recommendations thereto.

Scores for observance of the Corporate Governance Code principles and recommendations were determined.

The report on observance of the principles and recommendations set forth in the Corporate Governance Code contains the information on observance of these principles and recommendations by the Public Enterprises of the Slavneft Group; reasons for partial observance of these principles or for failure to observe them are explained in the report.

The reports on observance of the principles and recommendations set forth in the Corporate Governance Code by the Slavneft Group Enterprises are disclosed in the Annual Reports of these Enterprises, which are posted on the following web-sites:

- for OAO SN-MNG: <http://www.sn-mng.ru/>;
<http://www.e-disclosure.ru/portal/company.aspx?id=568>;
- for OAO Slavneft-YaNOS: <http://www.refinery.yaroslavl.ru/>,
<http://www.e-disclosure.ru/portal/company.aspx?id=947>;
- for OAO NGK Slavneft: the respective information is disclosed in clause 1.5 of the main part of this Annual Report;
- for OAO ONGG: <http://www.e-disclosure.ru/portal/company.aspx?id=3838>.

The Code of Corporate Conduct (Governance) of Open Joint-Stock Oil and Gas Company Slavneft was approved in the Company (Resolution of the Slavneft Board of Directors dd. November 17, 2008, Minutes of Meeting No.1). The Code can be reviewed on the Company's web-site: http://www.slavneft.ru/upload/doc/corp_behav_codex.pdf.

The corporate governance model, which is in force in the Slavneft Group Enterprises, serves to ensure making of effective managerial decisions that facilitate the progressive and sustainable development of the Enterprises in the interests of all shareholders.

2. DESCRIPTION OF THE SLAVNEFT GROUP BUSINESS

2.1. Priority types of the Slavneft Group Business

The Slavneft Group Enterprises form the vertically integrated oil company, which includes the exploration, production, oilfield service, refining and sales enterprises. Such structure allows fulfilling the full operating cycle starting from field development and hydrocarbons production to feedstock refining and sale of manufactured petroleum products.

The main (priority) types of the **Slavneft** business are as follows:

- Crude oil and gas production;
- Management of holding companies.

The main type of the **SN-MNG** business is as follows:

- Crude oil and gas production.

The main type of the **Slavneft-YaNOS** business is as follows:

- Manufacturing of petroleum products.

The main type of the **ONGG** business is as follows:

- Crude oil and gas production.

The main types of the **Slavneft-Krasnoyarskneftegaz** business are as follows:

- Exploration, geophysical and geochemical jobs;
- Crude oil and gas production.

The main type of the **Slavneft-Nizhnevartovsk** business is as follows:

- Crude oil and gas production.

2.1.1. Brief description of the Slavneft Group's priority activities

EXPLORATION AND CRUDE OIL PRODUCTION

Resource base

As of January 01, 2017, AB₁ remaining recoverable oil reserves of the Slavneft Group (hereinafter referred to as the Company) made 720.9 million tons, including 554.9 million tons in West Siberia (KhMAO) and 166.0 million tons in the Krasnoyarsk region. The recovery of initial recoverable reserves is equal to 53%.

In 2016, the increment in AB₁ recoverable oil reserves totally for the Slavneft Group made 31.8 million tons, including 8.6 million tons due to exploration jobs. The increment in AB₁ crude oil reserves was equal to 27.4 million tons in KhMAO and 4.4 million tons in the Krasnoyarsk region.

In the reporting period, the resource base was developed due to performing a set of exploration jobs.

The increment in hydrocarbons reserves was achieved due to 2 sidetracking jobs, re-entry of 5 appraisal wells of the Megion Block "old" well stock and drilling of well No.K-255 at the Kuyumbinsky license area.

The significant increment in commercial reserves was achieved due to appraisal drilling at the Tailakovskoye field, well drilling and reserves conversion from category B₂ to category B₁ at the Severo-Ostrovnoye, Severo-Pokurskoye, Vatinskoye and Zapadno-Ust-Balykskoye fields, and

due to updating (increasing) of the main volumetrics (volume and hydrocarbon saturation index (K_{HF})).

Inorganic growth: OAO SN-MNG won the tender for acquisition of the **Zapadno-Chistinny** license area with 1,359 thousand tons of commercial reserves on December 15, 2016.

Table 1. Scope of exploration jobs by regions of the Slavneft Group Enterprises' activities

| Name | UoM | West Siberia (KhMAO) | | Krasnoyarsk region | | Total for the Company | |
|--|-----------------|----------------------|------|--------------------|------|-----------------------|------|
| | | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Drilling progress | ths m | 9.2 | 2.7 | 0 | 6.3 | 9.2 | 9.0 |
| 2D seismic survey | km | 0 | 0 | 0 | 0 | 0 | 0 |
| 3D seismic survey | km ² | 0 | 271 | 399 | 401 | 399 | 672 |
| Increment in AB ₁ reserves due to exploration | mln t | 4.4 | 4.2 | 2.1 | 4.4 | 6.5 | 8.6 |

Crude oil production

In 2016, **crude oil production** for the Slavneft Group made 15,001.404 thousand tons. In the reporting period, 14,931.067 thousand tons of crude oil was extracted from the license areas of the Megion Block's Production Enterprises in West Siberia.

In the reporting period, 70.337 thousand tons of crude oil was extracted from appraisal and producing wells of the Kuyumbinskoye field.

Crude oil production by the Production Enterprises is shown in Table 2.

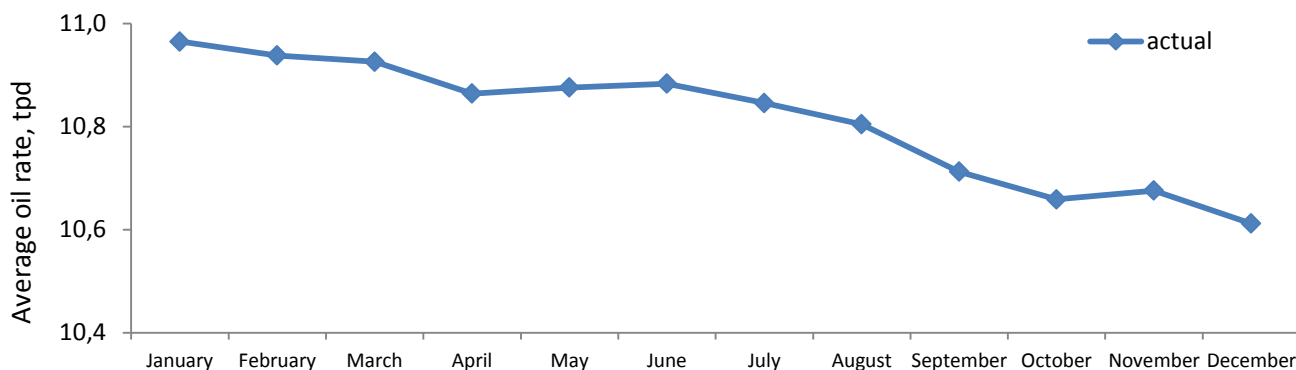
Table 2. Crude oil production by Production Enterprises

| Enterprise | 2015 | 2016 | thousand tons 2016/2015 variance, % |
|-------------------------------------|-----------------|-----------------|--|
| OAO SN-MNG | 8,924.0 | 8,713.6 | 97.6 |
| OOO Slavneft-Nizhnevartovsk | 1,720.3 | 1,723.0 | 100.2 |
| ZAO Obneftegeologia | 418.3 | 361.7 | 86.5 |
| OAO Sobol* | 105.3 | 48.0 | 45.6 |
| OAO SN-MNGG | 317.1 | 254.2 | 80.2 |
| OAO NGK Slavneft | 438.1 | 574.8 | 131.2 |
| OAO ONGG | 3,510.4 | 3,255.8 | 92.7 |
| OOO Slavneft-Krasnoyarskneftegaz | 42.0 | 70.3 | 167.4 |
| Total for the Slavneft Group | 15,475.4 | 15,001.4 | 97 |

* The Enterprise was re-organized by accession to OOO Slavneft-Nizhnevartovsk on June 21, 2016.

In the reporting period, the average oil well rate for the Slavneft Group made 10.8 tpd. The daily average oil production was equal to 40,987 tpd.

Figure 1. Dynamics of the daily average oil well production rate



In the reporting period, the oil water cut made 92.3%.

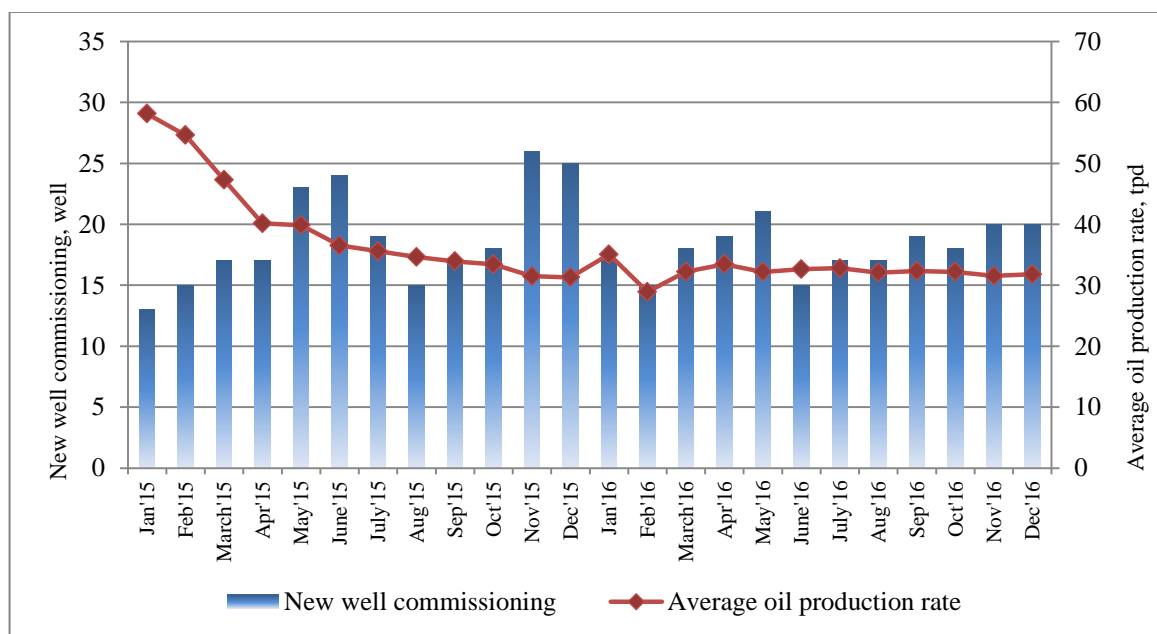
In 2016, **oil delivery** to PJSC Transneft totally for the Company made 14,930.582 thousand tons.

