

INNOVATION DEVELOPMENT STAGE

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THE ANNUAL REPORT FOR 2011 HAS BEEN PRE-APPROVED BY THE BOARD OF DIRECTORS

Tatneft performs its activity in the global fuel and energy segment, being an internationally acknowledged public company. The main activity is performed in the territory of the Russian Federation and a number of business projects are carried out in foreign territories.

344.6
869.5
327.3

CAPITALIZATION AS OF DECEMBER 30, 2011 (BILLIONS RUBLES)

VOLUME OF PROVED OIL RESERVES BASED ON MILLER & LENS ESTIMATION AS OF JANUARY 1, 2012 (MILLIONS TONS)

NET ASSETS OF OAO TATNEFT AS OF DECEMBER 31, 2011 (BILLIONS RUBLES)

Joint Address

TO SHAREHOLDERS,
INVESTORS AND PARTNERS



The year 2011 was successful and creative for OAO TATNEFT.

The Company continued to implement its strategic initiatives aimed at strengthening the core asset structure, expanding its resource base, developing oil refining and petrochemical enterprises, and increasing capitalization.

Dear Shareholders, Investors and Partners,

During the reporting period, a 20-year record maximum oil production was reached in the amount of 25.9 million tons of strategic raw materials. Active development of viscous oil reserves in the Ashalchinskoye field (Republic of Tatarstan) continued, where the Company has produced more than one hundred thousand tons of oil since the beginning of commercial development.

An important achievement was commissioning the first stage of the TANECO Refinery and Petrochemical Plant Complex. This is the first major industrial project in oil refining in the history of modern Russia. It also plays a significant role in the future development of the economy of the Republic of Tatarstan and in the task of increasing its gross domestic product. Mastering the complex's facilities will significantly increase processing depth of hydrocarbon raw materials and will provide for high liquidity and environmentally friendly production.

The tire manufacturing complex also received further development in the past year. The new solid steel cord tire plant has a great potential for manufacturing tires that meet modern European standards and are in demand in both domestic and export markets. Another promising direction of activity is the development and geographic expansion of our network of the refueling business.

We solved production problems primarily through wide application of innovative technologies, improvement of service quality, and implementation of resource-saving programs. The overhaul period of the wells has become an indicator of a high level of technological development in OAO TATNEFT; in 2011 it exceeded three years and until now remains the highest among major oil companies in Russia.

Under the new Resource Saving Program, a variety of measures to further optimize consumption of energy resources were introduced. Thousands of tons of fuel were saved and utilization of associated petroleum gas increased. The Arkhangelskoye field became a testing ground for resource-saving technologies, where we organized a complex scheme of energy-efficient production and collection and preparation of oil, and realized about two dozen innovative solutions.

The Company continues developing its own power block comprised of the Nizhnekamsk Thermal Power Station generating company as well as the Almetyevsk Heating Network and TATNEFT-Energosbyt. A considerable amount of work was done for modernization of the energy sector. Today, OAO TATNEFT is positioned as a network, power-generating and supplying company in the region of its core activity.

A comprehensive set of organizational and technical measures annually ensures the Company's financial sustainability and stability. TATNEFT maintains one of the leading positions in the oil industry in the country, demonstrating a high value of return on the sales index. Market capitalization of the Company was restored to the maximum pre-crisis level and by the end of 2011 amounted to 344.6 billion rubles.

The achievements and success of our Company are a result of the active and coordinated work of all of the Company's employees. We thank all of our staff for their professionalism, accountability, quality of production, and solution of social problems.

The implementation of the set task to improve production efficiency allows TATNEFT to maintain a high level of corporate social responsibility before society and its employees as well as to meet high standards of environmental safety.

However, in conditions of instability of the global economy, for its further dynamic development the Company needs new approaches to solving urgent production issues. These include mastering technologies of multilateral well drilling, improving efficiency of marginal wells, expansion of hydraulic fracturing application, and other innovative technologies to improve oil recovery.

In 2012 a new legislation came into effect on the discount factor applied to the tax rate on oil production from new small-sized fields with initial recoverable reserves of up to 5 million tons and depletion of up to 5%. The law provides for engaging new hydrocarbon reserves in development, thus ensuring the growth of production.

The most important task for 2012 is to ensure the stable operation of plants in the first starting complex and the completion of construction of the Combined Hydrocracking Unit carried out under the TANECO project.

We express our gratitude to our shareholders, investors, and partners for their support and significant contributions to strengthening the market positions of OAO TATNEFT and its sustained and fast-paced development.

We are confident that 2012 will be a year of new achievements, growth of capitalization and investment attractiveness, and increase of competitive advantages and efficiency for our Company. To perform this, our Company has all necessary requirements: highly professional staff, advanced technology, and most importantly, the desire to work and achieve maximum results!




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



Sh.F. Takhautdinov
General Director,
Chairman of the Management
Committee of OAO TATNEFT

About the Company

 → **Company's Mission** – strengthening its status of an internationally recognized, financially stable company as one of the largest vertically integrated national companies producing oil and gas, oil products and petrochemical products, while ensuring a high level of corporate social responsibility.

 → **Structure of Share Capital**

The share capital of the Company comprises interests of about 50,000 shareholders. The shareholders' geography covers the territory of Russia (the bulk of the shareholders), America, Australia, Europe, and Asia. The largest owners (nominees) of Company shares are:

- OAO Central Depository of the Republic of Tatarstan (OAO CDRT) – 33.6% of the authorized capital.
- 32.6% of the authorized capital is owned by ING Bank (Eurasia) (Closed Joint Stock Company).

 → **Strategic Initiatives and Objectives of the Company**

- Increasing equity capital value.
- Ensuring financial stability and economic stability.
- Stabilizing the volume of profitable oil and gas fields developed on license fields and active exploration of new fields, including high viscosity and hard to recover oil in the territory of the Republic of Tatarstan.
- Expanding the resource base outside the Republic of Tatarstan and the Russian Federation.
- Increasing production and sales of finished products of high competitiveness through development of refineries and petrochemical plants.
- Formulating and implementing innovative engineering and technology policy.
- Ensuring a high level of corporate social and environmental responsibility.

Company's long-term strategic initiatives and objectives reflect the vectors and the potential for development based on the phase-by-phase approach in achieving them.

2011 was the result of a seven-year phase, including particularly energetic steps undertaken by the Company to achieve maximum economic efficiency of production activities, stabilize production volumes, and create a diverse range of core assets.

Since 2004, the Company has undergone a major transformation of resource building and strengthening of business segments: it carried out restructuring and optimization of non-core assets, created a powerful block of oil refining, modernized petrochemical production, expanded retail network, and formed a new business sector to generate its own thermal power. At the same time, it started new promising investment projects, including development of bitumen deposits in the territory of the Republic of Tatarstan and receiving access to foreign resource bases.

As a result of the performed actions, a qualitative increase in the majority of indicators in line with strategic objectives was achieved, which confirms consistency and effectiveness of the steps taken by the Company. With the commissioning of the TANECO Oil Refinery Complex and the beginning of a new Thermolectric Power business sector, the Company confirmed the status of a vertically integrated oil and energy producer.

The Company performs its activity in the global fuel and power sector, being an internationally recognized public company. Its main activity is concentrated in the Russian Federation but a number of business projects are conducted in foreign territories.

Since 1997, the Company has prepared annual financial statements in accordance with the US GAAP. In 2008, as part of a voluntary initiative to improve transparency, the Company moved to preparation of consolidated financial statements for the US GAAP on a quarterly basis.

Key Results of the Seven-Year Phase (2004 -2011) in Reaching Strategic Initiatives and Objectives of the Company

1. INCREASING EQUITY VALUE

Maintaining the Company's Capitalization Level

Capitalization of OAO TATNEFT as of the end of 2011 amounted to RUR 344.58 billion (USD 10.76 billion). Qualitative growth of the Company's capitalization began in 2004 and over the course of the 7-year period it reached 300%. The dynamics of the Company's market capitalization largely coincide with the RTS index. With its 5.2% proportion in the RTS fuel sector structure, the Company has resisted the index's overall tendency for the last three years. After the financial crisis of 2008, notwithstanding the unstable macroeconomic situation, by 2009 OAO TATNEFT started to restore its capitalization level.

The TATNEFT Company is represented at both the domestic and international stock markets. Ordinary and preferred shares of the first level A quotation list are traded on the combined RTS – MICEX stock exchange. The current annual trade volume exceeds RUR 88.5 billion (USD 2.8 billion).

The annual trading volume of the TATNEFT depository receipts on the London Stock Exchange exceeds USD 4.6 billion; and in the Xetra system, a member of the Deutsche Bourse Group, EUR 10 million.

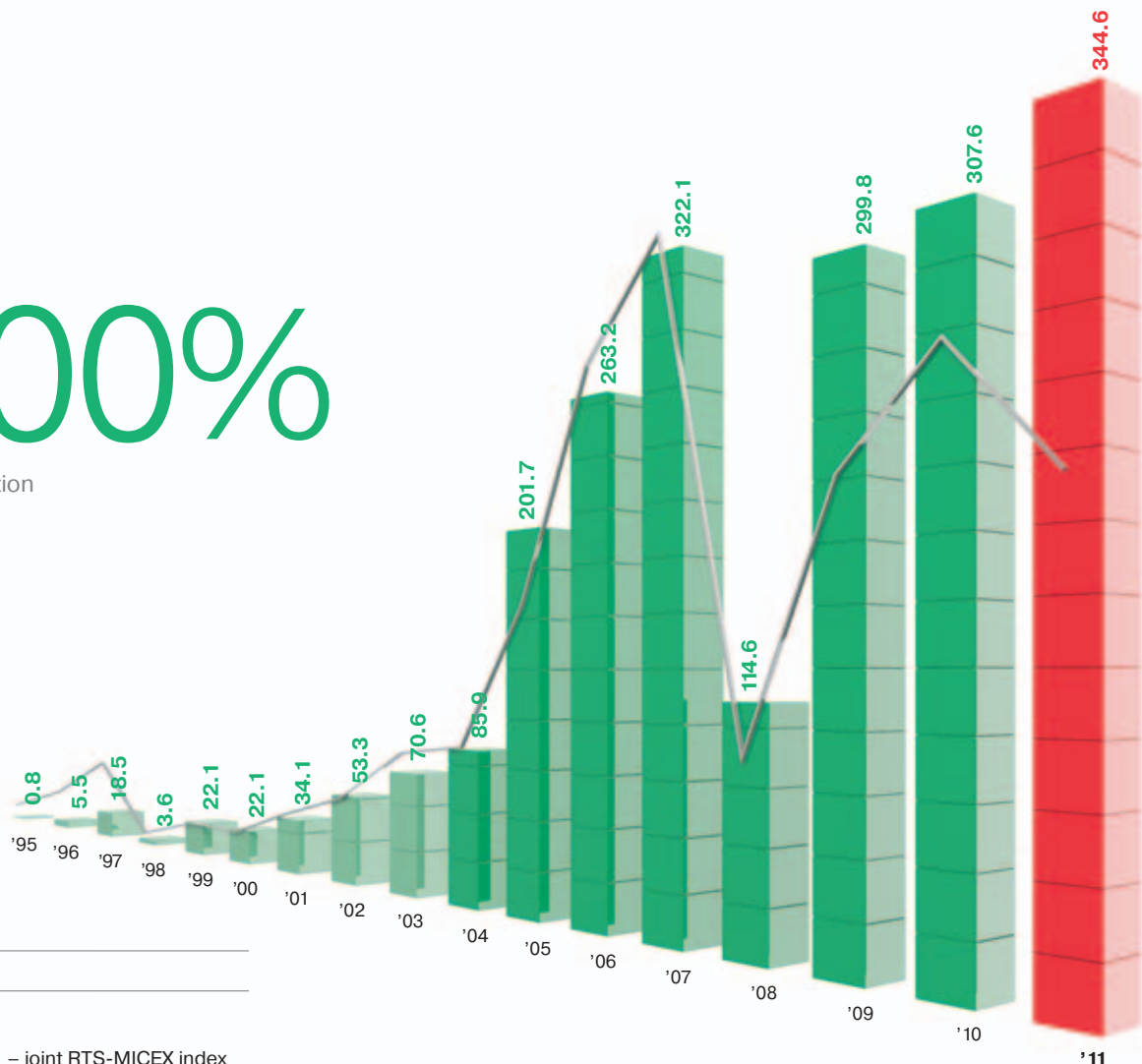
In terms of trading in the Russian and London stock exchanges, TATNEFT holds the stable fourth place among Russian oil companies.

As of the end of December 2011, the value of OAO TATNEFT ordinary shares was USD 4.94.

DYNAMICS OF OAO TATNEFT CAPITALIZATION (RUR billion)

+300%

growth of capitalization
in 2004-2011



■ TATNEFT
— RTS

* Since December 2011 – joint RTS-MICEX index

Ensuring an Increase in the Dividend Yield

The dividend policy of OAO TATNEFT aims at maintaining a consistently high level of dividends at the rate of 30% of the net profit as per US GAAP. The dividend size per one ordinary share of OAO TATNEFT recommended by the Board of Directors to the General Meeting of Shareholders based on the results of 2011 will be RUR 7.08 (or 708% of the nominal value).

In 2004, the dividend size per one ordinary share of OAO TATNEFT was RUR 0.9 (90% of the nominal value).

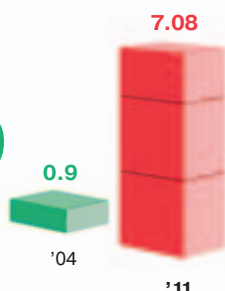
Reinforcing Structure and Increasing Asset Value

As a result of effective decisions of the Board of Directors and forming of the corporate asset management system, the consolidated asset value during seven years has increased more than twofold. At the end of the past year, consolidated assets totaled at more than RUR 627.8 billion, whereas in 2004, this sum amounted to RUR 309.6 billion. Over this period, as part of developing vertical integration there has been a qualitative strengthening of core business segments. While the oil production volume and the exploration and production base segment have been maintained at the same level, the share of refining and crude oil and petroleum products sales increased from 14% to 34%. In general, the shares were redistributed between different business segments.

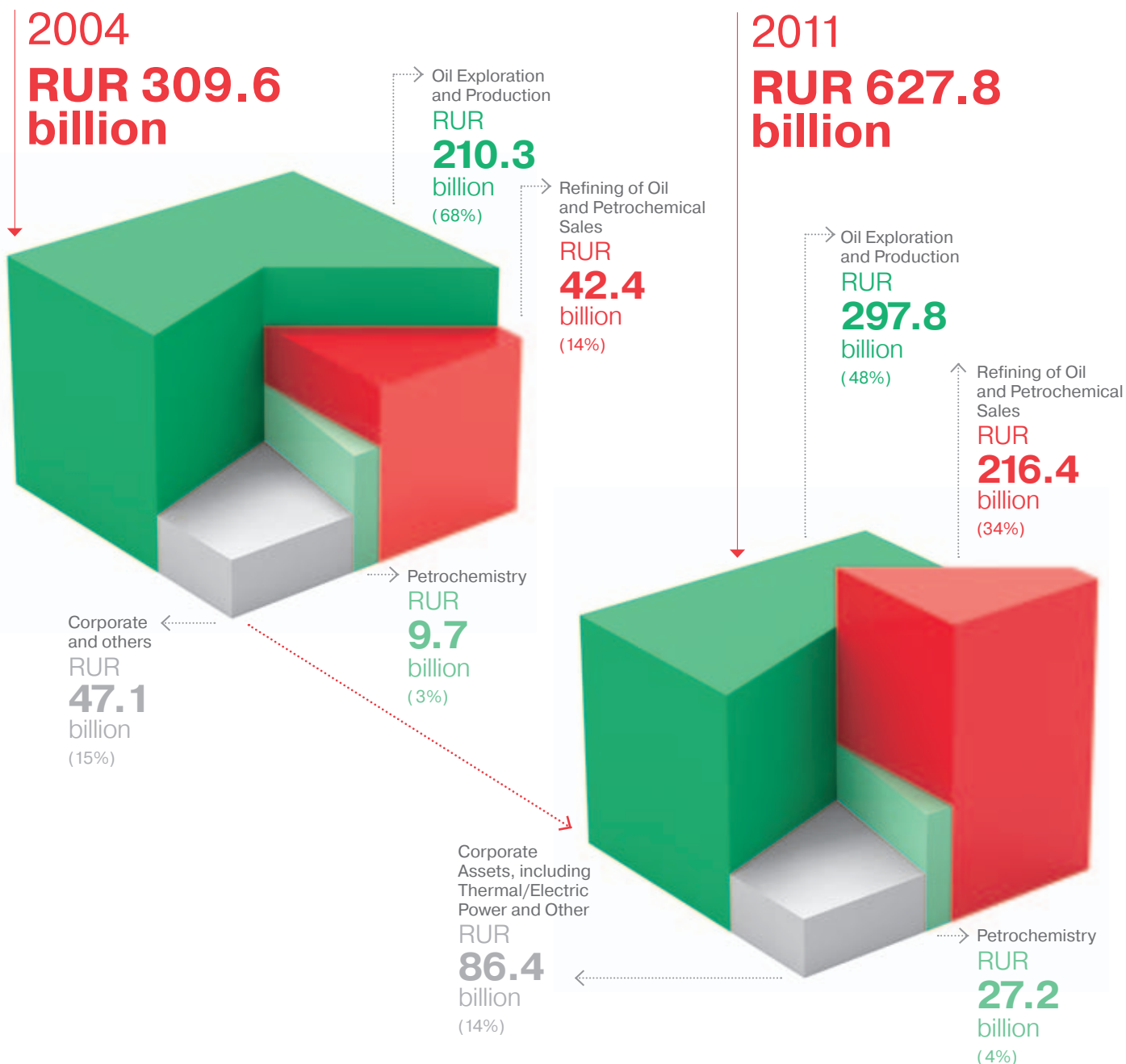
DIVIDEND SIZE PER ONE ORDINARY SHARE OF OAO TATNEFT (in rubles)

+687%

dividend growth per share



ASSET STRUCTURE BY SEGMENTS ACCORDING TO THE US GAAP (RUR billion)



2. PROVIDING FINANCIAL SUSTAINABILITY AND ECONOMIC STABILITY

Forming Effective Corporate System and Financial Management Mechanisms

The consolidated profit of the TATNEFT Group as per US GAAP in 2011 was RUR 61,490 million, whereas in 2004 it amounted to 23,401 million. Over the period of 7 years the growth amounted to 162.8%. The Company accumulates growth of cash flow by increasing operating efficiency of upstream (production) and downstream (refining and sale) asset sectors forming current and prospective operational profitability and defining consolidated profit and Company's shareholder value. The complete commissioning of the TANECO Oil Refinery and Petrochemical Plant Complex forms the main potential for increment of the Company's value, which includes compensation of costs, consistent payment of debts and obtaining of profit will satisfy expectations of investors, which in turn will have a positive impact on the dynamics of market capitalization. An important factor of growth of operational profit and economic stability of the Company in the long term is within the development of the filling station network, tire business, and thermoelectric power sectors.

In order to maximize the effectiveness of long-term investment and monitoring of financial stability, the Company has identified common principles of corporate financial policy, including borrowing and debt issuance, and approved its Standard of Corporate Relations for OAO TATNEFT and its Subsidiaries and Affiliates. The priorities of the corporate financial policies are focused on providing reliable sources of funding with minimal costs for the most efficient use of working capital and generally are aimed at improving profitability of the Company. Current ratio of consolidated assets under U.S. GAAP is 1.603.

The accumulated financial strength enables the Company's major investment projects at the expense of its own as well as borrowed funds. A positive history of relationships with leading international and Russian investors, as well as status of a VIP customer with a number of major Russian and foreign banks can provide loans on concessional terms for investment projects of OAO TATNEFT, as well as its subsidiaries and affiliates. Opening of financing with participation of export and credit agencies of Denmark (EKF) and Italy (SACE), which OAO TATNEFT and its subsidiary OAO TANECO announced in December 2011, has been recognized by a specialized Trade Finance expert magazine as the year's best project in the the sector of trade and structured finance. Funding was granted

by a group of international banks, such as Societe Generale, Nordea Bank, Sumitomo Mitsui (SMBS) and Bank of Tokyo Mitsubishi (BTMYU).

As part of optimizing interest payments in 2011, work has been done to reduce the interest rate on the syndicated loan of USD 2 billion raised in 2010. As a result, in March 2011, the rate for two tranches has been reduced by 0.7 percent, which will reduce interest payments by USD 18 million.

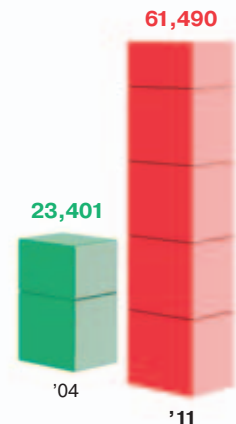
OAO TATNEFT consistently provides timely payments to the budgets of all levels as well as extra-budgetary funds. Indebtedness of OAO TATNEFT for all types of loans and credits in 2011 decreased by RUR 10.5 billion.

