

OPEN JOINT STOCK OIL AND GAS COMPANY SLAVNEFT

APPROVED
Annual General Shareholders Meeting,
OAO NGK Slavneft
Minutes No. 47 dated June 28, 2013

APPROVED
Board of Directors,
OAO NGK Slavneft
Minutes No. 5 dated May 20, 2013

ANNUAL REPORT 2012

President, OAO NGK Slavneft

_____ Yu. E. Sukhanov
(signature)

Chief Accountant, OAO NGK Slavneft

_____ A.A. Shuvayev
(signature)

(stamp)

Contents

NOTE	3
POSITION IN THE INDUSTRY	4
AUTHORIZED CAPITAL OF OAO NGK SLAVNEFT. SHAREHOLDERS AND NOMINEE HOLDERS OF OAO NGK SLAVNEFT	5
LIST OF SUBSIDIARIES AND AFFILIATES OF OAO NGK SLAVNEFT (AS OF JANUARY 01, 2013)	6
PRIORITY ACTIVITIES	7
GEOLOGY AND OIL PRODUCTION	7
<i>RESOURCE BASE</i>	7
<i>OIL PRODUCTION</i>	7
CRUDE OIL PROCESSING	11
<i>OPEN JOINT STOCK COMPANY SLAVNEFT-YAROSLAVNEFTEORGSINTEZ</i>	12
<i>OPEN JOINT STOCK COMPANY MOZYR REFINERY</i>	13
<i>OPEN JOINT STOCK COMPANY SLAVNEFT-YAROSLAVL MENDELEYEV'S REFINERY (RUSOIL)</i>	15
SALE OF OIL PRODUCTS IN THE RUSSIAN FEDERATION	15
<i>SALE OF CRUDE</i>	15
<i>OIL PRODUCTS SALE</i>	15
FINANCIAL RESULTS OF SLAVNEFT GROUP'S ACTIVITY	15
<i>SLAVNEFT GROUP'S REVENUES</i>	15
<i>EXPENSES</i>	16
<i>OIL AND GAS LIFTING COSTS</i>	17
<i>DYNAMICS OF PRODUCTION COSTS AT OAO SLAVNEFT-YANOS</i>	18
<i>DYNAMICS OF PRODUCTION COST AT OAO MOZYR REFINERY</i>	18
<i>CAPITAL INVESTMENTS</i>	19
<i>FINANCIAL RESULT</i>	22
<i>SLAVNEFT GROUP'S TAX POLICY</i>	22
INFORMATION ON THE ENERGY RESOURCES USED BY OAO NGK SLAVNEFT IN THE REPORTING PERIOD	23
MAIN RISK FACTORS ASSOCIATED WITH SLAVNEFT GROUP'S ACTIVITIES	23
REPORT OF OAO NGK SLAVNEFT BOARD OF DIRECTORS	24
REPORT ON DISTRIBUTION OF THE ANNOUNCED (ACCRUED) DIVIDENDS ON THE SUBSIDIARY'S SHARES	25
OF OAO NGK SLAVNEFT IN 2012	25
LIST OF OAO NGK SLAVNEFT'S MAJOR TRANSACTIONS	25
THERE WERE NO OTHER TRANSACTIONS COVERED BY MAJOR TRANSACTION APPROVAL PROCEDURES AS PER THE COMPANY'S ARTICLES OF ASSOCIATION	26
LIST OF OAO NGK SLAVNEFT'S RELATED PARTY TRANSACTIONS	26
OAO NGK SLAVNEFT'S GOVERNANCE BODIES	27
MEMBERSHIP OF OAO NGK SLAVNEFT BOARD OF DIRECTORS	27
MEMBERSHIP OF THE MANAGEMENT BOARD OF OAO NGK SLAVNEFT	29
ESTABLISHMENT CRITERIA AND AMOUNT OF BONUS TO THE MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD OF OAO NGK SLAVNEFT	30
OBSERVANCE OF THE CODE OF CORPORATE CONDUCT OF OAO NGK SLAVNEFT	31
DEVELOPMENT PERSPECTIVES	31

NOTE

In this Annual Report, the terms "OAO NGK Slavneft" or "the Company" refer to the Head Company of Slavneft Group - Open Joint Stock Oil and Gas Company Slavneft. Slavneft Group refers to the aggregate of companies consisting of OAO NGK Slavneft and its Subsidiaries and Affiliates included in consolidated statements.

*In this Annual Report of OAO NGK Slavneft, several indicators of Slavneft Group's activities are generated based on managerial reporting principles under International Financial Reporting Standards (IFRS).
Due to differences in the methods for generation of consolidated financial and managerial statements based on IFRS, indicators calculated under such methods may not be comparable.*

INFORMATION ON OPEN JOINT STOCK OIL AND GAS COMPANY SLAVNEFT

Full corporate name: Open Joint Stock Oil and Gas Company Slavneft

Short corporate name: OAO NGK Slavneft

Location: Moscow, Russian Federation

Postal address: bld.4, 4th 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 incorporation documents of OAO NGK Slavneft: registered by Moscow Interdistrict Inspectorate No.46 of the Federal Tax Service:

Under state registration number 2057747654391 (new revision of the Company's 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.

Under state registration number 2127747248990 (amendments to the Company's Articles of Association approved by the Resolution of the General Shareholders Meeting on June 29, 2012, Minutes No.44) on July 23, 2012.

Information on the Authorized Capital as of January 01, 2013: the Company's Authorized Capital makes 4,754,238 RUB consisting 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, issued by FCSM of Russia, December 3, 2002 (with no fixed term).

Auditor: 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. Member of self-regulatory organization of auditors Audit Chamber of Russia.

The information on the Company is published in Izvestiya, Sovetskaya Belorussiya newspapers and is posted on the individual page at Internet disclosure system: <http://www.e-disclosure.ru/portal/company.aspx?id=560>, as well as at the Company's web-site: www.slavneft.ru.

POSITION IN THE INDUSTRY

OAO NGK Slavneft is one of the major Russian vertically-integrated oil companies. In 2012, the key Company indicators were:

- remaining recoverable oil reserves (ABC₁) - 678.1 mln tons (as of 01.01.13);
- oil production - 17.864 mln tons;
- hydrocarbons processing - 26.4 mln tons, including 15.3 mln tons processed at the Company's Russian Refinery - OAO Slavneft-YANOS.

**AUTHORIZED CAPITAL OF OAO NGK SLAVNEFT.
SHAREHOLDERS AND NOMINEE HOLDERS OF OAO NGK SLAVNEFT**

The Company's Authorized Capital makes 4,754,238 RUB and is divided into 4,754,238,000 ordinary shares.

As of January 01, 2013, the total number of shareholders made 3,601.

AUTHORIZED CAPITAL STRUCTURE				
No.	Shareholders and nominee holders	Number	Number of shares, ea	Equity in the Authorized Capital, %
1.	Residents of the Russian Federation	3 462	4 753 978 989	99,99455190
1.1	Legal entities including nominee holders	13	4 750 158 140	99,91418478
	including nominee holders, whose equity in the Authorized Capital makes at least 1%	4	4 749 739 747	99,90538435
1.2	Individuals	3 449	3 820 849	0,08036722
2.	Non-residents of the Russian Federation	128	250 459	0,00526812
2.1	Legal entities	3	100 021	0,00210383
2.2	Individuals	125	150 438	0,00316429
3.	Individuals, whose jurisdiction data are not available in the Register	11	8 552	0,00017988
	Total:	3 601	4 754 238 000	100,00000000

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

Nominee holders owning at least 5% of the Authorized Capital of OAO NGK Slavneft (as of November 29, 2012):

No.	Shareholder	Equity in the Authorized Capital, %
1.	OOO Invest-Oil	74,9570 %
2.	Stranberg Investments Limited	11,5772 %
3.	Select Holdings Limited	7,7037 %

Nominee holders having at least 1% of voting shares of OAO NGK Slavneft accounted on their books as of 01.01.2013:

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.	Non-banking Credit Organization, Closed Joint Stock Company Natsionalniy Raschetniy Depozitarniy	75.8403
	Total:	99.8472

LIST OF SUBSIDIARIES AND AFFILIATES OF OAO NGK SLAVNEFT
(as of January 01, 2013)

№	Subsidiary's/ Affiliate's name		Company's equity, %	
			in the Authorized Capital	in the voting shares
1. Subsidiaries				
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 Sobol	OAO Sobol	62,25	62,25
4.	Closed Joint Stock Company Obneftegeologia	ZAO Obneftegeologia	100,00	100,00
5.	Open Joint Stock Company Obneftegazgeologia	OAO ONGG	79,67	79,67
6.	Limited Liability Company Slavneft - Nizhnevartovsk	OOO Slavneft-Nizhnevartovsk	99,985	-
7.	Limited Liability Company Slavneft-Krasnoyarskneftegaz	OOO Slavneft-Krasnoyarskneftegaz	99,993	-
8.	Open Joint Stock Company Slavneft-Yaroslavnefteorgsintez	OAO Slavneft-YANOS	39,20	50,78
9.	Open Joint Stock Company Slavneft-Yaroslavnefteprodukt	OAO Slavneft-Yaroslavnefteprodukt	65,13	80,28
10.	Closed Joint Stock Company Slavneft-M	ZAO Slavneft-M	99,97	99,97
11.	Closed Joint Stock Company Slavneft-Tsentrnefteprodukt	ZAO Slavneft-Tsentrnefteprodukt	99,23	99,23
12.	Closed Joint Stock Company Slavneft - Estate	ZAO Slavneft-Estate	100,00	100,00
13.	Joint Stock Company Slavneft-Holding AG	Slavneft-Holding AG	100,00	100,00
14.	Closed Joint Stock Company Slavveks	ZAO Slavveks	100,00	100,00
15.	Closed Joint Stock Company Fuelling Complex Slavneft-Tunoshna	ZAO TZK Slavneft-Tunoshna	97,29	97,29
16.	Limited Liability Company Realizatsiya-T	OOO Realizatsiya-T	95,45	-
17.	Limited Liability Company Slavneft-Nauchno-Proizvodstvenny Tsentr	OOO Slavneft-NPTS	100,00	-
18.	Limited Liability Company Slavneft - Logistika	OOO Slavneft-Logistika	100,00	-
2. Affiliates				
19.	Open Joint Stock Company Mozyr Refinery	OAO Mozyr Refinery	42,58	42,58

PRIORITY ACTIVITIES

GEOLOGY AND OIL PRODUCTION

Resource base

As of January 01, 2013, Slavneft Group's ABC₁ remaining recoverable reserves amounted to 678.1 mln tons, including 525.2 mln t in West Siberia (KhMAO) and 152.9 mln t in the Krasnoyarsk region. In 2012, the increment of C1 recoverable reserves across Slavneft Group in general amounted to 21.2 mln t, including 21.2 mln t due to exploration activities 8.49 mln t (including 1.535 mln t for the Krasnoyarsk region).

In the reporting period, the resource base was developed due to exploration activities. In monetary terms, in 2012, the scope of works amounted to \$2.8 mln (net of VAT) against \$2.6 mln for the similar period of the previous year. The static plan was performed to 96.1%; OOO Slavneft-Krasnoyarskneftegaz and Megion Block fulfilled the Plan to 97.7% and 95.0%, respectively.

In 2012, exploration drilling was performed in physical terms to 99% in KhMAO (Megion Block) that was caused by updating of absolute depth marks of target horizons. In the reporting period, prospecting wells were drilled in the Krasnoyarsk region. The jobs were fulfilled to 73% due to early drilling of prospecting well A-2 at Abrakupchinsky LA in 4Q 2011. Exploration drilling was performed to 94% across Slavneft Group in general.

3D seismic for exploration purposes - 566 km² and development purposes in KhMAO - 250 km², was completed in full scope.