In the reporting period, **gas production** for the Slavneft Group was recorded at the level of 1,065 mln m³.

In 2016, **gas delivery** to the Gas Processing Plants made 682.4 mln m³. The associated petroleum gas utilization was equal to 88.7%.

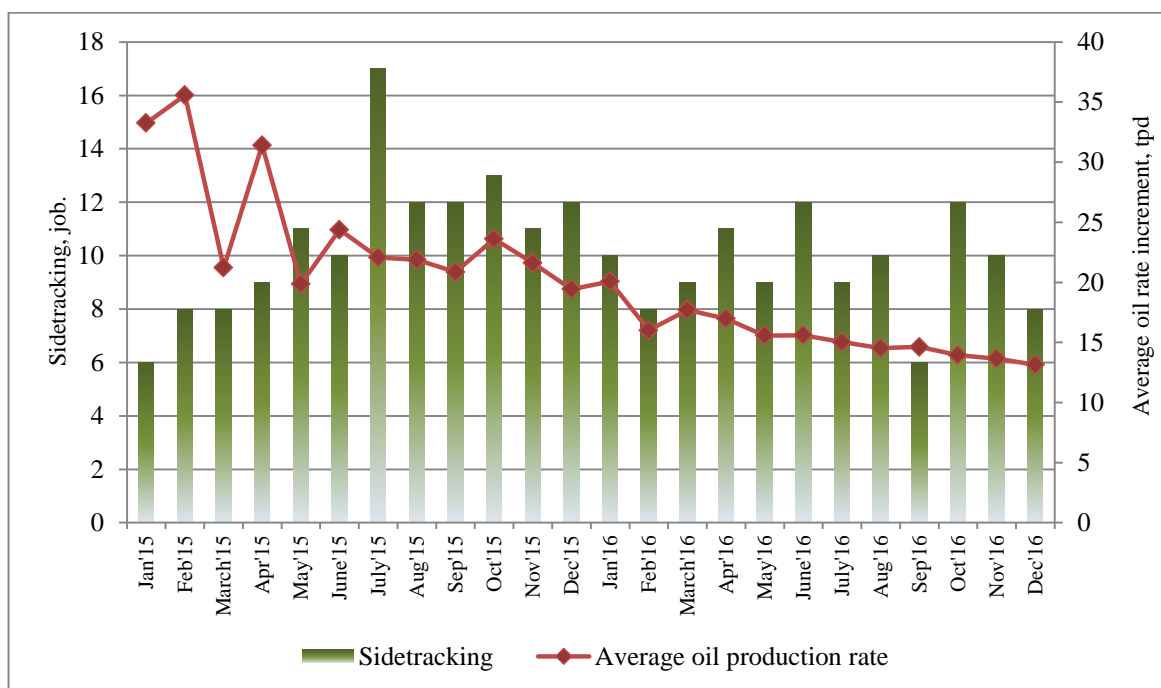
Oil production from 214 new wells made 1,073.240 thousand tons. The average flow rate of the new wells was equal to 33.5 tpd. In the reporting period, the production drilling progress made 1,072 thousand meters of the rock. The dynamics of new well commissioning and average oil production rate is show in Figure 2.

Figure2. Dynamics of new well commissioning and average oil production rate



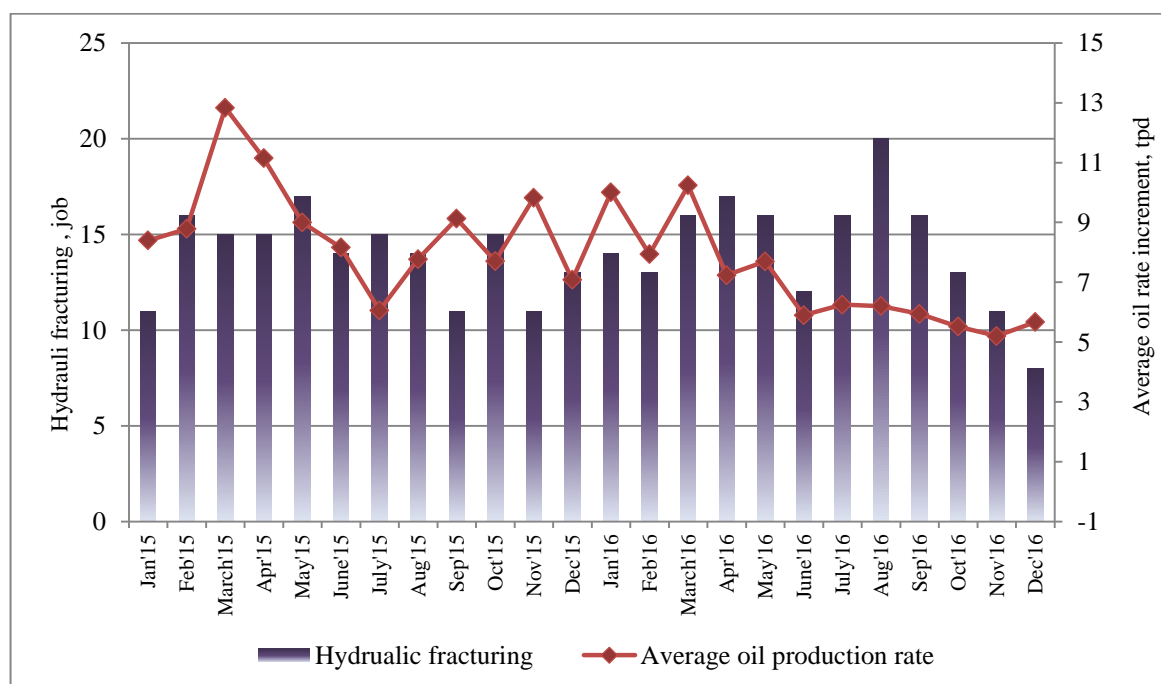
Besides, 114 **sidetracking jobs** were fulfilled to receive the incremental oil production. 294.7 thousand tons of crude oil was produced due to those jobs (Figure 3).

Figure 3. Number of sidetracking jobs and average oil rate increment



Hydraulic fracturing (figure 4) was carried out in 172 wells. The incremental oil production due to hydraulic fracturing made 188.3 thousand tons. The average oil rate increment per well achieved 6.2 tpd.

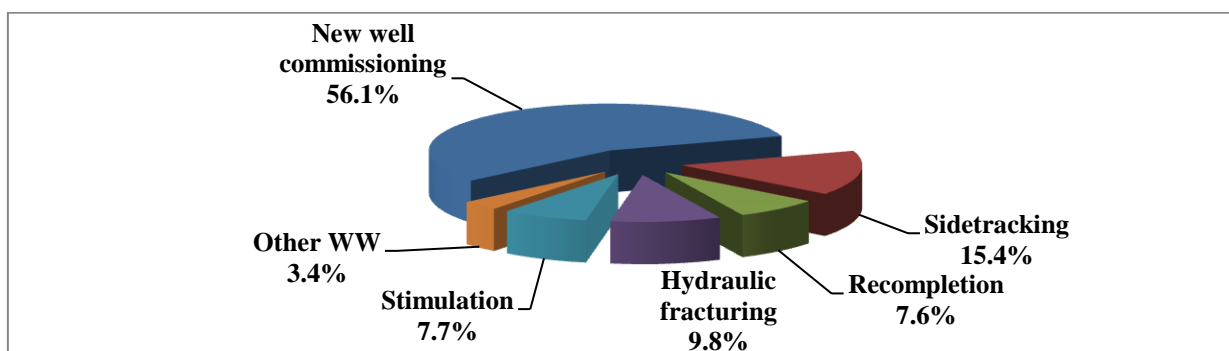
Figure 4. Number of hydraulic fracturing jobs and average oil rate increment



366 other WW operations (**recompletion, stimulation, squeeze cementing, casing patch, accident containment**) were performed **in 2016**; the total oil production increment due to those types of WW operations made 354.4 thousand tons.

In general, **the incremental oil production** amounted to 1,912.1 thousand tons. The structure of incremental oil production by types of WW operations is shown in Figure 5.

Figure 5. Structure of incremental oil production by types of WW operations



In the reporting period, **the base oil production** made 13,089.3 thousand tons.

As of January 01, 2017, the Company's **operating oil well stock** consisted of 4,426 wells; 651 wells were related to the idle well stock (14.7% of the operating well stock).

1,794 workover jobs and 2,684 well servicing jobs were fulfilled on the operating well stock.

CRUDE OIL REFINING

Oil refining is performed by two Refineries, including OAO Slavneft-Yaroslavnefteorgsintez, which is a fuel and lube refinery, and OAO Mozyr Refinery, which is a fuel refinery.

The technological process of OAO Slavneft-Yaroslavnefteorgsintez is based on three units for crude oil distillation with the total capacity of 15,000.0 KTA.

The technological process of OAO Mozyr Refinery is based on two LK-6U combined units, which ensure the distillation of crude oil in the volume of 12,031.5 KTA.

In 2016, the total volume of raw hydrocarbons refining by the Company's Refineries made 24,787.9 thousand tons.