To reduce diversions from the Company's turnover and accelerate payments to contractors, permanent reciprocal obligations are repaid through the Center for Setting-Off Mutual Claims (266 participating companies.) In 2011, the turnover in CSOMC increased by more than 80% compared to 2010 and amounted to more than RUR 10.3 billion.

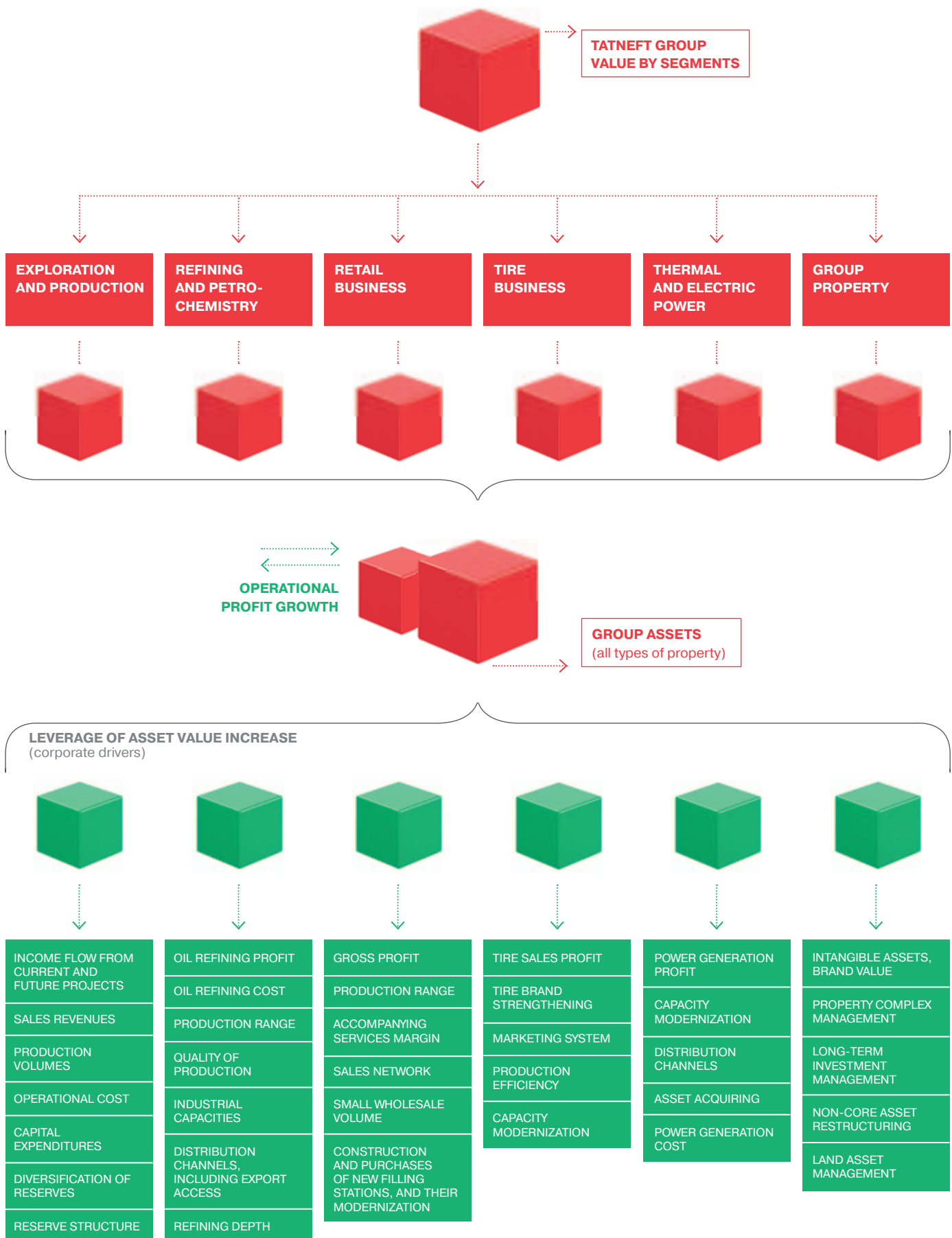
CONSOLIDATED PROFIT OF THE TATNEFT GROUP (RUR million)

+163%

compared to 2004



STRUCTURE OF VALUE MANAGEMENT IN TATNEFT GROUP



3. STABILIZING VOLUMES OF PROFITABLE OIL AND GAS PRODUCTION AND ACTIVE NEW FIELD DEVELOPMENT, INCLUDING HIGH VISCOSITY AND HARD-TO-RECOVER OIL RESERVES IN THE REPUBLIC OF TATARSTAN

Stabilizing Volumes of Profitable Oil and Gas Production

The index of the current capitalization of the Company's key business activity, oil and gas production, is close to the industry's average and reflects compliance with the capitalization of production volumes. With the general trend of production slowdown in the industry, TATNEFT steadily maintains the same production level. The increment of annual production for seven years has amounted to 4.4%. The overall production in TATNEFT in 2011 amounted to 26.194 million tons of oil, whereas in 2004 it was 25.1 million tons of oil. The bulk of the current oil production is attributed to the traditional major fields: Romashkinskoye, Novo-Elkhovskoye, Bavinskoye, Bondyuzhskoe, Pervomayskoe, and Sabanchinskoye. According to the plans of high viscosity field development, the Company performs trial operations in the Ashalchinskoye field. In total, since the beginning of development of the pilot operation site, 106.78 thousand tons of extra-viscous oil have been recovered as of the end on 2011.

CUMULATIVE PRODUCTION OF THE TATNEFT GROUP (RUR million)

+4.4%

compared to 2004



Crude Reserves

By the end of 2004, proved reserves of OAO TATNEFT amounted to 814 million tons of oil (5,801 million barrels). As of the end of 2011, according to Miller & Lents assessment, proved developed, undeveloped and undrilled reserves of OAO TATNEFT totaled 869.5 million tons of oil (6,193.64 million barrels). Reserve replacement ratio reached 123%.

In terms of capitalization of proved reserves, the growth potential is with the expansion of the structure and enhancement of reserve quality. The main resource base of the Company has historically been located in the territory of the Republic of Tatarstan.

PROVED RESERVES OF THE TATNEFT GROUP (RUR million)

+6.8%

compared to 2004



4. EXPANDING RESERVE BASE OUTSIDE THE REPUBLIC OF TATARSTAN AND THE RUSSIAN FEDERATION

Strengthening Oil and Gas Asset Portfolio

TATNEFT consistently implements its strategy to expand its resource base and increase reserves through exploration and production in foreign territories, including the CIS countries and the Middle East, as well as carrying out pilot work on the viscous oil fields in Tatarstan, creating a diversified portfolio of oil and gas assets. The program activities of the Company are based on macroeconomic data for the forecast of consumption of hydrocarbons up to 2030. It is expected that within the next 20 years, Russia will maintain its global market share. Currently, the Group's share of TATNEFT is about 8% of the total oil production in Russia and over 80% of oil produced in the territory of Tatarstan.

Outside the Republic of Tatarstan in the Russian Federation OAO TATNEFT possesses licenses to explore and develop oil, gas and condensate, which have been purchased during tenders, as well as through the purchase of the business of oil companies in the Samara and Orenburg regions, Nenets Autonomous Okrug and the Republic of Kalmykia.

In 2011, the Company opened a branch in Turkmenistan in order to provide services aimed at increasing oil recovery from the existing well stock and at further using the oil potential at the Goturdepe fields.

The Company implements exploration programs in the territory of license sites in Libya and Syria. In 2011, implementation of the programs was suspended until the complicated political situation in these countries stabilizes.

The Company strives for maximizing economic returns from each barrel of oil and increasing profitability of producing assets. The Company seeks innovative approaches for optimal solutions of production problems, increase of oil recovery factor, introduction of innovations to improve efficiency in mature and new fields. To this end, the Company takes relevant long-term efforts to optimize the infrastructure in mature fields, control costs, and save resources.

5. INCREASING VOLUMES OF PRODUCTION AND IMPLEMENTATION OF READY TYPES OF HIGHLY COMPETITIVE PRODUCTS DUE TO DEVELOPING OIL REFINING AND PETROCHEMICAL PRODUCTION

Strengthening Oil Refining Business Sector and Forming Company's Own Advanced Facilities for Production of Demanded High-Quality Petroleum Products

The Company is implementing a construction project of the Refinery and Petrochemical Plant Complex in Nizhnekamsk. The Project was initiated in 2005 within the framework of development of petrochemical complex of Tatarstan. In 2006, the Project received a federal status, becoming the first large-scale production facility in the Russian oil refining over the past decades. Since the beginning of the Project, it was funded with over RUR 214 billion. 2011 became a turning point in the implementation of the Project, finally shifting the emphasis from the construction to the beginning of industrial activity. The Decree of the Ministry of Energy of the Russian Federation No.28-r of November 29, 2011, awarded OAO TANECO Refinery with the status of "commissioned plant". The overall result in 2011 since the start of its construction was obtaining of all necessary permits for the Phase 1 facilities of the optimized start-up complex, the beginning of its commercial operation, and shipment of products. Construction of a hydrocracking complex, including units of hydrocracking, base oil production, and nitrogen generation is a long term goal. Completion of the hydrocracking complex with base oil production will further allow to significantly increase oil refining efficiency at the TANECO Complex. This will be achieved mostly due to diesel fuel production of Euro 4 and Euro 5 standards and organization of high quality motor oil production at the completed synthetic oil plant.

Also, in order to enhance the refining segment, the Company upgraded its own gas processing capacity to 395 million m3 of gas per year, of which 140 thousand tons are ethane and 198 million m3 are dry gas.

Increased Production and Sale of Highly Competitive Finished Products

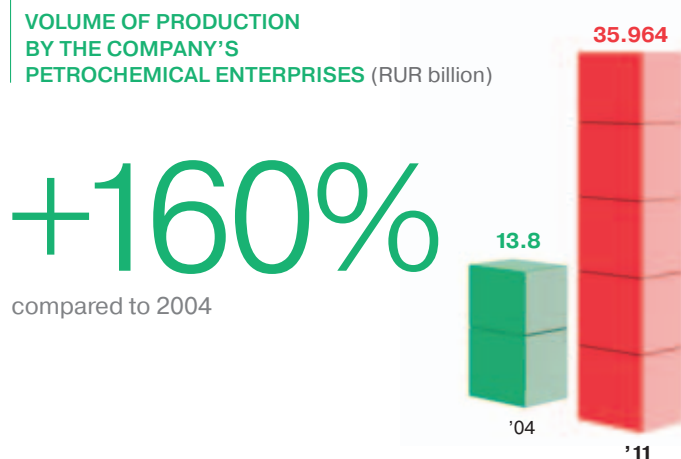
Being focused on production, processing and sale of petroleum products the Company is building an optimal structure of business segments of petrochemical products and development of its own network of filling stations. Major changes occurred in these areas during the last period.

In the petrochemical segment, TATNEFT possesses hi-tech factories of tire production: Nizhnekamskshina and the solid steel cord tire plant, which is the most cutting edge plant in Europe. The share of the Company's products in this business sector in the Russian tire production is about 26%. The Company supplies tire products for such car brands as Russian KAMAZ, GAZ, AVTOVAZ, as well as foreign Volkswagen, Fiat, Chevrolet, Skoda, Hyundai,

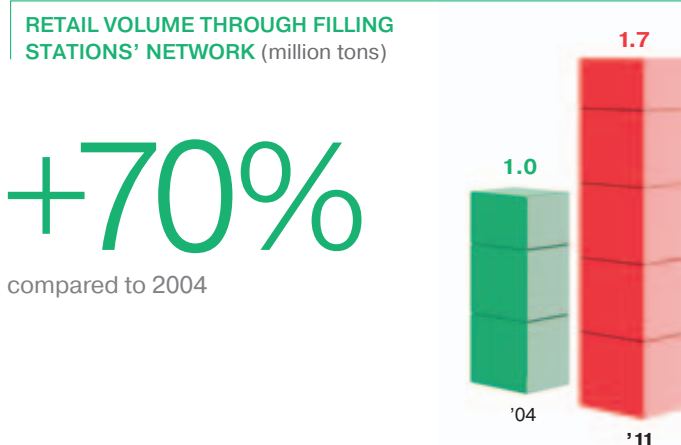
and Fuso. Serial production of new truck tires was started at the factory built in cooperation with Continental Company.

Successfully developing is the Techuglerod plant, a very important link in the petrochemical sector of the Company. Its reconstruction allowed to increase production of process carbon by 11% up to 114 thousand tons per year and to improve its quality.

The volume of production manufactured by the Company's petrochemical enterprises have increased from RUR 13.8 billion in 2004 to RUR 35.9 billion to 2011 (up by 160%).



Retail business of the Company is represented by a network of filling stations that sell all types of fuel oil products. In accordance with the Development Strategy for Filling Stations adopted in 2007, the Company enters new regions, expanding its presence outside Russia, increasing the number of filling stations, and reconstructs refueling facilities in accordance with the high technological and aesthetic standards of basic services and associated services. The total number of stations since 2004 has increased by 17%. The volume of retail through the Company's filling station network has increased from 1 million tons in 2004 to 1.7 million tons in 2011.



Development of Thermal and Electric Power Business Sector

Since 2010, in order to provide the TANECO Refinery Complex, petrochemical facilities, and its oil and other production facilities with power the Company started to develop its own power generation block, which is comprised of the Nizhnekamsk TETs, Almet'yevsk Thermal Network, and Tatneft Energosbyt. Today TATNEFT has established itself as a network, power generation and sales company in the region of its core activities.

6. FORMING AND IMPLEMENTATION OF INNOVATIVE ENGINEERING POLICIES

Improving Production Efficiency

The Company strives for maximizing economic returns from each ton of oil and increasing profitability of producing assets. To this end, the Company implements target program activities aimed at increasing efficiency of production indicators and profitability; it takes relevant long-term efforts to optimize the infrastructure and oil recovery rate in mature fields, to control costs, and to save resources. The Company seeks progressive approaches for optimal solutions of production problems by implementing innovations, modern equipment and technologies.

Application of modern methods in enhanced oil recovery has decisive importance in the stabilization of oil production. In 2011, 44.3% of all oil was produced with the help of hydrodynamic and tertiary oil recovery.

The Company employs the most effective technologies to improve the quality of well casings, construction of horizontal and multilateral wells with lateral kickoffs and lateral horizontal wells, as well as it drills small diameter wells.

In 2011, four multilateral wells were drilled and put in production, with an average rate of 12.6 tons/day. 74 lateral and lateral horizontal kickoff wells were completed with an average rate of 6.5 tons/day.

63 small diameter wells were drilled with an average rate of 6.8 tons/day. Overall, the small diameter stock amounted to 204 wells. The method allows for more than 30% reduction in the cost of well construction, compared to conventional wells.

One of the strategic and rapidly developing technologies of field production in the Company is a system of dual completion and production (DCP). Currently, 980 wells are equipped with DCP, and their cumulative volume of oil production amounted to 2,861 thousand tons. The average production increment per 1 well has reached 3.7 tons per day.

Equipped with chain drives, these wells provide savings of specific energy consumption per 1 m³ of production elevation by an average of 15% compared to their walking beam analog and by 57% compared to centrifugal pumps. The number of OAO TATNEFT wells equipped with chain drives by the end of 2011 has increased to 11%, which is equal to 1389 units.

The use of efficient technologies and equipment has allowed the Company to significantly improve the quality of repair work, which leads to significant savings in costs and resources. OAO TATNEFT retains one of the highest time between overhauls among large enterprises of the oil industry in Russia and in the long term plans to increase this indicator to the level of leading foreign companies.

When searching for deposits, along with traditional technology the Company forecasts oil targets by using Neuroseism artificial intelligence, selecting promising sites by geophysical and geochemical methods with application of complex probability variable (CPV) for oil-bearing areas, using geochemical methods to search for oil and gas with application of passive hydrocarbon adsorption, low-frequency seismic sounding, geological and geophysical technology to optimize the choice for well drilling locations, Stratimegic electromagnetic sensing software package for 3D seismic data processing. In order to detect saturated viscous oil in shallow layers the tomographic method for sensing is used.

Information Technology Based on SAP Integrated Management System

Management of production and business processes in the Company is based on the integrated SAP system: a single information space was created and uniform Group standards for management of financial, material and human resources were introduced. Building such a system aims at ensuring transparency in planning and execution of financial and economic activity, real-time monitoring and consolidation of all data on the activities of the Company, including routine accounting and control of intra-organizational settlements between all divisions.

OAO TATNEFT has the status of a strategic partner of SAP AG – Premier Customer Network SAP. This status allows the Company to exchange experience with other members of the Premier Customer Network, including the best practices of the global oil and gas industry.

7. CORPORATE RESPONSIBILITY

The TATNEFT Company executes its business in one of the most capital-intensive industries of subsurface management and reproduction of power resources, which demand increased corporate responsibility for all segments of the industrial and economic, financial, social and environmental performance. The Company builds its relationships with shareholders, investors, government, partners, representatives of business community, public and other stakeholders and constantly improves the mechanisms and procedures for corporate governance, following the best international and domestic corporate practice. The Board of Directors, General Director and the Management Board of the Company direct their efforts to maximize effectiveness of corporate governance and business processes, based on interaction of all departments.

The Company strictly adheres to the Code of Corporate Conduct and related business rules and regulations ensuring the full volume of requirements of the law and protecting legitimate rights and interests of shareholders. In order to ensure common principles of governance and transparency of its subsidiaries and affiliates, the Company develops appropriate policies and regulations that form the mechanisms of corporate relations. In order to improve efficiency of corporate governance and business processes in the expanding areas of activity and geographical restructuring, in 2006 the Company began to implement a system of uniform corporate standards, covering all segments and areas of corporate and industrial activity.

Social priorities of the Company are aimed at creating favorable conditions for staff and maintaining quality of life of the local population through targeted corporate programs to support health, education, sports, children's art, as well as socially oriented activities for the local population, including promotion of small and medium-sized businesses in all territories of the Company's operations.

By enhancing production and at the same time improving organizational structure of the business, the Company, respectively, creates and contributes to creation of new jobs. Corporate social guarantees for the personnel are put on paper in the Collective Agreement.

The Company's operations meet requirements of the environmental and industrial safety standards based on ISO 14001 and OHSAS. At the same time, the Company implements voluntary initiatives to improve the environmental situation in the workers' industrial and residential areas. Since 2010 came into effect a new Program of Energy and Resource Efficiency in OAO TATNEFT for the period up to 2020. The range of the new Program is wider than of the previous one and covers not only energy, but also natural and material resources. In addition to the structural units, service management companies are also involved in the Program. In 2011, as a result of activities per-

formed according to the Program, more than 40 thousand tons of fuel were saved and the efficiency of utilization of associated petroleum gas was at the level of 95%. Environmental activities of the Company for the current period are reflected in the Environmental Program for 2000-2015.

Since 2005 the Company publishes its annual Social Responsibility and Sustainable Development Report with the aim to more fully inform all interested parties on economic, social and environmental aspects of its activities. The Report is prepared on the basis of international standards of the Global Reporting Initiative (GRI) of the third generation, the AA 1000SES stakeholder engagement standard, as well as the recommendations of the domestic social and corporate institutions.

Personnel Policy

Human Resources is one of the strategic directions driving the success of the TATNEFT Company for the long-term prospect. Personnel policy is based on the following principles:

- High professional level of employees and specialists;
- Commitment of the staff to the mission and corporate values of the Company;
- Motivation of employees;
- Compliance with a uniform corporate culture.