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

Name	UoM	West Siberia (KhMAO)		Krasnoyarsk region		Total	
		2011	2012	2011	2012	2011	2012
Drilling meterage	ths m	14,2	19,870	7,0	3,721	21,2	23,591
2D seismic	km	0,0	0,0	397,0	0,0	397,0	0
3D seismic for exploration	km ²	449,0	66		500	449,0	566
3D seismic for development	km ²	0,0	250	400,0	0,0	400	250
C1 reserves increment due to exploration	mln t	6,4	6,955	7,6	1,535	14,0	8,5

Exploration works were performed by Slavneft Group companies:

- at the Tailakovsly, Achimovsky and Yuzhno-Ostrovnoy license areas (KhMAO) by OAO SN-MNGG;
- at the Zapadno-Ust-Balyksky and Tailakovsky license areas (KhMAO) by OAO ONGG;
- at the Kuyumbinsky, Tersko-Kamovsky and Abrakupchinsky license areas (Krasnoyarsk region) by OOO Baikitskaya NGRE.

Oil Production

In 2012, **crude oil production** across Slavneft Group made 17,863.9 ths t. In the reporting period, 17841.6 ths t of crude oil was produced at the license areas of the Megion Block production entities, which is 0.9% below the approved Plan and 1.2% below the previous year's volume.

Over the reporting period, 22.2 ths t of crude oil was produced from exploration and production wells of the Kuyumbinskoye field (32.0 ths t under the Plan) that is 30.6% lower than 2011 oil production volume.

In 2012, production drilling of OPR-2 area was continued at the Kuyumbinskoye field.

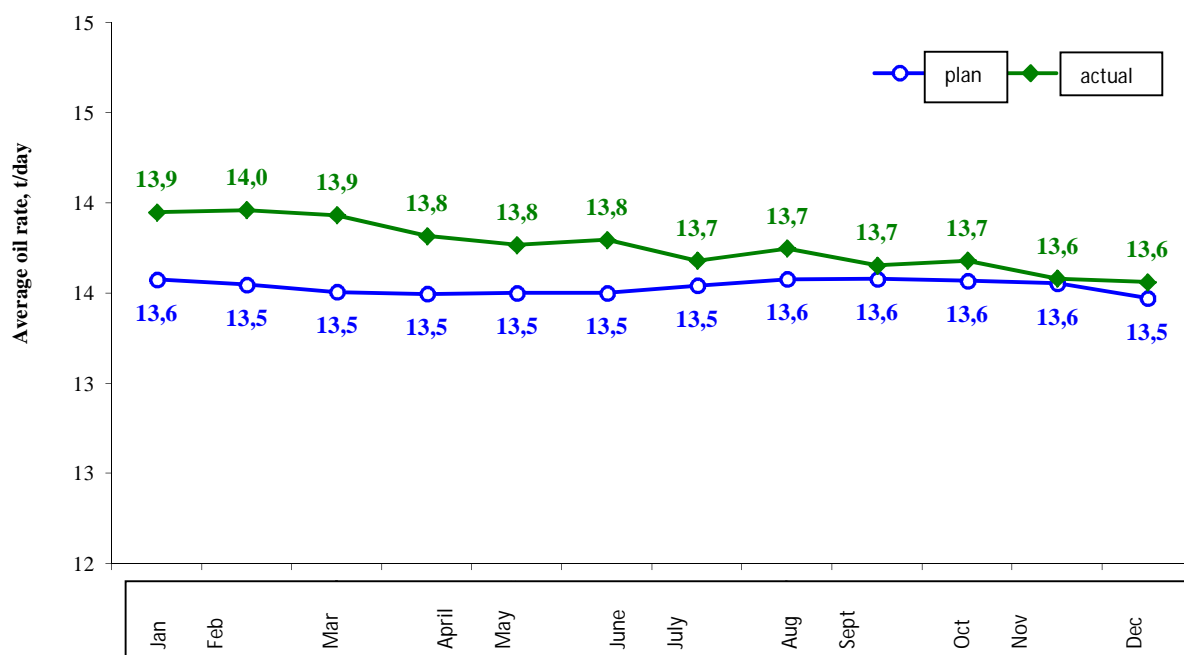
Table 2 shows crude oil production volumes by production Subsidiary.

Table 2. Crude oil production by the production Subsidiary

Subsidiaries	2011	2012		Variance (%)	
	Actual	Plan	Actual	2012/ 2011	2012 actual/ plan
ОАО SN-MNG	10 218,4	9 576,5	9 667,7	94,6	101,0
ООО Slavneft-Nizhnevartovsk	1 358,1	1 871,7	1 949,7	143,6	104,2
ОАО Sobol	167,0	141,6	146,3	87,6	103,3
ЗАО Обнефтегеология	555,8	463,2	474,7	85,4	102,5
ОАО SN-MNGG	763,4	696,5	634,5	83,1	91,1
ОАО NGK Slavneft	961,8	766,9	676,2	70,3	88,2
ОАО ONGG	4 029,1	4 484,5	4 292,6	106,5	95,7
ООО Slavneft-Krasnoyarskneftegaz	32,0	32,0	22,2	69,4	69,5
Total for production Subsidiaries	18 085,7	18 033,4	17 863,9	98,8	99,1

In the reporting period, Megion Block's average well rate made 13.8 t/day, which is 0.3 t/day above the planned indicator (13.5 t/day). Daily average production amounted to 48,748 t/day.

Figure 1. Dynamics of daily average well rate



In the reporting period, oil water cut made 90.2% against 90.0% under the Plan, which is 0.2% above the approved Plan.

Slavneft Group's share in the total volume of oil produced in Russia in 2012 made 3.4%, and 4.1% in the production volume of oil companies.

In 2012, **Slavneft Group delivered** 17,814.8 ths t of crude oil, which is 1.0% below the level of the similar period of the previous year.

Oil volumes delivered by Slavneft Group's production Subsidiaries are shown in Table 3.

Table 3.

Subsidiaries	2011	2012	Variance (%) 2012/2011
ОАО SN-MNG	10 198,9	9 666,7	94,8
ООО Slavneft-Nizhnevartovsk	1 349,3	1 942,3	144,0
ОАО Sobol	165,4	144,7	87,5
ЗАО Обнефтегеология	553,8	469,3	84,8
ОАО SN-MNGG	761,5	633,9	83,3

Subsidiaries	2011	2012	Variance (%) 2012/2011
OAO NGK Slavneft	958,5	674,9	70,4
OAO ONGG	4 012,4	4 282,9	106,7
Total	17 999,7	17 814,8	99,0

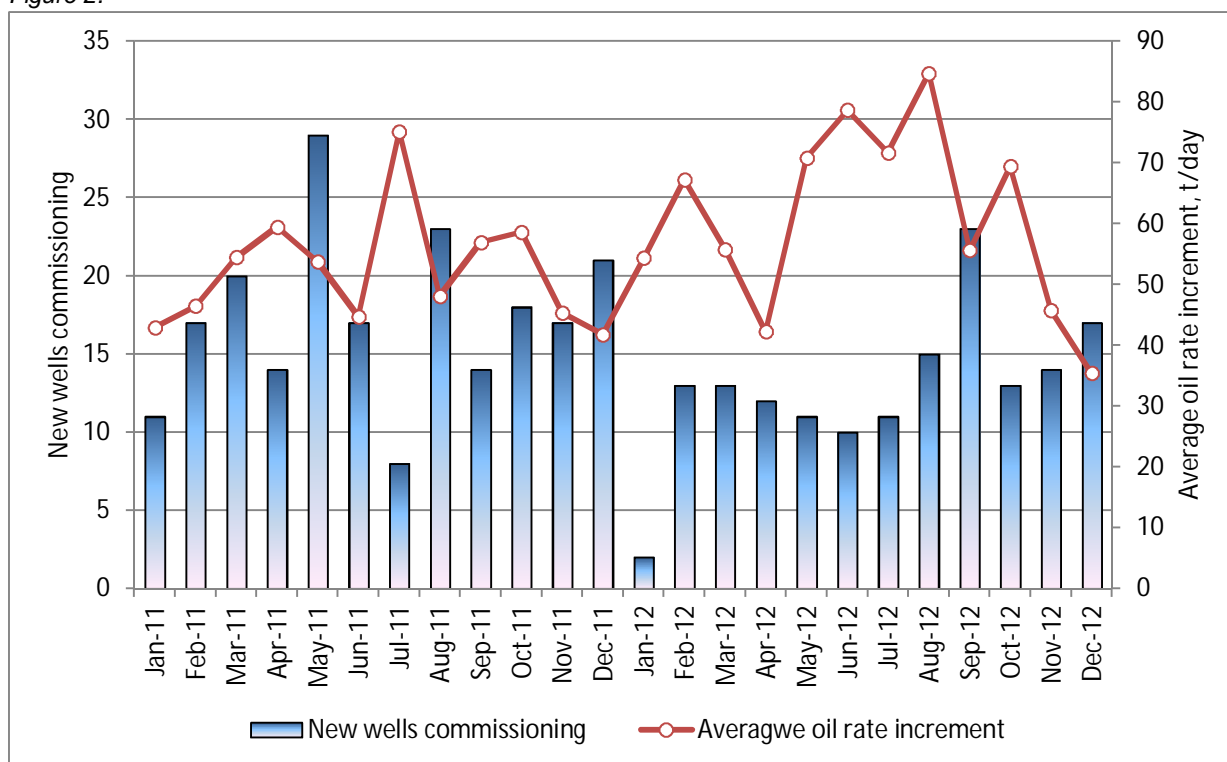
In the reporting period, Slavneft Group's **gas production** amounted to 841.0 mln m³, which is 10.4% above the Plan and 0.8% below the previous year's indicator. Gas was supplied to Nizhnevartovsk GPP from the Megionskoye, Yuzhno-Aganskoye, Aganskoye fields, from well pad 42M of the Vatinskoye field (Agansky NGDU - ANGDU), from the Mykhpaiskoye, Vatinskoye, Severo-Pokurskoye, Lugovoye, Ketovskoye, Severo-Orekhovskoye fields (Vatinsky NGDU - VNGDU). Besides, associated gas was used for in-house needs: boiler houses and oil heaters. Associated gas from the left-bank fields was consumed for in-house needs: boiler houses, heaters, electric power generation at stand-alone gas turbine power plants; gas was sold to OOO Teploneft for heating of Procurement Directorate building, boiler houses at the oil fields, CPF-1 and SCM department building. Approximately 25.0% of gas was flared as there are no facilities for gas consumption and due to GPP shutdowns.

In 2011, **gas supply** to Nizhnevartovsk GPP increased by 1.4% vs. the previous year and made 654.3 mln m³ (552.1 mln m³ under the Plan). Associated gas utilization made 74.7%.

Over the reporting period, **exploration drilling meterage** made 691.1 ths m of rock, which is 10.8% higher than the planned indicator and 11.5% lower than the previous year's level.

Oil production from new wells totaled to 1,161.3 ths t, which is 3.0% above the planned indicator. Average production rate at new wells made 55.3 t/day, which is 27.0% above the Plan. The dynamics of the new wells commissioning and average production rate is shown in Figure 2.

