

# **OPEN JOINT-STOCK OIL AND GAS COMPANY SLAVNEFT**

**APPROVED by  
the Annual General Shareholders Meeting of  
OAO NGK Slavneft  
Minutes No. 44 dd. 29 June, 2012**

**APPROVED by  
the Board of Directors of  
OAO NGK Slavneft  
Minutes No. 5 dd. 29 May, 2012**

## **2011 ANNUAL REPORT**

**President, OAO NGK Slavneft**

\_\_\_\_\_ **Yu. E. Sukhanov**  
(signature)

**Chief Accountant, OAO NGK Slavneft**

\_\_\_\_\_ **A.A. Shuvaev**  
(signature)

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### INFORMATION ON OPEN JOINT-STOCK OIL AND GAS COMPANY SLAVNEFT

Full name of the Company: Open Joint-Stock Oil and Gas Company Slavneft

Abbreviated name of the Company: OAO NGK Slavneft (hereinafter referred to as the Company)

Registered address: Moscow, Russian Federation

Postal address: bld.4, 4<sup>th</sup> Lesnoy pereulok, Moscow, Russian Federation, postal code: 125047

Date of Company's state registration and registration number: the Company was registered by the Moscow Registration Chamber on August 26, 1994 (Certificate of Registration No. 033.530).

OAO NGK Slavneft was entered into the Unified State Register of Legal Entities by Moscow Interdistrict Inspectorate No.39 of the Russian Federation Ministry for Taxes and Levies on July 30, 2002 (primary state registration number 1027739026270; Certificate of Registration series 77 No.007436304).

The amendments made to the constituent documents of OAO NGK Slavneft were registered by Moscow Interdistrict Inspectorate No.46 of the Federal Tax Service:

- Under state registration number 2057747654391 (Company's restated Articles of Association approved by the Resolution of the General Shareholders Meeting on June 30, 2005, Minutes No.23) on August 01, 2005;
- Under state registration number 2067756557010 (amendments to the Company's Articles of Association approved by the Resolution of the General Shareholders Meeting on June 29, 2006, Minutes No.26) on September 04, 2006;
- Under state registration number 2087758956305 (amendments to the Company's Articles of Association approved by the Resolution of the General Shareholders Meeting on June 27, 2008, Minutes No.32) on August 07, 2008;
- Under state registration number 7097748794906 (amendments to the Company's Articles of Association approved by the Resolution of the General Shareholders Meeting on June 29, 2009, Minutes No.36) on December 03, 2009;
- Under state registration number 2117747218763 (amendments to the Company's Articles of Association approved by the Resolution of the General Shareholders Meeting on June 29, 2011, Minutes No.41) on July 20, 2011;
- Under state registration number 6117747322302 (amendments to the Company's Articles of Association approved by the Resolution of the Board of Directors on August 17, 2011, Minutes No.3) on September 02, 2011.

Information on the Authorized Capital as of January 01, 2012: the Company's Authorized Capital makes 4,754,238 RUB and consists of 4,754,238,000 non-certificated registered ordinary shares with the par value of 0.001 RUB (issue state registration number 1-01-00221-A dated June 17, 2003).

Registrar: the Company's registrar is Open Joint-Stock Company Registrar R.O.S.T.; license No.10-000-1-00264 was granted by the Russian Federal Securities Commission on December 03, 2002.

Auditor: the Company's auditor is Closed Joint-Stock Company PricewaterhouseCoopers Audit; Certificate No.008-890 of joint-stock company state registration was granted by the Moscow Registration Chamber on February 28, 1992; Certificate No.1027700148431 of record in the Unified State Register of Legal Entities was granted by Moscow Interdistrict Inspectorate No.39 of the Russian Federation Ministry for Taxes and Levies; Audit License No. E000376 was granted by the Russian Federation Ministry of Finance on May 20, 2002.

Information on the Company is published in *Izvestiya, Sovetskaya Belorussiya* and is posted on [www.slavneft.ru](http://www.slavneft.ru), the Company's web-site.

### AUTHORIZED CAPITAL

As of January 01, 2012, the total number of shareholders made 3,629.

AUTHORIZED CAPITAL STRUCTURE				
No.	Shareholders and nominee holders	Number	Number of shares, items	Equity in the Authorized Capital, %
<b>1.</b>	<b>Residents of the Russian Federation</b>	3,495	4,753,985,541	99.9947
1.1	Legal entities and nominee holders	16	4,750,139,980	99.9138
	including the nominee holders, which equity in the Authorized Capital makes 1% at least	3	4,704,838,409	98.9609
1.2	Individuals	3,479	3,845,561	0.0809
<b>2.</b>	<b>Non-residents of the Russian Federation</b>	128	248,259	0.0052
2.1	Legal entities	3	100,021	0.0021
2.2	Individuals	125	148,238	0.0031
<b>3.</b>	<b>Individuals, whose jurisdiction data are not available in the Register</b>	6	4,200	0.0001
	Total:	3,629	4,754,238,000	100.0000

The Company did not purchase own shares in the reporting period.

Nominee holders owning more than 1% of the voting shares of OAO NGK Slavneft as of January 01, 2012:

No.	Nominee holders	Equity in the Authorized Capital, %.
1.	Limited Liability Company Deutsche Bank	10.8343
2.	Closed Joint-Stock Company UBS Nominees	13.1726
3.	Joint-Stock Commercial Savings Bank of the Russian Federation (Open Joint-Stock Company)	74.9540
	<b>Total:</b>	<b>98.9609</b>

**LIST OF THE SUBSIDIARIES AND AFFILIATES OF OAO NGK SLAVNEFT**  
(as of January 01, 2012)

No.	Subsidiary's/ Affiliate's name		Company's equity, %	
	Full name	Abbreviated name	in the Authorized Capital	in the voting shares
<b>1. Subsidiaries</b>				
1.	Open Joint-Stock Company Slavneft- Megionneftegaz	OAO SN-MNG	56.42	69.12
2.	Open Joint-Stock Company Slavneft -Megionneftegazgeologia	OAO SN-MNGG	94.07	97.51
3.	Open Joint-Stock Company Slavneft-Yaroslavnefteorgsintez	OAO Slavneft- YaNOS	39.20	50.78
4.	Open Joint-Stock Company Slavneft-Yaroslavl Mendeleyev Refinery (Rusoil)	OAO Slavneft-Yaroslavl Mendeleyev Refinery (Rusoil)	51.86	51.86
5.	Open Joint-Stock Company Slavneft -Yaroslavnefteprodukt	OAO Slavneft-Yaroslavnefteprodukt	65.13	65.13
6.	Open Joint-Stock Company Sobol	OAO Sobol	62.25	62.25
7.	Closed Joint-Stock Company Obneftegeologia	ZAO Obneftegeologia	100.00	100.00
8.	Open Joint-Stock Company Obneftegazgeologia	OAO ONGG	79.67	91.74
9.	Limited Liability Company Slavneft -Nizhnevartovsk	OOO Slavneft-Nizhnevartovsk	99.985	-
10.	Closed Joint-Stock Company Slavneft -M	ZAO Slavneft-M	99.97	99.97
11.	Closed Joint-Stock Company Slavneft -Tsentrnefteproduct	ZAO Slavneft-Tsentrnefteproduct	99.23	99.23
12.	Closed Joint-Stock Company Slavneft -Estate	ZAO Slavneft-Estate	100.00	100.00
13.	Limited Liability Company Slavneft -Krasnoyarskneftegaz	OOO Slavneft-Krasnoyarskneftegaz	99.993	-
14.	Joint-Stock Company Slavneft -Holding AG	Slavneft -Holding AG	100.00	100.00
15.	Closed Joint-Stock Company Slavveks	ZAO Slavveks	100.00	100.00
16.	Closed Joint-Stock Company Rusoil-Moscow	ZAO Rusoil-Moscow	100.00	100.00
17.	Closed Joint Stock Company Toplivno-Zapravochny Kompleks Slavneft-Tunoshna	ZAO TZK Slavneft-Tunoshna	97.29	97.29
18.	Limited Liability Company Realizatsia-T	OOO Realizatsia-T	95.45	-
19.	Limited Liability Company Slavneft-Nauchno-Proizvodstvenny Tsentr	OOO Slavneft-NPTs	100.00	-
<b>2. Affiliates</b>				
20.	Open Joint-Stock Company Mozyr Refinery	OAO Mozyr Refinery	42.58	42.58

**COMPOSITION OF THE BOARD OF DIRECTORS OF OAO NGK SLAVNEFT**

including information on any changes in the composition of the Board of Directors in 2011 and information on the members of the Company's Board of Directors  
(short biographical data and holding of the Company's shares during the reporting year)

No.	Full name	Year of birth	Position, place of employment	Holding of the Company's shares	Period
<b>Chairman of the Board of Directors</b>					
1.	German Borisovich Khan	1961	Executive Director, OAO TNK-BP Management	No Company's shares	February 28, 2003 – December 31, 2011
<b>Members of the Board of Directors</b>					
2.	Vitaly Vitalievich Baranov	1966	Deputy Chairman of the Management Board, Deputy CEO for Administration, OAO Gazprom Neft	No Company's shares	December 22, 2011 - December 31, 2011
3.	Karen Nikolaevich Dashyan	1978	Slavneft Asset Manager, Economics and Finance Block, OAO Gazprom Neft	No Company's shares	December 14, 2009 - December 31, 2011
4.	Alexander (Alex) Dodds	1957	Executive Vice President, Upstream, OAO TNK-BP Management	No Company's shares	December 22, 2011 - December 31, 2011
5.	Alexander Valerievich Dyukov	1967	Chairman of the Management Board, CEO, OAO Gazprom Neft	No Company's shares	March 12, 2007 – December 31, 2011
6.	Stanislav Polovets	1963	CEO, AAR Consortium	No Company's shares	June 29, 2009 – December 31, 2011
7.	Amir Zyufyarovich Feizulin	1969	First Deputy to Executive Vice President, Downstream, OAO TNK-BP Management	No Company's shares	December 22, 2011 - December 31, 2011
8.	Jeremy Huck	1967	President, BP Russia	No Company's shares	June 29, 2009 – December 31, 2011
9.	Anatoly Moiseyevich Cherner	1954	Deputy Chairman of the Management Board, Deputy CEO for Downstream, OAO Gazprom Neft	No Company's shares	June 29, 2006 – December 31, 2011
10.	Vadim Vladislavovich Yakovlev	1970	Deputy Chairman of the Management Board, First Deputy to CEO, Chief Financial Officer, OAO Gazprom Neft	No Company's shares	March 12, 2007 – December 31, 2011
<b>Members of the Board of Directors whose powers were terminated in 2011</b>					
1.	Patrick Didier Baudrand	1954	Vice President, Downstream, OAO TNK-BP Management	No Company's shares	October 31, 2008 – December 22, 2011
2.	Sergey Vladimirovich Brezitsky	1962	Executive Vice President, Upstream, OAO TNK-BP Management	No Company's shares	June 29, 2010 – December 22, 2011
3.	Boris Semyonovich Zilbermints	1967	Deputy Chairman of the Management Board, Deputy CEO for Upstream, OAO Gazprom Neft	No Company's shares	June 27, 2008 – December 22, 2011

**COMPOSITION OF THE MANAGEMENT BOARD OF OAO NGK SLAVNEFT**

including information on any changes in the Management Board composition in 2011 and information on the members of the Company's Management Board  
(short biographical data and holding of the Company's shares during the reporting year)

No.	Full name	Year of birth	Position, place of employment	Holding of the Company's shares	Period
<i>Chairman of the Management Board</i>					
1.	Yury Evgenievich Sukhanov	1963	President of OAO NGK Slavneft	No Company's shares	May 13, 2002 – December 31, 2011
<i>Members of the Management Board</i>					
2.	Alexey Valentinovich Bureyev	1967	Head of the Accounting and Tax Control Block	No Company's shares	April 13, 2004 - December 31, 2011
3.	Alexander Viktorovich Zhagrin	1966	Vice President, Upstream	No Company's shares	January 30, 2007 - December 31, 2011
4.	Andrey Viktorovich Kovalenko	1976	Vice President, Economics and Finance	No Company's shares	May 17, 2007 - December 31, 2011
5.	Vladimir Vasilievich Krylov	1955	Vice President, Downstream	No Company's shares	May 17, 2007 - December 31, 2011
6.	Ilya Borisovich Medvedev	1970	Vice President, General Issues	No Company's shares	May 17, 2007 - December 31, 2011
7.	Andrey Nikolaevich Trukhachev	1964	Vice President, Corporate Relations	No Company's shares	February 12, 2007 - December 31, 2011

## REPORT ON DISTRIBUTION OF THE DECLARED (ACCRUED) DIVIDENDS ON THE SHARES OF OAO NGK SLAVNEFT IN 2011

According to the resolution adopted by the Annual General Meeting of Company's Shareholders on June 29, 2011, the dividends in the amount of 9,556,018 ths RUB at the rate of 2.01 RUB per ordinary share were accrued under the 2010 performance results. As of the reporting preparation date, 9,553,759 ths RUB were distributed.