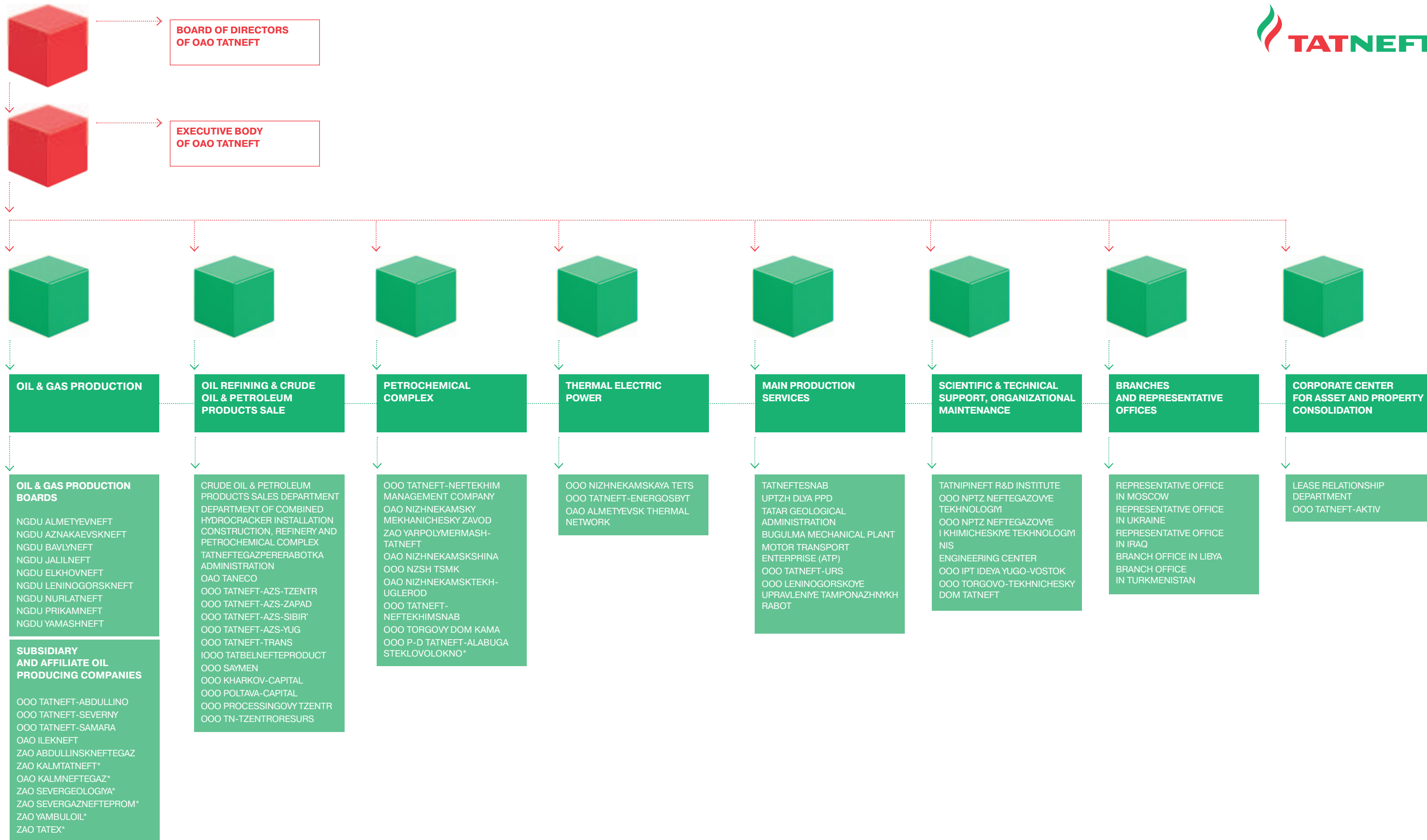
ENVIRONMENT AND MAJOR FACTORS AFFECTING RESULTS OF THE COMPANY'S ACTIVITY

The Company is a large subsurface user, developer and supplier of oil and gas, and producer of petrochemicals. The Company's profits are directly dependent on the world market's situation, primarily on needs for raw materials and crude oil prices at the international market. Other determinants of the financial and economic indicators include cost of transportation, regional market conditions, cost of processing, tax burden, etc.

The major share of the Company's production is located in the territory of the Russian Federation, and, respectively, the greater part of the Company's operating activity is linked with the domestic business environment and the existing regulatory framework. The immediate environment of the Company consists of other Russian vertically integrated companies, which have a direct relative competitive impact on the domestic market: Rosneft, Gazpromneft, Lukoil, Surgutneftegas, Bashneft and TNK-BP.

The TATNEFT Group Structure

MAIN ENTERPRISES CONSTITUTING THE TATNEFT GROUP



* affiliates

Company's Management



General Meeting of OAO TATNEFT Shareholders

The highest governing body of the Company is the General Meeting of Shareholders of OAO TATNEFT. The Annual General Meeting is held each year not earlier than two and not later than six months after the end of the fiscal year. The Annual General Meeting treats such issues as election of members for the Board of Directors and the Audit Commission, Auditor's approval, approval of the Annual Report and annual financial statements, including the Profit and Loss Statement of the Company specifying profit distribution, payment (declaration) of dividends, and losses for the fiscal year.



Board of Directors

General management of the Company is exercised by the Board of Directors of OAO TATNEFT. The main objective of the Board of Directors is to determine development strategy for the Company in order to increase shareholder value, provide sustainable economic and financial conditions, and monitor good governance. The Board of Directors treats general management issues of the Company, except issues that are in the competence of the General Meeting of Shareholders, according to the current legislation and the Articles of Association. The Board of Directors is composed of 15 persons. Only a physical person may be a member of the Board Directors. Board members are elected, and their powers are terminated by the General Meeting of Shareholders in the manner prescribed by law, Articles of Association and these Regulations.



Management Board

The Management Board is a collegial executive body. The Management Board ex-officio includes General Director who is the Chairman of the Board, First Deputy General Director, Chief Accountant, Secretary of the Board of Directors, and Head of the Legal Department. The Board may include other Company's employees and managers of subsidiary enterprises. The Board is formed by the Board of Directors as consisting of the Chairman and members of the Management Board. The quantitative composition of the Board is determined by the Board of Directors.

The Board produces elaborates the Company's economic policy, coordinates operation of services and units of the Company, renders decisions on major issues of current economic activity of the Company.



R.N. MINNIKHANOV



Chairman of the Board of Directors is elected by the members of the Board of Directors at the first organizational meeting of the Board of Directors from among its members by majority vote.

Chairman of the Board of Directors organizes the work of the Board of Directors, convenes its meetings and presides over them.



RUSTAM N. MINNIKHANOV

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



SH.F.TAKHAUTDINOV



General Director is appointed by the Board of Directors and is the sole executive body of the Company.

General Director decides all issues pertaining to the current activity of the Company, except for matters within the competence of the General Meeting of shareholders, the Board of Directors or the Board.

General Director ex-officio is Chairman of the Management Board. General Director ensures that the decisions of the General Meeting of Shareholders; nominates candidates for the Management Board before the Board of Directors; distributes duties among the members of the Management Board; organizes the work of the Management Board; presides at meetings of the Management Board, determines the organizational structure of the Company; exercises control over the rational and economical use of material, labor and financial resources; and solves other issues of the current activities of the Company.

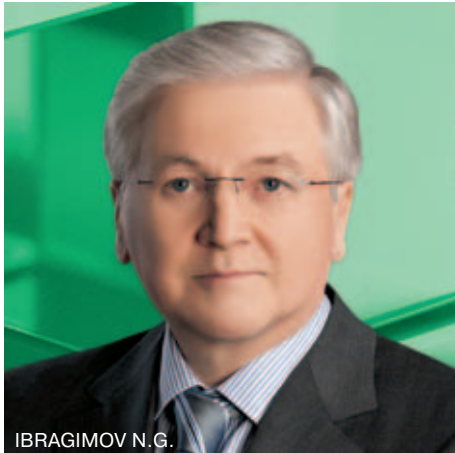


SHAFAGAT F. TAKHAUTDINOV

Member of the Board of Directors, Chairman of the Management Board,
General Director of OAO TATNEFT

Composition and Distribution of Powers

AMONG MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD OF OAO TATNEFT



IBRAGIMOV N.G.



TAZIYEV M.Z.



NURMUKHAMETOV R.S.



MUSLIMOV R.KH.



KHISAMOV R.S.



Management in the Field of Oil and Gas Production. Organization of planning of oil and gas production, implementing stable development of energy supply and production facilities, and introduction of advanced technologies and equipment.



Management in the Field of Geology and Development of Oil Fields. Design, analysis, monitoring, regulation and improving of oil field development.



OIL AND GAS PRODUCTION

NAIL G. IBRAGIMOV

Member of the Board of Directors and the Management Board. First Deputy General Director for Production – Chief Engineer of OAO TATNEFT.

MIRGAZIYAN Z. TAZIYEV

Member of the Board of Directors. Head of Almeteyvneft Oil and Gas Production Board of OAO TATNEFT.

RAFAIL S. NURMUKHAMETOV

Member of the Management Board. Head of Leningorskneft Oil and Gas Production Board of OAO TATNEFT.



GEOLOGY AND FIELD DEVELOPMENT BUSINESS SECTOR

RENAT KH. MUSLIMOV

Member of the Board of Directors. Advisor to the President of the Republic of Tatarstan on the issues of oil and oil/gas field development.

RAIS S. KHISAMOV

Member of the Board of Directors. Deputy General Director – Chief Geologist of OAO TATNEFT. Member of the Board of Directors' Corporate Management Committee.

The Company has established its own system of power and responsibility distribution for officials to manage the assets of the TATNEFT Group. The power corresponds to the management structure in business segments of the Company and general corporate matters.



Sales and Processing of Hydrocarbon Raw Materials. Production of Petrochemicals
Sales of the hydrocarbon raw materials, oil and gas products, development of refineries and petrochemical facilities, and retail sales structures.



MAGANOV N.U.



SHARAFEYEV Z.F.



RAKHMANOV R.M.



SHCHELKOV F.L.



Support of Core Production by the areas: workovers, well drilling and oil recovery enhancement.

General Logistics Support of the Company's core activities.



SALES AND PROCESSING OF HYDROCARBON RAW MATERIALS. PRODUCTION OF PETROCHEMICALS

NAIL U. MAGANOV

Member of the Board of Directors and the Management Board. First Deputy General Director – Head of Department for Sale of Oil and Petroleum Products of OAO TATNEFT.

ZAGIT F. SHARAFEYEV

Member of the Management Board. Deputy General Director of OAO TATNEFT for Petrochemical Production – Director of OAO Tatneft-Neftekhim Management Company.



SUPPORT OF CORE PRODUCTION

RIFKAT M. RAKHMANOV

Member of the Management Board. Deputy General Director for Workover, Drilling and Oil Recovery Enhancement of OAO TATNEFT.

FEDOR L. SHCHELKOV

Member of the Management Board. Deputy General Director for General Issues of OAO TATNEFT.

Composition and Distribution of Powers

AMONG MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD OF OAO TATNEFT (continued)



LAVUSHCHENKO V.P.



GORODNIY V.I.



GARIFULLIN I.G.



TIKHTUROV E.A.



YERSHOV V.D.



Corporate Management System.

Forming targeted corporate programs aimed at increasing amount of authorized capital and strengthening Company's assets, and optimizing production and management of the property complex. Organization of corporate planning of financial/economic activity, formation of the Company's consolidated budget, and control and economic analysis of the planned targets fulfillment. Ensuring a system of interaction with shareholders, investors and other concerned parties, respecting their legitimate interests and disclosure of information, coordination of interaction with governmental bodies and industry's enterprises.

CORPORATE MANAGEMENT

Vladimir P. LAVUSHCHENKO

Member of the Board of Directors and the Management Board. Deputy General Director of OAO TATNEFT for Economics. Chairman of the Board of Directors' Information Disclosure Committee.

Viktor I. GORODNIY

Member of the Management Board. Deputy General Director of OAO TATNEFT – Head of Property Department. Chairman of the Board of Directors' Corporate Management Committee, Vice Chairman of the Board of Directors' Information Disclosure Committee.

Iskandar G. GARIFULLIN

Member of the Management Board. Head of Bookkeeping and Accounting Department – Chief Accountant of OAO TATNEFT.

Evgeniy A. TIKHTUROV

Member of the Management Board. Head of Finance Department of OAO TATNEFT. Member of the Board of Directors' Information Disclosure Committee.

Valeriy D. YERSHOV

Member of the Management Board. Head of Legal Department of OAO TATNEFT. Member of the Board of Directors' Corporate Management Committee.



Company's Cooperation with State Agencies, Ministries and Departments; Organizational Support in Coordination with Other Companies in the Industry



GAIZATULLIN R.R.



SABIROV R.K.



MUKHAMADEYEV R.N.



FELDMAN S.A.



Personnel and Social Corporate Policy
Employment of personnel, improvement of the employees' professional level, and implementation of social guarantee programs for the personnel. Organization and execution of corporate social programs in charity, health, education, children's art, sports' development, and improvement of infrastructure for the local population.



COOPERATION WITH STATE ADMINISTRATION BODIES AND COORDINATION OF THE INDUSTRY ENTERPRISES ACTIVITIES

Radik R. GAIZATULLIN

Member of the Board of Directors. Minister of Finance of the Republic of Tatarstan. Member of the Board of Directors' Audit Committee.

Rinat K. SABIROV

Member of the Board of Directors. Assistant to President of the Republic of Tatarstan. Member of the OAO TATNEFT Board of Directors' Corporate Management Committee. Member of the OAO TATNEFT Board of Directors' HR and Remuneration Committee.



SOCIAL POLICY

Rustam N. MUKHAMADEYEV

Member of the Management Board. Deputy General Director of OAO TATNEFT for HR and Social Development.

Semen A. FELDMAN

Member of the Management Board. Advisor to the General Director of OAO TATNEFT. Director of Almet'yevsk Branch of the National Non-Governmental Pension Fund.

Composition and Distribution of Powers

AMONG MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD OF OAO TATNEFT (continued)



KHAMAYEV A. K.



SOROKIN V. YU.



VOSKOBOINIKOV V. A.



YUKHIMETS A. T.



Cooperation with Shareholders and Investors.
Preparation of objective information and recommendations for further improvement of securing shareholders' legal rights and interests.



PROTECTION OF SHAREHOLDERS' AND INVESTORS' INTERESTS

Azat K. KHAMAYEV

Member of the Board of Directors. Minister of Land and Property Relations of the Republic of Tatarstan.

Valeriy Yu. SOROKIN

Member of the Board of Directors. General Director of OAO Svyazinvestneftekhim.

Vladlen A. VOSKOBOINIKOV

Member of the Management Board. Head of Department for consolidated financial accounting of OAO TATNEFT. Member of the OAO TATNEFT Board of Directors' Information Disclosure Committee.

Aleksandr T. YUKHIMETS

Member of the Management Board. Secretary of the OAO TATNEFT's Board of Directors. Member of OAO TATNEFT Board of Directors' Information Disclosure Committee.



GHOSH S.



VOSKRESENSKAYA M.L.



WAYGOOD D.W.



Since 2002, the Board of Directors of OAO TATNEFT has had three independent directors, according to the financial market issuer's corporate behavior regulations. Status of an independent director is defined in the Regulation on the Board of Directors of OAO TATNEFT.



INDEPENDENT DIRECTORS

Ghosh SUSHOVAN

Member of the Board of Directors. Managing Director of SGI Group LTD. Chairman of the Board of Directors' Audit Committee. OAO TATNEFT Board of Directors' HR and Remuneration Committee member.

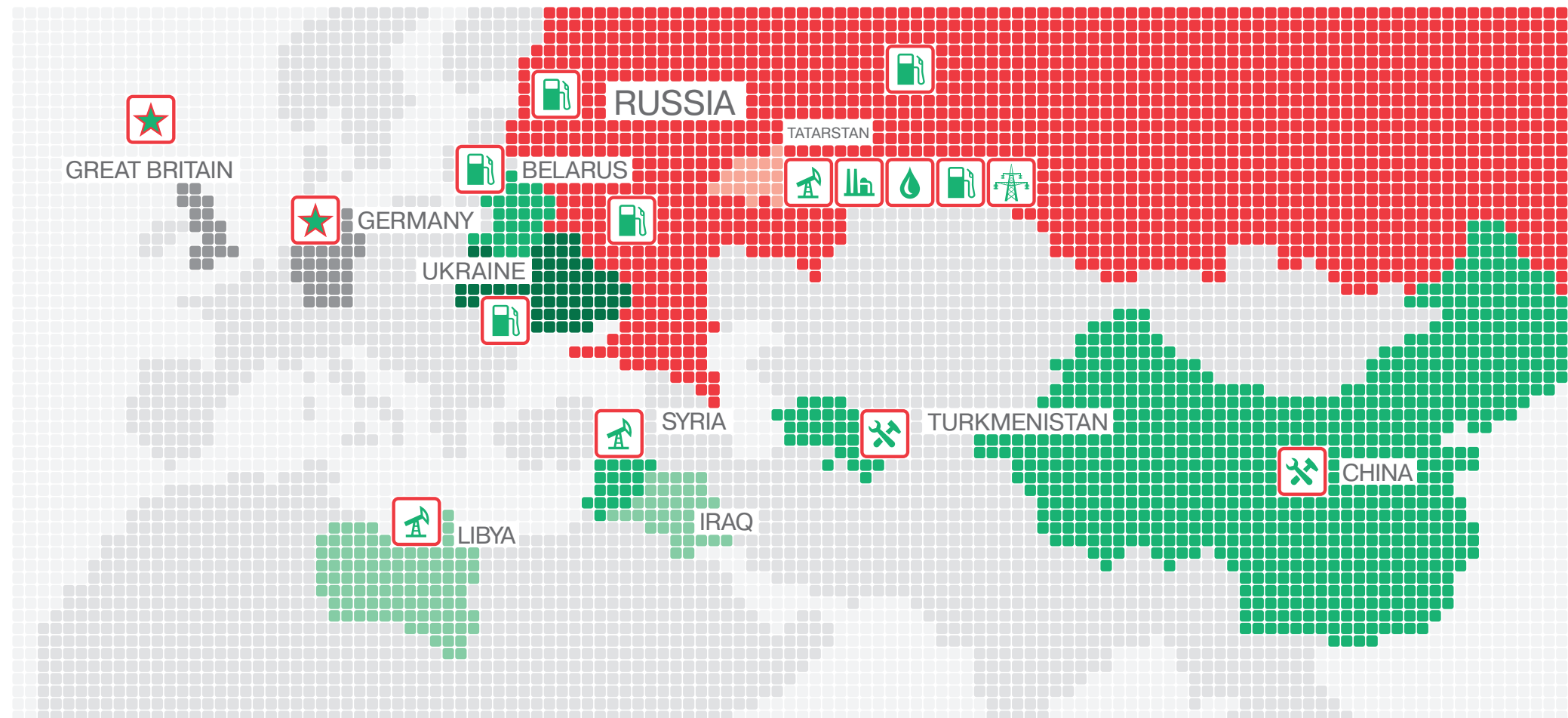
Mariya L. VOSKRESENSKAYA








Member of the Board of Directors. Director of Brentcross Co. LTD. OAO TATNEFT Board of Directors' Audit Committee member.

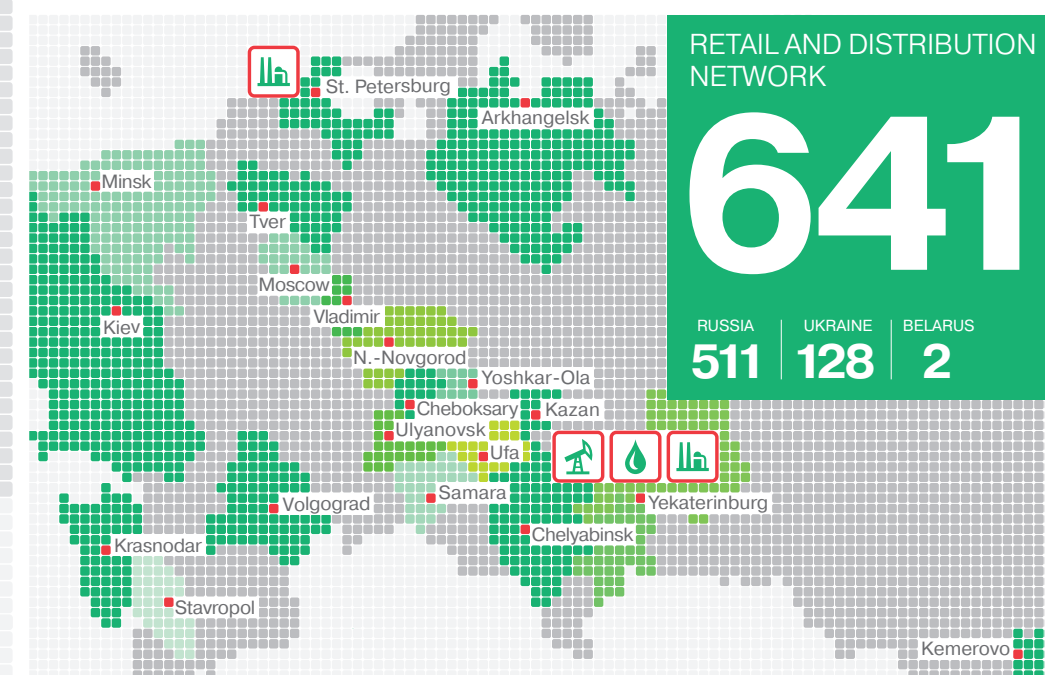
David W. WAYGOOD

Member of the Board of Directors. Director of Waygood Limited Company. Chairman of the Board of Directors' HR and Remuneration Committee. OAO TATNEFT Board of Directors' Audit Committee member.