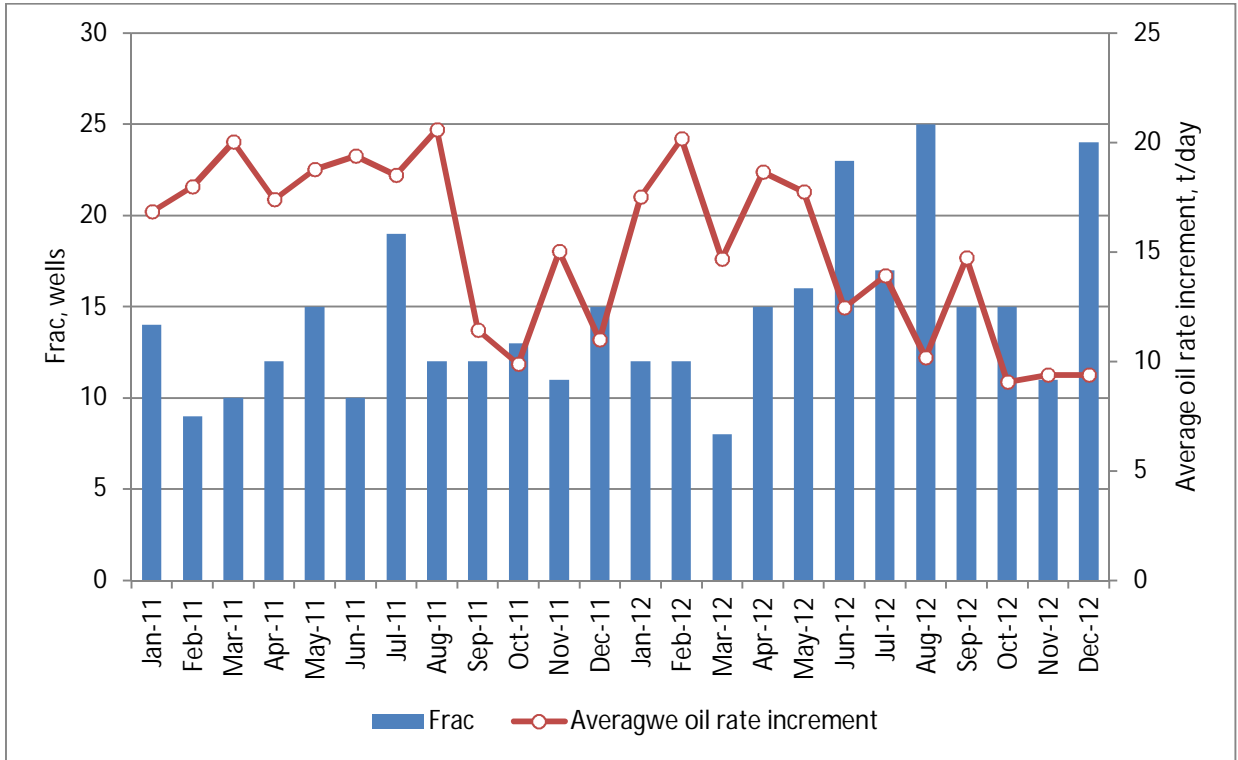
Figure 2.



Hydraulic fracturing jobs (Figure 3) were performed at 193 wells, which is 41 jobs more than the Planned indicator. Incremental oil production due to hydraulic fracturing made 324.3 ths t, which is 6.9 ths t, or 2.2 % above the planned volumes.

Average incremental oil rate per one well reached 11.1 t/day, which is 4.3 % below the planned indicator.

Figure 3. Hydraulic fracturing jobs count and average oil rate increment



In 2012, 93 **recompletions** were carried out at the Megion Block's fields, which is 111.4% above the planned indicator. Due to this type of WW operations, oil production volume made 169.6 ths t; and average oil rate increment reached 11.7 t/day.

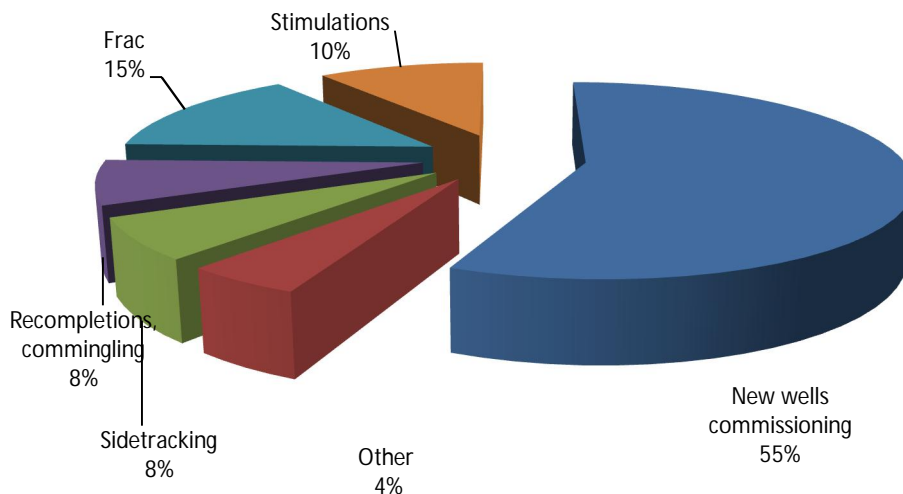
Stimulations were performed at 231 oil wells, which is 15.5% above the planned indicator. Due to this type of WW operations, oil production volume made 213.8 ths t. Average oil rate increment per one well reached 5.2 t/day, which is 16.7% below the planned indicator.

Squeeze Cementing, Fishing Jobs. 37 jobs were performed, which is 59.5% below the planned indicator. Cumulative oil production increment due to these types of WW jobs made 53.6 ths t.

Sidetracking was carried out at 32 wells of the Megion Block's fields (oil production increment amounted to 161.1 ths t) as well as conversions (5 well-jobs with incremental production of 37.0 ths t).

In 2012, **total incremental oil production** made 2,120.7 ths t that is 1.8% higher than the volume envisaged by the approved Plan with 11.6% delivery above planned WW jobs. Incremental oil production structure by types of WW jobs is shown in Figure 4.

Figure 4.



Base oil production across Megion Block made 15,720.9 ths t, which is 1.2% below the planned volume. As of January 01, 2013, Slavneft Group's **operating well stock** included 4,232 wells; idle well stock consisted of 653 wells (15.4% of operating well stock).

1,327 base workovers and 3,378 well servicing jobs were carried out at the operating well stock. The number of capital workover is 3.0% higher than the approved level. The number of well servicing jobs is 14.0% lower.

The output per one well servicing crew made 100.3 jobs; this indicator decreased by 13.0% against 2011. MTBF of the pumping equipment is at the planned level (see Table 4).

Table 4.

Megion Block	Pumping equipment	2011	2012	Variance (%) 2012/2011
MTBF	ESP	453	478	105,5
	Sucker rod pump	286	336	117,5
	TOTAL	429	464	108,2

Over the reporting period, MTBF of the pumping equipment grew by 8.2% against 2011. MTBF increased due to implementation of the 2010-2012 Action Program for ESP MTBF extension.

CRUDE OIL PROCESSING

In 2012, the volume of crude hydrocarbons processing at Slavneft Group's refineries made 26,390 ths t, which is 4.8% higher than the 2011 level and 3.0% higher than the 2012 planned volume.

In 2012, the volume of crude hydrocarbons processing at OAO Slavneft-YaNOS made 15,278.3 ths t, which is 3.4% higher than the 2011 volume and 5.5% higher than the 2012 planned volume.

In 2012, the volume of crude hydrocarbons processing at OAO Mozyr Refinery made 11,111.7 ths t, which is 6.8% higher than the 2011 volume and 0.1% lower than the 2012 planned volume.

Moreover, in the reporting period the Mozyr Refinery purchased 201.1 ths t of the feedstock to increase the load of its secondary capacities.

The key operational indicators of Slavneft Group Refineries are shown below.

Table 5. Key operational indicators of Slavnet Group's Refineries

Refinery	Processing volume ¹ , ths t			Depth of refining, %			Light oils yield ² , %		
	2011	2012		2011	2012		2011	2012	
		BP	actual		BP	actual		BP	actual
OAO Slavneft-YANOS	14 774,3	14 500,0	15 278,3	65,6	65,7	65,5	56,4	56,5	56,0
OAO Mozyr Refinery	10 401,0	11 120,0	11 111,7	67,3	66,8	68,6	56,9	57,8	59,3

Table 6. Oil products yield by Slavnet Group's Refineries

Name	Unit of measure	Slavneft-YaNOS		Mozyr Refinery		Total		
		2011	2012	2011	2012	2011	2012	2012vs. 2011,%
Processing ³	ths t	14 772,9	15 277,8	10 381,7	11 091,3	25 154,6	26 369,1	104,8
Processing of crude for secondary processes	ths t	-	-	16,5	201,1	16,5	201,1	1 220,5
Gasoline, total	ths t	2 952,7	2 855,7	2 375,3	2 824,6	5 328,0	5 680,3	106,6
including motor gasoline	ths t	2 352,4	2 430,6	2 156,8	2 657,6	4 509,2	5 088,2	112,8

¹ Volume of hydrocarbons processing for primary capacities loading.

² Light oils yield is estimated based on desalted crude oil.

³ By desalted crude oil (utilization of primary capacities). The additional feedstock is taken into account for OAO Mozyr Refinery.

Name	Unit of measure	Slavneft-YaNOS		Mozyr Refinery		Total		
		2011	2012	2011	2012	2011	2012	2012vs. 2011,%
Diesel oil, including furnace fuel oil	ths t	4 445,6	4 716,4	3 209,6	3 795,4	7 655,2	8 511,8	111,2
Kerosene, total	ths t	842,5	873,7	270,9	144,3	1 113,4	1 018,0	91,4
including aviation kerosene	ths t	842,5	873,7	0,0	0,0	842,5	873,7	103,7
Aromatic hydrocarbons	ths t	96,1	112,8	49,9	50,7	146,0	163,5	112,0
Total light oils	ths t	8 336,9	8 558,6	5 905,7	6 815,0	14 242,6	15 373,6	107,9
Furnace fuel oil	ths t	4 679,2	4 903,7	3 084,6	3 167,4	7 763,8	8 071,1	104,0
Lubricants	ths t	248,4	223,0	0,0	0,0	248,4	223,0	89,8
Petroleum bitumen	ths t	385,3	439,7	267,5	295,7	652,8	735,4	112,7
Liquefied gases	ths t	90,6	78,8	210,2	242,6	300,8	321,4	106,9

Open Joint Stock Company Slavneft-Yaroslavnefteorgsintez

In 2012, the volume of crude hydrocarbons processing made 15,278.3 ths t, which is 5.4% higher than the planned volume and 3.4% more than the 2011 volume.

The indicators for production capacities utilization over 12 months of 2012 are disclosed in Table 7:

Table 7.

Process	Approved average annual production capacities (ths t) 2012/2011	Production capacities loading Actual (ths t)		Capacities utilization, Actual (%)		Rates of changes in production capacities loading (%) <u>12M 2012</u> <u>12M 2011</u>
		12 months 2011	12 months 2012	12 months 2011	12 months 2012	
Crude oil distillation	15 000,0	14 772,9	15 277,8	98,49	101,85	103,42
Catalytic reforming	1 684,0	1 652,2	1 806,2	98,11	107,26	109,32
- for gasoline production	1 356,0	1 355,4	1 458,9	99,96	107,59	107,64
- for aromatics production	328,0	296,8	347,3	90,49	105,88	117,01
Catalytic cracking	1 250,0	1 391,3	1 215,9	111,30	97,27	87,39
Hydrocracking	2 140,0	2 057,9	2 207,5	96,16	103,15	107,27
Diesel oil hydrotreatment	3 400,0	3 392,4	3 296,4	99,78	96,95	97,17
Gas fractionation	540,0	442,9	430,9	82,02	79,80	97,29
Alkylation	100,0	129,0	110,2	128,96	110,20	85,43
MTBE	40,0	39,9	34,5	99,75	86,25	86,47
Lubes production	250,0	246,7	222,6	98,68	89,04	90,23
Petroleum bitumen production	500,0	385,4	439,8	77,08	87,96	114,12

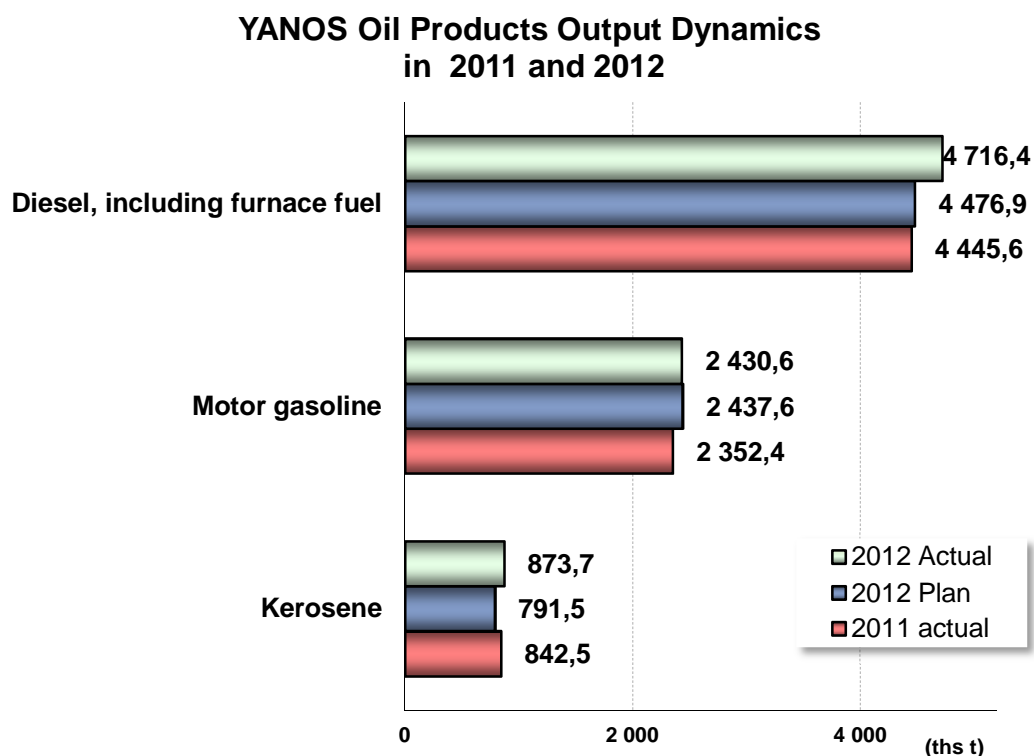
The utilization of oil distillation capacities grew by 3.4% against the similar period of the previous year that was caused by the increased hydrocarbons processing volume.