The key performance indicators of the Company's Refineries are disclosed in the table below.

| Refinery | Oil refining volume, thousand tons | | Oil refining depth, % | | Yield of light oils, % | |
|--------------------|------------------------------------|----------|-----------------------|-------|------------------------|-------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| OAO Slavneft-YaNOS | 15,266.9 | 14,939.0 | 65.76 | 66.53 | 55.51 | 55.92 |
| OAO Mozyr Refinery | 12,290.6 | 9,848.9 | 73.66 | 74.04 | 57.22 | 59.20 |

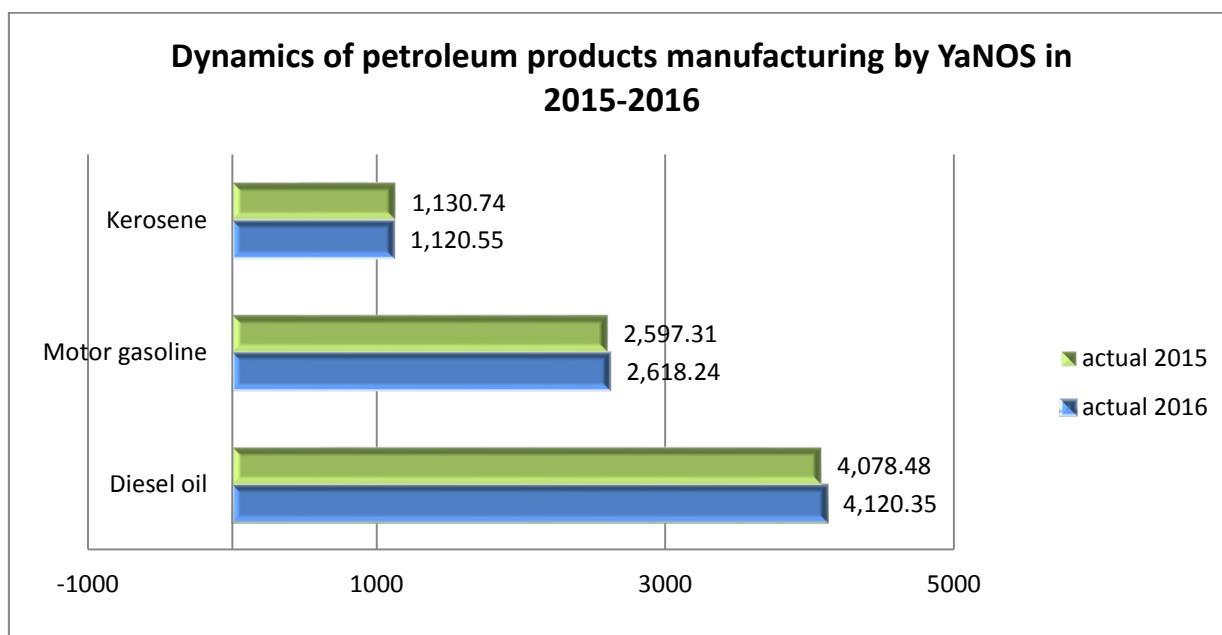
Open Joint-Stock Company Slavneft-Yaroslavnefteorgsintez

In 2016, the volume of raw hydrocarbons refining made 14,939.0 thousand tons.

2016 key performance results:

1. Surveys for revamping the VT-3/ VT-6 Vacuum Units and Visbreaking Unit are being carried out.
2. The Hydrocracking Block of the Group III Base Oils Production Unit is being constructed.
3. The FEED for construction of the Advanced Oil Refining Complex is being prepared.

The dynamics for manufacturing of main petroleum products by OAO Slavneft-YaNOS is shown below:



In the reporting period, the Refinery produced 8,353.4 thousand tons of light oils, including:

- 2,618.24 thousand tons of motor gasoline. All produced gasolines conform to the 5th class of the Technical Regulations;
- 1,120.55 thousand tons of aviation kerosene;
- 4,120.35 thousand tons of diesel oil. All produced diesel oil conforms to the 5th class of the Technical Regulations.

The yield of light oils made 55.92%.

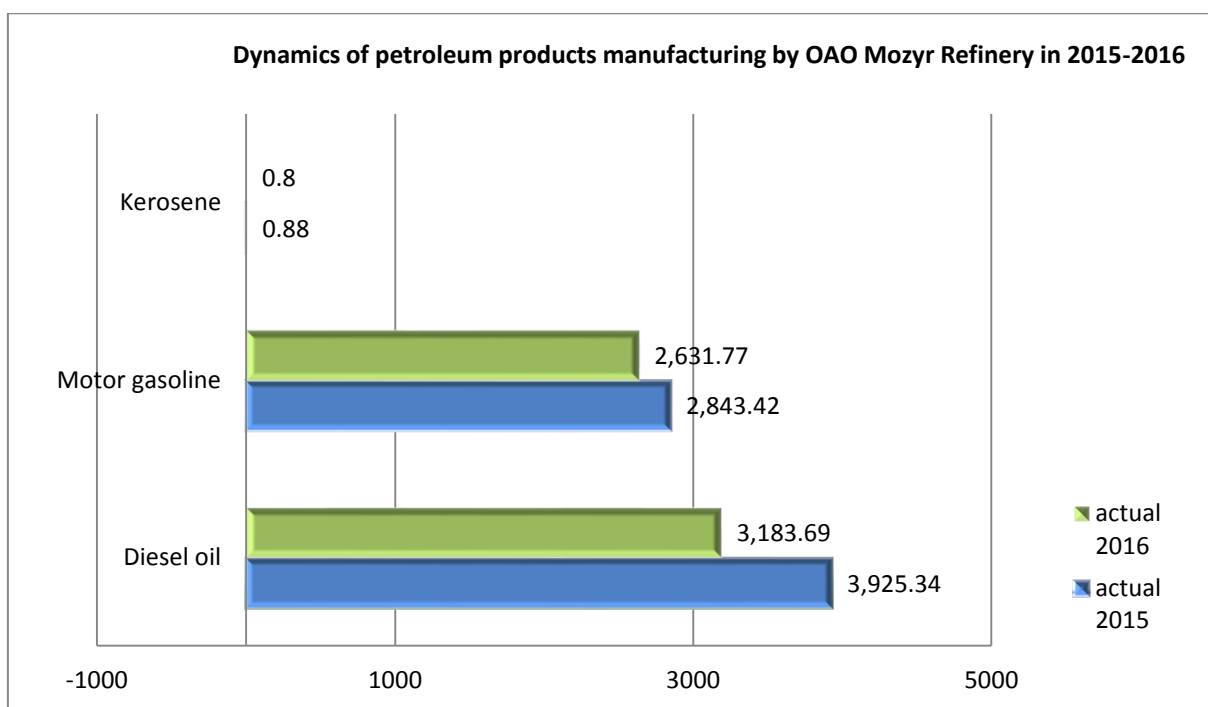
Open Joint-Stock Company Mozyr Refinery

In 2016, the Mozyr Refinery processed 9,848.9 thousand tons of raw hydrocarbons, including:

- 8,059.2 thousand tons of own feedstock;
- 1,789.7 thousand tons of customer-owned feedstock.

2016 key performance results:

1. The Combined Gasoline High-Octane Components Production Unit was commissioned.
2. The Heavy Residue Advanced Refining Complex is still under construction.
3. The Sulphur Recovery Unit (Sulphur-2) was commissioned.
4. The FEED for construction of the Continuous Catalytic Reforming Unit is being prepared; the licensor was selected.



Actual indicators of the production (works, services) volume in monetary and physical terms for the Slavneft Group Main Enterprises:

| Indicator | UoM | 2015 | 2016 |
|--------------------------|----------|----------|----------|
| Crude oil production | ths tons | 15,475.4 | 15,001.4 |
| Crude oil refining | ths tons | 15,266.9 | 14,939.0 |
| Revenue | RUB mln | 223,302 | 214,509 |
| Revenue from main sales | RUB mln | 219,240 | 209,561 |
| Crude oil | RUB mln | 190,512 | 182,581 |
| Gas | RUB mln | 410 | 398 |
| Petroleum products | RUB mln | 0 | 0 |
| Refining services | RUB mln | 28,318 | 26,582 |
| Revenue from other sales | RUB mln | 4,062 | 4,948 |

2.1.2. Main types of products, works, services

- Crude oil production – 15,001.4 thousand tons;
- Crude oil sale – RUB 182,581 mln (net of VAT);
- Sale of associated petroleum gas – RUB 398 mln (net of VAT);
- Oil refining – 24,787.9 thousand tons

(including 14,939.0 thousand tons – by OAO Slavneft-YaNOS; 9,848.9 thousand tons – by OAO Mozyr Refinery).

2.2. Company's Board report on results of the Slavneft Group development by priority types of the business activity

The Company's Investment Program for oil extraction activities is focused on decreasing the oil production decline rate, developing the resource base, and enhancing the exploration performance. In 2016, the CAPEX for Upstream made RUB 51,289.7 mln. The 2016 oil production volume was equal to 15.001 million tons.

The Slavneft Investment Program for oil refining activities is focused on increasing the yield of high-margin products, on enhancing the operations performance and reducing the irrecoverable losses, on ensuring compliance of the Refineries' facilities with industrial safety requirements. In 2016, the CAPEX for Downstream made RUB 8,500.9 mln.

See below the information on Investment Plan execution in the reporting year by projects:

| Major project name | Project goal | Actual expenses for the project in the reporting year (RUB ths)* | Brief information about goal achievement/ about work progress for uncompleted projects |
|---|--|--|--|
| Kuyumbinsky LA development | Exploration and pilot development, design and survey activities (mitigation of geological and technological risks) | 8,429,518 | The Project is at the DEFINE stage (field pilot development) |
| Group III Base Oils Production Unit | Extension of the base oils production facilities | 3,047,163 | The Project is at the IMPLEMENTATION stage; the planned due date for Project completion is March 2017. |
| Replacement of the Hydrogen Unit feedstock for natural gas. Process heater switch-over from liquid fuel to natural gas | Cost optimization and operational performance enhancement | 420,680 | The Project is at the IMPLEMENTATION stage. The planned due date for commissioning: April 2018 – Phase I, May 2019 - Phase II, July 2019 – Phase III. |
| Program for operational performance enhancement | | 954,711 | The Project is at the IMPLEMENTATION stage. <ul style="list-style-type: none"> The irrecoverable losses made 0.74% in 2016. In 2016, the actual energy efficiency indicator was equal to 107.0. The operational availability index made 95.7 in 2016. |

* Actual CAPEX by Projects

2.3. Prospects for the Slavneft Group development. Information on the programs (projects), which are planned to be implemented in 2017.

| Major project name | Due date | Project goal |
|--|---|--|
| Kuyumbinsky LA development | Commencement of the first start-up complex development - 2018 | Exploration and pilot development, design and survey activities (mitigation of geological and technological risks) |
| Group III Base Oils Production Unit | The Project is at the IMPLEMENTATION stage; the planned due date for Project completion is June 2017. | Extension of the base oils production facilities |
| Replacement of the Hydrogen Unit feedstock for natural gas. Process heater switch-over from liquid fuel to natural gas | The Project is at the IMPLEMENTATION stage. The planned due date for commissioning: April 2018 – Phase I, May 2019 - Phase II, July 2019 – Phase III. | Cost optimization and operational performance enhancement |
| 2017 – 2021 program for operational performance enhancement | The Project is at the IMPLEMENTATION stage. The planned due date for Project completion is up to 2021. | |

2.4. Slavneft Group's position in the industry

2.4.1. Industry sector profile of the Slavneft Group Enterprises

| Name | OKVED codes of the main business types | |
|----------------------------------|--|---|
| 1 | 2 | |
| OAO NGK Slavneft | 06.10 | Crude oil and gas production |
| | 70.10.2 | Activity for management of holding companies |
| OAO SN-MNG | 06.10.1 | Crude oil production |
| OAO Slavneft-YaNOS | 19.20 | Manufacturing of petroleum products |
| OAO ONGG | 06.10.1 | Crude oil production |
| OOO Slavneft-Krasnoyarskneftegaz | 71.12.3 | Exploration, geophysical and geochemical works in the field of subsurface studies and resource base replenishment |
| | 06.10.1 | Crude oil production |
| OOO Slavneft-Nizhnevartovsk | 06.10.1 | Crude oil production |

2.4.2. Markets for sale of products (works, services) of the Slavneft Group Enterprises

The Slavneft Group Enterprises sell crude oil and associated petroleum gas, render oil refining services (OAO Slavneft-YaNOS) in the domestic market of the Russian Federation. Main buyers (consumers), which procure 10% and more of the Slavneft Group Enterprises' products (works, services), are legal entities registered in the Russian Federation.