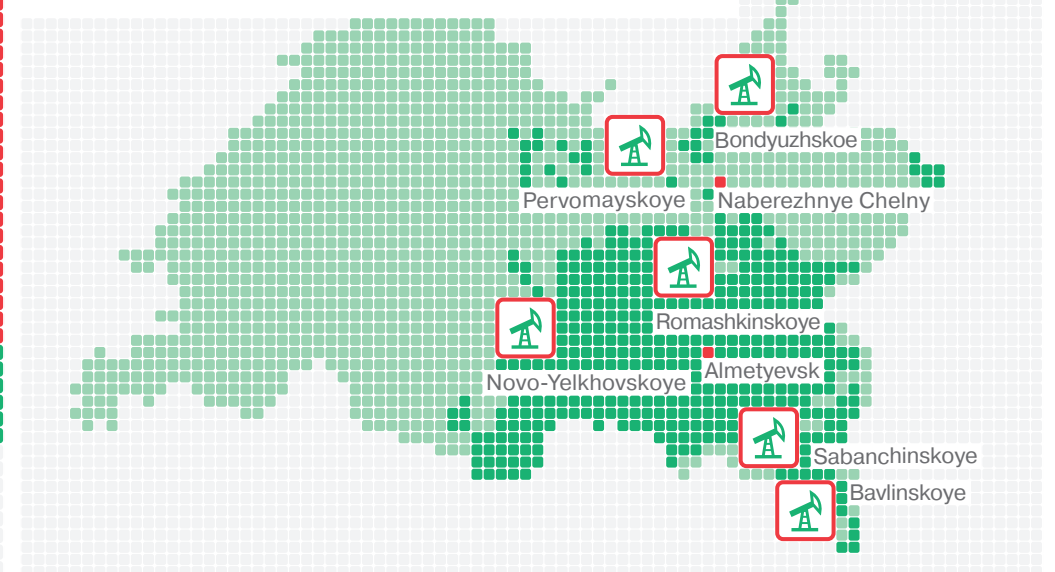
Company's Geography



-  Field development
-  Supply of equipment, technologies and services
-  Oil refining
-  Petrochemical production
-  Thermal electric power
-  Retail and distribution network
-  International stock exchanges where depositary receipts for shares of OAO TATNEFT are traded



MAP OF MAJOR FIELDS OF OAO TATNEFT WITHIN THE REPUBLIC OF TATARSTAN



Deliveries of oil and oil and gas products

Oil Deliveries

RUP PO Belarusneft
Efremov-Kautschuk GmbH
TAIF
Tavit B.V.

Delivery of oil and gas products

OAo Kazanorgsintez
OAo Nizhnekamskneftekhim
OAo Efremov Plant
Synthetic rubber
Efremov-Kautschuk GmbH
Tavit B.V.
Vitol S.A.
OOO Interservice

Transportation of oil

OAo Transneft

Tire production

Raw material supply

OAo Yefremovsk Plant for Synthetic Rubber
OAo Nizhnekamskneftekhim

Tire sales

OAo AvtoVAZ
OAo KAMAZ
SOLLERS
Volkswagen

Main Indices of the Oil Joint-Stock Company by the Results of FY 2011

| No. | MAIN INDICES | NATIONAL MEASUREMENT UNITS | INTERNATIONAL MEASUREMENT UNITS* |
|------------|--|----------------------------|----------------------------------|
| I. | INDICES OF THE COMPANY SHAREHOLDER VALUE | | |
| 1.1. | Capitalization as of Dec. 30, 2011 | RUR 344.6 bln | USD 10.761 bln |
| 1.2. | Cost of an ordinary share as of Dec. 30, 2011 | RUR 158.16 | USD 4.939 |
| 1.3. | Dividends by the results of the Company's activity in 2010 | RUR 11.7 bln | USD 383.85 mln. |
| 1.4. | Planned dividends by results of the Company's activity in 2011 ** | RUR 16.5 bln | USD 512.4 mln |
| 1.5. | Total number of shares | 2,326,199,200 | |
| | Including: | | |
| | Ordinary | 2,178,690,700 | |
| | Preferred | 147,508,500 | |
| 1.6. | Number of depositary receipts issued for shares of OAO TATNEFT (1DR:6 shares) as of Dec. 31,2011 | 106,613,343 | |
| II. | INDICES OF THE COMPANY'S PRODUCTION STATUS | | |
| 2.7 | Oil and Gas Production Complex | | |
| 2.1. | Volume of proved oil reserves as of January 1, 2012 (according to Miller & Lents Ltd.) | 869.5 mln tons | 6,193.641 mln bbls |
| 2.2. | Oil production volume in the TATNEFT Group | 26.2 mln tons | 186.58 mln bbls |
| 2.3. | Oil production volume in OAO TATNEFT | 25.9 mln tons | 184.68 mln bbls |
| 2.4. | Average daily production | 71.037 thousand tons | 505.996 thousand bbls |
| 2.5. | Average oil production rate of the active production wells of OAO TATNEFT | 3.8 t/day | 27.1 bopd |
| 2.6. | Average oil production rate of the new wells of OAO TATNEFT | 8.6 t/day | 61.3 bopd |
| 2.7. | Total penetration meterage for TATNEFT Group including: | 576.1 thousand meters | |
| 2.8. | production drilling | 548.9 thousand meters | |
| 2.9. | prospecting & exploratory drilling | 27.2 thousand meters | |

| No. | MAIN INDICES | NATIONAL MEASUREMENT UNITS | INTERNATIONAL MEASUREMENT UNITS* |
|--|---|----------------------------|----------------------------------|
| Petrochemical Complex | | | |
| 2.10. | Carbon black production volume | 114.0 thousand tons | |
| 2.11.* | Commercial carbon black production volume of OAO Nizhnekamsktekhuglerod | RUR 2,971 mln | USD 101 mln |
| 2.12.* | Commercial commodity output of OAO Nizhnekamskshina | RUR 29,044 mln | USD 988 mln |
| 2.13.* | Total volume of produced commodity petrochemical products | RUR 35,964 mln | USD 1,224 mln |
| Infrastructure Complex | | | |
| 2.14. | Total length of power lines | 16,151.1 km | |
| 2.15. | Total number of filling stations, including: | 641 stations. | |
| 2.16. | in Russia | 511 stations. | |
| 2.17. | in Ukraine | 128 stations. | |
| 2.18. | in Belarus | 2 stations. | |
| Use of Property Complex | | | |
| 2.19. | Number of real estate assets registered on the ownership right | RUR 7,732.0 mln | USD 240.12 mln |
| 2.20. | Revenue from the property lease | RUR 1,637.07 mln | USD 50.84 mln |
| Human Resources Indices | | | |
| 2.21. | Number of employees of the TATNEFT Group of Companies | 74.2 thousand persons | |
| 2.22. | Average headcount of the employees of OAO TATNEFT | 21.0 thousand persons | |
| III. INDICES OF COMMERCIAL ACTIVITY | | | |
| Oil and Gas Products Supply | | | |
| 3.1 | Oil export (far-abroad countries) | 15,491 thousand tons | 112 mln bbls |
| 3.2. | Oil export (near-abroad countries) | 334 thousand tons | 2.4 mln bbls |
| 3.3. | Supplies to the domestic market | 9,425 thousand tons | 68.1 mln bbls |
| 3.4. | Gas products supply | 996 thousand tons | |
| 3.5. | Gas products supply provided by the Oil And Gas Refinery Complex of the Republic of Tatarstan | 227.4 thousand tons | |
| Oil and Gas Products Sales | | | |
| 3.6. | Volume of oil products sold in Russia's and Ukraine's markets | 1.7 mln tons | |

Main Indices of the Oil Joint-Stock Company by the Results of FY 2011

| No. | MAIN INDICES | NATIONAL MEASUREMENT UNITS | INTERNATIONAL MEASUREMENT UNITS* |
|--|---|----------------------------|----------------------------------|
| Petrochemical Complex Products Sales | | | |
| 3.7. | Total tires delivered, including: | 10,832 thousand pcs | |
| 3.8. | Export | 2,315 thousand pcs | |
| 3.9. | Domestic market | 8,517 thousand pcs | |
| IV. FINANCIAL AND ECONOMIC EFFICIENCY INDICES | | | |
| Revenues for OAO TATNEFT | | | |
| 4.1. | Total sales revenue of OAO TATNEFT, including | RUR 318,594.2 mln | USD 10,841.2 mln |
| 4.2. | Oil sales revenues (purchased and TATNEFT's own oil) | RUR 263,160.5 mln | USD 8,954.9 mln |
| 4.3. | Oil products sales revenues (own products) | RUR 28,551.8 mln | USD 971.6 mln |
| 4.4. | Gas sales revenues (own products) | RUR 9,237.1 mln | USD 314.3 mln |
| 4.5. | Other products' sales revenues | RUR 17,644.8 mln | USD 600.4 mln |
| Profit | | | |
| 4.6. | Income before taxation gained by OAO TATNEFT | RUR 75,120.9 mln | USD 2,332.9 mln |
| 4.7. | Net profit of OAO TATNEFT | RUR 54,880.9 mln | USD 1,704.4 mln |
| Taxes and Payments to the Budget | | | |
| 4.8. | Taxes and payments to the budget from OAO TATNEFT: including : | RUR 121,822 mln | USD 3,783.3 mln |
| | Minerals extraction tax (MET) | RUR 98,140 mln | USD 3,047.8 mln |
| | Income tax | RUR 16,274.7 mln | USD 505.4 mln |
| 4.9. | Added value share in the total volume of the OAO TATNEFT's products output: | 73% | |
| Balance Sheet Data as of Dec. 31, 2011 | | | |
| | Fixed assets and incomplete construction | RUR 77,448.5 mln | USD 2,405.2 mln |
| | Long-term financial investments | RUR 41,567.5 mln | USD 1,290.9 mln |
| | Circulating assets | RUR 326,013.5 mln | USD 10,124.6 mln |
| | Equity capital | RUR 327,297.4 mln | USD 10,164.5 mln |
| | Total liabilities | RUR 134,630.3 mln | USD 4,181.1 mln |

| No. | MAIN INDICES | NATIONAL MEASUREMENT UNITS | INTERNATIONAL MEASUREMENT UNITS* |
|------------|---|-------------------------------|-------------------------------------|
| V. | FINANCIAL STABILITY INDICES | | |
| 5.1. | Owner's equity level | 0.709 | |
| 5.2. | Net assets | RUR 327.3 mln | USD 10.2 mln |
| 5.3. | Current liquidity (ratio) | 4.685 | |
| VI. | INVESTMENT ACTIVITY INDICES | | |
| 6.1. | Total investments amount of OAO TATNEFT | RUR 67,221 mln | USD 2,087.6 mln |
| 6.1.1 | Investments into oil production in the territory of Tatarstan | RUR 22,734 mln | USD 706.0 mln |
| | drilling | RUR 9,818 mln | USD 304.9 mln |
| | capital construction | RUR 5,597 mln | USD 173.8 mln |
| | equipment not included in the construction estimate-sheets | RUR 1,483 mln | USD 46.1 mln |
| | geological and technical activities | RUR 5,741 mln | USD 178.3 mln |
| | redemption of property, land, etc. | RUR 95 mln | USD 2.9 mln |
| 6.1.2 | Investments into development of retail business | RUR 714 mln | USD 22.2 mln |
| 6.1.3 | Investments into non-production sphere | RUR 594 mln | USD 18.55 mln |
| 6.2. | Investments into oil production outside the Republic of Tatarstan | RUR 1,724 mln | USD 53.5 mln |
| 6.3. | Investments of the petrochemical complex works | RUR 2,192 mln | USD 68.1 mln |
| 6.4. | Investments of the service and other works | RUR 1,632 mln | USD 50.7 mln |
| 6.5. | Investments into foreign contracts | RUR 1,398 mln | USD 43.4 mln |
| 6.6. | Investments into construction of the complex of oil refining and petrochemical plants | RUR 36,233 mln | USD 1,125.2 mln |

The USD exchange rate of the Russian Federation Central Bank as of Dec. 30, 2011 amounted to 32.02 RUR;

1 ton of oil contains 7.123 barrels,

with regard to oil supplies under clauses 3.1-3.4 the following conversion ratio is applied: 1 ton of oil contains 7.23 barrels (1 barrel equals 42 gallons)

* OAO TATNEFT considers that the use of the average oil price for 12 months fairly reflects its oil reserves in the current economic conditions, particularly in the environment of high volatility of the oil price that occurred during 2010.

** The Board of Directors of OAO TATNEFT made a decision to recommend to the General Meeting of the Shareholders to approve payment of dividends for FY 2011 in the amount of 708% for the preferred shares, and in the amount of 708% for the ordinary shares of the nominal value.

The average rate of 1 USD = 29,3874 RUR for 2011 was applied for i.i.: 2.11, 2.12, 2.13, 4.1, 4.2, 4.3, 4.4, and 4.5

The Company consistently implements the strategy of stabilizing production volumes, **expanding the resource base and increasing the original in-place stock**. Targeted program activities are aimed at **increasing crude oil recoverability factor, production cost efficiency and resource saving.**

ACCORDING TO MILLER AND LENTS ASSESSMENT PROVEN CRUDE OIL RESERVES TOTALED AS OF JANUARY 1, 2012

869.5 million tons

THE VOLUME OF OAO TATNEFT GROUP CRUDE OIL PRODUCTION AMOUNTED TO 26.2 MILLION TONS IN 2011



TATNEFT operates in the segments of **crude oil and gas exploration and production, processing and sale of crude oil as well as oil and gas products, petrochemicals, and also co-generation.**



ASSETS OF TATNEFT GROUP EXCEEDED THE AMOUNT

627.8

bln rubles
(in accordance
with US GAAP)

TANECO COMPLEX
WAS GRANTED A STATUS
OF THE "PUT INTO OPERATION"



The Company's social priorities pursue the aim at creating a focus on creating favorable environment for personnel operation and ensuring the quality of life for the local population through targeted programs of **supporting the environment, healthcare, education, sports and children's creativity.**

THE TOTAL INVESTMENTS OF OAO TATNEFT TO ENSURE ECOLOGICAL SAFETY AND ENVIRONMENTAL PROTECTION MEASURES FROM ALL SOURCES OF FUNDING AMOUNTED TO MORE THAN IN 2011

5,401 million rubles

THE COMPANY'S ENVIRONMENTAL MANAGEMENT COMPLIES WITH INTERNATIONAL STANDARDS ISO 14001:2004 AND OHSAS 18001:2007



Production Activity

OIL AND GAS EXPLORATION AND PRODUCTION

According to Miller & Lents assessment proven crude oil reserves as of January 01, 2012 amounted to 869.5 million tons of crude oil (6,193.641 million barrels) in 2011, including: proved drilled and developed reserves in the amount of 511, 583 million tons (3,644.006 million barrels), proved drilled and undeveloped reserves amounting to 332, 508 million tons (2,368.452 million barrels) and proved undeveloped – 25.436 million tons (181.182 million barrels). Replacement ratio of the proved oil reserves amounted to 123.8%.

The main amount of geological exploration work was carried at the licensed territories of Tatarstan, Orenburg, Samara, Ulyanovsk regions as well as in the Republic of Kalmykia, and the Nenets Autonomous District.

There were ten subsidiaries and affiliated companies with OAO TATNEFT's capital participation operating in the territory of the Russian Federation possessing 28 licensed areas.

The Company opened a branch office in Turkmenistan in 2011 in order to provide services aimed at oil recovery enhancement of existing wells and further usage of Goturdepe oil field potential.

The total production volume of TATNEFT Group of Companies amounted to 26.2 million tons in 2011 (26.112 million tons in 2010).

Crude oil production at OAO TATNEFT increased by 0.3% in 2011 versus 2010 and amounted to 25.928 million tons of crude oil. Above-the-plan production amounted to 528.495 tons of oil. A maximum level of crude oil production was reached over the past 15 years. 44.3% of all crude oil produced in 2011 is accounted for application of hydrodynamic and tertiary recovery methods of oil recovery enhancement. The production at OAO TATNEFT was carried out from 82 fields in the Republic of Tatarstan and outside the Republic. The bulk of the current crude oil production is accounted by six major fields: Romashkinskoye, Novo-Elkhovskoye, Bavlinskoye, Bondyuzhskoe, Pervomayskoye and Sabanchinskoye.

Key Performance Indicators for 2011

| KEY PERFORMANCE INDICATORS | UNITS | 2011 |
|---|----------------|--------|
| Volume of oil production at OAO TATNEFT | thousand tons | 25.928 |
| Volume of associated gas production | million cub. m | 790.4 |
| Liquefied Petroleum Gas production (delivery) | thousand tons | 285.7 |
| Production drilling: | | |
| TATNEFT Group | thousand m | 548.9 |
| Including for OAO TATNEFT | thousand m | 514.2 |
| Exploration drilling, TATNEFT Group: | thousand m | 27.2 |
| Including for OAO TATNEFT | thousand m | 21.2 |

Construction of Wells and Geological Exploration Facilities

The drilling complex companies penetrated 535.4 thousand meters of rocks at the fields of OAO TATNEFT during the year under review and commissioned 309 new wells. The average rate of new wells put into production after drilling during the year amounted to 9.4 tons of crude oil per day. 220 wells were completed for water injection. 350 production wells were drilled and construction completed.

Deep drilling was started to 7 elevations in the Republic of Tatarstan in 2011, as well as 1 structure in Samara region and 1 structure in Orenburg region. 13 structures were prepared for deep drilling in the Republic of Tatarstan.

2 new fields were discovered, including: 1 field in Orenburg region, and 1 field in the Nenets Autonomous District.

Crude Oil and Gas Production outside Tatarstan in the Russian Federation

OAO TATNEFT owns rights to exploration and development of crude oil, gas and condensate fields outside the Republic of Tatarstan, which were purchased through auctions, as well as through acquisition of oil companies in Samara and Orenburg regions, the Nenets Autonomous District and the Republic of Kalmykia. 19 oil fields were operated in these regions in 2011 through producing 70 wells in Samara region and 7 wells in Orenburg region.

The previously drilled well stock was completed in Samara region and new wells were drilled. The average production rate of new drilled wells amounted to 9.91 tons per day.

Oil Production from the Largest Fields in 2011

| NAME | THOUSAND TONS |
|-------------------|---------------|
| Romashkinskoye | 15,254.791 |
| Novo-Yelkhovskoye | 2,553.860 |
| Bavlinskoye | 1,084.978 |
| Bondyuzhskoe | 275.873 |
| Pervomaiskoye | 364.069 |
| Sabanchinskoye | 566.000 |

Well Stock as of January 1, 2012

| STOCK CATEGORY | NUMBER OF WELLS |
|--|-----------------|
| Active producing stock | 20,246 |
| Idle producing stock | 2,146 |
| Operating producing stock | 22,403 |
| Producing stock in completion stage and waiting for completion | 11 |

Crude Oil Production by OAO TATNEFT Group of Companies

| COMPANIES | 2011 |
|--|-------------------|
| OAO TATNEFT Enterprises | 25.9 million tons |
| Oil companies in the territory of the Russian Federation affiliated to OAO TATNEFT | 0.3 million tons |
| TATNEFT Group of Companies | 26.2 million tons |

The volume of crude oil production from the fields located outside the Republic of Tatarstan in the Russian Federation amounted to 265.8 thousand tons in 2011. 28 new wells were drilled with the average production rate of 9.71 tons per day.

Crude Oil and Gas Production outside the Russian Federation

Implementation of the exploration program in contract areas of OAO TATNEFT in Libya and Syria was continued in 2011.

Three exploration wells were drilled in Syria and the total penetration amounted to 5.809 thousand meters. 1 exploration well was drilled and drilling of two other exploration wells was started in Libya. The total penetration volume amounted to 4.031 thousand meters in 2011.

Works at the Extra-Viscous Oil Fields

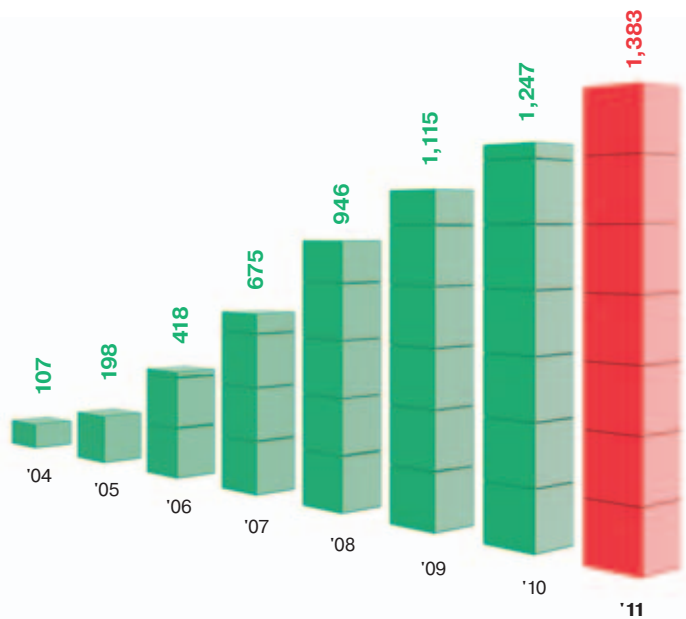
As part of the Company's plan for development of extra-viscous oil fields the Company continued pilot operations at Ashalchinskoye field. The volume of extra-viscous oil production amounted to 41.5 thousand tons during 2011 with total production since the beginning of the pilot area development amounting to over 106.78 thousand tons of extra-viscous oil by the end of the year. The average total production rate of all wells for the year amounted to 117 tons and this figure increased to 147 tons per day by the end of the year. 21 horizontal wells were drilled at Ashalchinskoye field, including 20 horizontal wells (10 pairs) for a steam assisted gravity drainage technology application, and one well for a huff and puff technology application. There are seven well pairs in operation at present.