In the reporting period, increase in the load of hydrocracking capacities is caused by continuous operations with no downtime for the scheduled turnaround, as compared to the previous year.

Utilization of the catalytic cracking capacities decreased due to downtime for scheduled turnaround/ maintenance.

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

Figure 5.



Over the reporting period, OAO Slavneft-YaNOS produced 8,558.6 ths t of light oils that is 4.5% above the planned volume and 2.7% above the 2011 volume, including:

- 2,430.6 ths t of gasoline, including 2,356.4 ths t compliant with class 4 and 5 of the Technical Regulations;
- 873.7 ths t of kerosene, which is 3.2% above the planned indicator;
- 4,030.6 ths t of diesel oil fully compliant with class 5 of the Technical Regulations.

From July 2012, the refinery fully converted to production of motor gasoline and diesel fuel complying with EURO-5 standard.

The light oils yield made 56.0% and decreased by -0.5% against the plan and by -0.4% against the 2011 actual due to the scheduled turnaround of the Hydrocracking Plant and deterioration of the processed oil quality.

Open Joint Stock Company Mozyr Refinery

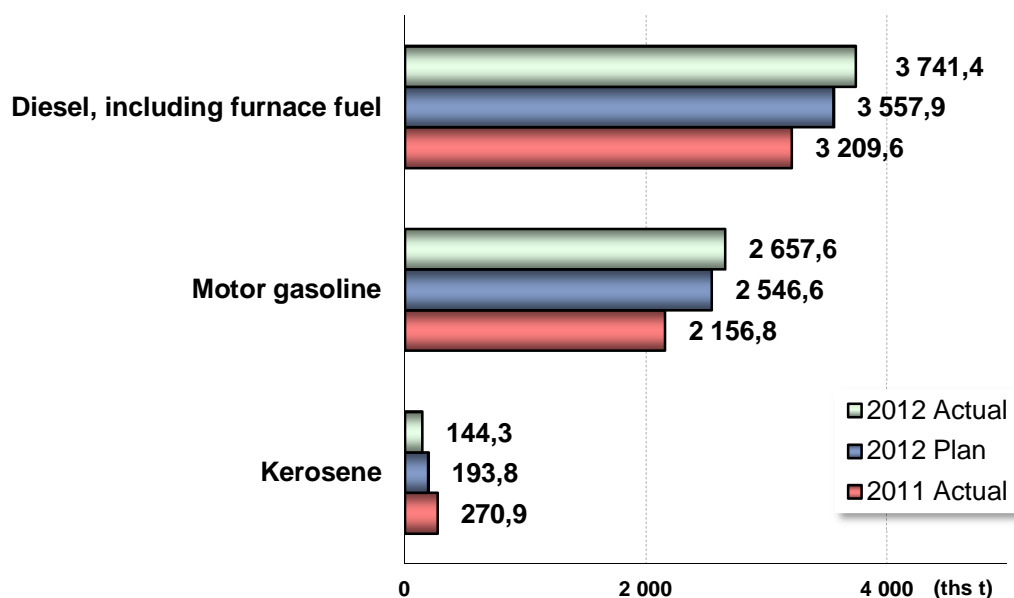
In 2012, the volume of crude hydrocarbons processing made 11,111.7 ths t, which is 0.1% lower than the 2012 planned volume and 6.8% higher than the 2011 volume (utilization of oil distillation capacities).

5,912.2 ths t of own feedstock and 5,199.5 ths t of customer-supplied feedstock were processed in the reporting period. Additionally, 128.2 ths t of diesel fuel, 63.0 ths t of furnace oil and 19.7 ths t of motor fuel were supplied as feedstock for secondary processes (Diesel Hydrotreatment Unit) to OAO Mozyr Refinery.

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

Figure 6.

Mozyr Refinery Oil Products Output Dynamics in 2011 and 2012



In 2012, the structure of produced gasolines drastically changed. In 2011, high-octane gasolines made 79.0% in the total volume of gasolines produced, and in 2012, this indicator reached 83.3%.

50 ppm sulfur content diesel fuel production decreased from 2,077.9 ths t over 12 months of 2011 to 1,399.5 ths t in 2012. Its share in 2012 diesel fuel production volume made 37.4% vs. 75.5% in 2011.

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

Process	Approved average annual production capacities (ths t) 2012/2011	Production capacities loading Actual (ths t)		Capacities utilization, Actual (%)		Rates of changes in production capacities loading (%) <u>12M 2012</u> / <u>12M 2011</u>
		12 months 2011	12 months 2012	12 months 2011	12 months 2012	
Crude oil distillation, total	12 031,5	10 031,9	10 374,8	83,38	86,23	103,42
incl.LK-6U No.1	4 000,0	3 116,8	3 472,8	77,92	86,82	111,42
LK-6U No.2	8 031,5	6 934,4	6 903,9	86,34	85,96	99,56
Catalytic reforming	2 010,0	1 427,1	1 570,6	71	78,14	110,06
Diesel oil hydrotreatment:	5 000,0	0,0	2 996,5	0	59,93	-
C-300/1, diesel fuel hydrotreatment	2 000,0	1 820,4	1 313,8	91,02	65,69	72,17
Diesel oil hydrotreatment unit	3 000,0	0,0	1 687,8	0	56,26	-
Kerosene hydrotreatment	1 200,0	860,4	625,2	71,7	52,1	72,66
incl.LK-6U No.1	600,0	438,5	264,4	73,09	44,06	60,28
LK-6U No.2	600,0	421,1	356,9	70,18	59,49	84,77
Gas fractionation	675,0	524,3	574,5	77,68	85,11	109,56
incl.LK-6U No.1	225,0	209,2	217,8	92,98	96,81	104,12
LK-6U No.2	450,0	312,1	358,7	69,35	79,72	114,95
Benzene concentrate recovery	1 336,0	1 048,5	1 233,4	78,48	92,32	117,64
Benzene extractive distillation	227,7	153,9	191,8	67,58	84,25	124,67
Sulfur production	76,8	45,6	58,3	59,41	75,94	127,82
Petroleum bitumen production	580,0	267,7	295,3	46,16	50,91	110,29
Light hydrocracking	465,0	329,7	360,1	70,91	77,45	109,22
Fuel oil vacuum distillation	1 854,4	1 866,1	1 894,6	100,63	102,17	101,53
Vacuum gasoil hydroconversion	1 500,0	1 366,5	1 265,6	91,1	84,37	92,61

Tar visbreaking	1 200,0	1 068,1	1 150,2	89,01	95,85	107,68
Combined cat-cracking	2 000,0	1 339,8	1 601,4	66,99	80,07	119,53
Combined alkylation	315,9	167,6	216,7	53,06	68,61	129,31
Cat-cracked gasoline catalytic hydrodesulfurization	1 080,0	755,2	837,3	69,93	77,53	110,87

Utilization of the Refinery's Process Units in 2012 is characterized by the optimum operation modes, volume and quality of the feedstock processed.

Utilization of the Crude Oil Distillation Unit grew by 3.4% due to the increased hydrocarbons processing volume in 2012.

Open Joint Stock Company Slavneft-Yaroslavl Mendeleev's Refinery (Rusoil)

In May 2012, to optimize its operational structure, OAO NGK Slavneft sold its share (51.86%) in the Authorized Capital of OAO Slavneft- Mendeleev's YaNPZ.

The Company ceased control over the activities of OAO Slavneft-Mendeleev's YaNPZ on May 17, therefore, operational and financial indicators of OAO Slavneft-Mendeleev's YaNPZ are reflected in the report from January to April, 2012.

In January-April, 2012, OAO Slavneft-Mendeleev's YaNP processed 7.3 ths t of bottom sludge acid, neutralized 67.7 ths m3 of acid-cut water at the KARI Unit.

SALE OF OIL PRODUCTS IN THE RUSSIAN FEDERATION

Sale of crude

Of 17,820.0 ths tons of own oil resources, transferred in 2012 to OAO Gazprom Neft and OAO TNK-BP Holding (companies controlling OAO NGK Slavneft on a parity basis) and distributed by them, 7,588.1 ths t were delivered to the Russian refineries, 2,973.1 ths t - to former CIS, including 2,638.4 ths t to OAO Mozyr Refinery, 37.0 ths t to OAO Naftan, 297.7 ths tons to Kazakhstan, 7,258.8 ths t were exported abroad.

Oil products sale

In 2012, the total volume of oil products sale made 0.362 ths t and decreased by 36% against the 2011 volume, as the procedures for reorganization of Slavneft Group's Sale Subsidiaries and transfer their assets to the books of OAO TNK-BP Holding's and OAO Gazprom Neft's Sale Subsidiaries were completed.

FINANCIAL RESULTS OF SLAVENFT GROUP'S ACTIVITY

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

Table 9.

Indicator	UoM	2011 Actual	2012	
			Plan	Actual
RF oil contract price (VAT excl.)*	RUB/t	7551.83	8005.12	9845.83

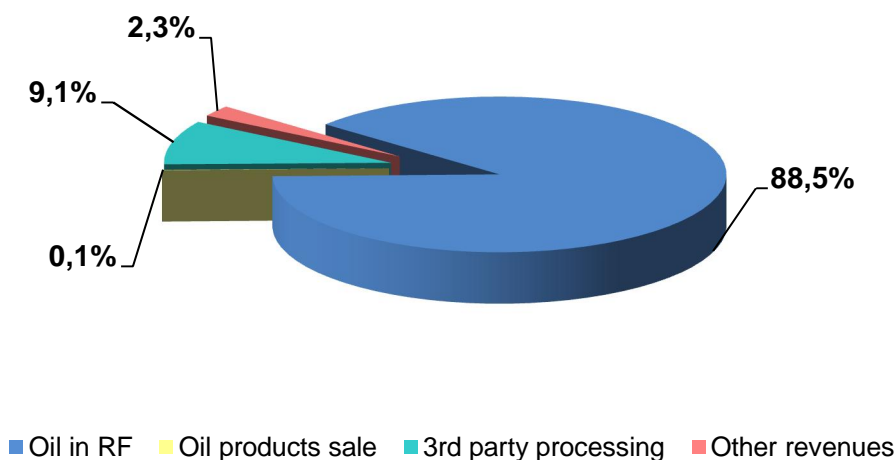
* The average monthly USD FX rates are used in estimates.

Slavneft Group's Revenues

In 2012, the overall proceeds from sale of the key Subsidiaries' goods and services (excluding internal turnover) under IFRS made 198.7 bln RUB, exceeding the 2012 planned level by 26.9%, which is caused by oil price increase.