### KEY RISK FACTORS RELATED TO THE ACTIVITY OF OAO NGK SLAVNEFT

#### **General economic and political risks**

The Company's key risks are related to volatility of the crude oil and petroleum products global market. These risks are strengthened by the following factors:

- Social and political tension, extension of the political/ military conflict zone in oil producing regions;
- Aggravation of the situation due to the increased international terrorist activity;
- NATO enlargement due to the fact that former social camp states became the NATO members.

Moreover, the key risks include the insufficient infrastructure development in the regions of Company's prospective development and potential deterioration of the cost structure of the products sold by the Company, as no effective antimonopoly legislation related to crude oil/ oil products transportation services and power supply is available in the Russian Federation.

Being the major borrower, the Company is exposed to the risks associated with LIBOR/EURIBOR changes. For these risks mitigation, the Company implements the balanced liquidity management policy, which envisages permanent forecast of the Company's performance results and assessment of the additional external financing need. Besides, this policy includes actions aimed at raising the interest of financial institutions in cooperation with the Company and at expanding the number of Company's potential financial partners. Company's stable position and coordinated interaction with the leading banks allowed controlling and mitigating this risk impact in the reporting period.

For reducing the inflation impact, the Company pays special attention to the asset turnover and stability of Investment Projects cost-effectiveness indicators.

#### **Social risks**

OAO NGK Slavneft is a company, which Subsidiaries are located in different regions of the Russian Federation. Not only country, but also regional risks mainly caused by social factors have significant impact on the results of the Company's operating activity. In their turn, social factors depend on the development level of the regions of Slavneft Subsidiaries' presence.

#### **Technical risks**

The operating activity of the Company's Subsidiaries, which cover exploration of oil and gas fields, drilling of new wells and maintenance of old ones, crude oil transportation and processing, is a complicated process associated with a wide range of technical risks.

The Action Plan for PP&E maintenance and upgrading implemented by OAO NGK Slavneft, employment of highly qualified specialists and cooperation with leading Russian and foreign scientific institutions involved in oil industry challenges are focused on technical risks mitigation. Property, plant and equipment are regularly assessed for their conformance to the applicable industrial safety laws and regulations; actual condition of the equipment, technical devices and pipelines is inspected. Programs and methods for Subsidiaries' personnel industrial and occupational safety training and certification, including the programs and methods for natural and man-made emergency response activities, are constantly enhanced and supported.

#### **Innovation risks**

Due to crude oil depletion and scarcity, direct dependence of the national economy on reliable and stable supplies of hydrocarbons, developed countries are actively searching for alternative sources of energy. At present, oil used as the feedstock for electric power and heat generation is in increasing frequency replaced by natural gas. Some countries try to develop and master biological fuel production. Therefore, the demand for oil and oil products will be determined mainly by transport and petrochemical industry needs in the long-term (20-30 years).

Taking into account the global economy trends, OAO NGK Slavneft in its operating activity is guided by emerging market countries (including CIS and Eastern Europe) and the domestic market characterized by a relatively steady demand.

#### **Environmental risks**

The types of the Company's operating activity are related to the category of those, which have a significant impact on the environment of the regions where its Subsidiaries are located. Violation of the environmental management requirements triggers penalty imposition on the Company that may negatively influence the financial results of the Slavneft activity. Therefore, OAO NGK Slavneft performs all types of its activity with strict adherence to the environmental legislation.

The Subsidiaries' operating activity is greatly exposed to the negative impact of natural factors (including fires, floods and other natural disasters). Therewith, characteristic of the regions where the Company's Subsidiaries are located does not give any grounds to assume that OAO NGK Slavneft is in worse conditions against other Russian oil companies. The territorial dispersion of the Slavneft Subsidiaries allows significantly reducing dependence of Company's performance results from natural disasters, which may occur in the regions of Company's presence.

**LIST OF THE TRANSACTIONS MADE BY THE COMPANY IN 2011 AND RECOGNIZED AS MAJOR ONES UNDER THE FEDERAL LAW ON JOINT-STOCK COMPANIES AND OTHER TRANSACTIONS, TO WHICH THE MAJOR TRANSACTIONS APPROVAL PROCEDURE SHALL BE APPLIED IN ACCORDANCE WITH THE COMPANY'S ARTICLES OF ASSOCIATION, INCLUDING THE ESSENTIAL CONDITIONS OF EACH TRANSACTION AND THE MANAGERIAL BODY THAT PASSED THE RESOLUTION TO APPROVE THE TRANSACTION**

**On October 04, 2011** (Minutes No.42), **the Extraordinary General Shareholders Meeting** passed the Resolution to approve the related-party major transaction on Slavneft's granting the corporate guarantee (surety) to ensure fulfillment of the obligations by OAO SN-MNG under the Loan Agreement for the amount of \$590,000,000 with the probable amount increase up to \$1,000,000,000.

In pursuance of this Resolution, the Company made the following Agreement:

<i>Principal</i>	<i>Surety target</i>	<i>Surety issuance date</i>	<i>Surety Agreement No.64537-10/</i>	<i>Surety amount, \$</i>
OAO SN-MNG	Credit	October 11, 2011	11-317	650,000,000.00

**LIST OF THE TRANSACTIONS MADE BY THE COMPANY IN 2011 AND RECOGNIZED AS RELATED-PARTY ONES UNDER THE FEDERAL LAW ON JOINT-STOCK COMPANIES**

**On June 29, 2011** (Minutes No.41), **the Annual General Shareholders Meeting** passed the Resolution to approve the related-party transactions between the Company and Subsidiaries, which the Company directly or indirectly controls. These transactions may be effected before the 2012 Annual General Shareholders Meeting in the course of the normal business activity:

- Slavneft's granting the interest-free loans for the total amount of 60 bln RUB.

The Company signed the following Agreements with the Subsidiaries, which the Company directly or indirectly controls\*:

<i>Borrower</i>	<i>Agreement No.64537-</i>	<i>Agreement date</i>	<i>Agreement amount, RUB</i>
OOO Slavneft-Krasnoyarskneftegaz	10/11-310	July 04, 2011	517,600,000.00
	10/11-418	November 08, 2011	545,500,000.00
	2012-122	March 11, 2012	765,300,000.00
OOO RINOTEK	10/11-321	August 04, 2011	830,000.00
	10/11-380	October 20, 2011	1,025,000.00
	2012-6	January 12, 2012	1,600,000.00
OAO Slavneft-YaNOS	10/11-367	October 05, 2011	957,000,000.00
	10/11-506	December 13, 2011	1,046,000,000.00
	10/11-507	December 14, 2011	1,000,000,000.00
OAO Slavneft-Mendeleyev YaNPZ (Rusoil)	10/11-309	July 04, 2011	17,100,000.00
	10/11-319	August 03, 2011	16,900,000.00
	10/11-320	August 04, 2011	10,000,000.00
	10/11-355	September 05, 2011	17,000,000.00
	10/11-365	October 05, 2011	17,000,000.00
	10/11-366	October 05, 2011	8,300,000.00
	10/11-419	November 08, 2011	16,500,000.00
	10/11-467	December 07, 2011	16,000,000.00
	10/11-467	December 05, 2011	16,900,000.00
	2012-5	January 11, 2012	15,000,000.00
	2012-57	February 07, 2012	16,000,000.00
	2012-121	March 11, 2012	17,000,000.00
OOO BNGRE	2012-52	February 03, 2012	36,800,000.00
OOO Realizatsia-T	10/11-322	August 04, 2011	2,000,000.00
	2012-61	February 08, 2012	2,000,000.00
OOO Slavneft-Tsentrnefteprodukt	10/11-381	October 21, 2011	28,100,000.00



<i>Borrower</i>	<i>Agreement No.64537-</i>	<i>Agreement date</i>	<i>Agreement amount, RUB</i>
Prolongation of the loans granted earlier:			
OOO Slavneft-Krasnoyarskneftegaz			10,631,417,867.05
OAO Slavneft-YaNOS			3,899,564,002.00
ZAO Obneftegeologia			3,833,813,000.00
OOO Slavneft-Nizhnevartovsk			153,038,000.00
OAO Sobol			3,174,000.00
ZAO Slavveks			23,050,000.00
ZAO Messoyakhaneftgaz			314,033,191.91
OOO Realizatsia-T			1,500,000.00
OOO RINOTEK			24,451,000.00
OAO Slavneft-Mendeleyev YaNPZ (Rusoil)			162,700,000.00
ZAO Rusoil-Moscow			347,407,655.00
<b>Total:</b>			<b>24,481,603,715.96</b>

- Granting the interest-free loans for the total amount of up to 51 bln RUB to OAO NGK Slavneft

The Company signed the following Agreements with the Subsidiaries, which the Company directly or indirectly controls\*:

<i>Lender</i>	<i>Agreement No.64537-10/</i>	<i>Agreement date</i>	<i>Agreement amount, RUB</i>
OAO SN-MNG	11-386	October 28, 2011	1,040,000,000.00
	11-387	October 21, 2011	1,030,000,000.00
	11-388	October 26, 2011	1,020,000,000.00
	11-389	October 24, 2011	1,010,000,000.00
	11-393	October 27, 2011	1,000,000,000.00
	11-394	October 31, 2011	990,000,000.00
	11-395	November 01, 2011	980,000,000.00
	11-396	November 02, 2011	900,000,000.00
	11-397	November 03, 2011	1,050,000,000.00
Prolongation of the loans granted earlier:			
OAO Slavneft-Yaroslavnefteprodukt			250,000,000.00
<b>Total:</b>			<b>9,270,000,000.00</b>

**On June 29, 2011** (Minutes No.41), the **Annual General Shareholders Meeting** passed the Resolution to approve the related-party transactions on signing the Rail Tankcar Purchase and Sale Agreement.

In pursuance of this Resolution, the Company made the Agreement with ZAO Upravlenie Otgruzok (as of June 30, 2011, No.64537-11/153).

**On October 04, 2011** (Minutes No.42), the **Extraordinary General Shareholders Meeting** passed the Resolution to approve the related-party transaction on Slavneft's granting the corporate guarantee (surety) to ensure fulfillment of the obligations by OAO SN-MNG under the Loan Agreement for the amount of \$590,000,000 with the probable amount increase up to \$1,000,000,000.

In pursuance of this Resolution, the Company made the following Agreement:

<i>Principal</i>	<i>Surety target</i>	<i>Surety issuance date</i>	<i>Surety Agreement No.64537-10/</i>	<i>Surety amount, \$</i>
OAO SN-MNG	Credit	October 11, 2011	11-317	650,000,000.00

**On June 28, 2011** (Minutes No.10), the **Board of Directors** passed the Resolution to approve the related-party transaction on signing the Rail Tankcar Lease Agreement.

In pursuance of this Resolution, the Company made the Agreement with ZAO Upravlenie Otgruzok (as of July 01, 2011, No.64537-10/11-271).

**On August 17, 2011** (Minutes No.3), the **Board of Directors** passed the Resolutions to approve the related-party transactions on signing the Agency Agreements.