Enhancing the Effectiveness of Oil/Gas Production and Energy Saving

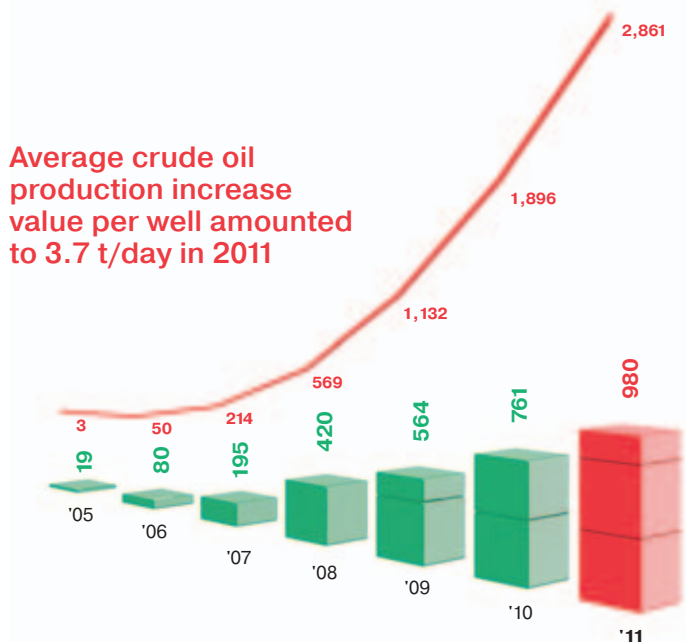
The Company implements targeted program activities aimed at enhancing effectiveness of performance indicators and monitoring production profitability through application of modern technologies for optimization of wells and field development systems.

In the search for new deposits, besides standard technologies such as seismic acquisition, the Company also applies new methods, such as prediction of oil prospective targets using Neuroseism artificial intelligence tool; identification of promising targets through application of the field geo-physics and

PROFILE OF ACTIVE WELL STOCK EQUIPPED WITH PTS 60 AND PTS 80 CHAIN DRIVES AT OAO TATNEFT (wells)



PROFILE OF WELL STOCK WITH DUAL COMPLETION/ PRODUCTION AND ACCUMULATED INCREMENTAL OIL PRODUCTION OF OAO TATNEFT



■ DCP Equipped Well Stock (well)
 — Cumulative incremental oil production volume ('000 tons)

geo-chemistry using a complex probability parameter of the oil bearing prospectivity; geochemical method of prospecting for oil and gas deposits using passive adsorption of hydrocarbons; low-frequency seismic sounding; geological and geophysical technology for optimization of well drilling location selection; electromagnetic sounding and Stratimegic software package for processing 3D seismic data; NMR-tomography sounding method was applied for the first time for identification of extra-viscous oil saturated layers at small depths.

39 technologies were applied in drilling in 2011. The most effective technologies in terms of improving the quality of the well casing include setting of silicate baths in the interval of productive strata; application of grade G cement, application of collar cementing tools, and in terms of achieving high oil production rates – construction of horizontal wellbores and downhole splitters. The technology of drilling small diameter holes proved to be effective. 63 wells of small diameter were drilled in OAO TATNEFT in 2011, of which 57 wells were commissioned for oil production (produced oil volume amounted to 57.075 thousand tons). The average production rate was 6.8 tons per day. The total stock of small diameter wells was 204 wells. This method allows for more than 30% reduction in the cost of well construction versus conventional ones.

Application of modern enhanced oil recovery methods plays a decisive role in stabilizing crude oil production. Application of EOR by the Company in the past year accounted for production of 5,506.7 thousand tons making 103.1% versus 2010 (actual figure in 2010 was 5,342.646 thousand tons). The share of crude oil produced at the expense of tertiary methods of crude oil recovery enhancement application accounted for 21.2% of the total production by the end 2011.

The Company's technological process of crude oil production is based on the application of innovative developments to ensure effective operation of oil fields. Wide application of chain drives allows reducing the number of well remedial maintenance operations and saving electricity consumption. Introduction PTs60 with the stroke length of 3 meters reduces the number of well remedial maintenance operations by 1.5 times, saving the energy consumption by 13% compared to conventional sucker rod pumping units. Chain drives with the stroke length of 6 meters reduce the number of well remedial maintenance operations more than two-fold, and the power consumption is reduced by 57% compared to the ESP installations. TATNEFT's well stock equipped with chain drives increased by 11% by the end of 2011 and amounted to 1,383 units.

One of the strategic and rapidly developing technologies of the fields operation at TATNEFT is a system of dual completion and production of layers through one well (DCP). 241 installations were introduced in 2011. Currently there are 980 wells equipped with a DCP. Cumulative oil production from them amounted to 2 million 861 thousand tons. The average growth per 1 well has reached 3.7 tons per day. The technology of dual injection was introduced in 98 injection wells during last year.

CRUDE OIL REFINING AND MARKETING OF OIL AND PETROLEUM PRODUCTS

Business segment, "Processing and sale of oil and petroleum products" is one of the main strategic priorities of the vertical integration and long-term sustainable development of the Company through increasing the production and sale of highly competitive finished products. The business segment includes the following activity areas: strengthening the own high-tech oil refining and petrochemical works, sales of crude oil and petroleum products and sales of petroleum products through the retail network.

Crude Oil and Gas Refining Works Construction Project of TANECO Refinery and Petrochemical Plants Complex in Nizhnekamsk

OAO TATNEFT is in the process of implementing the Construction Project of TANECO Refinery and Petrochemical plants Complex in Nizhnekamsk in order to strengthen the business segment of crude oil refining and form the own advanced facilities for the production of highly demanded in the market quality petroleum products. The project was initiated in 2005 within the framework of the Tatarstan petrochemical complex development program. The project implementation commenced in accordance with the decision of the RT Security Council of June 9, 2005, order of the Cabinet of Ministers of the Republic of Tatarstan and the relevant decision of the OAO TATNEFT's Board of Directors. In 2006 the project received the federal status after the Russian Federation Government order No. 1708-r of November 30, 2006. An investment agreement on the investment project "Complex of Refinery and Petrochemical Plants in Nizhnekamsk" was signed on August 2, 2007 at the Ministry of Economic Development and Trade level.

In 2011, the Russian Energy Ministry Decree No. 28-r of November 29, 2011 OAO TANECO Refinery granted the status of a "commissioned" facility and it obtained a license of RTN on December 2, 2011 to operate explosive hazardous production facilities of Phase 1A1 optimized start-up complex.

The 2011 overall result from the start of construction was obtaining all necessary permits for the facilities of the Phase 1A1 optimized start-up complex, beginning of its commercial operation and shipment of products

The volume of delivered design estimate documentation was 10.4 billion rubles in money terms for the construction work, covering the terminal facilities of the start-up complex 1A1 (vis-breaking, sulfur production and off sites), as well as installation of pipelines, electric heating equipment and instrumentation and automated control systems. The design works of Phase 1A1 starting complex title facilities were fully completed. 177 facilities of 190 needed for 1A1 starting complex were completed within the design scope. All in all five thousand units of the main technological equipment, 135 thousand units of valves, 11 thousand km of cables, 500 km of stainless steel pipe, more than 20 thousand instrumentation and automated control equipment pieces, two

thousand units of shut-off and control valves were delivered for 1A1 starting complex. Construction and erection works were fully completed at 142 sites of 1A1 start-up complex facilities of the total amount of 198 construction and erection sites.

The TANECO Complex is the first large-scale industrial project in the Russian oil refining industry over the past decade.

The concept of the TANECO Complex is based on the following principles:

- processing of Tatarstan oil, which corresponds to the strategic objective of Russia: decreasing the share of high sulfur oil in export pipelines;
- replacement of oil export with the export of high-quality petroleum products;
- improvement of the environmental situation by producing ecologically cleaner fuels and compliance with stringent emission requirements when designing the Complex facilities;
- application of advanced approved global technologies;
- electricity production, which will be co-generated using low-calorie synthetic gas of its own production;
- integration of refineries and petrochemicals production works within a single complex.

Commissioning of the facilities of the Refinery and Petrochemical plants Complex is realized in three stages. After completion of construction and commissioning of the full volume of the production capacity the planned depth of processing will reach 97% with the yield of 18 product kinds from the European quality motor fuels to the of raw material components for a wide range of demanded petrochemical products, including the import replacing ones.

As reported, the main activities of OAO TANECO in 2011 were design engineering, logistics setup, as well as performance of construction, installation and commissioning works.

2.1 million tons of oil were used the course of comprehensive equipment testing and operation. CDU/VDU-7 performance reached the level of 95 percent with the achieved processing depth level of 71% and the yield of light oil products up to 45%, which is estimated at an average depth of processing in Russia and higher than that for a number of existing plants in Russia.

Construction of the hydrocracking complex is performed as part of the Project's Phase 1B, which includes the hydrocracking installation, production of base oils and hydrogen production unit. Construction completion of the hydrocracking section with production of base oils will continue to significantly improve the efficiency of crude oil refining at TANECO complex. This will be achieved through the production of diesel fuel of Euro 4 and Euro 5 standards, and the organization of high-quality motor oil production at the already built factory of synthetic oils.

The first stage of cooperation of the Nizhnekamsk plant of synthetic oils OOO "Tatneft-Nizhnekamskneftekhim-Oil" and OAO TANECO was implemented in 2011 in the framework of the Company's business development in the field of lubricants.

One of the main priorities of the complex is its environmental orientation. Inherent design solutions and the use of the world's proven technologies and equipment allow minimizing the impact on the environment. A multilevel system of environmental control has been implemented at the NPiNHZ complex, which provides for continuous monitoring of the environment. From an environmental point of view TANECO complex is a sample application of the best available technologies in this field.

Refining Facility of NGDU "Elkhovneft"

In 2011, OAO TATNEFT performed its own refining at the refining plant of NGDU Elkhovneft with a high degree of the plant's capacity utilization, which had recently been qualitatively upgraded. The plant complies with the Technical Regulations for production of Class 3, 4 and 5 petroleum products. 172,000 tons of petroleum products were output in 2011.

Fulfilling the tasks set by the Government of Russia for the transition to production of environmentally clean motor fuels an installation yielding benzol-free component of commercial gasoline was put into operation at the Elkhovskaya oil processing installation in 2011 and the refinery started producing gasoline complying with Class 3 of the Technical Regulations.

Output of Petroleum Products by the Refining Plant of NGDU Elkhovneft in 2011 ('000 tons)

| PRODUCT NAME | 2011 |
|-------------------|------|
| Diesel fuel | 87.3 |
| Petrol Regular-92 | 36.7 |
| Petrol Normal 80 | 30.1 |
| Heating Oil | 15.3 |
| Petroleum Gas Oil | 0.0 |
| Sulfur | 0.5 |

Gas Refining Facilities

In the reporting year gas processing facilities of Tatneftgazpererabotka Administration received 790.4 million cubic meters of associated petroleum gas while the level of gas utilization amounted to 94.9%. 715.1 million cubic meters of associated petroleum gas and 285.7 thousand tons of gas liquid were processed with 111.2 million cubic meters of sour petroleum gas treated at the Minnibaev sulfur stripping plant to remove H₂S.

Construction and mounting works were completed and testing of basic equipment, mounting and commissioning of the cryogenic installation automated technological process control system were carried out as part of implementing Resolutions of the RT Security Council on increasing ethane production. The plans provide for cryogenic plant operation with design parameters for deep processing of dry gas in 2012.

Output of the Finished Products by Tatneftegazpererabotka Administration

| TYPE OF PRODUCT | UNITS | OUTPUT IN |
|-----------------------------|-----------------------|-----------|
| Stripped gas | million cubic meters | 374.574 |
| Liquid products, total | thousand tons | 575.956 |
| Liquefied gases, including: | thousand tons | 360.806 |
| Propane | thousand tons | 202.359 |
| Isobutane | thousand tons | 42.746 |
| Normal butane | thousand tons | 115.701 |
| Isopentane | thousand tons | 12.395 |
| Sum of pentanes | thousand tons | - |
| Stable gasoline | thousand tons | 167.863 |
| Ethane | thousand tons | 113.379 |
| Sulfur | thousand tons | 4.261 |
| Nitrogen | thousand cubic meters | 526.228 |
| Oxygen | thousand cubic meters | 322.632 |
| Gas liquids | thousand tons | 34.892 |

Sales of Crude Oil and Oil and Gas Products Business Sector

In 2011, OAO TATNEFT treated and delivered 25,324.1 thousand tons of resources to the transportation system, and, taking into account the balance volume, 25,385.7 thousand tons, which is 22.9 thousand tons or 0.1% more, than the figure for the same period in 2010.

In addition to its own resources, OAO TATNEFT Crude Oil and Petroleum Products Sales Department sold 3,388.5 thousand tons from independent oil companies, including.

Major Directions of OAO TATNEFT Resources Delivery Distribution (thousand tons)

| DESCRIPTION | 2011 |
|---|----------|
| Export, far abroad | 15,491.0 |
| Export, CIS | 334.2 |
| Oil refineries in Russia: including: | 9,425.4 |
| OAO TAIF-NK Refinery | 5,802.8 |
| OAO TANECO | 2,112.8 |
| OAO Moscow Refinery | 816.7 |
| OAO LUKOIL-NORSI | 180.9 |
| OAO Slavneft-YANOS | 417.1 |
| Other deliveries | 95.1 |

Outside the Republic of Tatarstan, bypassing "AK" Transneft oil resources of enterprises with participation of OAO TATNEFT were sold in Orenburg region in the amount of 31.7 thousand tons in 2011.

Gas Products Sales

The following volumes of gas products were shipped in 2011 to provide the petrochemical plants in the Republic of Tatarstan with stock resources and to secure the optimal loading of their production capacities:

| PRODUCTS | THOUSAND TONS |
|-----------------|---------------|
| Isobutane | 35.1 |
| Sum of pentanes | 34.2 |
| Ethane | 113.4 |
| n-butane | 44.4 |

238.8 thousand tons of gas products were sold to enterprises of the petrochemical complex of the Republic of Tatarstan. 29.6 thousand tons of liquefied gas were delivered in 2011 to meet the needs of the population

Sales of Crude Oil and Oil and Gas Products Through Retail Network

The TATNEFT filling station networks operates in the territory of the Russian Federation and CIS countries and consists of 641 stations, including: 511 filling stations in Russia, 128 filling stations in the Ukraine and 2 filling stations in Belarus. Development of retail business is mad in accordance with the strategy of expanding and improving the profitability of the Company's retail business.

19 filling stations were commissioned in 2011.

All kinds of OAO TATNEFT motor fuel, oils of OAO TATNEFT production and OAO Nizhnekamskshina tires are sold through the retail distribution network.

The Company purchased petroleum products from the Moscow, Ufa and Samara refineries, OAO TAIF-NK and other refineries for the purpose of ensuring supplies of petroleum products to the retail distribution network of OAO TATNEFT in the Republic of Tatarstan and other regions of Russia.

During the reporting period, the volume of retail and wholesale sales of oil and gas products through the filling station network of OAO TATNEFT amounted to 1.7 million tons. The Company constantly improves forms and methods of the filling stations customers servicing expanding the range of additional services. Marketing support programs are implemented to increase the sales volumes of oil and gas products.

Quality Control of Petroleum Products

Quality control of petroleum products sold at the filling stations of the Company is realized at all stages of the fuel transportation from the oil refinery to the filling station. The work as a whole is organized in a two-stage scheme: the primary control is performed

Sales Volume of Oil and Gas Products through the Filling Stations Network

| DESCRIPTION | 2011 | |
|----------------------------|------------------|-------------------|
| | TONS | '000 RUBLES* |
| RF, including: | 1,574,277 | 49,090,299 |
| oil products | 1,463,528 | 47,035,507 |
| gas products | 110,749 | 2,054,793 |
| Ukraine, including: | 99,333 | 4,522,608 |
| oil products | 86,177 | 4,026,089 |
| gas products | 13,156 | 496,518 |
| Total | 1,673,610 | 53,612,907 |

*including taxes

in branches by specially formed commissions, certified stationary laboratories and personnel authorized for monitoring and securing the quality of petroleum products. The second stage of control is performed by a management company, which includes a petroleum products quality control group, a mobile laboratory and a permanent commission consisting of technical experts.

During construction and reconstruction of the filling stations modern technologies and equipment (double-walled tanks, imported fuel dispensers, automated systems for measuring parameters of light oil products, etc.) are used. When the fuel arrives to the filling station, two samples are mandatorily selected from the tank and sealed for the compliance analysis. The oil storage tanks at the filling stations are systematically cleaned up by specialized organizations. The stations are equipped with automated systems for control of petroleum products quantity during operations at the filling stations (including on-line mode).

An "AutoTracker" satellite navigation system is introduced in order to track the routes of oil tankers.

For the purpose of operational control, and information about the quality of petroleum products at any point of its location there are three mobile laboratories commissioned for fuel quality control. Availability of mobile laboratories allows quick determination of petroleum products quality by more than 20 indicators. The laboratories are fit with equipment and instruments of the world's leading companies in the proximate analysis, which have high level of reliability and validity of the results to determine the main parameters of petroleum products quality.

The Republic of Tatarstan was the first in Russia to introduce the TEC CERT system of voluntary certification for the filling stations. TATNEFT was one of the first companies to start certification of its filling stations in the system of voluntary certification. This system includes standards for quality and environmental friendliness of the sold petroleum products, standards for environmental safety at the filling stations areas, as well as compliance with the regulatory requirements of operating filling stations in general and quality of customer service at the filling stations.

Information Support of TATNEFT's Filling Stations Network Customers

Full information about the Company's retail network activities is available on the Company's portal www.azs.tatneft.ru. The customers can control the balance of personal fuel card, the state oil shipments under contracts, etc in the real-time mode.

Since 2011 TATNEFT has launched an application (software version) for the mobile units based Apple iOS (iPhone/iPad) and Android platform, which enables the customers to obtain information about the nearest TATNEFT's filling station, fuel prices, additional services, as well as leave a feedback on the quality of the station's operation.

PETROCHEMICALS PRODUCTION

"Petrochemicals" Business Segment combines a complex of petrochemical enterprises of the Company. Control over the business segment is performed through "Tatneft-Neftekhim" Management Company

The petrochemical complex includes:

- OOO "Tatneft-Neftekhim" Management Company
- OAO Nizhnekamskshina
- OOO Tatneft-Neftekhimsnab
- OOO "KAMA" Trading House
- OAO Nizhnekamsktechuglerod
- OAO Nizhnekamsk Mechanical Plant
- ZAO Yarpolimer mash-Tatneft
- OOO "Kama" Scientific and Technical Center
- OOO Nizhnekamsk TsMK Factory
- OOO Nizhnekamsk Truck Tire Factory
- OOO "Energoshinservice"

In 2011 the volume of commodity products produced by enterprises of the petrochemical complex (including OOO NZSh TsMK) amounted to 35.964 billion rubles in 2011, which is 30 % above the 2010 level. The proceeds from sales in 2011 increased compared to 2010 statistics by 30.6% and amounted to 36.341 billion rubles. The average number of employees made 11.9 thousand people. The tire enterprise business was performed on the give-and-take basis in 2011.

Main Technical and Economic Indices of the Petrochemical Complex of OAO TATNEFT

| INDICES | 2011 |
|---|----------|
| Production of tires, thousand pieces. | 114.0 |
| Volume of carbon black production, thousand tons | 11,013.2 |
| Total volume of commodity output, million rubles. | 35,964.0 |
| Proceeds from sales, million rubles. | 36,341.3 |

Carbon Black Production

The volume of carbon black production totaled 114 thousand tons in 2011 accounting for about 20% of the total carbon black output in the country.