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

Figure 7.



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

Table 10.

bln RUB

Indicator	2011 (actual under US GAAP) *	2012 (under IFRS)		Variance actual 2012/ plan 2012	Variance actual 2012/ actual 2011
		Plan	Actual		
Revenues, total	159,5	156,6	198,7	26,9%	24,6%
Oil sale RF	136,5	135,3	175,8	29,9%	28,8%
Oil products sale	0,1	0,1	0,1	-11,1%	40,0%
3 rd party processing	15,8	17,8	18,2	1,9%	14,9%
Other revenues	7,1	3,3	4,6	39,6%	-36,0%

* The average USD FX rate for 2011 in amount of 29.3874 is used in the estimates.

Expenses

In 2012, Slavneft Group's overall expenses (excluding internal turnover) made 170.8 bln RUB exceeding the planned amount by 15.1% due to MET costs increase, oil price rise and increase of production costs (see Table 11).

Table 11.

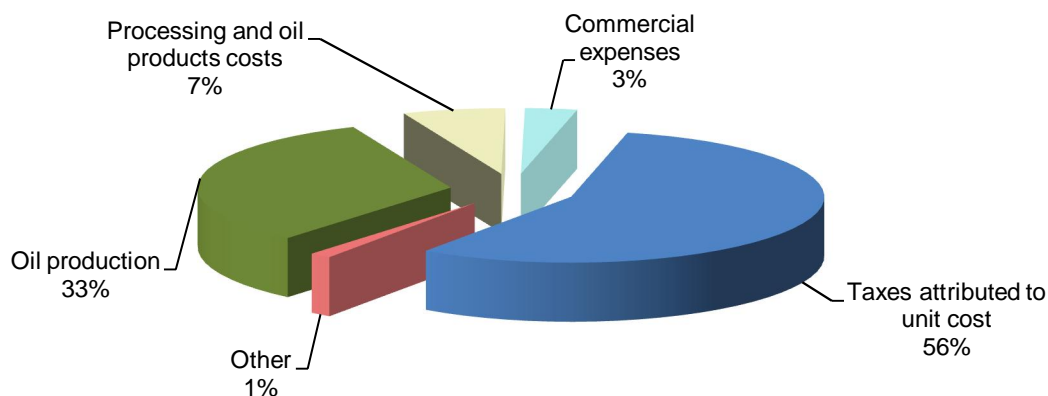
bln RUB

Indicator	2011 (actual under US GAAP) *	2012 (under IFRS)		Variance actual 2012/ plan 2012	Variance actual 2012/ actual 2011
		Plan (IFRS)	Actual (IFRS)		
Expenses, total	158,4	147,2	170,8	16,0%	7,8%
Oil production	27,8	27,7	27,1	-2,2%	-2,5%
Oil processing and oil products	8,8	9,0	9,1	1,3%	3,9%
Commercial, general business and administrative costs	5,1	5,5	6,1	11,6%	19,3%
Taxes attributed to unit costs	84,6	75,5	95,1	25,9%	12,4%
Depreciation	24,7	25,7	28,3	10,3%	14,6%
Other	7,4	3,9	5,1	0,3	-0,3

* The average USD FX rate for 2011 in amount of 29.3874 is used in the estimates.

The structure of 2012 Slavneft Group's expenses by activity types is shown in Figure 8.

Figure 8.



Oil and gas lifting costs

The 2012 actual operational expenses for oil and gas production under IFRS made 27 bln RUB corresponding to the planned amount (27 bln RUB).

Under the 2012 performance results, the adjustable OPEX indicator is established at 210.3 RUB/bbl, which is 0.9% above the planned indicator (208.4 RUB/bbl).

The factor analysis of impact of changes in the actual oil production volumes and costs on generation of 2012 final OPEX indicator is disclosed in Table 12.

Table 12.

Indicator	2012 Plan	2012 Actual	+/-
OPEX, total for the Block	208.4	210.3	+1.89
Change due to production			+1,98
Change due to costs			-0,09

For the Megion Block, the overspend amounted to 30.4 mln RUB. The cost items, which changed against the Plan, are listed below:

- **Electric power (-217.6 mln RUB)** - costs reduction vs. the plan is caused by decrease of average cost per 1 Kwh by 5.9% vs. Business Plan;
- **Wellwork (+444.5 mln RUB)** - increase of WW jobs also due to additional WW program implementation to compensate oil production on the rejected pads and ensure entry rate in 2013. (+506.7 mln RUR) and change of WW structure to perform easier jobs (-62.2 mln RUR);
- **Base well servicing and current workover (-152.3 mln RUB)** - change in the structure and number of base WOs, delivery of capital workover using current WO forces (31.1 mln RUB), reduction of well servicing (MTBF increase, delivery of capital workover using current WO forces)(- 121,2 mln RUB);
- **Other expenses (-49.7 mln RUB)** - change in capital repair schedule (TG-3, GPPP of Novo-Proskurinskiy LA) (-31.0 mln RUB), reduction of costs for oilfield equipment servicing (change of MTBF of pumping equipment, increase of time between preventive and predictive maintenance) (-18.7 mln RUB);

For the Krasnoyarsk Block, saving on operational costs saving made 42.0 mln RUB. Costs reduction was caused by optimization program and reduction of negotiated price of works.

Dynamics of production costs at OAO Slavneft-YaNOS

In 2012, the specific costs of OAO Slavneft-YaNOS made 906.0RUB/t, which is -63.7 RUB/t below the Plan and 9.1% above the previous year's indicator.

Table 13. OAO Slavneft-YaNOS production cost dynamics⁴

	RUB/t		
Unit cost	2011	2012 (plan)	2012 (actual)
OAO Slavneft-YANOS	830,3	969,7	906,0

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

Table 14.

	RUB/t		
Indicator	2012 Plan	2012 Actual	+/-
Unit Costs	969,7	906,0	-63,7
Changes due to oil processing volume			-36,9
Change due to unit costs			-27,0

Variance due to unit costs (-27.0 RUB/t) was caused by the following factors:

- decreased power consumption due to implementation of technical solutions aimed at power resources saving and change in natural monopolies tariffs vs. plan (-47.3 RUB/t);
- change in capital repairs accounting method (+17.2 RUB/t);
- update of depreciation on new facilities (+3.2 RUB/t);
- other (-0.1 RUB/t).

Dynamics of production cost at OAO Mozyr Refinery

In 2011, specific feedstock processing costs⁵ made 1,198.8 Russian Rubles/t, which is 35.0 RUR/t (-3.0%) below the Plan and 199.7 RUR/t (+20.0%) above the previous year's actual.

Production cost dynamics is demonstrated in Table 15.

Table 15. OAO Mozyr Refinery production cost

	RUB/t		
Unit cost	Actual 2011	Plan 2012	Actual 2012
OAO Mozyr Refinery	999,1	1 233,7	1 198,8

FOR REFERENCE:

BYR/ RUR rate	157,43	250,00	268,28
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The factor analysis of changes in the specific costs against the Plan is disclosed in Table 16.

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

	RUB/t		
Indicator	2012 Plan	Actual 2012	+/-
Unit Costs	1 233,7	1 198,8	-35,0
Changes due to BYR rate			-84,1
Changes due to oil processing volume			+0,4
Change due to unit costs			+48,7

4 - According to the Russian Accounting Standards (RAS)

5 - Specific costs of crude hydrocarbons (own and customer-supplied) processing exclude the cost of hydrocarbons and semi-finished products. The data are specified in Russian Rubles, calculated based on the average annual rate of the relevant period, established by the National Bank of the Republic of Belarus.

The following factors influenced the variance between the actual specific hydrocarbons processing cost from the planned one (+48.7 RUB/t) under comparable conditions under RUB rate:

- increase of costs for repair works due to rise of works cost and auxiliary materials and maintenance cost increase (+29.0 RUB/t);
- increase of payroll costs due to indexation of 1st category employees rates by Belorussian Council of Ministers above BP (+24.9 RUB/t);
- saving on additives (-21.2 RUB/t);
- increase in heat power consumption due to own generation decrease because of unscheduled repair work and low temperatures in 1Q 2012 (+14.2 RUB/t);
- other factors (+1.8 RUB/t).

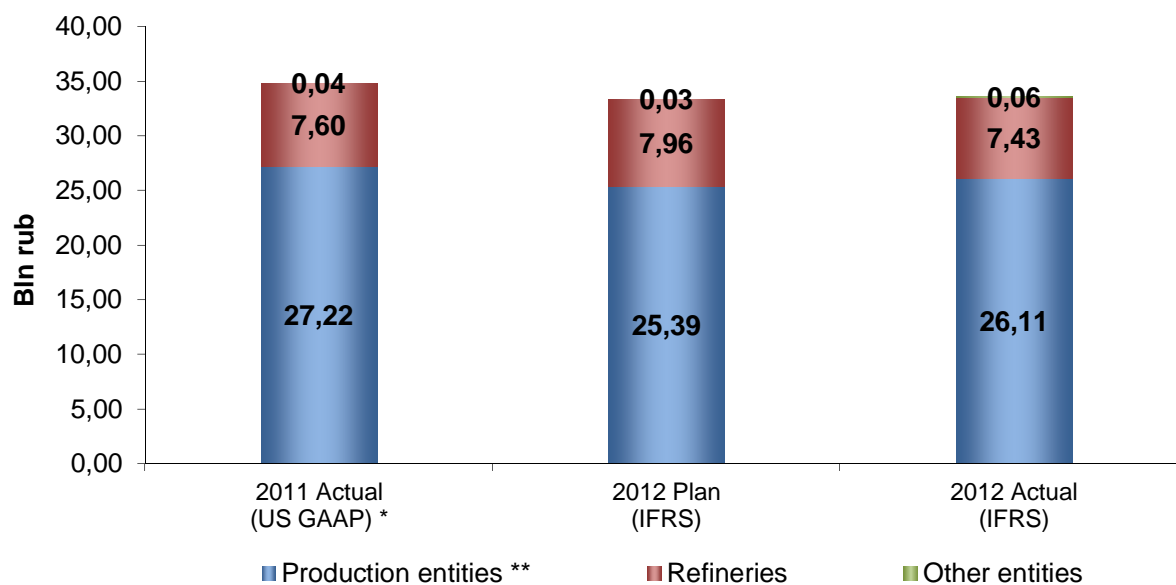
Capital investments

In 2012, capital investments under IFRS made 33.6 bln RUB that is 3.6% below the 2011 level and 0.7% above the planned amount.

Distribution of investments by the disciplines:

- oil production and exploration – 77.7%;
- oil processing – 22.1%;
- other - 0.2%.

Figure 9. Investment program implementation



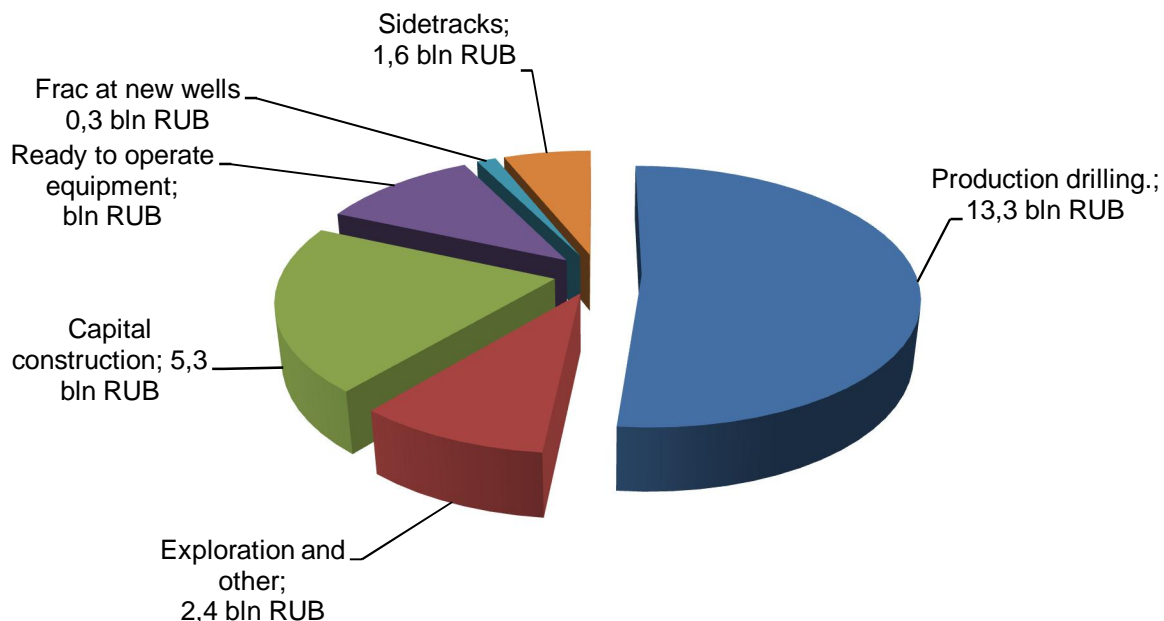
* The average USD FX rate for 2011 in amount of 29.3874 is used in the estimates.