Information by regions of buyer's presence

| Product name | %, in the total volume of revenue from sales |
|--|--|
| Crude oil is sold to producers' metering stations in West Siberia. | 100 |
| Associated petroleum gas is sold to GPP of West Siberia. | 100 |

2.4.3. Main competitors of the Slavneft Group Enterprises

In 2016, approximately 240 companies produced crude oil in Russia. About 95% of the total production volume equal to 548 million tons fell to 11 largest vertically integrated companies.

In 2016, the crude oil production volume was distributed among the largest vertically integrated companies in the following way:

| Company | 2016* | million tons |
|---------------------------------------|-------|--------------|
| PJSC LUKOIL | 83 | |
| OJSC Surgutneftegas | 62 | |
| PJSC Tatneft named after V.D. Shashin | 29 | |
| PJSC Bashneft Oil Company | 21 | |
| OAO NGK Slavneft (group) | 15 | |
| JSC RussNeft Oil Company | 7 | |

* According to the data published in V.D. Andrianov's article "Vertically Integrated Companies: Crude Oil Production, Refining and Export" (February 08, 2017)

OAO Slavneft-YaNOS is among the top five Russian refineries in terms of the crude oil distillation volume. The main competitive advantage of this Refinery is the high quality of manufactured petroleum products. Due to multi-year gradual upgrading of the operating facilities, Slavneft-YaNOS has been manufacturing the entire volume of motor gasoline and diesel oil in compliance with the EURO-5 standard since July 2012. Revamping of some process units enabled to upscale the yield of light oils and offer the diesel oil with improved low-temperature properties to the market. During 2016, the Hydrocracking Block of the Group III Base Oils Production Unit was constructed; it is planned to commission this Block in QII 2017. Due to commissioning of this facility, the market will be provided with high-quality domestic lube oils. Slavneft-YaNOS continues selecting the Enterprise development model, which will allow increasing the crude oil refining depth and stopping the residual fuel oil production.

2.5. Utilities consumption by the Slavneft Group Enterprises

The information about the volume of each type of the utilities consumed by OAO NGK Slavneft in 2016 is disclosed in clause 2.5 "Utilities Consumption by the Company" in the main part of this Annual Report.

The information about utilities consumption by the Slavneft Group Main Enterprises is disclosed in the Annul Reports of these Enterprises posted on their web-sites and on the following web-pages:

- <http://www.sn-mng.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=568> – for OAO SN-MNG;
- <http://www.refinery.yaroslavl.ru/>; <http://www.e-disclosure.ru/portal/company.aspx?id=947> – for OAO Slavneft-YaNOS;
- <http://www.e-disclosure.ru/portal/company.aspx?id=3838> – for OAO ONGG.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

3. DESCRIPTION OF THE MAIN RISK FACTORS RELATED TO THE BUSINESS OF THE SLAVNEFT GROUP ENTERPRISES

3.1. Industry risks by types of the Slavneft Group Enterprises' business

Slavneft and its Enterprises hold the licenses for oil and gas exploration, prospecting, and production in 32 subsoil areas, where 36 oil and gas fields are located, including:

- Aganskoye, Arigolskoye, Achimovskoye, Vatinskoye, Vakhskoye, Vostochno-Okhteurskoye, Zapadno-Asomkinskoye, Zapadno-Pokamasovskoye, Zapadno-Ust-Balykskoye, Zapadno-Chistinnoye, Ininskoye, Ketovskoye, Kysomskoye, Lokosovskoye, Lugovoye, Maksimkinskoye, Malochernogorskoye, Megionskoye, Mykhpaiskoye, Novo-Pokurskoye, Ostrovnnoye, Pokamasovskoye, Samotlorskoye, Severo-Orekhovskoye, Severo-Ostrovnoye, Severo-Pokurskoye, Tailakovskoye, Travyanoye, Uzunskoye, Fainskoye, Chistinnoye, Yuzhno-Aganskoye, Yuzhno-Ostrovnoye, and Yuzhno-Pokamasovskoye fields in the Khanty-Mansi Autonomous Area–Yugra;
- Kuyumbinskoye field territorially located in three license areas (Kuyumbinsky, Kordinsky, and Abrakupchinsky) and the northern part of the Yurubcheno-Tokhomskoye field (in the Tersko-Kamovsky license area) in the Krasnoyarsk region.

Proved oil reserves, which correspond to the definitions of such reserves described in the rules and regulations of the U.S. Securities and Exchange Commission (SEC), made 241.178 million tons and 238.777 million tons as of January 01, 2016 and as of January 01, 2017, respectively. Considering the 2016 oil production (15.001 million tons), the oil reserves increment made 12.599 million tons in 2016.

The high priority is assigned to development of the resource base and oil production. The Slavneft Enterprises use the high-performance subsurface exploration methods. The Company strives for stopping the oil production decrease by actively extending the production base of such Greenfields, as the Achimovskoye, Tailakovskoye, Chistinnoye, Uzunskoye, Lugovoye, Zapadno-Ust-Balykskoye fields, which development was started in recent years. The operating well stock is being increased. A full range of wellwork jobs, including, along with production drilling, hydraulic fracturing, sidetracking, recompletion, inflow stimulation, and other jobs, are fulfilled and the enhanced oil recovery methods are applied.

The Slavneft Group is among the industry leaders in manufacturing of high-quality petroleum products. A range of the products manufactured includes high-octane motor gasoline, eco-friendly diesel oil, aviation kerosene, base lubricants, roof / road / construction bitumen, paraffins and waxes, aromatic hydrocarbons, liquefied gases and furnace fuel oil. The Enterprise was among the first in the country (in 2012), which mastered production of motor fuels conforming to the Euro-5 emission standard.

At present, Slavneft-YaNOS is implementing the development program, which includes construction of the Oil Residue Advanced Refining Complex by 2024 and increase in the oil refining depth up to 95%.

The Oilfield Service Enterprises fulfill drilling jobs, in the first instance, for needs of the Slavneft Group's Production Enterprises. The Company accepted and is implementing the Drilling Equipment Fleet Upgrading Program aimed at ensuring the Operational Program performance, mitigating the accident risk, and eliminating the risk of drilling suspension due to Rostekhnadzor improvement notices.

3.2. Financial risks

3.2.1. Risks related to funds raising

The portfolio of Slavneft Group Enterprises' borrowed funds mainly consists of long-term loans denominated in US dollars and rubles. Interest rates on a part of loans are not fixed and change depending on the levels of funding cost indicators in interbank markets (the Bank of Russia key rate – for the loans denominated in rubles and LIBOR – for the loans denominated in US dollars). The increase in these interest rates may cause the debt servicing appreciation. The rise in the loan cost may have a negative impact on financial solvency and liquidity indicators. For management of the rate risk, the Slavneft Group diversifies the debt portfolio by including instruments with the fixed and floating interest rates therein.

The Slavneft Group ensures availability of the sufficient funds for proper execution of loan commitments. No facts of failure to execute the Group's loan commitments in due time were discovered.

3.2.2. Risks related to change in currency exchange rates

All revenues of the Slavneft Group Enterprises are denominated in Russian rubles. Main expenses and a great part of financial liabilities are also denominated in Russian rubles. But availability of the contractual and financial liabilities denominated in USD exposes the Slavneft Group to the risk related to changes in the exchange rates of foreign currencies against the Russian ruble. The Company monitors the currency financial markets and carries out activities for decreasing a share of financial liabilities denominated in foreign currencies in the debt portfolio.

3.3. Legal risks

As of December 31, 2016, the Slavneft Group Enterprises didn't have any material court proceedings that may have an impact on its financial and economic activity.

On a regular basis, the Enterprises monitor verdicts delivered by Supreme Courts, assess trends in the law enforcement practice generated at the level of district commercial courts, and actively use this practice not only during protection of their rights and legal interests through judicial proceedings, but also during settlement of law matters that arise in the course of Enterprises' normal business. Thus, the risks related to changes in the judicial practice are believed to be negligible.

No restrictions were imposed on the Enterprises' activity; no property of the Enterprises was seized.

The more detailed information about legal proceedings of the Slavneft Group Public Enterprises is disclosed in the Annual Reports of these Enterprises, which are posted on their web-sites and on the following web-pages:

- <http://www.sn-mng.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=568> – for OAO SN-MNG;
- <http://www.refinery.yaroslavl.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=947> – for OAO Slavneft-YaNOS;
- <http://www.e-disclosure.ru/portal/company.aspx?id=3838> – for OAO ONGG.

As for OAO NGK Slavneft, the information is disclosed in clause 3.3 of the main part of this Annual Report.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not

disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

3.4. Other risks related to the business of the Slavneft Group Enterprises

The Slavneft Group Enterprises take all the actions necessary for receiving licenses, keeping them in force, and mitigating the probability of license suspension, change or withdrawal; the Enterprises also implement the programs aimed at fulfillment of license obligations.

At the moment of this Report preparation, the Slavneft Group Enterprises did not have any risks, which might significantly influence the Enterprises' business and which were related to the probability of incurring the liability for third parties' debts, under which a surety, guarantee, and surety for a bill had been granted.

The operating activity of the Slavneft Group Enterprises, which covers exploration of oil and gas fields, drilling of new wells and maintenance of acting well performance, crude oil transportation and refining, storage and shipment of petroleum products, is a complicated process associated with a wide range of technical risks.

Sustainable work of the Slavneft Group Enterprises for PP&E maintenance and upgrading, recruitment of highly qualified specialists and cooperation with the leading Russian scientific organizations specialized in the oil industry enabled to mitigate the impact of technical risks on the operating processes.

Facilities are regularly assessed for their conformance to the applicable industrial safety laws and regulations; the actual condition of the equipment, technical devices and pipelines is inspected. Programs and methods for industrial and occupational safety training and certification of the Enterprises' personnel, including the programs and methods for incident/emergency response activities, are constantly enhanced and supported.