In pursuance of these Resolutions, the Company made the Agency Agreements with OOO Realizatsia-T (as of August 17, 2011, No.64537-10/11-305) and ZAO Obneftegeologia (as of August 17, 2011, No.64537-10/11-318).

**On October 05, 2011** (Minutes No.5), the **Board of Directors** passed the Resolution to approve the related-party transaction on signing the Share Purchase and Sale Agreement.

In pursuance of this Resolution, the Company made the Agreement with OAO Slavneft-Yaroslavnefteprodukt (as of October 17, 2011, No.64537-10/11-350).

**On November 10, 2011** (Minutes No.6), the **Board of Directors** passed the Resolutions to approve the related-party transactions on:

- *signing the Claim Assignment Agreement.*

In pursuance of this Resolution, the Company made the Agreement with OAO Slavneft-YaNOS (as of November 11, 2011, No.64537-10/11-364).

- *signing the Agency Agreements.*

In pursuance of these Resolutions, the Company made the Agency Agreements with OOO Obgeologia (as of November 11, 2011, No.64537-10/11-357) and OOO Megiongeologia (as of November 11, 2011, No.64537-10/11-356).

\* the data are specified for the period from June 29, 2011 to March 31, 2012.

**CRITERIA FOR DETERMINATION OF THE BONUS (EXPENSES REIMBURSEMENT) AMOUNT TO BE PAID TO THE PERSON HELD THE POSITION OF THE SOLE EXECUTIVE BODY OF OAO NGK SLAVNEFT, EACH MEMBER OF THE COMPANY'S COLLEGIAL EXECUTIVE BODY AND EACH MEMBER OF THE COMPANY'S BOARD OF DIRECTORS OR THE TOTAL AMOUNT OF THE BONUS (EXPENSES REIMBURSEMENT) PAID OR PAYABLE TO THESE PERSONS UNDER THE REPORTING YEAR PERFORMANCE RESULTS**

Bonuses are paid to the person held the position of the Sole Executive Body, members of the Collegial Executive Body, and members of the Board of Directors of OAO NGK Slavneft in accordance with the provisions of the Company's internal documents. In 2011, bonuses were not paid and loans were not granted to the members of the Board of Directors. In the reporting period, loans were not granted to the Management Board's members.

**OBSERVANCE OF THE CODE OF CORPORATE CONDUCT BY OAO NGK SLAVNEFT**

During the reporting period, Open Joint-Stock Oil and Gas Company Slavneft strictly adhered to the corporate governance principles based on the respective Russian legislation, Russian Code of Corporate Conduct, which is a national standard of the best corporate governance practice, and the applicable international corporate governance standards.

From 2004, the Consortium of Expert RA (rating agency) and the Russian Institute of Directors annually assigned score 6 (B++ before 2007) to OAO NGK Slavneft that means the developed corporate governance practice. In 2010, the rating of OAO NGK Slavneft corporate governance was upgraded to 6+. In 2011, the Consortium confirmed score 6+ of the National Corporate Governance Rating to OAO NGK Slavneft.

The corporate governance practice of OAO NGK Slavneft envisages fulfillment of the actions for ensuring:

- **Information disclosure;**
- **Owners' rights;**
- **Activity of the managerial and control bodies.**

For ensuring the **information disclosure**, the Regulations on the *Information Policy* are applicable in the Company. These Regulations formalize the principles for disclosing the information on the Company and Subsidiaries' operating and business activities.

See <http://www.slavneft.ru/shareholder>.

The reporting prepared under IFRS (International Financial Reporting Standards) and RAS (Russian Accounting Standards) and the archive of Financial Statements are posted on the Company's web-site.

See [http://www.slavneft.ru/finstate/finstate\\_usgaap.php](http://www.slavneft.ru/finstate/finstate_usgaap.php).

The *Calendar of Corporate Events* (further – the *Calendar*), one of the additional information disclosure instruments, informs the shareholders and other interested parties of Company and Subsidiaries' future corporate events; the events occurred and performance results are regularly published in the *Calendar*.

See <http://www.slavneft.ru/event/calendar.php>.

The *Code of Corporate Conduct (Governance) of Open Joint-Stock Oil and Gas Company Slavneft* (further – the *Code*) approved by the Company's Board of Directors (November 17, 2008, MinutesNo.1) is applicable in Slavneft. The *Code* specifies the corporate governance principles and rules, which the Company observes during its activity performance.

For preventing the insider information trespass, the amendments determining the *insider information* notion and composition were made to the *Code*

The *Code* is available in the Company's web-site:

[http://www.slavneft.ru/files/normdoc/slavneft/corp\\_behav\\_codex.doc](http://www.slavneft.ru/files/normdoc/slavneft/corp_behav_codex.doc).

For ensuring the **owners' rights**, the Company introduced the additional corporate governance principles. In particular, the Regulations on *Business Ethics* approved by the Resolution of the Company's Board of Directors on December 17, 2007 (minutes No.6) are effective in Slavneft.

See <http://www.slavneft.ru/shareholder/>

OAO NGK Slavneft keeps in close contact with the shareholders; the Company's managerial bodies pay special attention to interaction with the minority shareholders. Over the reporting period, the Slavneft structural subdivisions sent letters with the comments on some RF laws and Company's internal regulatory documents to this category of shareholders, provided them with the documentation requested. Besides, the Company ensured access to the information mandatory for disclosure in a timely manner.

For preventing the insider information trespass and market manipulation, the Company approved the List of insider information of Open Joint-Stock Oil and Gas Company Slavneft.

See [http://www.slavneft.ru/upload/doc/insider\\_2011\\_1.pdf](http://www.slavneft.ru/upload/doc/insider_2011_1.pdf).

The Company aims at enhancing the quality of purchased goods and services. Therefore, suppliers of goods/ works/ services are selected through open/ negotiated tenders, tenders with the pre-qualification procedure.

The information on tenders is posted on <http://slavneft.ru/supplier/tender.php>.

### Activity of managerial and control bodies

The **General Shareholders Meeting** is the supreme management body of OAO NGK Slavneft. The procedure for preparing, convening and holding the General Shareholders Meeting is regulated by the applicable legislation of the Russian Federation, Company's Articles of Association, Regulations on the General Shareholders Meeting and Code of Corporate Conduct.

During the reporting period, 3 General Shareholders Meetings of the Company were held.

At the Annual General Shareholders Meeting held on June 29, 2011, the 2010 Annual Report on Company's activity and Financial Statements, including the Profit and Loss Statement, were approved, the resolution on profit distribution (including dividend payment (declaration)) was adopted, the Board of Directors and Revision Commission were elected, the independent auditor for auditing the 2011 Financial Statements was approved. The Meeting approved the related-party transactions on surety granting by OAO NGK Slavneft and transactions with the Affiliates, which may be effected before the 2012 Annual General Shareholders Meeting in the course of the normal business activity.

On October 04, 2011, the Extraordinary General Shareholders Meeting (held in the form of absentee voting) adopted the resolution to approve the related-party transaction on Slavneft's granting the corporate guarantee (surety) to ensure fulfillment of the obligations by OAO SN-MNG under the Loan Agreement signed between OAO SN-MNG and the group of international credit institutions on August 19, 2011.

On December 22, 2011, the Extraordinary General Shareholders Meeting elected the new composition of the Company's Board of Directors.

The **Board of Directors** of OAO NGK Slavneft is a standing collegial elective managerial body, which is responsible for carrying out the Company general strategic management, establishing goals and tasks for the Management and monitoring these goals/ tasks achievement. The Board of Directors operates in Slavneft and Shareholders' interests under the applicable legislation of the Russian Federation, Company's Articles of Association, Regulations on the Board of Directors and Code of Corporate Conduct.

The activity of the Board of Directors is based on approved annual Action Plans.

In 2011, 14 Meetings of the Company's Board of Directors (9 meetings in the form of absentee voting) were held; various items fallen within the competence of the Board of Directors, including determination of the priority activities, planning and control of the financial and business activity, further improvement of the corporate governance practice, were considered at those meetings.

In the reporting period, the Board of Directors passed the resolution on appointing Yu. E. Sukhanov to the position of Slavneft President for a 3-year period, made amendments to the Articles of Association of OAO NGK Slavneft as it was adopted to close the Company's Representative Office in the Republic of Belarus. Moreover, the Board of Directors approved amendments to the Regulations on the Audit Committee of the Board of Directors, considered the progress in oilfield services sale.

In 2011, the Board of Directors: considered the 2012-2014/ 2012-2021 Consolidated Business Plans; summarized the Company's 2010 Performance Contract implementation and approved the 2011 Performance Contract; approved the 2011 Business Planning Schedule; approved the Major Upstream and Downstream Investment Projects; considered the Activity Enhancement Program, including the actions for production efficiency enhancement and cost-effectiveness at the Megion Block Brownfields; approved the deadlines and amounts of financing the Projects within the Program for associated gas utilization at the Megion Block fields; considered the proposals on Company's license portfolio optimization.

Besides, the Board of Directors approved conclusion of the OAO Slavneft-YaNOS Upgrading Agreement between Rostekhnadzor<sup>1</sup>, Rostekhgulirovanie<sup>2</sup>, OAO NGK Slavneft, and the Russian Federal Antimonopoly Service.

For enhancing the Board of Directors efficiency, the Company established the **committees**, which are of consultative and advisory nature, subordinate to the Board of Directors and perform their activity in accordance with the approved Regulations. Committees' members are approved by the resolution of the Board of Directors.

The **Audit Committee** was established in August 2007. Within its powers the Audit Committee monitors completeness and accuracy of the Financial Statements, reliability and efficiency of the internal control system,

<sup>1</sup> Rostekhnadzor is the Federal Service for Environmental, Technological and Nuclear Supervision

<sup>2</sup> Rostekhgulirovanie is the Federal Agency on Technical Regulation and Metrology

external and internal audits, assesses efficiency of the procedures for ensuring observance of the Russian Federation legislation, Slavneft's Articles of Association and internal regulatory documents by the Company. The Audit Committee prepares recommendations for the Board of Directors to take them into account when passing resolutions on the items listed above.

In the reporting period, 4 Meetings of the Audit Committee of the Slavneft Board of Directors were held where 26 items were considered. Special attention was paid to the Consolidated Financial Statements of OAO NGK Slavneft prepared under US GAAP, the Detailed Plan for transition from US GAAP to IFRS was reviewed, the 2011 Corporate Risk Map was approved, and the 2011-2012 Action Plan for priority risk management was determined.

The Committee permanently controls the construction-in-progress reduction, procurement improvement, current status of Slavneft tax claims and disputes.

On a regular basis, the Report of the Company's General Auditor Service is considered at Committee's meetings.

The **Staff and Remunerations Committee** was established in December 2006 and operates for ensuring the Board of Directors to pass reasonable and balanced decisions on personnel matters and for developing the Company's remuneration policy.

In 2011, 4 Meetings of the **Staff and Remunerations Committee** were held where 27 items, including the Draft Performance Contracts of OAO NGK Slavneft, Blocks and Subsidiaries, evaluations of the individual contribution of the Company's President and Management Board's members under the 2011 performance results, were considered. The Headcount Optimization Program for OAO NGK Slavneft was approved by the Committee.

At meetings of the Company's Board of Directors, the Committees' Chairmen regularly present the information on the items considered and the resolutions adopted.

### COMPANY'S POSITION IN THE INDUSTRY

OAO NGK Slavneft is among the largest Russian fully integrated oil companies. In 2011, the Company's key performance indicators were as follows:

- The volume of remaining recoverable reserves (ABC1 category) made 674.8 mln t (as of January 01, 2012);
- The crude oil production made 18.1 mln t;
- The hydrocarbons processing volume, including 14.8 mln t refined by OAO Slavneft-YaNOS (Company's Russian Refinery), made 25.2 mln t.