** Including capital investments of the Exploration and Oilfield Service Subsidiaries.

The variance of 2012 actual CAPEX from 2011 indicator is caused by decreased capital investments into sustain projects related to connection, as well as significant reduction of drilling at the Taylakovskoye field due to negative results of assessment drilling.

In 2012, production Subsidiaries spent 25.7 bln RUB of capital investments, which exceeds the Plan by 1.1%.

Figure 10. Structure of Production Subsidiaries' capital investments



The variance between actual Investment Program performance and the Plan is caused by the following factors:

On Drilling, performance above plan is 10.6%. The main reasons for variance is the change of Operations Program on exploration drilling and construction of pads for operational drilling in 2013.

On Capital Construction, performance above plan is 79.1%. The main reasons for variance from plan:

- drilling operational program adjustment;
- adjustment of power supply facilities construction at the Taylakovskiy LA due to cancelled drilling (HV line 35 kW, step-down station 35/6 kW);
- shift in construction schedule of gas program facilities at the Achimovskoye and Chistinnoye oilfields and air compression plant at the Taylakovskoye oilfield (start of construction in 2012 - completion in 2013, 2014);
- increase of costs for construction of GPPP at the Taylakovskiy LA, BPS with pipeline metering station at the Zapadno-Ust-Balykский LA;
- variance on design and research activities due to change of 2013 program and cost of works;
- late issue of design and estimate and permission documentation.

The analysis of 2012 Major Construction Program implementation (Megion Block) is shown in Table 17.

Table 17.

Indicator	UoM	2012 Plan	2012 Actual	Actual/ plan variance (%)
Pipelines construction/ reconstruction	km	161,7	79,0	48,8
Oil gathering systems, oil pipelines	km	99,9	40,6	40,6
Reservoir pressure maintenance waterlines	km	61,7	38,4	62,1
6 kV HV-line	km	136,5	53,1	38,9
35 kV HV-line	km	75,9	32,7	43,1
35/6 kV substation	ea	5	2	

For ready-to-operate equipment, the investment utilization decreased by 5.1% against the Plan due to early shipment of equipment for 1Q 2013.

For fracturing at new wells, 47.4% of investments were spent due to change in drilling operational program.

For Sidetracking, increase of costs vs. plan is 21.4% due to additional WW program.

On Exploration and other, performance above plan is 18.9%.

- for Megion Block, the investments were utilized to 92.7% due to reduced scope of work at the Tayalakovskiy LA.
- For Krasnoyarsk Block, increase of costs made 78.4% vs. the plan due to change in accounting method for capitalization of 3D seismic jobs (under IFRS).

Capital investments spend in 2012 by Downstream subsidiaries is presented in Table 18:

Table 18. Downstream Block capital investments (utilization)

Indicator	mln RUB VAT excl		
	Plan 2012	Actual 2012	Variance
OAo Slavneft-YANOS	7 876,5	7 413,6	-462,9
OAo Slavneft-Mendeleyev's YaNP	84,8	18,8	-66,0
Total	7 961,3	7 432,4	-528,9

OAo Slavneft-YANOS

Over 12 months of 2012, OAo Slavneft-YaNOS utilized 7,413.6 mln RUB of capital investments.

Underspend of capital investments in 2012 vs. the plan made -462.9 mln RUB and is caused by the following reasons:

- shift in development schedule, shift of development contracting schedule and receipt of entry data for designing on the item Installation of Sealed Oil Railway Loading Racks for Diesel and Mazut (-593.0 mln RUB);
- no choice of licenser in construction of Residue Hydrocracking Unit (with HGU) (-431.1 mln RUB);
- increase of costs due to shift of works acc. to schedules and equipment supply contracts:
 - on Diesel Hydrotreatment Unit with site utilities (+332.5 mln RUB);
 - on assurance of compliance of refinery's facilities with the requirements of the new rules and fire safety requirements (+230.3 mln RUB).
- update of spend timings for other facilities (-1.6 mln RUB).

New fixed assets for 12 months of 2012 amounted to 3,521.1 mln RUB VAT excl.

As of 01.01.13, construction-in-progress amounted to 7,602.6 mln RUB.

The most significant Major Construction Projects developed over the reporting period include:

- Diesel Hydrotreatment Unit with site utilities (3,163.5 mln RUB);
- 1A/1M Unit reconstruction (101.3 mln RUB);
- III Group Oils Production Unit (94.4 mln RUB).

The structure of OAo Slavneft-YaNOS capital investments in 2012 is shown in Figure 11.

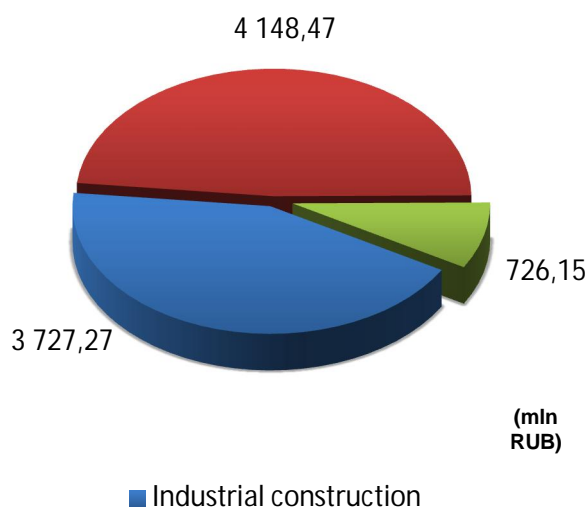


Figure 11. Structure of OAo Slavneft-YaNOS capital investments in 2012, mln RUB

In 2012, the following activities were carried out within the industrial construction program:

New facilities construction

All general construction works were completed at all blocks of diesel hydrotreatment unit. Installation of process equipment and pipelines, furnace with service pipe, and general plant facilities was completed. Activities are in progress for the interconnecting utilities, pipelines insulation, tank farm, antistatic coating of the floor at compressor station, and connection of control instrumentation to the control system. Designing works are underway on reconstruction of 1A-1M, 25/7 and MTBE units.

Facilities upgrading

Over the reporting period, a new oil sludge processing unit was installed in shop 12. Besides, the key upgrading activities in 2012 included efforts to reduce irrecoverable losses by upgrading of 41 tanks with installation of floating roofs, ensuring compliance with fire safety requirements and new rules at some process facilities as well as transfer of control system of some units to the central operator's rooms and arrangement of commercial accounting units for crude, agents and half-products at KM-2.

OAO Slavneft-Mendeleyev's YaNP (Rusoil)

In accordance with the 2012 approved Investment Program, it was planned to pursue activities aimed at environmental safety improvement and performance of controlling bodies' instructions.

Due to divestment of the asset, capital investments are included in this report until April 2012.

Capital investments spend in 2012 amounted to 18.8 mln RUB.

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

mln RUB VAT excl

Capital investments	Plan 2012	Actual 2012	Variance
Capital investments	84,8	18,8	-66,0
Equipment not included into the construction estimate	28,6	19,1	-9,5
Environmental safety enhancement actions	49,7	0,0	-49,7
Other works	6,5	-0,3	-6,8

Financial result

In accordance with 2012 performance results, Slavneft Group's consolidated profit under IFRS made +14.5 bln RUB that is 12.9 bln RUB higher than the profit envisaged by the 2012 Plan (+1.6 bln RUB) and 16.9 bln RUB more than the 2011 level (-2.5 mln RUB). The rise in the crude oil selling price was the key factor of Slavneft Group's profit increase against the Plan.

Slavneft Group's tax policy

In 2012, the total amount of taxes accrued and paid to the budgets of all levels and non-budgetary funds made 150.6 bln RUB, including 122.0 bln RUB of taxes paid to the Federal budget. Actually, 148.7 bln RUB, including 120.5 paid to the Federal Budget, were paid to the budgets of all levels and non-budgetary funds. (see Table 20).

Table 20. Tax accrual across Slavneft Group

bln RUB

Name	2012 actual	
	Accrued	Paid
Federal budget	121,97	120,48
RF regional budget	9,41	9,18
RF local budget	0,73	0,70
Non-budgetary funds	18,52	18,33
TOTAL for budgets	150,63	148,70

INFORMATION ON THE ENERGY RESOURCES USED BY OAO NGK SLAVNEFT IN THE REPORTING PERIOD

Energy resource	Consumption in physical terms	Unit of measure	Consumption, ths RUB
Power	531 777	kW	2 297
Motor gasoline	22 805	L	539
Diesel fuel	29 557	L	689

Note:

Information on energy resources consumption: The data on electric power is approximate as OAO NGK Slavneft rents office spaces from 3rd parties and the existing contracts do not separately specify the amount spent by the lessor for energy consumption.

In 2012, OAO NGK Slavneft produced oil and associated gas and sold them to 3rd parties. Such resources were not used for in-house needs.

MAIN RISK FACTORS ASSOCIATED WITH SLAVNEFT GROUP'S ACTIVITIES**General social and political risks:**

Unstable world's oil and oil products market is the main risk for Slavneft Group Companies. Such risks are intensified by the following factors:

- social and political tensions and extended areas of political and war conflicts in the regions of oil production;
- tension due to international terrorist actions;
- crisis events in European and American economies.

The key risks also include insufficient infrastructures in the regions of potential development of Slavneft Group companies and potential deterioration of the structure of unit costs sold by Slavneft Group companies as there is no efficient antimonopoly legislation in the Russian Federation related to transportation of oil, oil products and electric power supply.

As a major borrower, the Company is exposed to the risks related to change of LIBOR/EURIBOR rates. To mitigate the above mentioned risks, the Company pursues a well-balanced policy in the sphere of liquidity management: we perform constant monitoring of business and financial activities results and assess the need to attract external financing. We also pursue activities to increase financial organizations' interest in cooperation with the Company and extend the range of potential financial partners. Well-coordinated cooperation with the leading banks and sustainable position of the Company in the reporting period allowed to control and mitigate the impact of such risk. To reduce the inflation impact, the Company pays special attention to the asset turnover and inflation stability of Investment Projects cost-effectiveness indicators.

Social risks:

Slavneft Group's entities are located in several regions of the Russian Federation. Not only country, but also regional risks mainly caused by social factors have significant impact on the results of Slavneft Group'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 Slavneft Group's Subsidiaries, including exploration of oil and gas fields, drilling of new wells and efficient operation of old wells, crude oil transportation and processing, is a complicated process associated with a wide range of technical risks.

Sustainable work pursued by Slavneft Group on operation and upgrade of fixed assets, selection of highly qualified specialists and cooperation with the leading Russian and international scientific organizations specialized in the oil industry are aimed to mitigate the impact of technical risks on the operational processes of the Company's Subsidiaries. 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 Slavneft Group Companies' 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 and 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

Taking into account the global economy trends, Slavneft Group's entities in their 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 Slavneft Group'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 causes penalty imposition on the Company that may negatively influence the financial results of Slavneft's activity. Therefore, Slavneft Group's companies perform all types of activities with strict adherence to the environmental legislation.