The operating activities of the Slavneft Group Enterprises have a significant impact on the environment. The Enterprises envisage the actions that are necessary for execution of all jobs in line with requirements of the environmental legislation.

All Enterprises of the Slavneft Group carry out the intensive work focused on enhancing environmental safety of the production facilities.

In order to prevent oil spillage and soil contamination, the Oil Production Enterprises of the Slavneft Group fulfill regular jobs on ensuring the field pipeline integrity. The Company developed and is implementing the Action Program on Associated Gas (APG) Utilization Enhancement to meet the legislation requirements about 95% associated gas utilization by oil production companies and to mitigate the risk of penalties for associated gas excessive flaring. The Program includes the actions for construction of APG collection systems, gas turbine/ gas engine power plants, and the increased gas deliveries to GPP.

The operating activity of the Slavneft Group Enterprises is exposed to the negative impact of natural factors (fires, floods and other natural calamities).

The important lines of the Slavneft Enterprises' activity are as follows:

- Permanent improvement of the HSE status, guarantee of control over fulfillment of HSE obligations;
- Continuous decrease in the indicators of occupational injuries, accidents and environment adverse impact;
- Increase in industrial and environmental safety of the production facilities.

The Slavneft Group Enterprises perform the risk insurance in accordance with the RF legislation requirements.

4. REPORT ON THE FINANCIAL AND ECONOMIC ACTIVITY OF THE SLAVNEFT GROUP ENTERPRISES IN 2016

4.1. Key operating and economic indicators of the Slavneft Group Enterprises

The key operating and economic indicators of the Slavneft Group are disclosed in accordance with the data of the Consolidated Financial Statements prepared under IFRS.

The information specified below does not contain Mozyr Refinery's indicators, as they are not included into the 2015-2016 consolidation perimeter.

| No. | Indicator | UoM | 2016 | 2015 | Variance (ea) | Variance (%) |
|------|---|--------------------|----------|----------|---------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Raw hydrocarbons production | | | | | |
| 1.1 | Crude oil and gas condensate | ths tons | 15,001.4 | 15,475.4 | -474.0 | -3.1 |
| 1.2 | Associated petroleum gas (APG) | mln m ³ | 944.6 | 915.7 | 28.9 | 3.2 |
| 2 | Process losses during crude oil production | ths tons | 5.8 | 7.3 | -1.5 | -20.5 |
| 3 | Crude oil delivery to PJSC Transneft | ths tons | 14,930.6 | 15,420.4 | -489.8 | -3.2 |
| 4 | Average oil well rate* | tpd | | | | |
| 4.1 | West Siberia (KhMAO) | tpd | 10.8 | 11.3 | -0.5 | -4.4 |
| 4.2 | Krasnoyarsk region | tpd | 58.8 | 38.5 | 20.3 | 52.7 |
| 5 | Operating well stock* | | | | | |
| 5.1 | West Siberia (KhMAO) | well | 3,929.0 | 3,975.0 | -46.0 | -1.2 |
| 5.2 | Krasnoyarsk region | well | 24.0 | 16.0 | 8.0 | 50.0 |
| 6 | Volume of customer-owned feedstock (raw hydrocarbons) refining | ths tons | 14,939.0 | 15,266.9 | -327.9 | -2.1 |
| 7 | Revenue from sales, including: | RUB mln | 214,509 | 223,302 | -8,793 | -3.9 |
| 7.1 | from sale of crude oil | RUB mln | 182,581 | 190,512 | -7,931 | -4.2 |
| 7.2 | from sale of services on crude oil and other feedstock refining | RUB mln | 26,582 | 28,318 | -1,736 | -6.1 |
| 8 | Revenue from sale of crude oil per ton of the oil produced | RUB/ton | 12,171 | 12,311 | -140 | -1.1 |
| 9 | Revenue from sale of services on crude oil and other feedstock refining per ton of the feedstock refined | RUB/ton | 1,779 | 1,855 | -76 | -4.1 |
| 10 | Production costs (operating costs, except for the goods for resale + selling, G&A expenses + cost of other products sale net of amortization and taxes), including: | RUB mln | 56,342 | 54,634 | 1,708 | 3.1 |
| 10.1 | crude oil production costs** | RUB mln | 40,004 | 38,398 | 1,606 | 4.2 |
| 10.2 | costs of crude oil and other feedstock refining** | RUB mln | 11,688 | 12,045 | -357 | -3.0 |
| 11 | Costs per ton of the crude oil produced** | RUB/ton | 2,667 | 2,481 | 186 | 7.5 |
| 12 | Production costs per ton of the feedstock refined** | RUB/ton | 782 | 789 | -7 | -0.9 |
| 13 | Net income/ loss | RUB mln | 29,101 | 19,566 | 9,535 | 48.7 |
| 14 | Net income/ loss to revenue | % | 14 | 9 | 5 | 55.6 |

* - The indicators are shown separately by the regions, since the Production Enterprises are at different oil production stages.

** - Production costs include operating costs, except for the goods for resale + selling, general and administrative expense + cost of other products sale, net of amortization and taxes.

4.2. Analysis of the Slavneft Group financial position and brief explanatory notes to the 2016 Financial Statements prepared under IFRS

4.2.1. Analysis of changes in the assets/ liabilities structure of the Slavneft Group in 2016

RUB mln

| Line of the Consolidated Statements on the Financial Position | Variance in physical terms | | | | Variance of the specific weight in assets and liabilities | | |
|---|----------------------------|------------------|---------------|---|---|---|-----------------------------|
| | As of 31.12.2016 | As of 31.12.2015 | Variance | Variance in % against the year beginning, % | Specific weight in the assets and liabilities as of the period beginning, % | Specific weight in the assets and liabilities as of the period end, % | Specific weight variance, % |
| Assets | | | | | | | |
| Non-current assets | | | | | | | |
| PP&E | 302,117 | 278,522 | 23,595 | 8.5 | 89.3 | 88.9 | 0.4 |
| Deferred tax assets | 9,872 | 8,096 | 1,776 | 21.9 | 2.6 | 2.9 | -0.3 |
| Other non-current assets | 946 | 1,459 | -513 | -35.2 | 0.5 | 0.3 | 0.2 |
| Total non-current assets | 312,935 | 288,077 | 24,858 | 8.6 | 92.3 | 92.1 | 0.2 |
| Current assets | | | | | | | |
| Inventory | 7,664 | 6,602 | 1,062 | 16.1 | 2.1 | 2.3 | -0.1 |
| Accounts receivable and prepayment | 14,416 | 8,062 | 6,354 | 78.8 | 2.6 | 4.2 | -1.7 |
| Accounts receivable related to income tax | 264 | 1,135 | -871 | -76.7 | 0.4 | 0.1 | 0.3 |
| Cash and cash equivalents | 4,333 | 8,078 | -3,745 | -46.4 | 2.6 | 1.3 | 1.3 |
| Other current assets | 161 | 31 | 130 | 419.4 | 0.0 | 0.0 | 0.0 |
| Other current assets | 26,838 | 23,908 | 2,930 | 12.3 | 7.7 | 7.9 | -0.2 |
| Total assets | 339,773 | 311,985 | 27,788 | 8.9 | 100.0 | 100.0 | - |
| Equity | | | | | | | |
| Shareholders' equity – ordinary shares | 70 | 70 | - | - | 0.0 | 0.0 | 0.0 |
| Retained earnings | 41,613 | 24,347 | 17,266 | 70.9 | 7.8 | 12.2 | -4.4 |
| Other provisions | -56 | 62 | -118 | -190.3 | 0.0 | 0.0 | 0.0 |
| Additional paid-in capital | 54,812 | 54,812 | - | - | 17.6 | 16.1 | 1.4 |
| Total equity related to Slavneft's shareholders | 96,439 | 79,291 | 17,148 | 21.6 | 25.4 | 28.4 | -3.0 |
| Interest of minority shareholders | 91,776 | 80,056 | 11,720 | 14.6 | 25.7 | 27.0 | -1.4 |
| Total equity | 188,215 | 159,347 | 28,868 | 18.1 | 51.1 | 55.4 | -4.3 |
| Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| Long-term loans and borrowings | 42,876 | 54,562 | -11,686 | -21.4 | 17.5 | 12.6 | 4.9 |

| Line of the Consolidated Statements on the Financial Position | Variance in physical terms | | | | Variance of the specific weight in assets and liabilities | | |
|---|----------------------------|------------------|---------------|---|---|---|-----------------------------|
| | As of 31.12.2016 | As of 31.12.2015 | Variance | Variance in % against the year beginning, % | Specific weight in the assets and liabilities as of the period beginning, % | Specific weight in the assets and liabilities as of the period end, % | Specific weight variance, % |
| Deferred tax liabilities | 17,057 | 14,287 | 2,770 | 19.4 | 4.6 | 5.0 | -0.4 |
| Liabilities for assets decommissioning and environment protection | 16,722 | 13,521 | 3,201 | 23.7 | 4.3 | 4.9 | -0.6 |
| Other non-current liabilities | 2,808 | 2,226 | 582 | 26.1 | 0.7 | 0.8 | -0.1 |
| Total non-current liabilities | 79,463 | 84,596 | -5,133 | -6.1 | 27.1 | 23.4 | 3.7 |
| Current liabilities | | | | | | | |
| Short-term loans and borrowings and current portion of long-term loans and borrowings | 24,614 | 26,986 | -2,372 | -8.8 | 8.6 | 7.2 | 1.4 |
| Accounts payable to vendors and contractors | 22,104 | 22,699 | -595 | -2.6 | 7.3 | 6.5 | 0.8 |
| Advances received | 372 | 1,324 | -952 | -71.9 | 0.4 | 0.1 | 0.3 |
| Unpaid dividends | 9 | 63 | -54 | -85.7 | 0.0 | 0.0 | 0.0 |
| Taxes payable | 22,803 | 14,932 | 7,871 | 52.7 | 4.8 | 6.7 | -1.9 |
| Other current liabilities | 2,193 | 2,038 | 155 | 7.6 | 0.7 | 0.6 | 0.0 |
| Total current liabilities | 72,095 | 68,042 | 4,053 | 6.0 | 21.8 | 21.2 | 0.6 |
| Total liabilities | 151,558 | 152,638 | -1,080 | -0.7 | 48.9 | 44.6 | 4.3 |
| Total equity and liabilities | 339,773 | 311,985 | 27,788 | 8.9 | 100.0 | 100.0 | - |

The more detailed analysis of changes is disclosed in the 2016 Consolidated Financial Statements of the Slavneft Group prepared under IFRS.