### COMPANY'S PERFORMANCE INDICATORS

#### GEOLOGY AND OIL CRUDE PRODUCTION

##### Resource base

As of January 01, 2012, the volume of Company's ABC<sub>1</sub> remaining recoverable reserves, including 523.4 mln t in Western Siberia (KhMAO) and 151.4 mln t in the Krasnoyarsk region, made 674.8 mln t. In 2011, the increment of C<sub>1</sub> recoverable reserves for the Company in general, including 14.0 mln t due to exploration activities (7.6 mln t for the Krasnoyarsk region) under the current estimate, made 31.0 mln t.

In the reporting period, the resource base was developed due to fulfillment of exploration jobs. In monetary terms, the 2011 scope of jobs amounted to \$90.1 mln (net of VAT) against \$92.1 mln in the similar period of the previous year. The Business Plan was performed for 102.2%; OOO Slavneft-Krasnoyarskneftegaz and the Megion Block fulfilled the Plan for 106.9% and 96.4%, respectively.

In 2011, exploration drilling was performed in physical terms for 95% in KhMAO (Megion Block) that was caused by updating of the absolute depth marks of target horizons. In the reporting period, wildcats were drilled in the Krasnoyarsk region. The jobs were fulfilled for 125% due to additional drilling of well A-2 at Abrakupchinsky LA. Exploration drilling was performed for 103% for the Company in general. 3D seismic survey was carried out to the full extent in the Krasnoyarsk region. Taking into account normalization of the planned indicators, 3D seismic survey was fulfilled for 100% in KhMAO; seismic survey of 66 km<sup>2</sup> was postponed to the 2012 field season.

Table 1. Scope of exploration by the regions of Company's presence

Name	UoM	Western Siberia (KhMAO)		Krasnoyarsk region		Total for the Company	
		2010	2011	2010	2011	2010	2011
Drilling footage	ths m	17.5	14.2	14.4	7.0	31.9	21.2
2D seismic survey	km	0.0	0.0	449.2	397.0	449.2	397.0
3D seismic survey	km <sup>2</sup>	236.0	449.0	300.0	400.0	536.0	849.0
C <sub>1</sub> reserves increment due to exploration	mln t	6.4	6.4	10.4	7.6	16.8	14.0

\* The Company's Subsidiaries carried out exploration jobs at:

- The Tailakovsly, Achimovsky, Uzunsky, Yuzhno-Ostrovnoy license areas (KhMAO) – OAO SN-MNGG;

- The Zapadno-Ust-Balyksky, Tailakovskiy license areas (KhMAO) – OAO ONGG;
- The Kuyumbinsky, Tersko-Kamovskiy, Kordinsky, Abrakupchinsky and Podporozhny license areas (Krasnoyarsk region) – OOO Baikitskaya NGRE<sup>3</sup>.

### Crude oil production

In 2011, the crude oil production for the Company made 18,085.7 ths t. In the reporting period, 18,053.6 ths t of crude oil was produced at the license areas of the Megion Block Production Subsidiaries that is 0.3% above the approved Plan and 1.5% below the volume of the previous year.

Over the reporting period, 32.0 ths t of crude oil was produced from exploration and production wells at the Kuyumbinskoye field (32.0 ths t under the Plan) that is 1.8% less than the 2010 oil production volume.

In 2011, exploration drilling of the OPR<sup>4</sup>-2 area was continued at the Kuyumbinskoye field.

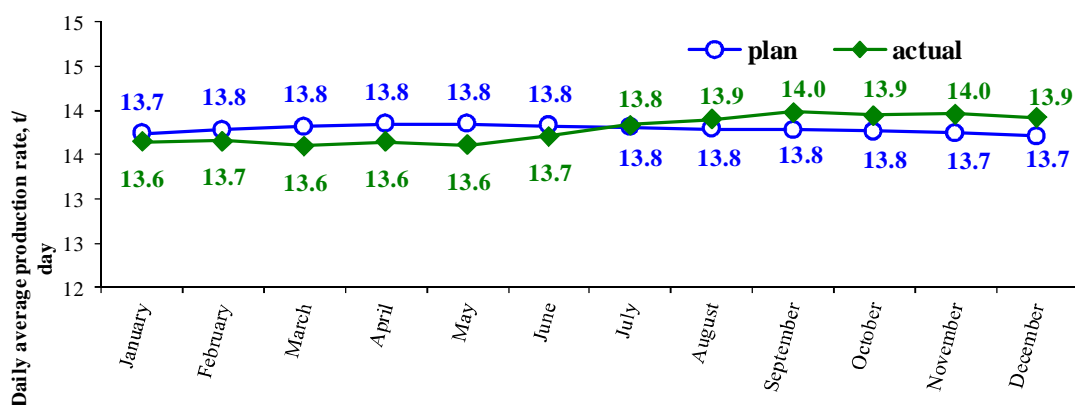
Table 2 shows the crude oil production volumes by the Production Subsidiaries.

Table 2. Crude oil production by the Production Subsidiaries

Subsidiary	2010	2011		Variance	
	Actual	Plan	Actual	2011/ 2010	2011 actual/ plan
OAO SN-MNG	10,988.2	10,079.9	10,218.4	98.5%	101.4%
OOO Slavneft-Nizhnevartovsk	1,073.1	1,296.5	1,358.1	126.6%	104.8%
OAO Sobol	206.5	166.8	167.0	80.9%	100.2%
ZAO Obneftegeologia	666.1	567.3	555.8	83.4%	98.0%
OAO SN-MNGG	944.4	777.3	763.4	93.0%	98.2%
OAO NGK Slavneft	1,225.4	998.4	961.8	78.5%	96.3%
OAO ONGG	3,226.5	4,115.2	4,029.1	124.9%	97.9%
OOO Slavneft-Krasnoyarskneftegaz	32.6	32.0	32.0	98.2%	100.1%
<b>Total for the Production Subsidiaries</b>	<b>18,362.8</b>	<b>18,033.4</b>	<b>18,085.7</b>	<b>98.5%</b>	<b>100.3%</b>

In the reporting period, the oil production rate of the Megion Block wells made 13.8 t/ day that corresponds to the planned indicator (13.8 t/ day). The daily average production amounted to 49,462 t/ day.

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



In the reporting period, the crude oil water cut made 90.1% against 90.2% under the Plan that is 0.2% below the approved Plan.

The Slavneft share in the 2011 total volume of oil produced in Russia and in the 2011 total production volume of oil companies amounted to 3.1 % and 4.1%, respectively.

<sup>3</sup> NGRE means the Oil and Gas Exploration Expedition

<sup>4</sup> OPR means pilot commercial development

In 2011, the Company **delivered** 17,999.7 ths t of **crude oil** that is 1.3% less than the volume supplied during the similar period of the previous year.

The oil volumes delivered by the Company's Production Subsidiaries are shown in Table 3.

Table 3. Oil delivered by the Production Subsidiaries

Subsidiary	2010	2011	2011 /2010 variance
OAo SN-MNG	10,939.4	10,198.9	93.2%
OOO Slavneft-Nizhnevartovsk	1,067.3	1,349.3	126.4%
OAo Sobol	204.5	165.4	80.9%
ZAO Obneftegeologia	663.7	553.8	83.4%
OAo SN-MNGG	937.5	761.5	81.2%
OAo NGK Slavneft	1,222.5	958.5	78.4%
OAo ONGG	3,208.2	4,012.4	125.1%
<b>Total for the Company</b>	<b>18,243.0</b>	<b>17,999.7</b>	<b>98.7%</b>

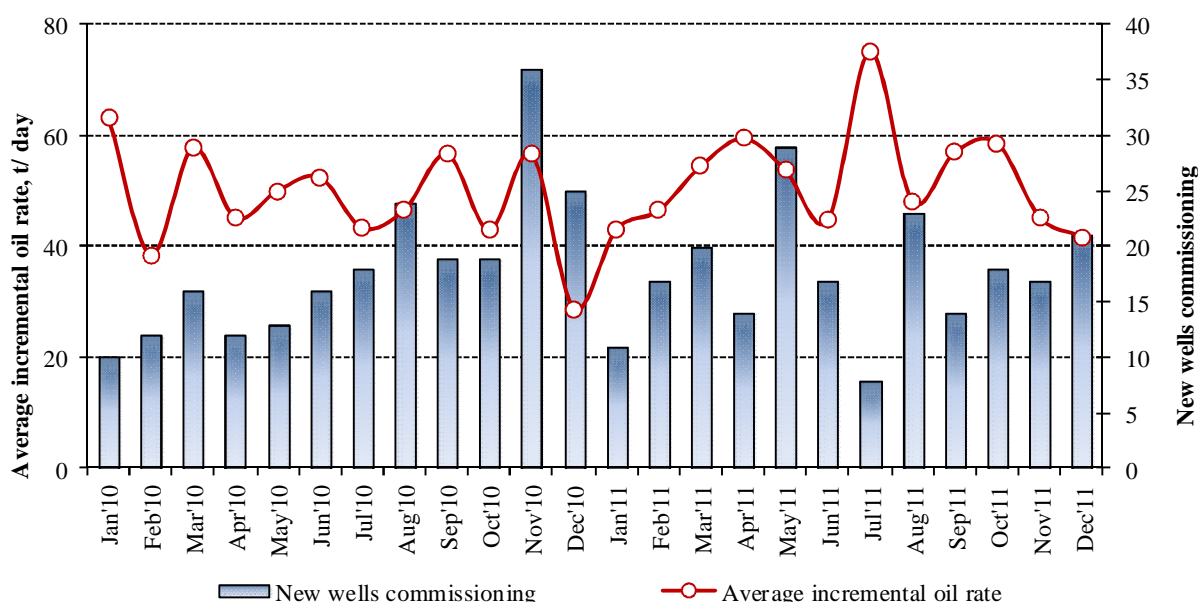
In the reporting period, the Company **produced** 845.1 mln m<sup>3</sup> of **natural gas** that is 9.0% above the Plan and 0.8% below the 2010 volume. Gas was supplied to Nizhnevartovsk GPP<sup>5</sup> from the Megionskoye, Yuzhno-Aganskoye, Aganskoye fields, from well cluster 42M of the Vatinskoye field (Agansky NGDU<sup>6</sup> - ANGDU), from the Mykhpaiskoye, Vatinskoye, Severo-Pokurskoye, Lugovoye, Ketovskoye, Severo-Orekhovskoye fields (Vatinsky NGDU - VNGDU). Besides, associated gas was used for own needs (boiler houses, heaters). Associated gas from the left-bank fields was consumed for own needs (boiler houses, heaters), electric power generation at stand-alone gas turbine power plants; gas was sold to OOO Teploneft for heating the Procurement Directorate building, boiler houses at the oil fields, CPF-1. Approximately 25.0% of gas was flared because of no facilities for gas consumption and GPP shutdowns.

In 2011, the **gas supply** to Nizhnevartovsk GPP reduced by 4.3% against the previous year and made 645.4 mln m<sup>3</sup> (579.6 mln m<sup>3</sup> under the Plan). Associated gas utilization amounted to 75.0%.

Over the reporting period, the **exploration drilling footage** made 780.7 ths t of rock formations that is 15.2% higher than the planned indicator and 17.1% lower than the 2010 indicator.

The **oil production from new wells** totaled to 1,378.4 ths t that is 7.6% above the planned indicator. The average production rate of new well made 44.8 t/ day that is 13.8% more than the volume envisaged by the Plan. The dynamics of the new wells commissioning and average production rate is shown in Figure 2.