Main Types of Products Manufactured by OAO Nizhnekamskshina (New Products) in 2011

| TIRE SIZE/MODEL | MAIN APPLICATION |
|---|---|
| TRUCK TIRES | |
| 215/75 R17,5 NR 201 | Light commercial vehicles and small class buses |
| 245/70R19,5 NF-201 | Medium duty trucks and small class buses (steering axis). |
| 245/70R19,5 NR-201 | Medium duty trucks and small class buses (driving axle) |
| 285/70R19,5 NR201 | Medium duty trucks |
| 295/80R22,5 NF-201 | Suburban and intercity buses, long-haul trucks (drive axle) |
| 315/60R22,5 NF-201 | Long-haul tractors (steering axle) |
| 315/60R22,5 NR-201 | Long-haul tractors (driving axle) |
| 315/70R22,5 NF202 | Long-haul tractors (steering axle) |
| 315/70R22,5 NR202 | Long-haul tractors (driving axle) |
| PASSENGER CARS AND LIGHT-TRUCK TIRES | |
| 175/70R13 HK-132 | VAZ, Hyundai Accent, Chevrolet Aveo, Daewoo Nexia |
| 175/70R13 HK-519 | |
| 175/65R14 HK-132 | VAZ, Hyundai Getz, Chevrolet Lanos, Fiat Grande Punto, Peugeot 206, Ford Fiesta |
| 175/70R14 HK-519 | Nissan Almera, Citroen Berlingo, Fiat Doblo, Fiat Albea, Opel Combo, Hyundai Accent, VW Polo, RIO |
| 175/70R14 HK-132 | |
| 185/60R14 HK-519 | VAZ, Chery Amulet, Chevrolet Aveo Lanos, Daewoo Nexia, Volkswagen Golf Polo, Skoda Fabia, Renault Clio, Lancia Y, Fiat Punto, Skoda Fabia |
| 185/60R14 HK-132 | |
| 185/65R14 HK-132 | Kia Spectra, Hyundai Matrix, Hyundai Accent, Hyundai Elantra, Peugeot 306, Fiat Panda |
| 185/70R14 HK-132 | Renault Logan, Opel Astra |
| 185/65R15 HK-519 | Fiat Stilo, Ford Focus, Citroen C4, Citroen C5, Peugeot 307, Peugeot 406, Volkswagen Bora, Volkswagen Passat, Renault Laguna, Lancia Y, Opel Zafira, Mercedes B class, Mercedes C class, Mercedes E class, Skoda Octavia, Volvo S60 |
| 195/65R15 HK-132 | |
| 205/65R15 HK-519 | Ford Focus, Citroen C4 Picasso, Peugeot 806, 607, Rover 75, Renault Espace, Volvo S80, Saab 5, Saab 9, BMW 5 series, Mercedes E class, Kia Carens, Hyundai Sonata |
| 205/65R15 HK-132 | |
| 205/60R16 HK-519 | Mitsubishi Lancer, Chevrolet Epica, Audi A6, BMW 5-series, Mercedes E class, Peugeot 407 |
| 205/60R16 V-521 | |
| 205/65R16 V-521 | Nissan Teana, Honda CR-V |
| 225/45R17 V-130 | AUDI A3 (3.2 Quattro), BMW 3-series, Cadillac 815, Lexus IS250, Mercedes C-class, SL-class, |
| 225/45R17 V-521 | |
| 225/65R17 V-237 | Chevrolet Captiva, Nissan Patrol Pathfinder, Suzuki Grand Vitara, Honda CRV, Kia Carnival, Mazda Tribute 2000-2007, Lexus RX300 1997-2006 Toyota RAV4 New |
| 235/55R17 V-237 | Ford Kuga, Volvo XC70, VW Tiguan |
| 195/75R16C HK-131 | Iveco Daily |

Reconstruction of workshops along with the carbon black production infrastructure development is carried out at OAO "Nizhnekamsktekhuglerod" at present. The effect expected shall result in increasing the carbon black production to 134 thousand tons per year, improving quality and reducing operating costs for the production of carbon black.

Tire Production

The Company's petrochemical enterprises produced 11 million pieces of tires during the year under review, including 190 thousand pieces of modern solid-steel cord tires. Thus, the Company manufactured 26% of the total production of tire products maintaining the leading position in the Russian tire manufacturing industry branch.

OOO "Kama" Trade house, part of the petrochemical complex of OAO TATNEFT, acts as a master distributor of tire products and carbon black. Total sale of tires exceeded 10.8 million pieces by the results of 2011. The sold products portfolio includes 181 tire models for various purposes, namely:

- Passenger car tires – 97;
- Light truck tires – 14;
- Multiple-purpose truck tires – 32;
- SSC truck tires – 21;
- Agricultural – 13;
- Industrial – 4.

The range of tire products is presented by three trademarks:

- 1) Kama – budget segment;
- 2) KAMA EURO – mid-price segment;
- 3) Viatti – premium segment.

Currently there is a project at the stage of preparing a business plan for the further modernization of the mass tire factory of OAO "Nizhnekamskshina". Implementation of the Pirelli company technology replication project will allow producing high-performance "Kama-Euro" radial tires in the amount of up to 2,860 thousand pieces per year. The project "Steam curing mode in manufacturing of passenger and light truck tires" was implemented at OAO "Nizhnekamskshina" in 2011. It provides for the rejection of superheated water for tires vulcanization and switching to steam heating of diaphragms. This allowed significantly reducing energy consumption and reducing the consumption of steam. Application of steam resulted in shortening the curing processes and as a consequence resulted in increasing the capacity of vulcanizing equipment. The production output has increased by 500 thousand tires per year. Also the project "Use of standard universal tires in the passenger car and light truck production" was implemented in 2011, which provides for the introduction of universal half-way products and standard tires for specific sizes reducing the consumption of raw materials, as well as reducing the mass of certain tire models and reducing the waste amount.

A strategic project is establishment of the radial truck and bus tires with solid steel cord production. The project aims to at taking a share of the Russian market segment of the solid steel cord tires production to meet the needs of the domestic market and enter the foreign market. Production of the solid steel cord tires on the off-take basis for needs of Continental Company was started. The tires are sold not only in the domestic market of Russia, but they are also exported to Europe. The Company was visited by a group of auditing consultants of Daimler Company in 2011 for the purpose of assessing the possibility of delivering SSC tires for the assembly of "Mercedes-Benz" trucks. The consultants highly praised the level of the factory's technologies, and finally recommended to the management of Daimler to consider the factory as a potential supplier of tires.

THERMOELECTRIC POWER

The Company continued developing a new business sector "Teploelektroenergetika" (Heat and Power Energy), which includes Nizhnekamsk TPS and Almetyevsk heat networks in 2011. In the current period the acquired facilities are in the process of retrofitting with application of innovative equipment. The own generating capacity will provide in future a guaranteed and uninterrupted source of supply in full volume for production facilities of the Company, including TANECO Complex, "Nizhnekamskshina", "NZSH SSC", crude oil production, municipal housing and utility facilities, as well as the needs of external customers in heat and electricity while significantly reducing costs.

Nizhnekamsk TPS

OOO "Nizhnekamsk TPS" provides heat and electricity for the Nizhnekamsk industrial complex and the city of Nizhnekamsk.

The installed electric power capacity of "Nizhnekamsk TPS" is defined as the sum of all the installed turbine-generator trains, and currently it generates the power in the amount of 380 MWt and heat in the amount of 1,580 Gcal/h.

The consumers of the thermal energy are as follows: "Nizhnekamskneftekhim", OAO "TANECO" and the city of Nizhnekamsk – heat (hot) water.

The amount of 1,405,406 thousand kWh of electricity was generated in 2011. The total electricity generation increased by 9% versus the previous year. At the same time co-generation decreased by 4.8% amounting to 69.8%. The increase in condensing power generation was primarily due to the operation of the station at the wholesale electricity market.

Heat was delivered in the amount of 2,990,333 Gcal during the 2011. The total heat energy output decreased by 3.8% versus the previous year. This decrease is associated with a decrease of heat delivery with 15 and 30 atm steam to OAO "NKNKh."

The TPS applies the following approaches for the purpose of optimizing the cost of electricity for own needs: optimal distribution of load between the boilers and turbines and optimal work distribution of the TPS support equipment providing for the possibility of regulating the range of electric and thermal loads to allow the most economical operation of the equipment.

On the whole all this allowed achieving good results in terms of specific fuel consumption in 2011:

- Specific fuel consumption for the sold electricity amounted to 299.3 g/kWh, which was lower than the standard by 1.6 g/kWh and lower than the last year's level by 26.1 g/kWh.
- Specific fuel consumption for the heat sold amounted to 140.7 kg/Gcal, which was lower than the standard by 1.1 kg/Gcal, and higher than last year at by 0.6 kg/Gcal.

The increase in the specific fuel consumption for the heat delivered was due to the increase in 45 atm steam delivery to OAO "TANECO" through BROU almost 2.5 times compared to 2010.

Reduction of the specific fuel consumption in 2011 relative to the normative values resulted in saving 5,088 tons of standard fuel.

The structure of fuel combustion in 2011 amounted to 1.5% wity the total natural gas consumption in the amount of 682.312 million m³.

To ensure reliable energy supply sources for consumers of the Nizhnekamsk industrial hub the work is performed on a continuous basis at the TPS facilities to implement the maintenance program of basic and auxiliary equipment of the thermal power station. All scheduled maintenance work has been carried out in full.

Continuous work is performed to implement programs of technical re-equipment and modernization of existing facilities. All these programs are primarily aimed at improving the technical and economic characteristics of the main and auxiliary equipment as well as at improving reliability and competitiveness at the electricity market.

The investment program plans last year provided for application of capital investment amounting to 170 million rubles and commissioning of fixed assets amounting to 155 million rubles, while the actually realized investments amounted to 167.2 million rubles, which accounted for 98.4% of the annual plan. Savings resulted from the process of procurement procedures carried out for cutting down the tender equipment cost.

Revenues from sales of the main production amounted to 3,490 million rubles in 2011. Gross proceeds from the sale of heat energy amounted to 1,730 million rubles (49.6% of the proceeds from the sale of primary products).

Including:

- sale of heat energy in the form of steam and hot water – 1,580 million rubles.
- sale of the heat-carrying agent – 150 million rubles.

Gross proceeds from the sale of electric energy and power exercised at the Wholesale Market of Electrical Energy/Power, amounted to 1,761 million rubles (50.4% of the proceeds from the sale of primary products), including reselling of purchased electricity for fulfillment of free agreements. Including:

- sale of electricity – 1,441 million rubles.,
- sale of power – 320 million rubles.

The production activity profitability of OOO "Nizhnekamsk TPS" was 9.4%. Including:

- Production profitability of electricity accounted for 15.2%;
- Production profitability of heat accounted for 3.4%;
- Profitability of non-return condensate production accounted for 14.2%.

Net profit of "Nizhnekamsk TPS" activity for 2011 amounted to 191.8 million rubles.

Small-Scale Power Generation (Almetyevsk Heat Networks)

By the results of operation in 2011 the production of heat energy by the small-scale enterprises amounted to 805.1 thousand GCal. This amount included heat deliveries to TATNEFT Group enterprises in the amount of 21.4 thousand Gcal (3.1% of sales). Specific fuel consumption for heat supply totaled 161.7 kg.u.t. / Gcal, which corresponds to the standards. Specific power consumption for the delivered heat energy was 13.4 kWh/Gcal, which was within acceptable limits. Actual revenues from sales of thermal energy amounted to 849 million rubles. The total cost of heat production for 2011 amounted to 895.3 million rubles. In the cost structure of required energy the major share (67.5%) falls on energy carriers, including gas – 43.2%, electric power – 15.4%, water and water removal – 8.9%, wages 16%, with deductions, depreciation – 6.3% and other – 10.2%.

Corporate Management

CORPORATE MANAGEMENT SYSTEM

The Company's corporate management is based on its strategic priorities and it aims at providing effective performance mechanisms for achieving the objectives outlined by the shareholders, securing the Company's financial stability, investment attractiveness and shareholders' value and its economic growth. OAO TATNEFT implements the corporate management transparency principle enabling the shareholders and all interested parties to objectively assess the Company's activity.

The competence of the Company's management bodies is clearly delimited and fixed by the Articles of OAO TATNEFT, as well as the following internal documents: Provision on the General Meeting of the Company's Shareholders, Provision of the Board of Directors, Provision on the Management Board, Provision on the General Director, provision on the Audit Commission and Provisions on the Committees of the Board of Directors.

The General Meeting of the Company's Shareholders delegates general management of the Company's activities to the Board of Directors. There are three independent directors in the composition of the Board of Directors. There are committees under the Board of Directors on corporate management, information disclosure, human resources and remuneration and auditing.

The Board of Directors formed and approved the Insider Information Protection Committee in 2011.

General Director is a Chief Executive officer of the Company, while the Management Board headed by General Director is a collegial Executive Body of the Company. General Director and the Management Board are accountable to the Board of Directors and to the General Meeting of the Shareholders.

Powers for activities and responsibility areas are distributed among the members of the Board of Directors and the Management Board, including General Director Deputies. A system of the senior management motivation is applied to ensure the effective management of the Company.

The Audit Commission oversees performance of financial and economic activities of the Company. Verification of financial and economic activities of the Company is performed by the external auditor elected by the General Meeting of Shareholders.

OAO TATNEFT focuses on advanced standards of the corporate management and best practices, constantly improving the processes of strategic and investment planning, internal control and risk management, as well as human resources policy.

The procedure for information disclosure in OAO TATNEFT is provided in accordance with applicable laws and requirements of the stock market and it is regulated by the Provision on

Information Policy and Regulations on the use of the insider information and the procedure of providing information on transactions with securities approved by the Board of Directors.

The basic principles of the Company's information policy are fairness, equality of rights, timeliness and accuracy for all share-

holders, investors and other interested parties, as well as confidentiality compliance.

The Company forms a constructive relationship with governmental authorities, regional and local governmental authorities, as well as with partners and contractors.

Activities of OAO TATNEFT's Board of Directors Committees

The committees work in close cooperation with the Board of Directors mutually coordinating their activities and within the competence entrusted they render assistance to the Company's executive bodies: Management Board and Executive Directorate, as well as the Internal Audit Department and the Corporate Control Department.

Corporate Management Committee

The Corporate Management Committee has been a standing committee of the Board of Directors since 2004 and it is authorized to render assistance to the Board of Directors of OAO TATNEFT in improving the Corporate Management system and mechanisms in the Company and providing for interaction of the concerned parties on the corporate issues.

Members of the Corporate Management Committee in 2011
CHAIRMAN:

Viktor I. Gorodny – member of the Management Board of OAO TATNEFT, Deputy General Director, Head of Property Department of OAO TATNEFT, Deputy Chairman of the Information Disclosure Committee, Doctor of Economics.

MEMBERS OF THE COMMITTEE:

Rais S. Khisamov – member of the Board of Directors and the Management Board of OAO TATNEFT, Deputy General Director – Chief Geologist of OAO TATNEFT, Doctor of Geological and Mineralogical Sciences.

Rinat K. Sabirov – member of the Board of Directors of OAO TATNEFT, Assistant to President of the Republic of Tatarstan, member of the HR and Remuneration Committee, Candidate of Chemical Sciences.

Valery D. Ershov – member of the Management Board, Head of Legal Department of OAO TATNEFT.

Rustam M. Khisamov – Head of securities section of the Property Department of OAO TATNEFT, PhD, Economics.

Valisiy A. Mozgovoy – Assistant to General Director of OAO TATNEFT, Corporate Finances.

Main Activity Areas of the Corporate Management Committee in 2011

1. Analysis of OAO TATNEFT capitalization dynamics and activities aimed at ensuring the capitalization growth.
2. Analysis of current state and prospects of the international stock market development.

3. Coordination of cooperation activities with the Company's shareholders. Preparation and facilitation of implementing the Plan of working with shareholders and investors.
4. Working out measures to ensure fulfillment of the law on the insider information protection.
5. Providing recommendations with regard to the Audit Committee assessment of the Auditor's Opinion.
6. Recommendations for introduction of Amendments to the Corporate Behavior Code and other corporate documents in order to improve the mechanisms of interaction between corporate structures.
7. Participation in the development of measures to improve the level of corporate management in the Company through changes in the foundation documentation.
8. Assistance to the executive bodies in the formation of the corporate standards of TATNEFT Group management.
9. Assistance to the Board of Directors with regard to information disclosure procedure in accordance with applicable laws and stock market regulators requirements.

HR and Remuneration Committee

The HR and Remuneration Committee was established in 2004 to assist the Board of Directors in creating conditions to attract highly skilled professionals to the management of the Company and providing necessary incentives for their efficient work.

Members of the HR and Remuneration Committee in 2011:

CHAIRMAN:

David William Waygood, member of the Board of Directors of OAO TATNEFT, Independent Director, Director of Waygood Ltd.

MEMBERS OF THE COMMITTEE:

Sushovan Gosh, member of the Board of Directors of OAO TATNEFT, Managing Director of SGI Group LTD.

Rinat K. Sabirov, member of the Board of Directors of OAO TATNEFT, Assistant to President of the Republic of Tatarstan, member of the Corporate Management Committee.

Main Activity Areas of the HR and Remuneration Committee in 2011

1. Preparation of recommendations for remuneration of the Company's personnel according to the results of 2011.
2. Reviewing the standards system applied in the work of OAO TATNEFT personnel services.
3. Formulation of proposals on the system of training and retraining of OAO TATNEFT workers
4. Consideration of measures to strengthen labor discipline and reduce the employees' turnover at OAO TATNEFT.

Audit Committee

The Audit Committee has been a standing committee of the Board of Directors of OAO TATNEFT since 2004. The mission of the Committee is rendering assistance to the Board of Directors in exercising control of authenticity of OAO TATNEFT financial reports, providing independent audit, functioning of the internal audit system of the Company, as well as compliance with regulatory and legal requirements.

Members of the Audit Committee in 2011

CHAIRMAN:

Sushovan Ghosh, member of the Board of Directors, Managing Director of SGI GROUP, member of the HR and Remuneration Committee.

MEMBERS OF THE COMMITTEE:

David William Waygood, member of the Board of Directors, Director of Waygood Ltd, Chairman of the HR and Remuneration Committee;

Mariya L. Voskresenskaya, member of the Board of Directors, Director of Brent Cross Ltd.;

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

Main Areas of Activity of the Audit Committee in 2011:

1. Coordination of the external auditor PricewaterhouseCoopers and the Internal Audit Department operation.
2. Proposals to ensure timely and accurate financial statements of OAO TATNEFT for 2011.
3. Assistance to ensure timely implementation and supervision of an independent external Company's financial statements audit. Audit of the Company's financial statements for 2011 according to generally accepted accounting principles of the United States (U.S. GAAP) and quarterly review of the U.S. GAAP reporting.
4. Regular review of OAO TATNEFT's Internal Audit Department reports and working out proposals to improve the internal audit function and interaction with the external auditors.
5. Work on implementation of International Financial Reporting Standards (IFRS), which will be applied in 2012.

Information Disclosure Committee

The Information Disclosure Committee has been a standing committee of the Board of Directors since 2004.

Members of the Information Disclosure Committee in 2011:

CHAIRMAN:

Vladimir P. LAVUSHCHENKO, member of the Board of Directors, member of the Management Board, Deputy General Director of OAO TATNEFT, Economics, Doctor of Science, Economics

DEPUTY CHAIRMAN:

Viktor I. GORODNY, member of the Management Board, Deputy General Director, Head of the Property Department of OAO TATNEFT, Head of the Corporate Management Committee, Doctor of Science, Economics

MEMBERS OF THE COMMITTEE:

Vladlen A. VOSKOBOYNIKOV, member of the Management Board, Head of the Consolidated Financial Reporting Department of OAO TATNEFT

Yevgeny A. TIKHTUROV, member of the Management Board, Head of the Financial Department of OAO TATNEFT

Valisiy A. Mozgovoy – Assistant to General Director of OAO TATNEFT on corporate finances Danil V. Danil V. VOLKOV, Assistant to Chairman of the Board of Directors of OAO TATNEFT

Aleksandr T. YUKHIMETS, member of the Management Board, Secretary of the Board of Directors of OAO TATNEFT

Marat M. Sharafutdinov – Deputy Manager of Securities Office, Property Management of OAO TATNEFT (up to November 2011)

Nuriya Z. VALEYEVA, Head of Technical and Economic Information and Advanced Experience Extension Office

Main Activities of the Information Disclosure Committee in 2011

1. Control for procedures to ensure disclosure of the information on all activities of the Company.
2. Formation and approval of press releases on obligatorily and voluntarily disclosed facts (259).
3. Coordination of the plan for interaction with the shareholders and investors in 2011.
4. Control and coordination of the following bodies operation:
 - editorial board of TATNEFT integrated web portal;
 - Technical and Economic Information Office of OAO TATNEFT;
 - unified information and analytical center of TATNEFT Group.

5. Work coordination of corporate mass media "Neft i Zhizn", "Neftyanye Vesti" and "Khazine" and large circulation newspapers, improvement of communication with external mass media.
6. Further development of the Photobank.
7. Development of the corporate site: the Company's Internet Portal.
8. Creation and operation coordination of the sub-portal "Chemistry for the Benefit" dedicated to the International Year of Chemistry in 2011.
9. Development of a corporate electronic media resource "Neftyanaya Gazeta" (Oil Newspaper). Work on bringing the newspaper into the external environment: to the Internet Portal of the Company.