4.2.2. Analysis of changes in the indicators of the Slavneft Group Profit and Loss Statement for 2016

RUB mln

| Line of the Consolidated Report on the Profit and Loss, Other Comprehensive Income | For 12 months of 2016 | For 12 months of 2015 | Variance | Variance in % against the previous period |
|--|-----------------------|-----------------------|---------------|---|
| Revenue | 214,509 | 223,302 | -8,793 | -3.9 |
| Operating expenses | -45,552 | -44,179 | -1,373 | 3.1 |
| Selling, general and administrative expenses | -6,198 | -5,873 | -325 | 5.5 |
| Cost of other products sale | -3,549 | -2,753 | -796 | 28.9 |

| Line of the Consolidated Report on the Profit and Loss, Other Comprehensive Income | For 12 months of 2016 | For 12 months of 2015 | Variance | Variance in % against the previous period |
|---|-----------------------|-----------------------|---------------|---|
| Taxes, except for the income tax | -89,039 | -100,001 | 10,962 | -11.0 |
| Depreciation and amortization | -33,732 | -32,654 | -1,078 | 3.3 |
| Expenses for exploration jobs | -1,052 | -623 | -429 | 68.9 |
| Impairment and profit/ (loss) from assets disposal | 143 | -165 | 308 | -186.7 |
| Total operating expenses and costs | -178,979 | -186,248 | 7,269 | -3.9 |
| Other operating revenue | 600 | 722 | -122 | -16.9 |
| Operating income | 36,130 | 37,776 | -1,646 | -4.4 |
| Financial income | 1,652 | 2,074 | -422 | -20.3 |
| Financial expenses | -6,593 | -5,279 | -1,314 | 24.9 |
| Forex difference profit/ (loss) | 4,136 | -8,519 | 12,655 | -148.6 |
| Income before tax | 35,325 | 26,052 | 9,273 | 35.6 |
| Income tax expense | -6,224 | -6,486 | 262 | -4.0 |
| Income for a year related to: | 29,101 | 19,566 | 9,535 | 48.7 |
| – Slavneft’s shareholders | 17,239 | 10,274 | 6,965 | 67.8 |
| – interest of minority shareholders | 11,862 | 9,292 | 2,570 | 27.7 |
| Other comprehensive income: | -403 | -512 | 109 | -21.3 |
| Loss to be reclassified to profit or loss in subsequent periods | -118 | -50 | -68 | 136.0 |
| Foreign exchange differences due to recalculation of foreign currency transactions | -118 | -50 | -68 | 136.0 |
| Loss not to be reclassified to profit or loss in subsequent periods | -285 | -462 | 177 | -38.3 |
| Re-estimation of the provision for bonus payment upon completion of the labor activity and other long-term payments | -285 | -462 | 177 | -38.3 |
| Total comprehensive income related to: | 28,698 | 19,054 | 9,644 | 50.6 |
| – Slavneft’s shareholders | 16,975 | 9,992 | 6,983 | 69.9 |
| – interest of minority shareholders | 11,723 | 9,062 | 2,661 | 29.4 |
| Earnings per share to be paid to Slavneft’s shareholders | | | | |
| Basic earnings per ordinary share (in RUB per share) | 3.63 | 2.16 | 1.5 | 68.1 |
| Weighted average number of ordinary shares outstanding (mln) | 4,754 | 4,754 | - | - |

The more detailed analysis of changes is disclosed in the 2016 Consolidated Financial Statements of the Slavneft Group prepared under IFRS.

4.3. Additional financial indicators of the Slavneft Group business in the reporting period

4.3.1. Information about the amount of net assets of the Slavneft Group Enterprises

| No. | Financial indicator | Indicator amount in the reporting period |
|-----|---|--|
| 1 | Net assets amount (RUB mln) | 188,215 |
| 2 | Authorized capital (RUB mln) | 70 |
| 3 | Ratio of net assets to the authorized capital (line 1/line 2) (%) | 268,879 |

In the reporting period, the net assets increased by RUB 28,868 mln or by 18%.

4.3.2. Information about profit application in the reporting year in accordance with the resolutions on net income distribution and cover of prior year losses adopted by General Shareholders' Meetings

ОАО NGK Slavneft

On June 30, 2016, the Annual General Meeting of Slavneft's Shareholders adopted the following resolution (Minutes of Meeting No.52):

Distribute the Slavneft net income in the amount of RUB 2,645,839,819.51 generated under the 2015 performance results as follows:

- Allocate a part of the Slavneft net income equal to RUB 1,686,959,157.94 for financing the Investment Program;
- Allocate a part of the Slavneft net income equal to RUB 958,880,661.57 for repayment of loan commitments.

Not to pay dividends on Slavneft's ordinary shares for 2015.

ОАО SN-MNG

On June 24, 2016, the Annual General Meeting of SN-MNG's shareholders adopted the resolution (Minutes of Meeting No.44) to distribute the SN-MNG net income in the amount of RUB 9,464,095,147.21 generated under the 2015 performance results as follows:

- Allocate a part of the SN-MNG net income equal to RUB 9,369,221,915.96 for financing the Investment Program.

ОАО Slavneft-YaNOS

On June 17, 2016, the Annual General Shareholders Meeting passed the resolution (Minutes of Meeting No.39) to:

- Distribute the Slavneft-YaNOS net income in the amount of RUB 4,786,679,713.51 generated under 2015 performance results as follows:
- Allocate a part of the Slavneft-YaNOS net income equal to RUB 1,914,568,618.06 for financing the Investment Program;
- Allocate a part of the Slavneft-YaNOS net income equal to RUB 2,869,002,249.71 for repayment of loan commitments.

In accordance with sub-clause 5, Article 10.2 of the Slavneft-YaNOS Articles of Association, the draft resolution on allocation of a part of Slavneft-YaNOS's net income for payment of dividends on Enterprise's shares shall be preliminary approved by the Slavneft-YaNOS Board of Directors.

In accordance with Minutes of Board's Meeting No.3 dd. May 10, 2016, the draft resolution on allocation of a part of the Enterprise's net income received under the 2015 performance results for dividend payment was not passed.

Voting on allocation of a part of the Enterprise's net income received under the 2015 performance results for dividend payment was not carried out.

On September 30, 2016 (Minutes of Meeting No.40), the Extraordinary General Shareholders Meeting resolved:

1. To declare dividends on Slavneft-YaNOS's preferred shares equal to RUB 0.01 per preferred share under performance results of HI 2016;

2. To allocate 3,108,845.74 (three million one hundred and eight thousand eight hundred and forty-five rubles 74 kopecks) for payment of dividends on Enterprise's preferred shares;
3. Not to pay dividends on Slavneft-YaNOS's ordinary shares under performance results of HI 2016;
4. To define the date, on which persons entitled to receive dividends are identified, as the 11th of October 2016;
5. To pay dividends in cash (in Russian RUB) to nominee shareholders and trustees, who are professional participants of the securities markets and are recorded in the Register of Shareholders, before October 25, 2016 and to other shareholders recorded in the Register before November 16, 2016.

OAO ONGG

In accordance with the resolution of the Annual General Meeting of Enterprise's Shareholders, the 2015 net income was not distributed due to its lack (Enterprise's loss under the 2015 performance results made RUB 909,167 ths).

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

4.3.3. Taxes, levies and other charges paid to the budget by the Slavneft Group Enterprises in the reporting year

| No. | Indicator | Outstanding balance as of the year beginning (-) – in favor of the budget; (+) – in favor of the Company | Accrued for the year (-) | Paid for the year (+) |
|-----|-------------------------|--|--------------------------------|-----------------------------|
| 1. | Value added tax | -5,522,132 | -28,503,349 | 26,985,993 |
| 2. | Property tax | -905,724 | -4,099,068 | 4,087,043 |
| 3. | Income tax | 1,068,396 | -4,345,772 | 3,386,316 |
| 4. | Land use tax | -757 | -3,128 | 3,106 |
| 5. | Excise | -2,024,772 | -38,082,658 | 36,521,990 |
| 6. | Export customs duties | 0 | 0 | 0 |
| 7. | Import customs duties | 5,598 | -29,705 | 24,500 |
| 8. | Individual income tax | -58,918 | -1,460,535 | 1,440,781 |
| 9. | Vehicle tax | -2,189 | -6,152 | 6,389 |
| 10. | Insurance contributions | -267,065 | -2,884,343 | 2,816,923 |
| 11. | MET | -5,319,166 | -82,005,515 | 78,765,675 |
| 12. | Pollution charge | -3,133 | -10,298 | 14,008 |
| 13. | Water tax | -1,489 | -6,656 | 6,729 |
| 14. | Other taxes | 277 | -120,534 | 128,333 |
| | Total | -13,036,672 | -161,528,008 | 154,163,286 |

5. INFORMATION DISCLOSURE

5.1. Transactions made by the Slavneft Group Enterprises in the reporting year and recognized as major ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995, and other transactions, to which the major transaction approval procedure shall be applied in line with Enterprises' Articles of Association

The information about the transactions made by OAO NGK Slavneft in the reporting year and recognized as major ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995, and other transactions, to which the major transaction approval procedure shall be applied in accordance with the Company's Articles of Association, is disclosed in clause 5.1 of the main part of this Annual Report.

The information about the transactions made by the Slavneft Group Enterprises in the reporting year and recognized as major ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995, and other transactions, to which the major transaction approval procedure shall be applied in accordance with the Company's Articles of Association, is disclosed in the Annul Reports of these Enterprises posted on their web-sites and on the following web-pages:

- <http://www.sn-mng.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=568> – for OAO SN-MNG;
- <http://www.refinery.yaroslavl.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=947> – for OAO Slavneft-YaNOS;
- <http://www.e-disclosure.ru/portal/company.aspx?id=3838> – for OAO ONGG.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

5.2. Transactions made by the Slavneft Group Enterprises in the reporting year and recognized as related-party ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995

The information about the transactions made by OAO NGK Slavneft in the reporting year and recognized as related-party ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995 is disclosed in clause 5.2 of the main part of this Annual Report.

The information about the transactions made by the Slavneft Group Enterprises in the reporting year and recognized as related-party ones under Federal Law No.208 on Joint-Stock Companies dated December 26, 1995 is disclosed in the Annul Reports of these Enterprises posted on their web-sites and on the following web-pages:

- <http://www.sn-mng.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=568> – for OAO SN-MNG;
- <http://www.refinery.yaroslavl.ru/>, <http://www.e-disclosure.ru/portal/company.aspx?id=947> – for OAO Slavneft-YaNOS;
- <http://www.e-disclosure.ru/portal/company.aspx?id=3838> – for OAO ONGG.