Figure2. Dynamics of the new wells commissioning and incremental oil rate



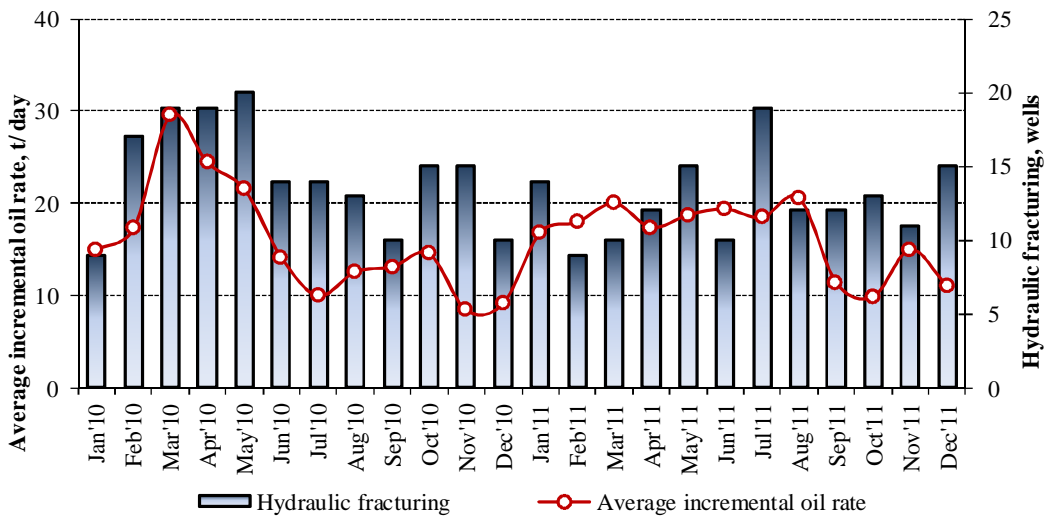
The **hydraulic fracturing jobs** (Figure 3) were performed at 152 wells that is 12 jobs less than the number of jobs envisaged by the Plan. The incremental oil production due to hydraulic fracturing made 348.0 ths t that is 15.6 ths t, or 4.3% below the planned volumes.

The average incremental oil rate achieved 13.8 t/ day that is 9.4% more than the planned indicator.

<sup>5</sup> GPP means the Gas Processing Plant

<sup>6</sup> NGDU means the Field Office

Figure 3. Hydraulic fracturing jobs and average incremental oil rate



In 2011, 78 **recompletions** were carried out at the Megion Block fields that is 34.6% above the planned indicator. Due to this type of WW operations, the oil production volume made 178.7 ths t; the average incremental oil rate achieved 13.2 t/ day.

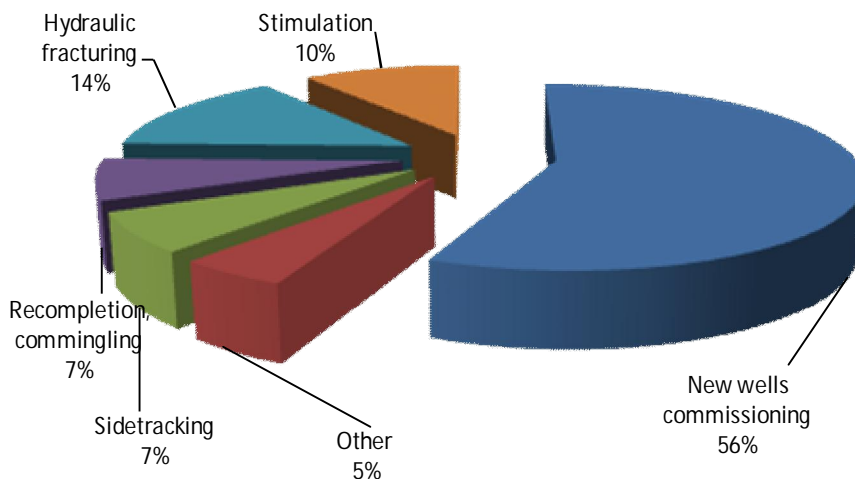
**Stimulations** were fulfilled at 189 oil wells that is 0.5% below the planned indicator. Due to this type of WW operations, the oil production volume made 250.7 ths t; the average incremental oil rate per well achieved 7.0 t/ day that is 20.4% more than the planned volume.

37 **squeeze cementing/ accident elimination jobs** were performed that is 35.1% below the planned number of jobs. The cumulative incremental oil production due to these types of WW jobs made 83.1 ths t.

**Sidetracking** was carried out at 28 wells of the Megion Block fields; the incremental oil production amounted to 163.8 ths t, including 37.3 ths t due well conversion (5 well-jobs).

In 2011, the total **incremental oil production** made 2,440.0 ths t that is 13.3% more than the volume envisaged by the approved Plan with the 0.9% overfulfillment of planned WW jobs. The incremental oil production structure by types of WW jobs is shown in Figure 4.

Figure 4. Incremental oil production structure by types of WW jobs



Over the reporting period, the **basic oil production** for the Megion Block made 15,613.6 ths t that is 1.7% below the planned volume.

As of January 01, 2012, the Company's **operating well stock** included 4,059 wells; the idle well stock consisted of 467 wells (11.5% of the operating well stock).

1,240 basic WO and 4,185 well servicing jobs were carried out at the operating well stock; the number of WO and well servicing operations is 9.0% and 6.0% less than the planned number of such operations, respectively.

The output made 115.9 jobs per well servicing crew; this indicator increased by 2.0% against 2010. MTBF of the pumping equipment is at the planned level (see Table 4).

Table 4. MTBF of the pumping equipment

Megion Block	Pumping equipment	day		
		2010	2011	2010/2011 variance
MTBF	ESP	405	453	111.9%
	SRP <sup>7</sup>	279	286	102.5%
	TOTAL	383	429	112.0%

Over the reporting period, MTBF of the pumping equipment grew by 11.9% against 2010. MTBF increased due to implementation of the 2009-2011 Action Program for ESP MTBF extension.

#### CRUDE OIL PROCESSING

In 2011, the volume of crude hydrocarbons processing at OAO Slavneft-YaNOS made 14,774.3 ths t that is 3.3% more than the 2010 volume and 5.5% more than the 2011 planned volume.

In 2011, the volume of crude hydrocarbons processing at OAO Mozyr Refinery amounted to 10,401.0 ths t. Moreover, in the reporting period the Mozyr Refinery purchased 16.5 ths t of the feedstock to increase utilization of its hydroskimming capacities.

Table 5. Key performance indicators of the Company's Refineries

Refinery	Processing volume <sup>8</sup> , ths t			Oil processing depth, %			Light oils yield <sup>9</sup> , %		
	2010	2011		2010	2011		2010	2011	
		Plan	Actual		Plan	Actual		Plan	Actual
OAO Slavneft-YaNOS	14,302.7	14,000.0	14,774.3	65.5	66.6	65.6	56.8	56.9	56.4
OAO Mozyr Refinery	8,290.2	10,964.0	10,401.0	72.0	64.2	67.3	61.8	55.0	56.9

Table 6. Oil products output by the Company's Refineries

Name	UoM	OAO Slavneft-YaNOS		OAO Mozyr Refinery		Total for the Company		
		2010	2011	2010	2011	2010	2011	2011/2010, %
<b>Processing</b> <sup>10</sup>	ths t	14,290.9	14,772.9	8,275.0	10,381.7	22,565.9	25,154.6	111.5
Gasoline, total	ths t	2,814.2	2,952.7	2,244.9	2,375.3	5,059.1	5,328.0	105.3
including motor gasoline	ths t	2,302.3	2,352.4	2,127.1	2,156.8	4,429.4	4,509.2	101.8
Diesel oil, including furnace fuel oil	ths t	4,397.7	4,445.6	2,725.0	3,209.6	7,122.7	7,655.2	107.5
Kerosene, total	ths t	808.7	842.5	240.4	270.9	1,049.1	1,113.4	106.1
including aviation kerosene	ths t	808.7	842.5	0.0	0.0	808.7	842.5	104.2
Total light oils	ths t	8,126.2	8,336.9	5,296.1	5,905.7	13,422.3	14,242.6	106.1
Residual fuel oil	ths t	4,567.7	4,679.2	2,130.9	3,084.6	6,698.6	7,763.8	115.9
Petroleum bitumen	ths t	297.0	385.3	289.0	267.5	586.0	652.8	111.4
Liquefied gases	ths t	72.6	90.6	180.7	210.2	253.3	300.8	118.7
Light oils yield	%	56.9	56.4	61.8	56.6	58.7	56.5	96.2
Oil processing depth	%	65.5	65.6	72.0	67.3	67.9	66.3	97.7

<sup>7</sup> SRP means the sucker rod pump

<sup>8</sup> Volume of crude hydrocarbons processing for utilization of oil distillation capacities

<sup>9</sup> The light oils yield is estimated by desalted crude oil. The additional feedstock (utilization of oil distillation and hydroskimming capacities) is taken into account for OAO Mozyr Refinery.

<sup>10</sup> By desalted crude oil (utilization of oil distillation capacities). The additional feedstock is taken into account for OAO Mozyr Refinery.



### Open Joint-Stock Company Slavneft-Yaroslavnfteorgsintez

In 2011, the volume of crude hydrocarbons processing made 14,774.3 ths t that is 5.5% more than the 2011 planned volume and 3.3% more than the 2010 volume.

The indicators of capacities utilization over 12 months of 2011 are shown in Table 7.

Table 7. Utilization of OAO Slavneft-YaNOS Process Units

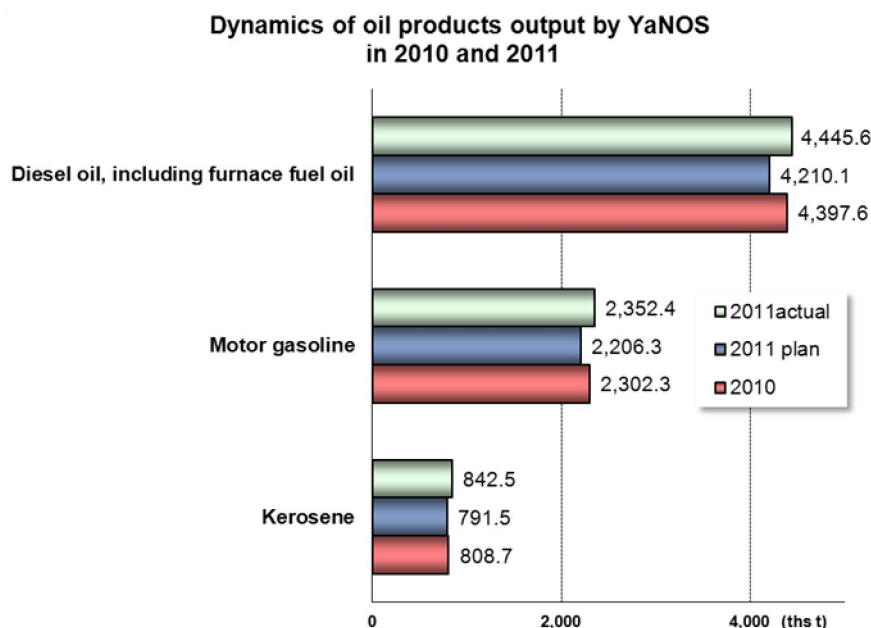
Process	Approved average annual capacity, (ths t) 2011/2010	Capacities utilization, actual (ths t)		Capacities utilization, actual (%)		Rates of changes in capacities utilization, (%) 12 months of 2011 12 months of 2010
		12 months of 2010	12 months of 2011	12 mec. 2010 r.	12 mec. 2011 r.	
Crude oil distillation (desalted oil)	15,000.0		14,772.9		98.5	103.37
	15,200.0	14,290.9		94.0		
Catalytic reforming	1,684.0		1,652.2		98.1	95.33
	1,588.0	1,733.1		109.1		
- for gasoline production	1,356.0		1,355.4		99.9	96.89
	1,260.0	1,398.9		111.0		
- for aromatics production	328.0	334.2	296.8	101.9	90.5	88.81
Catalytic cracking	1,250.0	1,197.8	1,391.3	95.8	111.3	116.15
Hydrocracking	2,140.0	2,195.1	2,057.9	102.6	96.2	93.75
Diesel oil hydrotreatment	3,400.0		3,392.4		99.8	96.72
	3,000.0	3,507.5		116.9		
Gas fractionation	540.0	434.2	442.9	80.4	82.0	102.00
Alkylation	100.0	115.4	129.0	115.4	129.0	111.75
MTBE	40.0	34.6	39.9	86.5	99.8	115.32
Lubes production	250.0	221.3	246.7	88.5	98.7	111.48
Petroleum bitumen production	500.0	297.0	386.2	59.4	77.2	130.03

The utilization of oil distillation capacities grew by 3.4% against the similar period of the previous year that was caused by the increased hydrocarbons processing volume.