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

REPORT OF OAO NGK SLAVNEFT BOARD OF DIRECTORS

OAO NGK Slavneft's supreme governance body is **General Shareholders Meeting**. The procedures for preparation, convening and holding of the General Shareholders Meeting are regulated by the existing legislation of the Russian Federation, Company's Articles of Association, Regulations on the General Shareholders Meeting and OAO NGK Slavneft's Code of Corporate Conduct (Governance).

Over the reporting period, 2 General Shareholders Meeting were held.

On June 29, 2012, at the General Shareholders Meeting, 2011 Annual Company's Performance and Annual Financial Statements were approved, including Profit and Loss Statement; it was resolved on profit distribution (including payment (declaration) of dividends); the Board of Directors and the Revision Commission were elected; the independent auditor for 2012 financial statements audit was approved; amendments to OAO NGK Slavneft's Articles of Association and internal documents regulating OAO NGK Slavneft governance bodies activities were approved.

The Meeting endorsed the related party transactions associated with granting suretyships to OAO NGK Slavneft and Subsidiaries, which could have been completed before the Annual General Shareholders Meeting in 2013 in the course of normal business activity.

At the Extraordinary General Shareholders Meeting held in the form of absentee vote on December 18, 2012, it was resolved to distribute a part of the Company's net profit as dividends based on 9 months of financial year 2012.

The Board of Directors of OAO NGK Slavneft is a constant collegial elected governance body responsible for general strategic Company management, setting of goals and objectives for the management and control over achievement of such goals and objectives. The Board of Directors acts in the interests of the Company and its shareholders under the existing RF legislation, the Company's Articles of Association, Regulations on the Board of Directors and OAO NGK Slavneft's Code of Corporate Conduct (governance).

The Board of Directors acts on the basis of the approved annual action plans.

In 2012, 14 meetings of OAO NGK Slavneft's Board of Directors were held to review various issues in the competence of the Board of Directors including: defining priority disciplines, planning and control over financial and business activities, further corporate governance improvement.

In the reporting period, the Company's Board of Directors reviewed OAO NGK Slavneft's consolidated Business Plan 2013-2015 and consolidated Business Plan 2013-2022, summarized the results of the Company's 2011 Performance Contract delivery and approved PC 2012; it also approved the threshold, target and maximum level KPIs of the sixth three-year cycle of Long-Term Incentives Program for OAO NGK Slavneft's employees (2012-2014); approved 2012 business-planning schedule; endorsed Upstream and Downstream major investment projects; endorsed action plans to ensure production in 2012; reviewed the progress of oilfield services sale, resolved to endorse several related party transactions.

To enhance efficiency of the Company's Board of Directors activities, specialized **committees** were created, which are consultative and advisory bodies reporting to the Board of Directors and acting under the approved Regulations. The memberships of such committees are approved by resolution of the Board of Directors.

The Audit Committee was created in August, 2007. The Committee is authorized to monitor the completeness and reliability of financial statements, reliability and efficiency of internal control system, external and internal audit as well efficiency of procedures to ensure the Company's compliance with RF legislation, Articles of Association and internal regulations of the Company in order to issue recommendations to the Board of Directors to support resolutions on such issues.

In the reporting period, 4 meetings of the Audit Committee of OAO NGK Slavneft Board of Directors took place, where 25 issues were reviewed. Special attention was paid to conversion of OAO NGK Slavneft's consolidated financial statements from US GAAP to IFRS standards. 2012 corporate Risk Map was endorsed and updated; priority risks management plan for 2012-2013 was endorsed.

The Committee constantly controls the issues of construction-in-progress reduction and procurement activities enhancement.

The Company Chief Auditor's Service Report is regularly reviewed at the Committee meetings.

Staff and Remunerations Committee was created in December 2006 and acts to ensure that the Board of Directors takes well justified and informed decisions on HR issues and issues related to the Company's remuneration policy.

In 2012, 5 meetings of the **Staff and Remunerations Committee** were held, where 36 issues were reviewed, including: draft Performance Contracts of OAO NGK Slavneft, the Blocks and Subsidiaries, evaluation of personal contribution of OAO NGK Slavneft's President and members of the Management Board in 2012, update of EBITDA KPI of Upstream and Downstream Blocks' PCs due to conversion from US GAAP to IFRS standards; OAO NGK Slavneft headcount optimization program was implemented.

At the meetings of the Board of Directors, Chairmen of the Committees regularly presented information on the issues reviewed and resolutions adopted by the Committees.

REPORT ON DISTRIBUTION OF THE ANNOUNCED (ACCRUED) DIVIDENDS ON THE SUBSIDIARY'S SHARES OF OAO NGK SLAVNEFT IN 2012

On June 29, 2012, the Extraordinary General Shareholders Meeting of the Company resolved to distribute and allocate 9,033,052 ths RUB for payment of dividends at the rate of 1.90 RUB per ordinary share based on the results of 2011. In 2012, 9,031,246 ths RUB were paid.

On December 18, 2012, the Extraordinary General Shareholders Meeting of the Company resolved to distribute and allocate 1,521,356 ths RUB for payment of dividends at the rate of 0.32 RUB per ordinary share based on the results for 9 months of 2012. In 2012, payments were not made (accrued dividends payment is due on February 6 2013 at the latest).

LIST OF OAO NGK SLAVNEFT'S MAJOR TRANSACTIONS

From 29.06.12 to 31.03.13, OAO NGK Slavneft settled the following major transactions:

On September 14, 2012, The Board of Directors (Minutes 2) resolved to endorse the transaction on receipt of a credit from the group of international credit organizations including ING N.V. London Branch also acting as the authorized leading organizer and agent bank.

In pursuance of this resolution, the Company signed the following contract: *

Borrower	Transaction type and subject	Transaction date	Contract No.	Contract amount, USD
OAO NGK Slavneft	Single-currency credit in USD	04.10.2012	№64537-2012-504	500 000 000,00

On December 12, 2012, the Board of Directors (minutes No.7) resolved to sign an Additional Contract to the Contract Agreement dated 04.10.12 between OAO NGK Slavneft as the borrower and the group of international credit organizations including ING N.V. London Branch also acting as the authorized leading organizer and agent bank.

In pursuance of this resolution, the Company signed the following contract: *

Borrower	Transaction type and subject	Transaction date	Contract No.	Contract amount, USD
OAO NGK Slavneft	Single-currency credit in USD	18.12.2012	№64537-2012-504	230 000 000,00

There were no other transactions covered by major transaction approval procedures as per the Company's Articles of Association.

LIST OF OAO NGK SLAVNEFT'S RELATED PARTY TRANSACTIONS

From 29.06.12 to 31.03.13, OAO NGK Slavneft settled the following related-party transactions:

On June 29, 2012, **Annual General Shareholders Meeting** (minutes 44) resolved to endorse the related party transactions between the Company and the entities directly or indirectly controlled by the Company which may be settled before the Annual General Shareholders Meeting in 2013 in the course of normal business activity:

Receipt of interest-free loans by OAO NGK Slavneft in total amount up to 47.7 bln RUB.

Granting of interest-free loans by OAO NGK Slavneft in total amount up to 58.8 bln RUB.

Issue by OAO NGK Slavneft of suretyships in total amount up to \$20 mln or equivalent to this amount as of the date of transaction.

As per the existing legislation, the resolution on endorsement of a related party transaction shall be passed by the General Shareholders meeting by the majority of vote of all shareholders not interested in the transaction holding the voting shares. As of the date of endorsement of the specified transactions, the entities interested in their settlement are Limited Liability Company Invest Oil, Stranberg Investments Limited and Closed Joint Stock Company Slavvest.

From 29.06.12 to 31.03.13, OAO NGK Slavneft settled the following contracts with the entities directly or indirectly controlled by OAO NGK Slavneft:

-granting of interest-free loans by the Company:

Borrower	Contract number №64537-10/	Contract date	Amount, RUB
OAO Slavneft-Krasnoyarskneftegaz	2012-540	10.10.2012	384 580 000.00
	2012-642	25.12.2012	358 000 000.00
	2013-11	12.02.2013	1 290 000 000.00
OOO RINOTEK	2012-567	10.10.2012	210 000.00
OOO Realisatsiya-T	2012-554	26.10.2012	1 209 000.00
Total			2 033 999 000

Restructuring of financial Slavneft Group's entities debt to the Company (prolongation of loans issued before) – 44 transactions totally worth 13,394,598,034 RUB.

-receipt of interest-free loans by the Company:

Lender	Contract number №64537-10/	Contract date	Amount, RUB
ZAO Slavvest	2012-388	04.07.2012	486 000 000.00
	2012-389	05.07.2012	484 563 000.00
	2012-489	04.09.2012	480 000 000.00
	2012-490	05.09.2012	479 000 000.00
	2012-491	11.09.2012	475 000 000.00
	2012-492	06.09.2012	478 000 000.00
	2012-493	10.09.2012	476 000 000.00
	2012-494	07.09.2012	477 000 000.00
	2012-495	12.09.2012	474 000 000.00
	2012-497	14.09.2012	472 000 000.00
	2012-498	13.09.2012	473 000 000.00
	2012-499	21.09.2012	338 000 000.00
	2012-500	17.09.2012	471 000 000.00
	2012-501	20.09.2012	468 000 000.00
	2012-502	18.09.2012	470 000 000.00
2012-503	19.09.2012	469 000 000.00	
Total			7 470 563 000.00

During the period specified herein, OAO NGK Slavneft did not grant suretyships to any third parties to guarantee fulfillment of liabilities by Subsidiaries and Affiliates undertaken in the course of normal business activities.

OAO NGK SLAVNEFT'S GOVERNANCE BODIES

MEMBERSHIP OF OAO NGK SLAVNEFT BOARD OF DIRECTORS

In 2012, as resolved by the Annual General Shareholders Meeting, dated 29.06.12, the following members of the Board of Directors were elected:

Chairman of the Board of Directors

German B. Khan

Born in 1961, graduated from Moscow Institute of Steel and Alloys in 1987.

Positions held over the past 5 years:

2003 - present – Executive Director of OAO TNK-BP Management.

In 2003, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Members of the Board of Directors

Vitaliy V. Baranov

Born in 1966, graduated from St. Petersburg University of Finance and Economics in 1993.

Positions held over the past 5 years:

In 2006-2010 he worked as Vice President, Organizational Issues, OOO SIBUR. From March 2009 until present, he has worked as Deputy Chairman of the Management Board, Deputy General Director, Organizational Issues, OAO Gazprom Neft.

In 2011, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Barrios Alfred

Born in 1966, Master of Management Science, the Sloan Program, Stanford University, USA; Doctor of Economics in Power Engineering, Cambridge University, Great Britain; Bachelor of Science in Physics, Imperial College, London, Great Britain.

Positions held over the past 5 years:

2006-2011 Head of Strategy Business Unit, Iberia Fuel Value Chain, Head of Diplomatic Mission in Spain (Madrid); 2009-2011 President, AOP (Spanish Oil and Gas Industry Association); present - Executive Vice President, Downstream, OAO TNK-BP Management.

In 2012, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Dodds Alexander

Born in 1957, in 1981 - graduated from Heriot-Watt University, Edinburgh, Scotland, Bachelor of Civil Construction. 1984 - Master in Oil Production Technologies, Heriot-Watt University, Edinburgh, Scotland.

Positions held over the past 5 years:

From 2000 to September 2011 worked as President and Director General of ExxonMobil Qatar, Inc. September 2011 - October 2012 – Executive Vice President, Upstream, OAO TNK-BP Management.

In 2011, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Alexander V. Dyukov

Born in 1967, in 1991 graduated from Leningrad Shipbuilding Institute of Order of Lenin.

Positions held over the past 5 years:

December 2006 - December 2007 – worked as President of OAO Gazprom Neft; from 2008 - present – Chairman of the Management Board, General Director, OAO Gazprom Neft.

In 2007, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Polovets Stanislav

Born in 1963; in 1985 – graduated from the University of California (Bachelor of Economics); 1989 – Stanford University, USA (Master of Foreign Relations, MBA).