The information about **Limited Liability Company Slavneft-Krasnoyarskneftegaz** is not disclosed, since it is not a public enterprise.

The information about **Limited Liability Company Slavneft-Nizhnevartovsk** is not disclosed, since it is not a public enterprise.

Report on observance of the Corporate Governance Code principles and recommendations by Slavneft

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|---|--|---------------------|---|
| 1 | 2 | 3 | 4 |
| I. Shareholder rights and equitable treatment of shareholders in the exercise of their rights | | | |
| 1.1. The Company shall ensure equitable and fair treatment of all shareholders in the exercise of their right to participate in the Company management. The corporate governance system and practice shall ensure equitable treatment for all shareholders, i.e. for owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, as well as equal treatment thereof by the Company. | | | |
| 1.1.1. | The Company has approved an internal regulatory document, which prescribes the main procedures for convening, preparing and holding the General Shareholders Meeting. | Observed | The procedure for convening, preparing and holding the General Meeting of Company's Shareholders is determined in accordance with the internal regulatory documents approved by the General Meeting of Company's Shareholders. For review of the internal regulatory documents, please follow the link: http://www.e-disclosure.ru/portal/company.aspx?id=560 , http://www.slavneft.ru ³ |
| 1.1.2. | The Company shall submit (ensure availability of) the information on holding the General Shareholders Meeting no less than 30 days before the date of its holding (unless the longer period of time is provided for by the legislation of the Russian Federation). | Not observed | The Company submits (ensures availability of) the information on holding the General Shareholders Meeting in accordance with the time frames established by the RF legislation, Slavneft's Articles of Association and other Company's internal regulatory documents. |
| 1.1.3. | The Company shall disclose the information about a date of preparing the list of persons entitled to participate in the General Shareholders Meeting no less than 7 days before this date occurrence. | Observed | The information about a date of preparing the list of persons entitled to participate in the General Shareholders Meeting is disclosed in accordance with regulations of the RF legislation. The Company strives for observing the best information disclosure practices. |
| 1.1.4. | The notification on holding the General Shareholders Meeting shall contain a full scope of the information, which is necessary for shareholders to pass a resolution about participation therein and about the manner of such participation. | Observed | The information, which is necessary for shareholders to pass a resolution about participation in the General Shareholders Meeting and about the manner of such participation, is disclosed in the notification on holding the General Meeting to the full extent. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 1.1.5. | The Company shall submit the information on holding the General Shareholders Meeting not only in | Observed | The Company submits the information on holding the General Shareholders Meeting not only in Russian, but also in |

³ Hereinafter, the address for information posting in the Internet is specified in Sub-Clause 1.1.1. of this Report