In the reporting period, downtime for the scheduled turnaround triggered the decreased utilization of the hydrocracking capacities. The utilization of the catalytic cracking capacities increased due to their operation without shutdown for scheduled turnaround/ maintenance in 2011.

The dynamics of key oil products output by OAO Slavneft-YaNOS is shown in Figure 5.

Figure 5. Key oil products output by OAO Slavneft-YaNOS



Over the reporting period, OAO Slavneft-YaNOS produced 8,336.9 ths t of light oils that is 4.7% above the planned volume and 2.6% above the 2010 volume.

The light oils yield made 56.4% and decreased by 0.4% against the planned and 2010 actual volumes due to the scheduled turnaround of the Hydrocracking Plant.

#### **Open Joint-Stock Company Slavneft-Yaroslavl Mendeleyev Refinery**

In 2011, OAO Slavneft-Mendeleyev YaNP (Rusoil) implemented the environmental program for acid sludge disposal and fulfilled the actions for completion of the Process Units shutdown.

In 2011, OAO Slavneft-Mendeleyev YaNP disposed 25 ths t of bottom sludge acid, neutralized and partially cleaned 209.6 ths m<sup>3</sup> of acid-cut water at the KARI Unit.

From May to September 2011, 200-liter convolute drums were produced. Over the reporting period, 25,000 drums were manufactured.

#### **Open Joint-Stock Company Mozyr Refinery**

In 2011, the volume of crude hydrocarbons processing made 10,401.0 ths t that is 5.1% less than the 2011 planned volume and 25.5% more than the 2010 volume (utilization of oil distillation capacities).

6,601.8 ths t of the own feedstock and 3,799.3 ths t of the customer-supplied feedstock were processed in the reporting period.

In 2011, OAO Gazprom Neft and OAO TNK-BP Holding did not process customer-supplied crude oil at OAO Mozyr Refinery.

The dynamics of key oil products output by OAO Mozyr Refinery is shown in Figure 6.

Figure 6. Dynamics of the key oil products output by OAO Mozyr Refinery

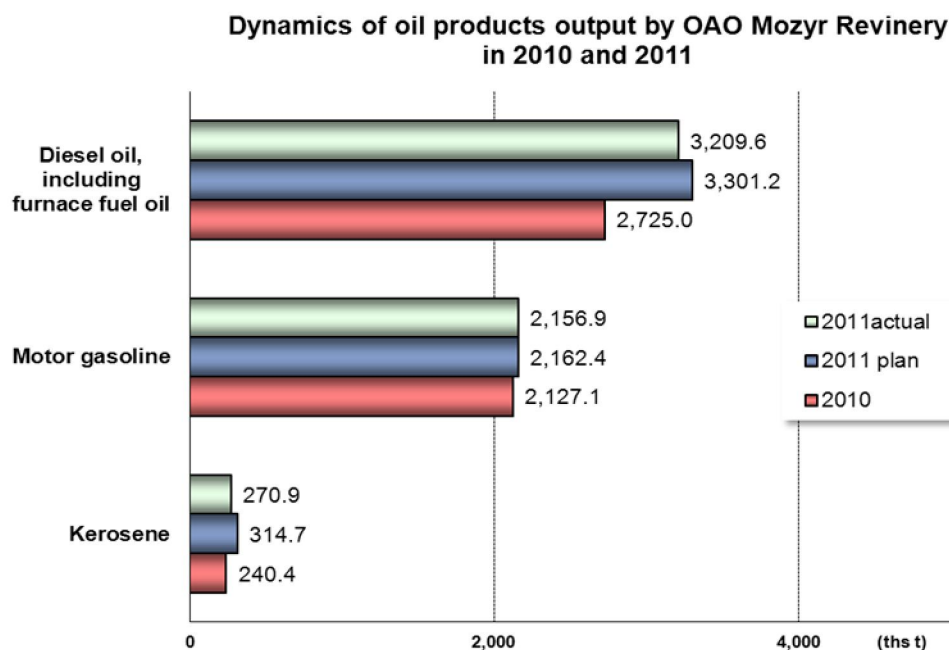


Table 8. Utilization of OAO Mozyr Refinery's Process Units

Process	Approved capacity, ths t/ year	2010, %	2011, %	2011 variance from 2010, %
Crude oil distillation, total	12,031.5	64.5	83.4	18.9
Catalytic reforming	2,010.0	62.9	71.0	8.1
Diesel oil hydrotreatment	2,000.0	85.7	91.0	5.3
Kerosene hydrotreatment	1,200.0	43.0	71.7	28.7
Gas fractionation	675.0	65.7	77.7	12.0
Benzene concentrate recovery	1,336.0	71.3	78.5	7.2

Process	Approved capacity, ths t/ year	2010, %	2011, %	2011 variance from 2010, %
Benzene extractive distillation	227.7	60.1	67.6	7.5
Sulfur production	76.8	54.2	59.4	5.2
Petroleum bitumen production	580.0	49.7	46.2	-3.6
Light hydrocracking	465.0	63.9	70.9	7.0
Fuel oil vacuum distillation	1,854.4	94.1	100.6	6.5
Vacuum gasoil hydroconversion	1,500.0	85.8	91.1	5.3
Tar visbreaking	1,200.0	75.9	89.0	13.1
Combined cat-cracking	2,000.0	63.5	67.0	3.5
Combined alkylation	315.9	61.6	53.1	-8.6
Cat-cracked gasoline catalytic hydrodesulfurization	1,080.0	60.5	69.9	9.4

Utilization of the Refinery's Process Units in 2011 is characterized by the optimum operation modes, volume and quality of the feedstock processed.

Utilization of the Crude Oil Distillation Unit grew by 18.9% due to the increased hydrocarbons processing volume in 2011.

#### **SALE OF CRUDE OIL AND OIL PRODUCTS IN THE RUSSIAN FEDERATION**

##### **Crude oil sale**

In 2011, Slavneft totally supplied 18,000.6 ths t of own crude oil resources to OAO Gazprom Neft and OAO TNK-BP Holding, the Company's key shareholders. The shareholders delivered 9,454.0 ths t to Russian Refineries, 3,143.9 ths t to the CIS countries ( 2,867.3 ths t to OAO Mozyr Refinery, 135.6 ths t to OAO Naftan, 141.0 ths t to Kazakhstan), and 5,402.7 ths t to non-CIS countries.

##### **Oil products sale**

In 2011, the total volume of oil products sale made 0.4 ths t and decreased by 71% against the 2010 volume, as the procedures for reorganization of the Company's Sale Subsidiaries and their assets transfer to the balances of the Shareholders' Sale Subsidiaries were completed.

In the reporting period, the Company's Belorussian trader sold 0.02 ths t of oil products.

#### **FINANCIAL RESULTS OF THE COMPANY'S ACTIVITY**

The financial results of the Company's activity were generated under the following actual crude oil price and USD FX rate (Table 9).

Table 9. Crude oil price and USD FX rate

Indicator	UoM	2010, actual	2011	
			Plan	Actual
Contractual crude oil price in RF (net of VAT)	\$/ t	191.26	174.72	257.31
USD FX rate	RUB/ \$	30.3692	30.0000	29.3874

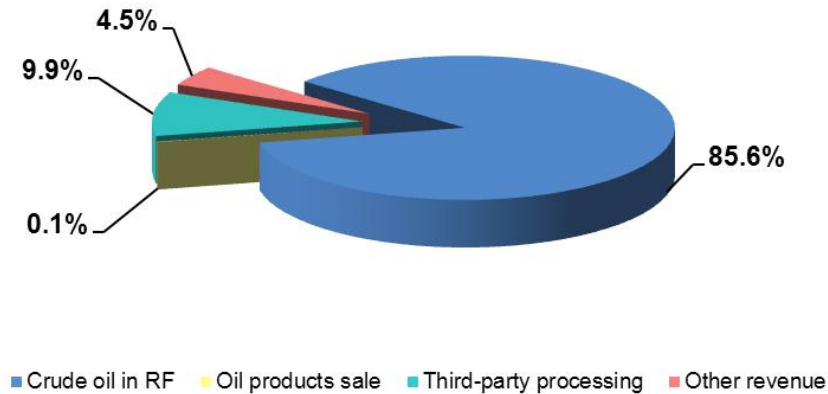
\* The average monthly USD FX rates are used in estimates.

##### **Slavneft Group's revenues**

In 2011, the overall proceeds from the sale of key Subsidiaries' goods and services (excluding internal turnover) under US GAAP made \$5,426.9 mln that exceeds the 2011 planned amount by 39.3% due to the rise in crude oil prices, USD FX rate impact, and increased volumes of crude oil processing and sale.

The structure of the Company's revenues over the reporting period is shown in Figure 7.

Figure 7. Structure of the Company's revenues



The revenue distribution by activity types is disclosed in Table 10.

Table 10. Company's revenue by activity types

\$ mln\*

Indicator	2010 (actual under US GAAP)	2011 (under US GAAP)		Variance 2011 actual/ 2011 plan	Variance 2011 actual/ 2010 actual
		Plan	Actual		
<b>Revenue, total</b>	<b>4,310.6</b>	<b>3,895.8</b>	<b>5,426.9</b>	<b>39.3%</b>	<b>25.9%</b>
Crude oil sale (RF)	3,496.7	3,142.5	4,643.9	47.8%	32.8%
Oil products sale	5.1	0.7	3.2	378.4%	-36.7%
Third-party processing	515.0	518.0	537.7	3.8%	4.4%
Other revenue	293.8	234.6	242.2	3.2%	-17.6%

\* The average monthly USD FX rates are used in estimates.

### Expenses

In 2011, the Company's overall expenses (excluding internal turnover) made \$5,403.6 mln that exceeds the planned amount by 27.5% due to the USD FX rate impact and increased MET payments. The rise in crude oil prices and oil processing volumes caused the increased MET payments (see Table 11).

Table 11. Company's expenses by activity types

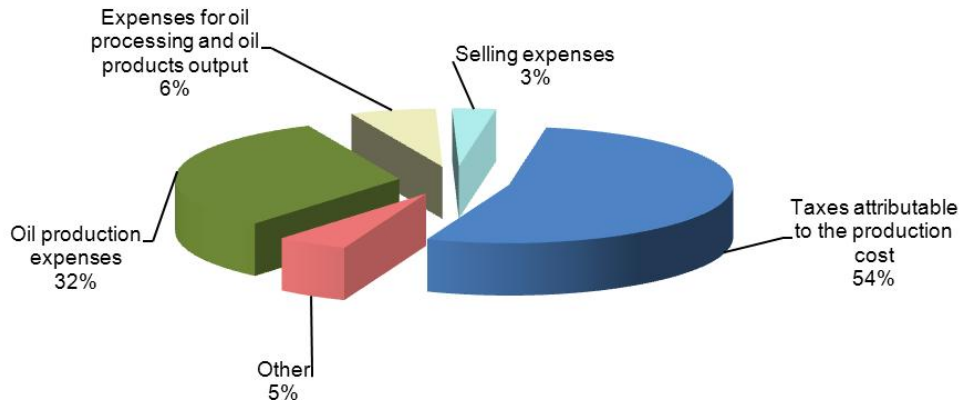
\$ mln\*

Indicator	2010 (actual under US GAAP)	2011		Variance 2011 actual/ 2011 plan	Variance 2011 actual/ 2010 actual
		Plan (US GAAP)	Actual (US GAAP)		
<b>Expenses, total</b>	<b>3,999.9</b>	<b>4,237.9</b>	<b>5,403.6</b>	<b>27.5%</b>	<b>35.1%</b>
Oil production expenses	1,243.6	1,683.3	1,740.9	3.4%	40.0%
Expenses for oil processing and oil products output	319.2	318.5	334.7	5.1%	4.8%
Selling, G&A expenses	177.2	174.2	170.4	-2.2%	-3.9%
Taxes attributable to the production cost	1,977.9	1,816.5	2,878.0	58.4%	45.5%
Other	282.0	245.4	279.6	13.9%	-0.9%

\* The average monthly USD FX rates are used in estimates.