Ensuring the Insider Information Protection

During 2011 came into force in stages Federal Law № 224-FZ "On Countering misuse of insider information and market manipulation, and amending certain legislative acts of the Russian Federation", which applies to OAO TATNEFT in terms of compliance with the obligations of the Issuer:

- insiders list maintenance,
- informing the insiders of the Law requirements,
- disclosure of the insider information in the prescribed manner,
- notification of the insiders on the inclusion in the insiders' list,
- handing over the insiders' list to trading organizers of the Federal Financial Markets Service

For the purpose of abiding with the Law:

1. The Board of Directors appointed the official responsible for supervision of compliance with the Law
2. The Board of Directors produced and approved the following document:
 - Regulations of access to the insider information of OAO TATNEFT and the rules of confidentiality compliance.
 - Terms of monitoring compliance with the requirements of the Russian legislation on combating misuse of the insider information and market manipulation,
 - The list of information relating to the insider information.
3. The Board approved the list of the insiders of OAO TATNEFT, and the insider information media were notified of their inclusion into the list of the insiders as well as an informative warning prohibiting dissemination of the insider information
4. Insider Information Protection Committee was established

Members of the Committee:

CHAIRMAN:

I.R. Bariev – Deputy Head of Economic Security Department – Head of Information Security Office.

MEMBERS OF THE COMMITTEE:**V.D. Ershov** – Head of Legal Department;**R.M. Khisamov** – Head of Securities Office, Property Department;**R.Sh. Yamilov** – Head of New Structures Office, Property Department;**V.A. Mozgovoy** – Assistant to General Director on Corporate Finance;**P.A. Glushkov**, – Head of International Law Office, Consolidated Statements Department;**R.R. Khamadjarov** – Head of Personnel Office.**COMPANY'S ACTIVITY
AT THE SECURITIES MARKET**

TATNEFT Company is presented at the domestic and international stock markets. Ordinary and preferred shares quoted in first level "A" list are traded at the combined RTS – MICEX stock exchange. Current annual trade volume exceeds 88.5 billion (2.8 billion U.S. dollars).

Over 639 million ordinary shares or 29% of the share capital have been deposited for conversion into the Global American Depositary Receipts (1DR: 6 shares). The annual OAO TATNEFT Global American depository receipts trade volume exceeds \$4.6 billion at the London Stock Exchange

Recovery of OAO TATNEFT shares trade volumes after the economic crisis of 2008 to 2010 started in 2011 at the RTS/ MICEX and LSE. The annual OAO TATNEFT Global American depository receipts trade volume in the Xetra trade system, which

is a part of the Deutsche Börse AG Group amounted to Euro 10 million. Since 2009 and the ADR have been traded at the organized market of the U.S. OTC Markets Group – Pink Sheets.

**INTERACTION WITH SHAREHOLDERS
AND INVESTORS**

The holders of OAO TATNEFT shares are over 50,000 shareholders taking into account. Geography of the shareholders covers the territory of Russia (the bulk of the shareholders), America, Australia, Europe and Asia, including 32 countries: Austria, Kuwait, Northern Ireland, Sweden, United Arab Emirates, Cyprus, Canada, Singapore, etc.

The Company guarantees the observance and protection of the shareholders' rights.

OAO TATNEFT's activities at the securities market is regulated by the current legislation and the requirements of the stock market regulators. The functions of the corporate center to work with OAO TATNEFT securities and interaction with the shareholders are concentrated at the Property Department (Securities Office).

The Company has a Provision in force for interaction with the shareholders. All appeals of the shareholders are promptly reviewed. There were over 400 such appeals in 2011 and in accordance with the law a response was provided for each such appeal.

The Company sees the harmonious combination of common interests, mutual respect, trust, responsibility and observance of legal rights and responsibilities of each party at the heart of its relationship with the shareholders.

RTS-MICEX stock exchange trade volume (bln rubles)

| COMPANY | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------|--------------|-------------|-------------|-------------|-------------|
| Lukoil | 1,418.6 | 1,601.2 | 993.2 | 758.8 | 976.3 |
| Rosneft | 409.1 | 649.9 | 662.2 | 706.9 | 782.9 |
| Surgutneftegaz | 756.7 | 525.4 | 318.1 | 226.6 | 293.9 |
| Tatneft | 157.6 | 96.7 | 73.0 | 51.0 | 88.5 |
| Gazpromneft | 52.4 | 56.9 | 44.6 | 31.0 | 25.7 |

LSE trade volume (bln dollars.)

| COMPANY | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------|------------|------------|------------|------------|------------|
| Lukoil | 59.6 | 34.0 | 19.7 | 33.7 | 71.9 |
| Rosneft | 13.0 | 16.0 | 11.7 | 21.1 | 36.2 |
| Surgutneftegaz | 22.6 | 6.3 | 2.7 | 3.3 | 6.9 |
| Tatneft | 2.4 | 1.7 | 1.2 | 1.9 | 4.6 |
| Gazpromneft | 0.5 | 0.5 | 0.4 | 0.6 | 0.9 |

Principles of Interaction with Shareholders

Guaranteed equal ensuring and observance of legal rights and interests of all shareholders of the Company, regardless of the number of shares they own, as set out by applicable laws of the Russian Federation, requirements and recommendations of stock markets regulators, where the shares of the Company circulate.

Continuous interaction between the Company's management and all shareholders in order to manage the Company effectively and ensure its sustainable and dynamic development.

Continuous improvement of existing and development of new mechanisms and forms of interaction with the shareholders and potential investors, which would increase efficiency and quality of interaction with the shareholders, taking into account emergence of new shareholders and formulation of further goals by the shareholders.

Identification and resolution of all possible general and specific issues related to enforcement of the shareholder rights.

Taking all necessary and possible measures in case of a conflict between the Company's bodies and its shareholder(s), as well as between the shareholders, if the conflict affects the interests of the Company, to fully settle the conflict and to create an environment that would prevent the conflict in the future.

Procedure of Ensuring Interaction with Shareholders

The Company provides equal opportunities for shareholders through:

- 1) Procedure of holding the General Meeting of Shareholders, which guarantees equal opportunities to all participants of the meeting to take part in discussing the meeting issues and express their opinions.
- 2) Developing and improving corporate mechanisms aimed at informing the shareholders of all significant events of the Company in full volume in accordance with all applicable requirements of information disclosure.
- 3) Election of the Board of Directors members, General Director and Management Board members of the Company in accordance with the transparency policy stipulating provision of the relevant information on each nominee to the shareholders.
- 4) Prohibition of transactions with the use of insider and confidential information.
- 5) Providing by the Board of Directors, General Director and members of the Management Board of the information on transactions in which they can be recognized as stakeholders.
- 6) Application of all available modern communicative means to ensure the most effective and efficient communication with all shareholders, regardless of any remoteness of the shareholders from the Company's location.

The Company's shareholders exercise their rights and responsibilities and participate in the activities of the Company under applicable law, as well as on the basis of voluntary initiatives aimed at improving the management and operations of the Company. The shareholders should proceed in their actions taking into account the interests of the Company and not take any actions that are contrary to the interests of the Company. Execution of all their duties in a timely manner and in full volume by shareholders will enable the Company to ensure implementation of all legal rights of the shareholders.

The Company provides for prompt review of all shareholders' appeals received in the written or electronic form or made personally and responds in a timely and appropriate manner.

In case of the shareholders' problems identification (violations of the shareholders' rights and conflict emergence), the Company takes immediate measures to address these problems, analyzes the circumstances that led to their emergence and organizes efficient mechanisms to resolve them.

The Company makes no exceptions in reviewing all facts regarding violations of the shareholders' rights and taking necessary steps to address them, as well as measures to prevent re-emergence of such violations in the future.

The Company considers it vital to maintain a constructive dialogue between the shareholders and the management of the Company to achieve the highest performance of activities.

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

In order to avoid the abuse by members of the governing bodies and the management (insiders) of their privileged position as compared with the shareholders, the Company has adopted governing standards for treatment of the insider information: Regulations of the Use of Insider Information and Procedures of Informing on Transactions with Securities.

Realization of tasks concerning the observance of the shareholders' rights and control of their implementation are provided by respective bodies of the Joint-Stock Company:

- Board of Directors: general control of the main procedures for the protection of the shareholders' interests;
- Committees of the Board of Directors:
 - Information Disclosure Committee: transparency procedures observance control.
 - Audit Commission: general control of financial and economic activities of the Company and economic transactions during a certain period of time.

The following internal Company's structures provide current audit of all executed financial and economic transactions for their conformity with the plan and established transaction procedure: Corporate Control Department, Internal Audit Department and Revision Department.

The Company cooperates with Russian and international investment/analytical and rating agencies in order to promote understanding of strategic moves and current Company's activities. At the same time TATNEFT uses the experience of leading analytical structures to improve the corporate arrangements.

The list of constant interaction includes: Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley, UBS, Renaissance Capital, Troika Dialog, RBC, Interfax and others. Totally there are more than 100 companies and agencies.

Monitoring and analysis of industry and stock indices (external drivers), as well as monitoring the corporate capitalization indicators are performed on an ongoing basis.

DIVIDENDS PAYMENT*

The dividend policy of OAO TATNEFT provides for a consistently high level of dividends at 30% rate of the net profit under RAS (27% of consolidated net income) exceeding the level of the other companies.

The dividend policy of TATNEFT is defined by the Federal Law "On Joint Stock Companies" and the Company's Articles. In accordance with the Articles, the preferred shares owners are entitled to a fixed annual dividend of 100% of the shares nominal value, unless otherwise decided by the general meeting of shareholders (Article 5.4). The decision on the amount of dividends on ordinary shares is taken by the general meeting of shareholders following the Board of Directors recommendation.

In 2011, according to the results of TATNEFT's activity in 2010, the total amount of dividends for preferred and ordinary shares amounted to 11.7 billion rubles or 30% of the net profit. The dividend rate charged per 1 share amounted to 5.02 rubles (502 % of the share face value).

The dividends profitability with regard to the market cost of ordinary shares amounted to 3.17 % by the end of 2011.

MANAGEMENT OF TATNEFT GROUP

OAO TATNEFT is a parent company of TATNEFT Group. The Group status, its management forms and relations between the participants of the Group are regulated by the Provision on TATNEFT Group approved by the Board of Directors of OAO TATNEFT.

The management organization of subsidiary and affiliated companies is performed as follows:

- in the event of prevailing participation in the authorized capital of these companies through the subsidiary management bodies subject to an appropriate entry in the founding documents;
- Management Companies of the Group through conclusion of contracts between these companies and other economic entities of the Group for assignment of the Executive Directorate functions to the Management Companies.
- Other ways envisaged by the legislation of the Russian Federation.

Management organization of TATNEFT Group is based on a single mission and priorities of development subject to equitable interests of all members of the Group.

Composition and indices of financial and economic activities of TATNEFT Group are reflected in the consolidated reporting by US GAAP standards on a quarterly basis.

ASSETS MANAGEMENT

Formation of the Company's assets structure is made in accordance with the strategic decisions of the Board of Directors and the targeted corporate program to improve the efficiency of production management and strengthen the economic and financial condition of OAO TATNEFT for the period and it is generally aimed at ensuring the Company's capitalization growth.

The strong sides of the Company are: availability of reserves, stable production volume, experience of mature oil fields' operation, oil and gas potential of TANECO, innovatively focused engineering and technology policy (NMA portfolio), and the investment portfolio structure. During 2004-2010 period there

| SHARE TYPE | 2007 | | 2008 | | 2009 | | 2010 | | 2011* | |
|------------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | % OF THE FACE VALUE | DIVIDEND AMOUNT | % OF THE FACE VALUE | DIVIDEND AMOUNT | % OF THE FACE VALUE | DIVIDEND AMOUNT | % OF THE FACE VALUE | DIVIDEND AMOUNT | % OF THE FACE VALUE | DIVIDEND AMOUNT |
| Ordinary shares | 565% | 5.65 | 442% | 4.42 | 656% | 6.56 | 502% | 5.02 | 708% | 7.08 |
| Preferred shares | 565% | 5.65 | 442% | 4.42 | 656% | 6.56 | 502% | 5.02 | 708% | 7.08 |

* amount of dividends recommended by the Board of Directors for decision-making by the Meeting of the Shareholders

was a qualitative strengthening of diversified assets structure and replacement of non-core assets with the core business ones. In general, the assets increased more than 2-fold. Consolidated assets amounted to more than 627.8 billion rubles at the end of the year under review.

Single Corporate Center for Assets Consolidation and Property Complex – The Property Department of OAO TATNEFT distributing the functions of accounting, legal protection and control of movable and immovable property for the internal corporate center is the Department of Lease Relations and OOO "Tatneft-Active", which is the external corporate center.

In 2011, there were real estate beneficially owned properties in the amount of 7,732 million rubles on the balance sheet of OAO TATNEFT. Consolidation of assets registered on the balance sheets of the Department of Lease Relations and OOO "Tatneft-Active" ensure effective use of the property, timely, state registration, and control maintenance of the property rented out. The work was carried out during the year under review for selling of unused and underutilized property, released in the process of restructuring (industrial bases, real estate facilities), gratuitous transfer of social amenities and the infrastructure associated.

Selling of the under-utilized and unused property provides for an additional cash flow and reduces costs for maintenance of the property complex. During the 2011 structural divisions sold unclaimed property for 698 million rubles worth. Payments for the property rented out during the reporting year amounted to 1.637 billion rubles.

Intangible Assets & Intellectual Property

The Company has formed a single register of intangible assets, which is maintained it on a continuous basis for their utilization and legal support.

OAO TATNEFT offers its research and production developments and technologies to third-party companies on a reimbursable basis, and also makes contribution in the form of intangible assets into the authorized capital of newly established enterprises.

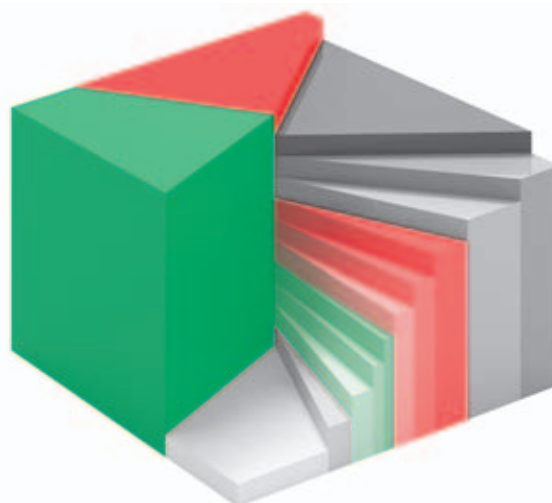
As of January 1, 2012, the number of intellectual property objects amounted to 1,665 units, of which a greater proportion (94%) falls on technological assets applied in production activities. 10,852 rationalization proposals were implemented into production in 2011 with the economic effect of the introduction of inventions, utility models and rationalization proposals amounting to 5,189.3 million rubles, while 230 applications for patents for inventions and utility model certificates were submitted.

Revision of time span for useful application and depreciation rates of intangible assets is related with the duration of the period for receiving future economic benefits and increasing cost-effectiveness of OAO TATNEFT activity in general.

License agreements were concluded with subsidiaries and management companies on usage of inventions and utility models for the total amount of income exceeding 53 million rubles.

A strategy of intellectual property protection has been elaborated for successful development of the Company

CLASSIFICATION OF INTELLECTUAL PROPERTY OBJECTS BY ACTIVITY TYPES



| | | | |
|--|-----|--------------------------|----|
| Wells workover | 23% | Oil and gas treatment | 3% |
| Fields development | 22% | Geology | 2% |
| Oil and gas production | 22% | EOR | 2% |
| Well drilling | 12% | Automation (IT) | 2% |
| Formation pressure maintenance | 4% | Mechanics | 2% |
| Corrosion control and environment protection | 4% | Power engineering | 1% |
| | | Collection and transport | 1% |

PROGRAM OF INCREASING PRODUCTION MANAGEMENT EFFICIENCY AND STRENGTHENING OF OAO TATNEFT FINANCIAL AND ECONOMIC STATUS FOR THE PERIOD OF 2008-2015

Main results of the Program for the Reported Period:

| DESCRIPTION | RESULTS OF 2011 |
|--|---|
| 1. SOLVING THE TASK OF CRUDE OIL PRODUCTION INCREASE AND RESERVES STOCK GROWTH WAS ACHIEVED THROUGH PERFORMANCE OF THE FOLLOWING ACTIVITIES: | |
| Maintaining of the oil production level achieved | Volume of produced oil by OAO TATNEFT amounted to 25.9 million tons in 2011 accounting for an increase in the amount of 65 thousand versus the level of 2010 |
| Maintaining of annual drilling volumes | Volume of production and exploration drilling amounted to 535 thousand meters. |
| Geological survey and field development in new territories outside the Republic of Tatarstan | Volumes of oil production from deposits outside the Republic of Tatarstan in the Russian Federation amounted to 265.8 thousand tons in 2011. 28 new wells were drilled. 2 new fields were discovered by TATNEFT Holding. According to the assessment of Miller and Lents independent Company the proved reserves of OAO TATNEFT amounted to 869.5 million tons. |
| Production of bituminous oil (development of extra-viscous oil fields) | 41.5 thousand tons of extra-viscous oil was produced from Ashalchinskoye field in 2011. Total production rate for the area amounted to 147 tons of oil per day by the end of 2011. 106.78 thousand tons of oil was produced from the beginning of the pilot field development operations. |
| 2. IMPLEMENTATION OF THE COMPLEX PROGRAM TO FURTHER INCREASE OF ASSOCIATED PETROLEUM GAS UTILIZATION | |
| Engineering design of associated petroleum gas collection and utilization facilities | The volume of associated petroleum gas in the reported period amounted to 790.4 million cubic meters. |
| Reconstruction of the Minnibaev Gas Refinery for the purpose of increasing the ethane production to 140 thousand tons per year. | Introduction of crude oil heating furnaces operated with associated petroleum gas at Bastryk and Novo-Suksinskaya crude oil treatment plants at NGDU Prikamneft and at the facilities of NGDU Nurlatneft. Construction of gas engine generator plants was continued at Yelabuga crude oil treatment plant of NGDU Prikamneft. Pilot operations are in progress on introduction of gas engine generator plants at the facilities of NGDU Yamashneft. Construction of the associated petroleum gas gathering system from the facilities of NGDU Almetyevneft and NGDU Aznakaevskneft. |
| 3. DEVELOPMENT AND APPLICATION OF NEW EQUIPMENT AND TECHNOLOGIES IN DRILLING AND OIL PRODUCTION | |
| Drilling of horizontal wells, downhole splitters, side tracking jobs with drilling of laterals and horizontal wellbores, drilling of slim hole wells | 4 downhole splitter wells were drilled and put on production in 2011 with an average production rate of 12.6 tons per day. 74 side tracking jobs and horizontal wellbore drilling were performed with the average production rate amounting to 6.5 ton per day. 63 slim holes with an average production rate of 6.8 ton per day were drilled. All in all 204 slim holes were drilled from the beginning of the activity. The average production rate of new wells amounted to 8.6 tons per day in 2011. The technology of the conductor drilling and casing before the arrival of the drilling crew was developing. 377 conductors were drilled and cased with application of this technology in 2011. An average saving amounted to 441 thousand rubles for one conductor compared to conventional drilling. |

Main results of the Program for the Reported Period:

| DESCRIPTION | RESULTS OF 2011 |
|---|---|
| Implementation of sucker-rod pumps chain drives and implementation of the system of dual completion and production of two and more layers, implementation of M1-X packers, etc. | <p>By the end of 2011 the well stock equipped with chain drives amounted to 1,383 wells including PTs60 installed at 1,069 wells and PTs80 installed at 314 wells.</p> <p>241 wells were equipped with dual completion and production systems. Totally 980 wells were equipped with these systems.</p> <p>Additional oil production from the beginning of dual completion units operation amounted to 2 million 861 thousand tons, while an average increase of the production rate per one well amounted to 3.7 tons per day</p> <p>Dual completion and operation technology was implemented in 98 injection wells during the reported period and in 316 wells from the beginning of the systems' introduction. The accumulated volume of the influenced wells crude oil production as a result of dual completion implementation amounted to 612 thousand tons.</p> <p>M1-X packers were installed in 3,051 injection wells.</p> <p>Formation hydrofracking operations were performed in 320 wells, which is 10% increase versus the level of 2010 with the average daily production rate increment amounting to 4.5 ton per day.</p> <p>Well MTBF reached 1,142 days increasing by 101 days versus 2010.</p> |

4. INTRODUCTION OF INFORMATION TECHNOLOGIES

| | |
|--|---|
| Improvement of the integrated control system on the basis of SAP/R3 products | <p>Replication of SAP/R3 design solutions in the core production and property complex management was completed in all NGDUs.</p> <p>SAP/R3 products based Personnel Management and Investment management integrated systems were put into operation.</p> <p>The electronic information system "Electronic outpatient hospital" was implemented at the Medical Center (Medasnchast)" of OAO TATNEFT.</p> |
| Development of the motor transport navigation system | <p>Over 8 thousand motor transport vehicles were equipped and connected to the system of satellite navigation.</p> <p>Implementation of the navigation system on the motor transport provided for reducing the number of groundless machinery orders and reducing the average daily machinery run by 25%.</p> <p>Vehicles fuel cards application was organized on the basis of the rolling stock satellite monitoring.</p> <p>1,497 tractor and specialized vehicles were equipped with the system of monitoring and control of the surface equipment fuel consumption.</p> |