Positions held over the past 5 years:

October 2006-April 2007 – worked as First Vice-President of Uralsib Bank. From 2007 till present – CEO, Alfa-Access-Renova (AAR) Consortium, General Director and Member of the Board of Directors of Genesis Philanthropy Group Charity Foundation (Israel).

In 2009, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Sloan Richard Scott

Born in 1964; in 1986 graduated from Colgate University, Hamilton, NY, USA, Bachelor of Economics, in 1989 - Chicago University, M.I.A. in MBA.

Positions held over the past 5 years:

2007-2008 worked as Chief Financial Officer, BP North America. 2009 - May 01, 2012 - Chief Financial Officer, BP Russia, Branch of BP Exploration Operating Company Ltd. (Great Britain) in Moscow. May 01, 2012 - present: President, BP Russia, Branch of BP Exploration Operating Company Ltd. (Great Britain) in Moscow.

In 2012, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Anatoliy M. Cherner

Born in 1954, 1976 – graduated from Groznyi Oil Institute.

Positions held over the past 5 years:

April 2006-December 2007 – Vice President, Downstream, OAO Gazprom Neft. 2008- present - Present – Deputy Chairman of the Management Board, Deputy General Director, Downstream, OAO Gazprom Neft.

In 2006, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Vadim V. Yakovlev

Born in 1970, 1993 – graduated from Moscow Engineering and Physics Institute, 1995 – International University of the Higher Finance School.

Positions held over the past 5 years:

December 2006-September 2007 – Head of Planning and Budget Department (Division) of OAO Gazprom Neft; September-December 2007 – Vice President, Finance, OAO Gazprom Neft; January 2008-May 2010 - Deputy Chairman of the Management Board, Deputy CEO, Economy and Finance, OAO Gazprom Neft. May 2010 - August 2011, First Deputy General Director, Finance Director. August 2011 - present – First Deputy CEO, CFO, OAO Gazprom Neft.

In 2007, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

Alexey V. Yankevich

Born in 1973, 1997 – graduated from St. Petersburg State Electrotechnical University, degree in optical and electric devices; 1998 - LETI-Lovanium, Int. Business School, St. Petersburg.

Positions held over the past 5 years:

2007-2011 - Head of the Planning & Budget Department, Head of the Economics & Corporate Planning Directorate, OAO Gazprom Neft. August 2011 - March 2012 - Acting CEO, Economics & Finance, OAO Gazprom Neft. From March 2012 until present, he has worked as Member of the Management Board, Deputy CEO, Economics & Finance, OAO Gazprom Neft.

In 2012, he was for the first time elected member of the Management Board of OAO NGK Slavneft.

CHANGES IN THE MEMBERSHIP OF THE BOARD OF DIRECTORS IN 2012**Members of the Board of Directors elected in 2012**

Barrios Alfred - Member of the Board of Directors of OAO NGK Slavneft (from June 29, 2012);

Sloan Richard Scott - Member of the Board of Directors of OAO NGK Slavneft (from June 29, 2012);

Alexey V. Yankevich - Member of the Board of Directors of OAO NGK Slavneft (from June 29, 2012);

Members of the Board of Directors whose powers terminated in 2012

Karen N. Dashyan - Member of the Board of Directors of OAO NGK Slavneft (until June 29, 2012);

Amir Z. Feyzulin - Member of the Board of Directors of OAO NGK Slavneft (until June 29, 2012);

Huck Jeremy - Member of the Board of Directors of OAO NGK Slavneft (until June 29, 2012);

Chairman and members of the Board of Directors did not hold any OAO NGK Slavneft's shares in the reporting period.

There were no transactions on acquisition or divestment of OAO NGK Slavneft's shares by members of the Board of Directors.

There were no court claims against members of the Board of Directors in the reporting period.

MEMBERSHIP OF THE MANAGEMENT BOARD OF OAO NGK SLAVNEFT

Yury Ye. Sukhanov

President, OAO NGK Slavneft.

Chairman of the Management Board, OAO NGK Slavneft

Born in 1963.

Education:

1985 - Moscow Railway Transport Engineering Institute.

2002 - Institution of advanced training for managers and specialists of the RF Ministry of Energy.

2011 - Federal State Unitary Institution of advanced training for managers and specialists of fuel and energy industry.

Professional record:

01.2000 – 05.2002 - Vice President for Commerce, OAO NGK Slavneft.

05.2002 – till present - President of OAO NGK Slavneft.

Alexey V. Bureyev

Head of Accounting and Tax Control Block, OAO NGK Slavneft

Member of the Management Board, OAO NGK Slavneft.

Born in 1967.

Education:

1990 - Moscow Institute of Physics and Technology.

1994 - Noginsk Commercial College.

2001 - Moscow State University of Economics, Statistics and Informatics.

Professional record:

01. 1999 – 04. 2004 - Deputy Chief Accountant, OAO NGK Slavneft.

04.2004 – 06.2008 - Chief Accountant, OAO NGK Slavneft.

06.2008 till present - Head of Accounting and Tax Control Block, OAO NGK Slavneft

Andrey V. Kovalenko

Vice President, Finance and Economics, OAO NGK Slavneft

Member of the Management Board, OAO NGK Slavneft.

Born in 1976.

Education:

1998- State University of Management.

2002 Postgraduate studies. State University of Management. Candidate of Economic Science.

Professional record:

05. 2002 – 05. 2007 - Head of Economics Department, OAO NGK Slavneft.

05. 2007 – 02. 2008 - Vice President, Investment Management, OAO NGK Slavneft.

02. 2008 – till present - Vice President, Finance and Economics, OAO NGK Slavneft.

Ilya B. Medvedev

Vice President, General Issues, OAO NGK Slavneft

Member of the Management Board, OAO NGK Slavneft.

Born in 1970.

Education:

1993 - Moscow Pedagogic University.

Professional record:

07. 2002 – 03. 2003 - Head of PR Department, OAO NGK Slavneft.

03. 2003 – 02. 2006 - Head of PR and Advertisement Department, OAO NGK Slavneft.

02. 2006 – 05. 2007 - Head of Managerial and Regional Projects Department, OAO NGK Slavneft.

05. 2007 till present - Vice President, General Issues, OAO NGK Slavneft.

Andrey N. Trukhachev

Vice President for Corporate Relations, OAO NGK Slavneft.
Member of the Management Board, OAO NGK Slavneft.

Born in 1964.

Education:

1986 - Gubkin Moscow Oil and Gas Institute.

1991 - Postgraduate studies.

Gubkin Moscow Oil and Gas Institute. Candidate of Technical Science.

Professional re-training. Gubkin Moscow Oil and Gas Institute

Professional record:

10.1997 – 01.2007 - Head of Planning and Marketing Department; Deputy Head of Marketing and Operational Planning Department - Head of Development Department; Deputy Head of Regional Communication Department; Deputy Head of Corporate Governance Department – Head of Property Management Department; Deputy Head of Corporate Policy Department; Head of Corporate Governance Department, OAO Gazprom Neft.

01.2007 – till present - Vice President, Corporate Relations, OAO NGK Slavneft.

Viktor A. Savelyev

Vice President, Upstream, OAO NGK Slavneft
Member of the Management Board, OAO NGK Slavneft.

Born in 1963.

Education:

1985 - Kazan State University named after V.I. Ulyanov-Lenin,
Kazan.

1993 Postgraduate studies.

Institute of Geology and Fossil Fuels Development, Moscow. Candidate of Geological and Mineralogical Sciences.

2000 - Assistant Professor, Development and Operation of Oil/Gas Fields.

2006 - Doctor of Geological and Mineralogical Sciences.

2008 - Professor, Oil and Gas Geology.

Professional record:

09.2006 – 02.2008 - Vice President, Geology and Development of Oil Fields, OAO NK RussNeft.

03.2008 – 02.2009 CEO, OOO Gazprom Neft - NTC.

02.2009 – 04.2012 - Director for Geology and Development, Director/ Geology and Development Directorate, Director/ Directorate for WW Operations and Resource Base Development, OAO Gazprom Neft

04.2012 – till present - Vice President, Upstream, OAO NGK Slavneft.

Vladimir V. Krylov

Vice President for Downstream, OAO NGK. Member of the Management Board, OAO NGK Slavneft.

Born in 1955.

Education:

1978 - 1978 - Yaroslavl Polytechnic Institute

Professional record:

10. 2002 – 05. 2007 - Deputy Director General, Director General of OAO Slavneft-Yaroslavnefteprodukt.

05. 2007 – till present - Vice President for Downstream, OAO NGK Slavneft.

Chairman and members of the Management Board did not hold any OAO NGK Slavneft's shares in the reporting period.

There were no transactions on acquisition or divestment of OAO NGK Slavneft's shares by Chairman and members of the Management Board.

There were no court claims against Chairman or members of the Management Board in the reporting period.

**ESTABLISHMENT CRITERIA AND AMOUNT OF BONUS TO THE MEMBERS OF THE BOARD OF DIRECTORS AND
MANAGEMENT BOARD OF OAO NGK SLAVNEFT**

Compensations to the person holding the position of the Sole Executive Body (President), members of the Collegial Executive Body (Management Board), and members of the Board of Directors of OAO NGK Slavneft shall be paid in accordance with the provisions of the Company's internal documents. In 2012, bonuses were not paid and loans

were not granted to the members of the Board of Directors. The total amount paid to the Members of the Management Board amounted to 391,341 ths RUB.

In the reporting period, no loans were granted to the members of the Management Board.

OBSERVANCE OF THE CODE OF CORPORATE CONDUCT OF OAO NGK SLAVNEFT

Open Joint Stock Oil and Gas Company Slavneft strictly adheres 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.

The Consortium of Expert RA (rating agency) and the Russian Institute of Directors annually monitors OAO NGK Slavneft's corporate governance practice. In 2012, the Consortium confirmed score 6+ of the National Corporate Governance Rating to OAO NGK Slavneft, that means Developed Corporate Governance Practice.

The corporate governance practice of OAO NGK Slavneft includes three main components:

- information transparency;
- owners' rights;
- activity of governance and control bodies.

To ensure the information disclosure, several internal documents are applicable in the Company; additional means of information disclosure are also used:

Regulations on the Information Policy. Such 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 (including consolidated financial statements prepared in accordance with US GAAP) are posted on the Company's web-site.

See: 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) is applicable in Slavneft. The Code specifies the corporate governance principles and rules, which the Company observes during its activity performance.

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

http://www.slavneft.ru/files/normdoc/slavneft/corp_behav_codex.doc.

The key channels of OAO NGK Slavneft's information disclosure are:

<http://www.e-disclosure.ru/portal/company.aspx?id=560> <http://www.slavneft.ru>.

For ensuring the owners' rights, the Company introduced the additional corporate governance principles. . In particular, the Regulations on Business Ethics are effective in Slavneft.

See: http://www.slavneft.ru/_upload/doc/bus_ethic_decree_20071218.pdf.

OAO NGK Slavneft keeps 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.

To prevent the insider information trespass and market manipulation, the Company developed the Regulations in the insider information of Open Joint Stock Oil and Gas Company Slavneft.

http://www.slavneft.ru/_upload/doc/Regul_on_Insider_Inf_rus_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 at: <http://slavneft.ru/supplier/tender.php>.

DEVELOPMENT PERSPECTIVES

Within the 10-year perspective The Company is planning to develop the assets of Khanti-Mansy Autonomous Area. As related to oil production, the key investments will be targeted for development of the Taylakovskoye and Zapadno-Ust-Balykskoye oilfields as well as implementation of production sustain program and improvement of process efficiency at Megion Block's Brownfields. From 2013, a new Yuzhno-Ostrovnoy project (Ostrovnoye oilfield) was included to development program.

In Krasnoyarsk region, pilot development of the Kuyumbinskoye field is planned to refine the volume and quality of reserves. Development of other region's perspective fields will continue. The key investments in the region's oilfields are planned from 2017, keeping in mind the planned construction of the region's transportation infrastructure.

As for Downstream, the key project is construction of Advanced Oil Processing Center, also due to project financing. Besides, the plans include completion of construction of diesel hydrotreatment units, gasoline pool, base oils production and diesel dewaxing units.