The structure of the 2011 Company's expenses by activity types is shown in Figure 8.

Figure 8. Structure of the Company's expenses by activity types



### Oil and gas production cost

The 2011 actual operational expenses for oil and gas production under US GAAP made \$936.8 mln that exceeds the planned amount (\$858.5) mln by \$78.3 mln, or 9.1%. The costs increase is caused by the USD FX rate change (the planned rate is 30.0 RUB/ \$, the actual rate is 29.3874 RUB/ \$) and other factors, which analysis by cost items will be disclosed for the Megion and Krasnoyarsk Blocks.

Under the 2011 performance results, the adjustable OPEX indicator is established at the 7.1 \$/bbl rate that is 8.8% above the planned indicator (6.5 \$/bbl).

The factor analysis of changes in the actual oil production volumes/ costs/ USD FX rate and their impact on generation of the 2011 final OPEX indicator is disclosed in Table 12.

Table 12. OPEX factor analysis

Indicator	2011 plan	2011 actual	+/-
<b>OPEX, total for the Block</b>	<b>6.52</b>	<b>7.10</b>	<b>+0.57</b>
Oil production changes			-0.02
Cost changes			+0.45
USD FX rate changes			+0.14

Over the reporting period, the total overspending of operational expenses made \$59.2 mln at the comparable USD FX rate.

**As for the Megion Block**, the overspending amounted to \$60.0 mln. The cost items, which changed against the Plan, are as follows:

- The **electric power** costs decreased (**-\$22.3mln**) versus the Plan due to:
  - reduction in the kW\*h average cost against the Plan -4.6 %;
  - switch-over from low voltage to high voltage;
  - reduction in liquid production ( -0.7% ) and water injection ( -1.1% ) volumes against the Plan;
- As for **fuel and lubricants**, the overspending (**+\$7.0 mln**) was caused by the increased F&L and tubing costs;
- The **WW, WO and well servicing costs** increased (**+\$9.5 mln**) due to the rise in the F&L prices;
- The planned **Challenge** related to operational expenses failed to be fulfilled (**+\$30.0 mln**);
- The cost of **services and consultations** increased (**+\$35.0 mln**) due to the rise in the F&L, tubing prices, transportation service tariffs, motorway maintenance and freezing cost (+\$1.4 mln), due to maintenance and overhaul of the electric equipment (switch-over to high voltage), updating and monitoring of the Tailakovskiy LA geological model, extension of the formation-pressure maintenance program, well stimulation with the automatic pumping equipment before fracturing, free meals for workers and employees (change in the expenses recognition principles).

**As for the Krasnoyarsk Block**, the operational cost saving made \$0.9 mln. The costs reduced due to implementation of the Cost-Saving Program and decrease in the contractual cost of works.

### **Dynamics of the production cost at OAO Slavneft-YaNOS**

In 2011, the specific costs of OAO Slavneft-YaNOS made 28.3 \$/t that is 1.6 \$/t below the Plan; the specific costs are -5.4%, or 2.2 \$/t less than those envisaged by the Business Plan in the conditions comparable under the USD FX rate.

Table 13. OAO Slavneft-YaNOS production cost<sup>11</sup>

\$/t			
Production cost	2010	2011 plan	2011 actual
OAO Slavneft-YaNOS	28.4	29.9	28.3
<b>For reference:</b>			
RUB/ \$ rate	30.3692	30.0000	29.3874

The factor analysis of changes in the specific costs against the Plan is disclosed in Table 14.

Table 14. Factor analysis of changes in the specific costs of OAO Slavneft-YaNOS

\$/t			
Indicator	2011 plan	2011 actual	+/-
<b>Specific costs</b>	<b>29.9</b>	<b>28.3</b>	<b>-1.62</b>
USD FX rate changes			+0.62
Changes in the oil processing volume			-1.34
Production cost changes			-0.90

The following factors influenced the production cost variance (-0.90 \$/t):

- Decrease in the power resources consumption against the Plan (-0.84 \$/t) due to implementation of the engineering solutions aimed at power resources saving and due to change in the natural monopolies' tariffs;
- Land lease exclusion from the production cost due to amendments to the Company's accounting policy (-0.61 \$/t);
- Cost increase due to the *Izomalk* Unit commissioning ahead of schedule (+0.44 \$/t);
- Increase in depreciation deductions (+0.15 \$/t) due to updating of the equipment useful life period;
- Other factors (-0.04 \$/t).

### **Dynamics of the production cost at OAO Mozyr Refinery**

In 2011, the specific feedstock processing costs made 34.0 \$/t than is 4.99 \$/t<sup>12</sup> above the Plan; the specific costs exceed the planned amount by +8.4%, or 2.62 \$/t in the conditions comparable under the USD FX rate.

The production cost dynamics is given in Table 15.

Table 15. OAO Mozyr Refinery production cost

\$/t			
Production cost	2010 actual	2011 plan	2011 actual
OAO Mozyr Refinery	34.0	29.0	34.0
<b>For reference:</b>			
BYR/ \$ rate	2,978.10	5,000.00	4,623.47

The factor analysis of changes in the specific costs against the Plan is disclosed in Table 16.

Table 16. Factor analysis of changes in the specific costs of OAO Mozyr Refinery

\$/t			
Indicator	2011 plan	2011 actual	+/-
<b>Specific costs</b>	<b>29.0</b>	<b>34.0</b>	<b>+4.99</b>
<b>USD FX rate changes</b>			+2.36
<b>Changes in the oil processing volume</b>			+0.88
<b>Production cost changes</b>			+1.74

<sup>11</sup> According to the Russian Accounting Standards (RAS)

<sup>12</sup> Specific costs of crude hydrocarbons (own and customer-supplied) processing excluding the cost of hydrocarbons and semi-finished products

The following factors influenced the variance of the actual specific hydrocarbons processing cost from the planned one (+1.74 \$/t) in the conditions comparable under the USD FX rate:

- Increase in the electric power tariffs against the Plan (+1.23 \$/t);
- Additives cost-saving (-0.76 \$/t);
- Increase in the maintenance/ turnaround costs due to appreciation of works and auxiliary materials required for turnaround/ maintenance (+1.28 \$/t);
- Other factors (-0.01 \$/t).

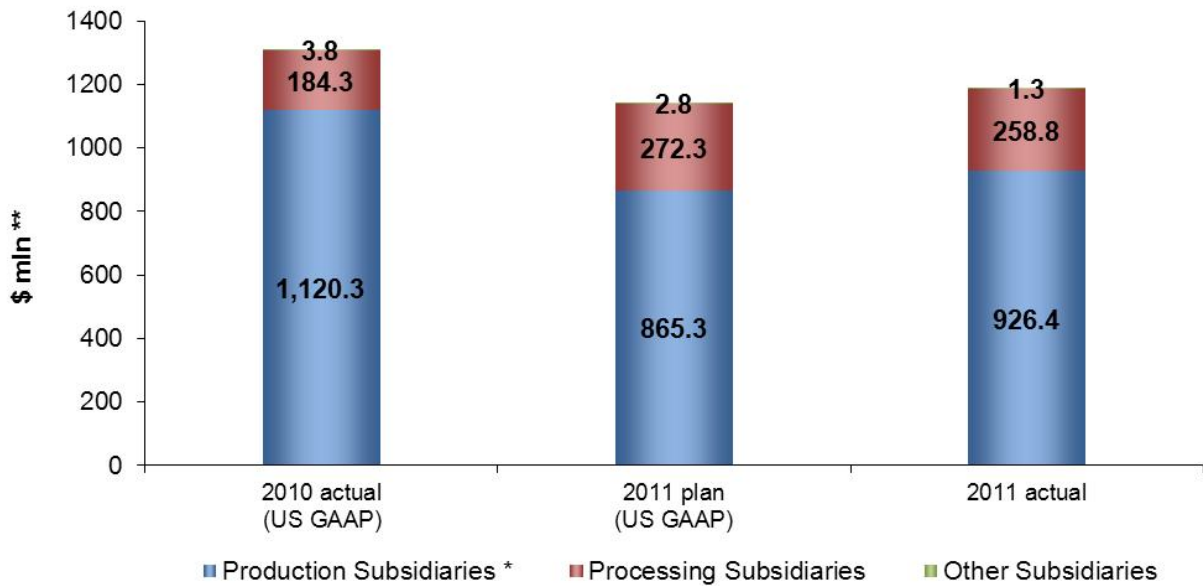
**Capital investments**

In 2011, the capital investments made \$1,186.5 mln that is 9.3% below the 2010 amount and 4.0% above the planned amount.

The investment distribution among the Subsidiaries is as follows:

- Oil production and exploration – 78.1%;
- Crude oil processing – 21.8%;
- Other – 0.1%.

Figure 9. Investment program implementation



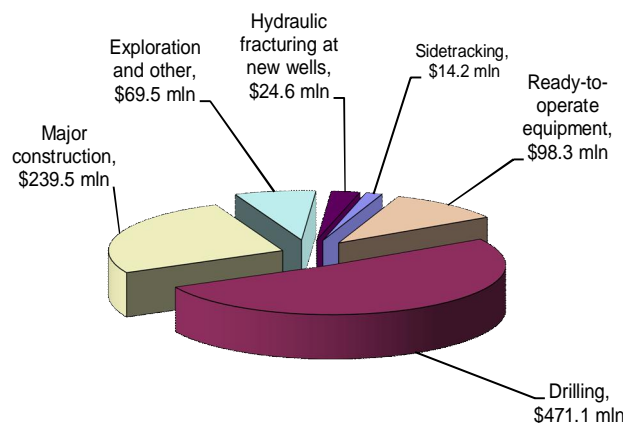
\* Including capital investments of the Exploration and Oilfield Servicing Subsidiaries under US GAAP

\*\* The average monthly USD FX rates are used in estimates.

The variance of the 2011 actual CAPEX indicator from the 2010 indicator is caused by the decreased exploration drilling costs and ZAO Messoyakhaneftegaz retirement.

In 2011, the Production Subsidiaries utilized \$917.1 mln of the capital investments (excluding capital investments of the Exploration and Oilfield Servicing Subsidiaries) that exceeds the Plan by 6.2%.

Figure 10. Structure of Production Subsidiaries' capital investments



The variance of the actual Investment Program performance from the Plan is caused by the following factors:

**As for drilling**, the investments are overspent by 11.0% due to the increased costs of casing and oil well cement by 23.6% and 14.1%, respectively, preparatory works for the 2012 Production Drilling Program, implementation of the additional Production Drilling Program.

**As for major construction**, the investments are overspent by 3.4% due to:

- BPS construction in the Karkateyevy LODS<sup>13</sup> area of the Zapadno-Ust-Balykskoye field ahead of schedule as the 2012 oil production profile changed;
- Infrastructure development of new wells (implementation of the additional Production Drilling Program);
- Construction of Gas Treatment Blocks at GTPP, BPS-1/ BPS-2 of the Tailakovsky LA;
- Infrastructure development of well 3004p, Zapadno-Ust-Balyksky LA;
- Power complex expansion (well cluster 44 of the Tailakovsky LA and well cluster 1 of the Zapadno-Ust-Balyksky LA).

The analysis of the 2011 Major Construction Program implementation (Megion Block) is shown in Table 17.

Table 17. Analysis of the Major Construction Program implementation

Indicator	UoM	2011 plan	2011 actual	Actual/ plan variance
Pipelines construction/ reconstruction	km	199.0	146.0	73.4%
Oil gathering systems, oil pipelines	km	126.8	98.8	78.0%
Formation pressure maintenance waterlines	km	72.2	47.2	65.4%
6 kV HV-line	km	145.5	121.3	101.4%
35 kV HV-line	km	2*4.6	2*1.6	
35/6 kV substation	item	1		
110 kV HV-line	km		0.7	

**As for ready-to-operate equipment**, the investment utilization decreased by 1.5% against the Plan due to the cost reduction under the tender results.

**As for fracturing at new wells**, 84.3% of the investments was utilized due to reduction in the number of jobs, as the well structure was changed from directional to horizontal one and the Drilling Program (-22 well-jobs) was adjusted.