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|--|---|---------------------|--|
| 1 | 2 | 3 | 4 |
| | Russian, but also in a foreign language, which is commonly accepted in the financial market. | | a foreign language, which is commonly accepted in the financial market. The respective forms of information disclosure are posted on the following web-page: www.slavneft.ru |
| 1.1.6. | The Company shall provide the shareholders with the additional information about the persons, who have proposed to include each of the items into the agenda of the General Shareholders Meeting and who have nominated each of the candidates to be elected to the Company's governing bodies. | Not observed | This requirement is not envisaged by the Company's Articles of Association and other internal regulatory documents. |
| 1.1.7. | During preparation and holding of the General Shareholders Meeting, the Company shall ensure operation of a special e-mail and a special telephone channel (hot line) for communication with the shareholders. | Observed | Slavneft has the 24/7 hot line. Telephone: +7 (495) 787-82-15, extension number 3778 or e-mail: hotline@slavneft.ru . |
| 1.1.8. | The Company shall involve a registrar to register participants of the General Shareholders Meeting and to fulfill the Ballot Committee's function during vote counting. | Observed | This requirement is prescribed by the Company's Articles of Association and other internal regulatory documents. JSC R.O.S.T. Registrar, the Company's Registrar, fulfilled the Ballot Committee's functions at the General Shareholders Meeting in 2016. |
| 1.1.9. | The Company has provided the technical conditions, which allow shareholders participating in the voting via electronic means. | Not observed | This form of voting is not envisaged by the Company's Articles of Association and other internal regulatory documents. |
| 1.1.10. | The Company's Articles of Association and internal documents shall stipulate the Company's duty to post the Minutes of the General Shareholders Meeting on its web-site in the Internet as soon as possible. | Partially observed | The information is disclosed as a corporate action notice within the time period set forth by the RF legislation. Besides, Reports on results of the voting at the General Shareholders Meetings held in the Company are posted in the Sub-Section " <i>Shareholders Meetings</i> " of the Section " <i>To Shareholders and Investors</i> " on the Company's web-site (www.slavneft.ru). |
| 1.1.11. | The Company uses the telecommunication means for remote access of the shareholders to the General Shareholders Meeting (broadcasting of the General Shareholders Meeting on the Company's web-site in the Internet, usage of the video-conference call). | Not observed | The possibility of Meeting broadcasting or video-conference call usage during the General Shareholders Meeting is not envisaged by the Company's Articles of Association and other internal regulatory documents. |
| 1.2. Shareholders shall be provided with an equal and fair opportunity to participate in the Company's profit by receiving dividends. | | | |
| 1.2.1. | Dividends shall be paid out in cash. | Observed | Dividends shall be paid out and are paid out in cash. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|--|--|---------------------|---|
| 1 | 2 | 3 | 4 |
| II. Board of Directors (the Board of Directors is established in the Company) | | | |
| 2.1. The Board of Directors determines the main long-term strategic areas of the Company's operations, the Company's key performance indicators, engages in strategic management of the Company, determines the key principles and approaches to the Company's risk management and internal control system, controls the activity of the Company's executive bodies, determines the Company's policy on remuneration of the members of the Board of Directors and executive bodies, and performs other critical roles. | | | |
| 2.1.1. | The Company's Articles of Association and other internal regulatory documents stipulate that establishment of Company's executive bodies, termination of their powers, approval of conditions specified in the Contracts to be signed with members of the Company's executive bodies (including conditions about remunerations and other payments) fall within the competence of the Board of Directors. | Observed | In accordance with the provisions specified in the Company's Articles of Association, Regulations on the Board of Directors and Regulations on Executive Bodies. |
| 2.1.2. | The Company's Articles of Association stipulate that approval of the Company's financial and economic plan (budget), which is developed and submitted by the Company's executive bodies, falls within the competence of the Board of Directors. | Observed | The Company's Articles of Association and other internal regulatory documents envisage that the specified functions shall fall within the competence of the Board of Directors. |
| 2.1.3. | A special Meeting of the Board of Directors shall be held to discuss the strategy, its progress and updating no less than once a year. | Observed | 7 Meetings of the Company's Board of Directors were held during the reporting period. The strategy, progress of its fulfillment and updating of the respective plans were discussed at 3 of those Meetings. |
| 2.1.4. | The Company's Articles of Association stipulate that approval of the policy for risk management and internal control falls within the competence of the Board of Directors. | Not observed | This requirement is not envisaged by the current version of the Company's Articles of Association and other internal regulatory documents. |
| 2.1.5. | The Board of Directors shall determine the policy for remuneration payment and (or) expenses reimbursement (compensation) to the members of the Board of Directors, Company's executive bodies and other key senior officers. | Partially observed | The procedure for remuneration payment to the members of the Company's executive bodies and other key senior officers is determined by the Regulations on the system for payment of remunerations and incentives to Slavneft's employees. |
| 2.2. The Board of Directors shall be an efficient and professional company governance body, which is able to make unbiased and independent judgements and decisions in the best interests of the Company and its shareholders. The Board of Directors Chairman shall facilitate the most efficient performance of the functions vested in the Board of Directors. Meetings of the Board of Directors, preparation therefor and participation of the Board's members in these meetings shall ensure that the Board of Directors operates as efficiently as possible. | | | |
| 2.2.1. | The Board of Directors reports to Company's shareholders. | Observed | In accordance with the provisions specified in the Company's Articles of Association and other internal regulatory documents, the Board of Directors reports to Company's shareholders. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|--------|--|---------------------|---|
| 1 | 2 | 3 | 4 |
| 2.2.2. | The Annual Report and Company's web-site shall disclose the information about the quantity of meetings of the Board of Directors and its committees held during the past year with indication of the meeting holding form and data about presence of the Board's members at these meetings. | Partially observed | The information about the Board of Directors meetings held (including the meeting holding form) is posted on the Company's corporate web-site: http://slavneft.ru/company/corporate/management/board_of_directors . |
| 2.2.3. | The shareholders shall have a possibility to receive the information about nominees to the members of the Company's Board of Directors for making an idea about their personal and professional qualities. | Observed | The information about nominees to the members of the Company's Board of Directors (including the brief background profile) is submitted to the shareholders. The information in electronic format is posted on the Company's corporate web-site: www.slavneft.ru . |
| 2.2.4. | The Company shall underwrite liability of the Board's members at its own cost and expense. | Not observed | The Company does not underwrite liability of the Board's members at its own cost and expense. This requirement is not envisaged by the Company's Articles of Association and other internal regulatory documents. |
| 2.2.5. | The Company's Articles of Association and internal documents shall: <ul style="list-style-type: none"> • contain well-defined and vested rights and obligations of the Board's members; • envisage the duty of the Board's members not to disclose the confidential information, including the information that constitutes the commercial secret. | Observed | The Company's Articles of Association and Regulations on the Board of Directors stipulate the specified obligations of the Board's members. |
| 2.2.6. | The Company shall have the procedure, which determines how newly elected members of the Board of Directors shall get acquainted with the Company's strategy, the corporate governance system, risk management and internal control system, distribution of obligations among the Company's executive bodies and other material information about the Company's business. | Observed | The Company introduces the newly elected members of the Board of Directors to the Company's strategy, corporate governance system, risk management and internal control system, distribution of obligations among the Company's executive bodies and other material information about the Company's business. |
| 2.2.7. | There shall be the Action Plan of the Board of Directors, which contains the list of items that will be considered at respective Meetings. | Observed | The Board of Directors operates in accordance with its Action Plan, which contains the list of items that will be considered at respective Meetings. |
| 2.2.8. | The Company's internal documents shall prescribe the procedure for preparing and holding meetings of the Board of Directors that provides an opportunity for the Board's members to get properly prepared for such meetings, and, in particular, that stipulates: | Observed | The Regulations on the Company's Board of Directors stipulate the specified provisions. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|---|--|---------------------|--|
| 1 | 2 | 3 | 4 |
| | <ul style="list-style-type: none"> Timeframes for notifying the Board's members of the forthcoming meeting; Timeframes for sending the voting documents (ballots) and receiving the filled-in voting documents (ballots) if the Meeting is held in absentia; An opportunity for the Board's members absent from the Meeting held in person to submit their written opinions on agenda items and be heard. | | |
| 2.3. The composition of the Board of Directors shall have a sufficient number of independent directors. | | | |
| 2.3.1. | Independent directors shall account for at least one third of the Board's elected members. Independent directors shall fully conform to the independence criteria recommended by the Corporate Governance Code. | Not observed | Independent directors are not included into the composition of the Company's Board of Directors. The requirements on including the independent directors into the composition of the Board of Directors are not envisaged by the Company's Articles of Association and other internal regulatory documents. |
| 2.4. The Board of Directors shall establish committees for preliminary consideration of the most important issues related to the Company's operations. | | | |
| 2.4.1. | The Company's Board of Directors has established the Audit Committee consisting of the independent directors, which functions are set forth in the internal documents and comply with the recommendations of the Corporate Governance Code. | Partially observed | The Audit Committee has been established in the Company; Committee functions are set forth in the Regulations on the Audit Committee to the Board of Directors (approved by the resolution of the Company's Board of Directors). The independent directors are not included into the composition of the Audit Committee to the Company's Board of Directors. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 2.4.2. | The Company's Board of Directors has established the Remuneration Committee (it can be combined with the Nominations (HR, Appointments) Committee), which functions are set forth in the internal documents and comply with the recommendations of the Corporate Governance Code. | Partially observed | The Staff and Remuneration Committee has been established in the Company; Committee functions are set forth in the Regulations on the Staff and Remuneration Committee to the Board of Directors (approved by the resolution of the Company's Board of Directors). The independent directors are not included into the composition of the Staff and Remuneration Committee to the Company's Board of Directors. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|---|---|---------------------|---|
| 1 | 2 | 3 | 4 |
| 2.5. The Board of Directors shall ensure the assessment of performance of the Board of Directors, its Committees and Board’s members. | | | |
| 2.5.1. | Performance of the Board of Directors is assessed on a regular basis, at least once a year; and at least once in every three years such assessment shall be carried with engagement of an external organization (consultant). | Not observed | This requirement is not envisaged by the Company’s Articles of Association and other internal regulatory documents. |
| III. Company’s corporate secretary | | | |
| 3.1. The Corporate Secretary (a dedicated structural unit headed by the Corporate Secretary) shall ensure efficient current interaction with shareholders, coordination of Company’s actions aimed at protection of shareholders’ rights and interests, support for the effective work of the Board of Directors. | | | |
| 3.1.1. | The Corporate Secretary reports to the Board of Directors, is appointed to and removed from his/ her office upon the resolution or approval of the Board of Directors. | Partially observed | The Company does not have the Corporate Secretary. In practice, the structural unit, the Secretariat of the Board of Directors headed by the Board’s Secretary, performs a number of Corporate Secretary functions. The Board’s Secretary is assigned to and removed from his/ her office upon the resolution of the Board of Directors. The Regulations on the Corporate Secretary are not approved in the Company. |
| | The Company has approved the internal document, which determines the rights and obligations of the Corporate Secretary (Regulations on the Corporate Secretary) and which content conforms to the recommendations of the Corporate Governance Code. | | |
| | The Corporate Secretary functions are in compliance with the recommendations of the Corporate Governance Code. The Corporate Secretary has sufficient resources for performance of his/ her functions. | | |
| IV. System of remuneration payment to members of the Board of Directors, executive bodies, and Company’s other key senior officers | | | |
| 4.1. The amount of remuneration paid by the Company shall be sufficient to attract, motivate and retain persons that possess the competences and qualifications needed by the Company. The remuneration shall be paid to members of the Board of Directors, executive bodies and Company’s other key senior officers in accordance with the Remuneration Policy accepted in the Company. | | | |
| 4.1.1. | The Company has approved the Policy that prescribes the procedure for remuneration payment to members of the Board of Directors and executive bodies, Company’s other key senior officers. | Partially observed | The procedure for remuneration payment to the members of the Company’s executive bodies and other key senior officers is determined in the Regulations on the system for payment of remunerations and incentives to Slavneft’s employees. |
| 4.1.2. | Except for the expenses for arrival at the venue of Meeting holding and for other business trips made within the activity of the Board of Directors and Board’s committees, the Company does not compensate other expenses to the Board’s members. | Observed | The Company does not compensate other expenses to the Board’s members. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|---|--|---------------------|--|
| 1 | 2 | 3 | 4 |
| 4.1.3. | Directors (non-executive and independent directors) are not provided with pension contributions, insurance programs, investment programs, other benefits and privileges. | Observed | The Company does not provide the (non-executive and independent) directors with pension contributions, insurance programs, investment programs, other benefits and privileges. |
| 4.1.4. | In case of early termination of Board members' powers due to change of control over the Company or due to other circumstances, any additional payments or compensations are not envisaged by the Company's internal documents. | Observed | The specified payments are not envisaged by the Company's internal documents. The Company does not provide any additional payments or compensations in case of early termination of Board members' powers due to change of control over the Company or due to other circumstances. |
| V. Risk management and internal control system | | | |
| 5.1. The Company shall establish a well-functioning risk management and internal control system, which is aimed at providing reasonable assurance that the Company achieves its goals. | | | |
| 5.1.1. | The Company has established a separate structural unit for risk management and internal control. | Observed | The Company has established a respective structural unit, i.e. the Risk Management Group. |
| 5.1.2. | The Company has provided a safe, confidential and easily accessible way (hotline) for informing the Board of Directors (Board's Audit Committee) and internal audit unit about the facts that any Company employee and (or) any member of the governing body or body of control over the Company's financial and economic activity have violated the legislation, internal procedures, Company's Code of Ethics. | Observed | Slavneft has the 24/7 hot line. Telephone: +7 (495) 787-82-15, extension number 3778 or e-mail: hotline@slavneft.ru . |
| 5.1.3. | The Company shall have a separate structural unit, which performs the internal audit functions and which functionally reports to the Board of Directors; or the Company shall involve an independent external entity. | Observed | The Company has established the respective structural unit, i.e. the Chief Auditor Service. Besides, an independent external organization approved by the resolution of the General Shareholders Meeting is involved in auditing activities. |
| VI. Disclosure of information about the Company, Company information policy | | | |
| 6.1. The Company and its operations shall be transparent to shareholders, investors and other interested parties. | | | |
| 6.1.1. | The Company has approved the internal regulatory document that determines the Company's information policy. | Observed | The Regulations on the Information Policy approved by the Company's Board of Directors are in force in the Company. The Regulations are published on the Company's corporate web-site. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 6.1.2. | The Company shall disclose the information about the corporate governance system and practice, including the detailed information about observance of the principles and | Observed | This information is disclosed in respective sections of the Company's corporate web-site in the Internet. The detailed information about observance of the Corporate |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|---|---|---------------------|--|
| 1 | 2 | 3 | 4 |
| | recommendations set forth in the Corporate Governance Code. | | Governance Code principles and recommendations is disclosed in the Company's Annual Report. |
| 6.1.3. | The Company's web-site in the Internet shall contain the information, which is sufficient for making true and fair view about material aspects of the Company's business. | Observed | The information, which is necessary and sufficient for making true and fair view about material aspects of the Company's business, is posted in the Internet (including the Company's corporate web-site). The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 6.1.4. | The Company's Annual Report shall contain the information that allows evaluating the Company's performance results for a year. | Observed | The Annual Report contains the information about the Company's financial and economic activity. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 6.2. In a timely manner, the Company shall disclose the complete, up-to-date and accurate information about the Company, so that Company's shareholders and investors can make informed decisions. | | | |
| 6.2.1. | The Company's Annual Report shall contain the Annual Financial Statements prepared under IFRS along with the Auditor's Report on these Financial Statements. | Observed | The Annual Report contains the information about the financial and economic activity of the Slavneft Group Enterprises, including the information reflected in the indicators of the Consolidated Financial Statements prepared under IFRS. Besides, the Consolidated Annual and Interim Statements are disclosed on the respective pages in the Internet. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 6.2.2. | The Company shall disclose the information not only about itself, but about the legal entities, which are controlled by the Company and which are material to the Company. | Observed | The information about the legal entities, which are controlled by the Company and which are material to the Company, is posted on the Company's corporate web-site in the Internet. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 6.3. The Company shall submit the information and documents in response to shareholders' requests in accordance with principles of equal and unhindered access. | | | |
| 6.3.1. | In line with the Company's Information Policy, Company's shareholders owning the same number of Company's voting shares shall be provided with equal access to the Company's information and documents. | Observed | The Company provides the Company's shareholders owning the same number of Company's voting shares with equal access to the information and documents. In line with requirements of the RF legislation and with the Regulations on the Information Policy approved in the Company, the Company discloses the information in the Internet on a regular basis. The Internet address is specified in Sub-Clause 1.1.1. of this Report. |

| No. | Principles and recommendation of the Corporate Governance Code | Level of compliance | Comments |
|--|---|---------------------|--|
| 1 | 2 | 3 | 4 |
| VII. Material corporate actions | | | |
| 7.1. Actions, which significantly influence or may significantly influence the share capital structure and the Company's financial position and, consequently, the shareholders' position (material corporate actions), shall be fulfilled on a fair basis that ensures that rights and interests of shareholders and other stakeholders are respected. | | | |
| 7.1.1. | The Company shall disclose the information about fulfillment of material corporate actions and explain reasons, conditions and consequences of such actions execution. | Observed | The Company discloses the respective information (including in the Internet). The Internet address is specified in Sub-Clause 1.1.1. of this Report. |
| 7.1.2. | The Company shall have the procedures for preliminary consideration and approval by the Company's Board of Directors of the transactions that are made by third parties on their behalf, but at Company's expense, and that would be major or related-party transactions, if they were settled on Company's behalf. | Not observed | The specified procedures are not determined by the Company's Articles of Association and other internal regulatory documents. |
| 7.2. The Company shall ensure such procedure for fulfillment of material corporate actions, which allows shareholders obtaining the complete information about such actions in a timely manner that enables them influencing such actions and that guarantees respect and proper protection of their rights during fulfillment of such actions. | | | |
| 7.2.1. | The Company's Articles of Association shall have an extended list of grounds, for which members of the Company's Board of Directors and other persons stipulated by the legislation are recognized to be interested in Company's transactions. | Not observed | The Company's Articles of Association and other internal regulatory documents do not envisage any additional grounds for recognizing the specified persons to be interested parties. |