**As for exploration and other**, the investments were utilized for 104.2%:

- **as for the Megion Block**, the investments were utilized for 102.6%; the variance was caused mainly by the USD FX rate change.
- **as for the Krasnoyarsk Block**, the investments were utilized for 105.1%. Taking into account the USD FX rate change, the well testing carried over from 2010, sidetracking jobs at well cluster K-213, resource estimates indexation and increased exploration drilling footage were the key reasons for investments overspending.

Utilization of the 2011 capital investments by the Downstream & Retail Block Subsidiaries is disclosed in Table 18.

Table 18. Downstream & Retail capital investments (utilization)

\$ mln net of VAT

Indicator	2011 plan	2011 actual	Variance
OAo Slavneft-YaNOS	271.40	258.75	-12.65
OAo Slavneft-Mendeleyev YaNP (Rusoil)	1.70	1.03	-0.67
OAo Slavneft-Yaroslavnefteprodukt	0.66	0.06	-0.60
SP ZAO Slavneft-Start, Republic of Belarus	-	0.26	0.26

**For reference:**

RUB/ \$ rate	30.0000	29.3874	
BYR/ \$ rate	5,000.00	4,623.47	

### OAo Slavneft-YaNOS

Over 12 months of 2011, OAo Slavneft-YaNOS utilized 7,603,845 ths RUB (\$258.75 mln at the annual average rate of 29.3874) of the capital investments.

In 2011, \$18.31 mln (538,115 ths RUB) of the capital investments was underutilized by OAo Slavneft-YaNOS in the conditions comparable under the USD FX rate due to the following factors:

<sup>13</sup> LODS means the liner operating dispatcher station



- Implementation of the Group III Base Oils Production Unit Project (-\$4.82 mln, or 141,717 ths RUB) and Residue Hydrocracking Unit (with off-site facilities) Project (-\$13.91 mln, or 408,874 ths RUB) was postponed to 2012;
- Remarks of the Rostekhnadzor Improvement Notices were eliminated (+\$9.34 mln, or 275,525 ths RUB);
- Construction of the Cat-Cracked Gasoline Hydrotreatment was carried out ahead of schedule in 2010; the cost-saving was achieved against the 2011 estimated cost (-\$5.91 mln, or 173,535 ths RUB);
- In 2010, construction of the Izomalk, C<sub>5</sub>-C<sub>6</sub> Fraction Isomerization Unit was carried out ahead of schedule, the Project composition and cost the works fulfilled were updated (-\$3.65 mln, or 107,131 ths RUB);
- The capital investments utilization was shifted for the Diesel Oil Hydrotreatment Unit with off-site facilities within the estimated cost (-\$0.63 mln, or 18,522 ths RUB);
- Utilization deadlines for other Projects were updated (+\$1.28 mln, or 37,139 ths RUB).

Over 12 months of 2011, PP&E commissioning made \$341.65 mln, or 10,040,268 ths RUB net of VAT.

As of January 01, 2012, construction-in-progress amounted to \$126.25 mln, or 3,710,143 ths RUB.

The most significant Major Construction Projects, in which the capital investments were made in the reporting period, are as follows:

- The Cat-Cracked Gasoline Hydrotreatment Unit (\$85.80 mln, or 2,521,468 ths RUB);
- The Izomalk, C<sub>5</sub>-C<sub>6</sub> Fraction Isomerization Unit (\$56.71 mln, or 1,666,523 ths RUB);
- The Diesel Oil Hydrotreatment Unit with off-site facilities (\$48,54 mln, or 1,426,366 ths RUB).

The structure of OAO Slavneft-YaNOS capital investments in 2011 is shown in Figure 11.

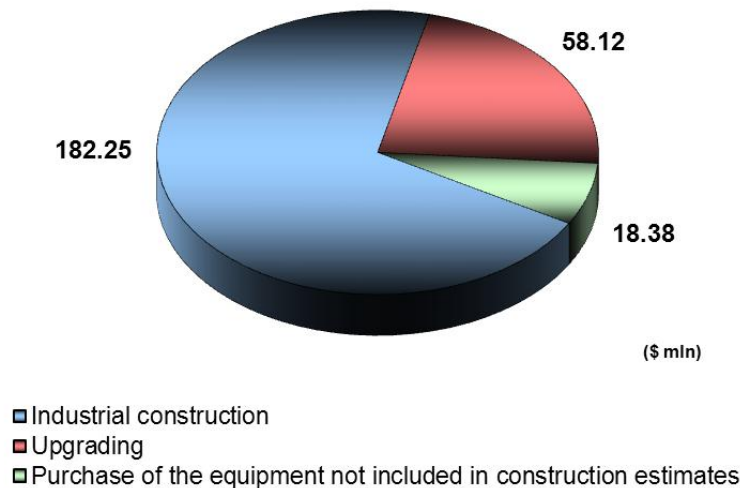


Figure 11. Structure of OAO Slavneft-YaNOS capital investments in 2011, \$ mln

#### OAO Slavneft-Mendeleyev YaNP (Rusoil)

In accordance with the 2011 approved Investment Program, the actions for environmental safety enhancement were carried out and inspecting bodies' remarks were eliminated.

In 2011, OAO Slavneft-Mendeleyev YaNP utilized 30,358 ths RUB, or \$1.03 mln of the capital investments.

Table 19. Capital investments OAO Slavneft-Mendeleyev YaNP (Rusoil)

\$ mln net of VAT			
Capital investments	2011 plan	2011 actual	Variance
<b>Capital investments</b>	<b>1.70</b>	<b>1.03</b>	<b>-0.67</b>
Equipment not included into the construction estimate	0.79	0.02	-0.77
Environmental safety enhancement actions	0.22	0.26	0.04
Elimination of inspecting bodies' remarks	0.01	0.01	0.00
Technical safety systems	0.05	0.01	-0.04
Other works	0.64	0.74	0.10
<b>For reference:</b>			
RUB/ \$ rate	30.0000	29.3874	

The variance of the capital investments utilization from the Plan made -20,596 ths RUB (-\$0.67 mln) and was caused by postponed purchase of motor vehicles for disposed acid sludge (postponement to 2012, -22,543 ths RUB) and partial fulfillment of the Acid Sludge Ponds Liquidation Program by the Refinery's staff (+2,299 ths RUB).

In 2011, PP&E assets for the amount of 48,571 ths RUB, or \$1.65 net of VAT were commissioned at OAO Slavneft-Mendeleyev Refinery (Rusoil).

As of January 01, 2012, construction-in-progress amounted to 85,509 ths RUB, or \$2.91 mln.

#### **OAO Slavneft-Yaroslavnefteprodukt**

In 2011, OAO Slavneft-Yaroslavnefteprodukt utilized 1,718 ths RUB (\$0.06 mln); there are no variances from the Plan in the conditions comparable under the USD FX rate.

#### **SP ZAO Slavneft-Start (Republic of Belarus)**

In 2011, SP ZAO Slavneft-Start utilized \$0.26 mln<sup>14</sup> of the capital investments. The 2011 Investment Program was not envisaged by the Plan. The investments were utilized in excess of the Plan due to the following factors:

- The deadlines for commissioning Fuel Filling Station No.65 (128a, str. Ilich, Gomel) were shifted to 2011 (\$0.17 mln);
- Construction-in-progress was re-estimated under Decrees No. 162/131/37 of the RB Ministry of Economic Affairs, RB Ministry of Finance and RB Ministry of Architecture and Construction (\$0.06 mln);
- The traffic signal device was installed in accordance with the requirement of the Gomel Traffic Inspectorate (\$0.03 mln).

#### **Financial result**

In accordance with the 2011 performance results, the Company's consolidated loss under US GAAP made -\$83.4 mln that is \$180.6 less than the loss envisaged by the 2011 Plan (-\$264.0 mln) and \$153.1 mln more than the 2010 amount (+\$69.7 mln). The rise in the crude oil selling price was the key factor of the profit increase against the Plan.

#### **Company's tax policy**

In 2011, the total amount of taxes accrued and paid to the budgets of all levels and non-budgetary funds, including \$3,475.5 mln of taxes paid to the Federal budget, made \$4,153.2 mln. Actually, \$4,190.3 mln, including \$3,492.3 paid to the Federal Budget, were paid to the budgets of all levels and non-budgetary funds (see Table 20).

Table 20. Tax accrual by the Company

\$ mln<sup>15</sup>

Budgets and non-budgetary funds	January-December, 2011	
	Accrued	Paid
<b>Federal budget, total</b>	<b>3,475.531</b>	<b>3,492.341</b>
<b>RF regional budget, total</b>	<b>185.280</b>	<b>204.648</b>
<b>including:</b>		
Nizhneartovsk region budget	0.001	0.001
Moscow	14.308	19.196
Nizhneartovsk budget	0.016	0.016
Yaroslavl region budget	46.240	47.830
Khanty-Mansi Autonomous Area budget	119.385	132.373
Krasnoyarsk region	4.816	4.874
Tver region	0.698	0.585
Chukot Autonomous Area budget	0.004	0.005
Moscow region	0.008	0.008
Yamal-Nenets Autonomous Area budget	-0.224	-0.243
Kostroma region budget	0.000	-0.000
Krasnodar region	0.026	0.025
Tyumen region budget	-0.038	-0.051
St. Peterburg	0.000	-0.001
Ivanovo region budget	0.000	-0.000
Republic of Karelia	0.002	0.002
Tomsk region budget	0.022	0.011
Omsk region budget	0.013	0.014
<b>RF local budget, total</b>	<b>21.443</b>	<b>22.294</b>
<b>including:</b>		
Nizhneartovsk region budget	4.879	4.898
Nefteyugansk region budget	0.332	0.335

<sup>14</sup> The data are given at the actual average annual rate of 4,623.47 BYR/\$

<sup>15</sup> The data are given at the actual average annual rate of 29,3874 RUB/\$

Budgets and non-budgetary funds	January-December, 2011	
	Accrued	Paid
Surgut budget	0.858	0.789
Surgut region budget	2.645	2.881
Stupino budget	0.000	0.000
Moscow	0.018	0.017
Mozhaisk budget	0.063	0.063
Megion budget	5.315	5.293
Nizhnevartovsk budget	3.107	3.102
Nefteyugansk budget	0.220	0.226
Beloyarsk region budget	0.000	0.000
Yarsolavl region budget	0.000	0.000
Yarsolavl budget	2.797	3.278
Khanty-Mansi Autonomous Area budget	0.001	0.000
Langepas budget	0.000	0.000
Lokosovo budget	0.045	0.017
Pryazhinsk region budget, Republic of Karelia	0.000	0.000
Krasnoyarsk budget	0.234	0.239
Tver budget	0.124	0.124
Tutaev region budget	0.244	0.475
Odintsovo budget	0.010	0.010
Yaroslavl district, Yarsolavl region	0.001	0.001
Moscow region	0.016	0.000
Kostroma region budget	0.000	0.000
Petrozavodsk	0.001	0.001
Ivanovo region budget	0.000	-0.001
Budget of v. Dmitrievsk	0.000	0.000
Antropovsk district budget, Kostroma region	0.000	-0.002
Anadyr budget	0.002	0.001
Budget of v. Tunoshna	0.015	0.014
Nadym region budget	0.008	0.008
Novy Urengoi budget	0.097	0.104
Purovo region budget	0.014	0.014
Uvat region budget	0.006	0.006
Tura budget	0.318	0.333
Kodinsk budget	0.001	0.001
Turukhansk budget	0.018	0.020
Krasnoselkupsky region budget	0.031	0.025
Kargasovsky region budget, Tomsk region	0.007	0.003
Tevrizsky region budget, Omsk region	0.006	0.006
Parabelsky region budget, Tomsk region	0.002	0.002
Tazovsky region budget	0.000	0.000
Tomsk budget	0.004	0.004
Baikit budget	0.006	0.006
<b>Non-budgetary funds, total</b>	<b>470.985</b>	<b>471.006</b>
<b>TOTAL for the budgets</b>	<b>4,153.239</b>	<b>4,190.289</b>