5. RESOURCE SAVING PROGRAM

| | |
|---|--|
| "Energy saving" program | <p>Fulfillment of the "Energy saving program" in 2010 allowed saving over 41 thousand tons of reference fuel.</p> <p>Specific energy consumption for production of 1 ton of crude oil decreased by 0.7% down to 117.7 kWh/ton compared to 2010</p> |
| Optimization of the electricity payment expenses resulting from switchover to hourly planning | Economic effect resulting from implementation of the hourly planning system for a day ahead amounted to 18 million rubles in 2011. |
| Implementation of corrosion-resistant tubing | <p>Corrosion protected tubing was installed in 523 injection wells in 2011. Corrosion protected tubing was installed in 5,853 injection wells from the beginning of the program implementation.</p> <p>Corrosion protection of the active well stock operating with effluent water reached the level of 80.6%.</p> |
| Oilfield pipelines system length reduction | Oil pipelines failure was reduced by 17.5%, water lines of RPM system by 9.8% and effluent water lines by 5.7%. |

6. ENVIRONMENTAL SAFETY

| | |
|----------------|--|
| Air protection | Emissions of harmful (polluting) substances into the air are within the admissible limits. |
|----------------|--|

Main results of the Program for the Reported Period:

| DESCRIPTION | RESULTS OF 2011 |
|--|---|
| Protection and rational use of land and water resources, conservation of mineral resources | Casing string cathode protection was applied in 912 wells. 820 km of corrosion protected pipes were manufactured, 30.999 thousand m ² of the vertical tanks internal surface were protected with application of paint and varnish. |
| 7. STRATEGY OF MANAGING VERTICAL INTEGRATION AND DEVELOPMENT OF OIL REFINING AND OAO TATNEFT'S FILLING STATIONS NETWORK | |
| Construction of the refinery and petrochemical plants complex | Commercial operation was started of the first phase of the Refinery and Petrochemical Plants Complex in Nizhnekamsk. The Complex was included into the number of operating refineries in Russia. |
| Development of the filling stations network | Total number of filling stations amounted to 641 units as of the end of 2011. Two new filling stations were commissioned in the Republic of Belarus. |
| 8. PETROCHEMICAL PRODUCTION DEVELOPMENT PROGRAM | |
| Tires production | Enterprises of the Company's petrochemical complex produced 11 million tires, including 190 thousand tires of modern solid-steel cord design. |
| Carbon black production | 114 thousand tons of carbon black, which represent 20% of the total output in the Russian Federation, were produced and sold in 2011. |
| 9. MARKET CAPITALIZATION INCREASE AND STRENGTHENING OF THE TRADEMARK | |
| Capitalization increase and strengthening of assets structure | The Company's market capitalization increased by 12% compared to 2010 and amounted to 344.6 billion rubles. Strengthening of the Company's assets structure occurred as part of the vertical integration development. While maintaining production volumes, the segment of refining, crude oil and petroleum products increased to 34%. Consolidated assets exceeded 627.8 billion rubles as of the end of the reporting year. |
| 10. INVESTMENT BUSINESS PROJECTS | |
| Implementation of projects in OEZ Alabuga. | The joint Russian-German venture "P-D Tatneft-Alabuga Steklovolokno" produced 18.9 thousand tons of liquid glass melt. 11.7 thousand tons of commercial products were sold including 36% for export. |
| Expertise of individual design and construction documents for well drilling and construction | The work continues on calculating the cost of wells construction based on individual cost sheet for all areas. This activity allowed optimizing the investment program by 165 million rubles and drilling additional wells. The efficiency of the Company's investment projects is 1.6 thousand tons of crude oil for every million of invested funds for the effect duration. |
| 11. SOCIAL DEVELOPMENT PROGRAM | |
| Program of non-governmental pension coverage for employees | The number of employees at OAO TATNEFT and in the subsidiary companies involved in the program of non-governmental pension coverage amounted to 40 thousand persons. |
| Program of mortgage crediting | Construction of residential housing under the mortgage crediting system for the Company's employees was continued. The Company built 876 apartments with total area of 60.2 thousand square meters in 2011. On the whole during the period of the program implementation the Company commissioned over 6 thousand apartments with over 30% of the housing allocated to young people. |
| Implementation of social projects | Employees of the Company were granted social benefits in the amount of more than 260 million rubles in 2011. Various activities to improve the infrastructure of Almetyevsk were carried out (reconstruction of streets and pedestrian underpasses, "Belekech" Children Evolution Centre was built). Modern medical equipment was purchased for the Medical Center of TATNEFT. |

ENERGY AND RESOURCE EFFICIENCY PROGRAM OF OAO TATNEFT FOR THE PERIOD TILL 2020

OAO TATNEFT attaches particular importance to resource saving. In order to reduce production costs and, accordingly, the product cost, improving competitiveness in the situation of permanently escalating tariffs of natural monopolies (for energy resources, transport services) and increasing hydrocarbon production costs resulting from complicating subsurface usage conditions the Company is taking integrated efforts to create a maximum allowance savings in all business areas, including energy conservation.

The Company implements energy efficient economy programs aimed at reducing consumption of fuel and energy resources (FER) over the entire production chain of crude oil production process. The plans of activities provide for ensuring the absolute FER consumption reduction by at least 7.4% in the first stage (by 2015) and by 13.5% in the second stage (2020) compared with the level of 2007.

An important area of resource conservation was restoring the equipment with service life period expired. Pilot projects are under way to re-use oilfield pipes, which after pulling and reconditioning are used in drilling wells to install the conductor. The next step should be carrying out pilots on application of used pipes as conductors and production casing strings.

Considerable amount of work was carried out in recent years aimed at increasing the degree of effective utilization of associated gas to keep it at 95% level. Currently, TATNEFT Group of Companies operates 17 gas powered electrical generator plants fuelled by associated petroleum gas (APG). The largest power generator was installed at the Yelabuga UPS (initial water separation unit). The total capacity of all Company's gas powered electrical generator units amounted to 4 MWt. Starting January 1, 2012 the penalties were tightened for excess flar-

ing. Given the increase in gas resources due to the lack of constructed systems of gas gathering at the license areas the Company needs to continue working in this field to maintain the progress achieved.

In 2011, the economic effect of the performed activities amounted to more than 700 million rubles with saving about 30 thousand tons of reference fuel

The cost of the resources saved as a result of the program activities by the end of 2011 amounted to 2,555.9 million rubles with energy resources accounting for 444.8 million rubles, while material and natural resources accounted for 2,111.1 million rubles.

The most effective areas for saving were: energy (34.4%), oil and gas treatment (24.5%), geology and fields' development, oil recovery enhancement (21.8%), reservoir pressure maintenance (6.3%).

The specific energy consumption for 1 ton of crude oil production amounted to 117.7 kWh/t last year, which was lower, than the preset planned value by 0.73% and the actual 2010 value by 0.68%.

INVESTMENT ACTIVITY

Priorities of the Company's corporate investment policy are ensuring the investments efficiency and increase of profitability in each area of activities. A unified database of passports of the investment projects implemented by OAO TATNEFT has been formed and is updated on a continuous basis. During the reporting year the work was continued on improving the investments planning and monitoring system. A Supplement to the "Regulation on the procedure of formation, implementation and monitoring of OAO TATNEFT's investment program was developed and put into operation in 2011 and the system of increasing motivation and responsibility for effective use of investments was modified. The work was organized and was continued on the revision of existing estimates of norms and standards in the construction of wells with concurrent elaboration of norms and pricing rates for new technologies and equipment. Planning and monitoring of investment was organized for projects of field construction (in the "project" stage). The expertise of design and estimate documentation for construction of starting the 1B starting complex of the Refinery and Petrochemical plants Complex in Nizhnekamsk was performed on a continuous basis.

Overall Results of the Resource Saving Program Fulfillment of 25 TATNEFT Group of Company's Industrial Enterprises

| SER. NOS. | DESCRIPTION | PLANNED FOR 2011 | ACTUAL FOR 2011 | EXECUTION, % |
|-----------|---|------------------|-----------------|--------------|
| 1 | Energy resource saving, t of ref. fuel | 15,465 | 4,460 | 268 |
| 1.1 | Power, t of ref. fuel. | | 18,851 | |
| 1.2 | Boiler and furnace fuel, t of ref. fuel, | | 13,039 | |
| 1.3 | Heat power, t of ref. fuel | | 6,612 | |
| 1.4 | Lubricants, t of ref. fuel. | | 2,958 | |
| 2 | Saving of material and natural resources, thousand rubles | 602,110 | 2,111,085 | 351 |

Investment Committee

Effectiveness of the investment activity management in the Company is ensured by the Investment Committee. The Investment Committee reviews all investment projects of the Company. The Committee's activity is headed by General Director of OAO TATNEFT.

There is a standard of review procedures, expertise, a system of risk and decision-making assessment on investment projects in operation.

The overall organization of the investment activities is provided for by the Investment Department.

Investment Portfolio Structure

Total investments amount for TATNEFT Group of Companies was 67,221 million rubles in 2011.

According to the investment strategy of the Company:

- 53.9 % of investments were directed to the construction of the oil refinery and petrochemical plants complex in Nizhnekamsk;
- 33.8 % of investments were directed to support and expand production capacities in the oil fields of the Republic of Tatarstan;

- 3.3% of investments were directed to the development of the petrochemical complex;
- 2.6% – production outside the Republic of Tatarstan;
- 6.4% – other projects.

Main Investment Projects of 2011 "Crude Oil Production Program"

The planned volume of additional oil production and production rate (increment) of the wells were over fulfilled in 2011 in all areas of investment activity in the territory of the Republic of Tatarstan. Actual effectiveness of investments amounted to 172.6 t/mln rubles, which is 29% higher than the level of the last year (133.5 million rubles).

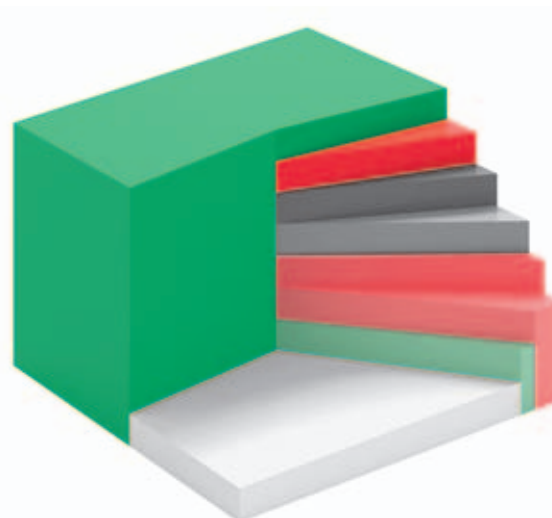
As part of implementation of the strategic technologies of enhanced oil recovery the amount of 278 million rubles was invested into the technologies of dual completion and injection with development of various equipment modifications and installations' configuration in 2010.

Implementation of the project "Crude oil production volumes stabilization in OAO TATNEFT through putting into operation new wells equipped with chain drives" is continued. During the period of the Contract (2H 2006 – 1H 2011) the amount of tax

Main Fields of Investment Activities in 2011

| NO. | DESCRIPTION | MLN. RUBLES |
|-----|---|---------------|
| 1. | Investments into crude oil production in the territory of Tatarstan | 22,734 |
| | Drilling | 9,818 |
| | Capital construction | 5,597 |
| | Equipment not included in construction estimate-sheets | 1,483 |
| | Geological engineering activities | 5,741 |
| | Redemption of property, land, etc. | 95 |
| 2. | Investments into oil production outside the Republic of Tatarstan | 1,724 |
| 3. | Investments into construction of oil refining and petrochemical plants complex in Nizhnekamsk | 36,233 |
| 4. | Investments of petroleum chemical complex enterprises | 2,192 |
| 5. | Investments into development of retail business | 714 |
| 6. | Investments of service and other enterprises | 1,632 |
| 7. | Financing of foreign projects | 1,398 |
| 8. | Investments into development of social area | 594 |
| | TOTAL for the Company | 67,221 |

MAIN AREAS OF INVESTMENT ACTIVITY IN 2011



| | | | |
|---|-------|--------------------------------|------|
| ■ Oil refinery and petrochemical plants complex | 53,9% | ■ Production outside Tatarstan | 2,6% |
| ■ Production in the territory of Tatarstan | 33,8% | ■ Retail business | 1,0% |
| ■ Petrochemicals | 3,3% | ■ Oil service | 2,4% |
| ■ Foreign projects | 2,1% | ■ Non-industrial activities | 0,9% |

privileges due to the project implementation made 166 million rubles, which were directed to construction and commissioning new wells with chain drives.

A well by well recoding of crude oil was organized at Vishnevo-Polyanskoye extra-viscous oil field and the oil metering station was put into operation at Chernoozerskoye extra-viscous oil field in order to obtain MET benefits. The volume of investments in these projects amounted to 66.4 mln rubles, while the total amount of MET benefits on these deposits in 2011 totaled 382 million rubles. Totally for 2011 OAO TATNEFT received MET benefits in the amount of 14.3 billion rubles, of which 1.2 billion rubles were invested for drilling, major construction implementation of equipment and performance of additional geological and technical activities.

Implementation of projects within the approved "Program of OAO TATNEFT activities for utilization of associated petroleum gas at the Company's facilities for 2009-2013"

Investing was planned in the following areas: building of a gas gathering system with subsequent processing of associated petroleum gas at the gas refinery; utilization of APG as fuel in crude oil heating furnaces; electricity generation using APG.

Construction of a gas utilization installation at Ylabuga oil treating facility

In 2011, the Company completed construction of a gas utilization installation at Ylabuga oil treating facility to generate electricity for its own use costing 125.4 million rubles. The amount of 125.4 million rubles was spent according to the project, including 54.2 million rubles spent in 2011. The payback period from the date of financing will be 10.5 years.

Gas pipeline from the DNS-1sb of NGDU "Almetyevneft"

The Company completed facilities construction of the "Gas pipeline from the DNS-1sb of NGDU "Almetyevneft" to the gas pipeline DNS-2ss" and "Gas pipeline from the DNS-3s, DNS-6s, DNS-10s, DNS-2s to Biryuchevsky DSP for the collection, transportation and processing of associated petroleum gas at the gas refinery with production of the following gas products: dry gas, ethane, propane, butane, pentane and stable natural gasoline. The total cost of the projects amounted to 135.4 million rubles, including 112.2 million rubles spent in 2011. The payback is expected to be 6.5 years period (after commissioning the facilities).

Reconstruction of Bavlinsky USO

Reconstruction of Bavlinsky USO (sulfur removal facility) was completed in 2011. The need for reconstruction was due to the construction of new gas pipelines from the separation stations of NGDU "Bavlyneft" and increased gas volume supplied from the separation facilities of ZAO "Aloil" and ZAO "Tatoilgaz." The total project cost amounts to 194.2 million rubles. 94.2 million rubles were spent under the project in 2011. The payback period from the date of commissioning is 5 years.

Reconstruction of Minnibayevo desulfurization installation (Muso) has been performed since 2008. The plant capacity increase to 200 million m³ per year is expected for accepting the stripping gas from UPVSN and new separation facilities. The project cost is 860.8 million rubles. 478.5 million rubles have been spent since the start of the project. The work completion is planned for December 2012.

Construction of oil heating furnaces working on associated petroleum gas was completed at the sites of NGDU "Nurlatneft": UPSV-2 "Bureika" UPVSN-1 "Andreyevka" UPVSN-2 "Kutema". Natural gas saving for three sites will be 14.5 million m³. The total cost of the projects amounted to 150.6 million rubles. The amount of 146.9 million rubles was spent for the project in 2011.

The total amount spent for APG utilization projects development in 2011 was 407.5 million rubles. In addition the amount of 235.1 million rubles was spent under the project "Reconstruction of Minnibayevo desulfurization installation (Muso)" in 2011.

The investment amount of 674.8 million rubles was spent in 2011 for the pilot operations at Ashalchinskoye field of natural bitumen, while the amount of more than 2.2 billion rubles was spent from the beginning of the project implementation.

The amount of 1.7 billion rubles was invested into the projects in the frame of expanding the resource base and increasing production of crude oil outside the Russian Federation and the Republic of Tatarstan.

The Company directed 1.4 billion rubles for implementation of foreign projects in 2011.

Construction of TANECO Oil Refinery and Petrochemical Plants Complex in Nizhnekamsk

In 2011, the Company directed 25.8 billion rubles (without VAT) for the project implementation. The total amount of the project funding from the beginning of implementation was 182 billion rubles.

Construction of the Combined Hydrocracking Installation of OAO TATNEFT

Further development of the Company's project "Complex of Refineries and Petrochemical Plants in Nizhnekamsk" envisages the construction of the Combined Hydrocracking Installation of OAO TATNEFT's Oil Refining and Petrochemical Complex with throughput capacity of 2.9 million tons per year of raw materials.

Financing of the project's facilities construction implementation amounted to 10.5 billion rubles (without VAT) in 2011 accounting for 26% of the total construction cost. Funding was carried out at the expense of OAO TATNEFT's own funds.

Design engineering works of the Combined Installation was performed by the Design Institute OAO "VNIPIneft" with involvement of other leading design institutions: Giprogazoochistka, SUE "INKhP", "TehArs."

The amount of 5.7 billion rubles (without VAT) was spent in 2011, including:

- capital construction – 2.5 billion rubles.
- acquisition of assets under construction and land plots – 3.2 billion.

Financing of design and survey works amounted to 0.9 billion rubles (without VAT) in 2011, with 0.4 billion rubles spent (48%).

Construction and erection works were carried out during the year for 1.6 billion rubles (without VAT).

Orders were placed for 100% of the long term equipment manufacturing for the combined hydrocracking installation for the amount of more than \$ 9 billion rubles.

2012 plans envisage monthly spending of an average 800 million rubles amount, as well as completion of the design and survey works for the Combined Hydrocracking Installation in full volume.

Development of Petrochemical Complex

The amount of 2.2 billion rubles was invested in 2011 into the development of the petrochemical complex.

Implementation of the "Upgrading of the of carbon black production" project was continued. Actual investments under this project since the inception amounted to 426.5 million rubles, including 45.8 million rubles in 2011.

The amount of 10.5 million rubles was invested into targeted replacement and acquisition of additional equipment for OAO "Nizhnekamsk Mechanical Plant".

The amount of 15.1 billion rubles was financed since the beginning of the SSC tires production project, including 1.7 billion rubles in 2011.

Retail Business Development

As part of the retail business development strategy of OAO TATNEFT in the Russian Federation for the period 2007-2011 the Company invested 557 million rubles during the year under review. Work on the expansion of retail sale filling stations network outside the Russian Federation was continued. Construction of 2 filling stations (with gas terminals) was completed in 2011 and construction and assembly works are underway at six sites in the Republic of Belarus. Total last year's capital expenditures amounted to 156.4 million rubles.

Production of Glass Fiber and Glass Fiber Based Products

Production activities of the Company was carried out in three phases in 2011: period of the technology development and reaching the design production capacity from January 1 to August 31, 2011, period of the production capacities development from September 1 to November 30, 2011 and completion of the production development phase in December 2011.

A total of 18,854 tons of liquid glass melt was produced in 2011. The liquid glass melt production in December 2011 reached 1,749 tons, which accounted for 90% of the glass-melting furnace production capacity. 15,326 tons of commercial products were produced, including 9,858 tons of direct roving, 2,850 tons of assemble roving, 1,801 tons of glass mats and 807 tons of fiberglass mesh. 11,705 tons of commodity products were sold during the year, including 1,727 of assemble roving, 1,402 tons of filament yarn, 6,918 tons of direct roving, 1,194 tons of glass mats and 464 tons of fiberglass mesh. Sale proceeds amounted to 427 million rubles. 7,496 tons were shipped to the domestic market of Russia and the CIS accounting for 64% of total sales. 4,209 tons delivered to the foreign market (exports). The main consumer countries are: Russia, Belarus, Kazakhstan, Germany, Latvia, France, Italy, Poland, Slovenia, Hungary and others.

FINANCIAL MANAGEMENT

The corporate policy in the area of financial management is aimed at financing of industrial, investment and social activities of the Company and effective use of financial resources.

The balanced Company's budget scheduled for the year 2011 was executed. All commitments for payment of works and services, for delivered products, payment of taxes and money due to the non-budgetary funds were fulfilled by OAO TATNEFT in full and on a timely basis. In 2011 the Company's activity was exercised in the conditions of essential instability expressed in the terms of oil price fluctuations and change of the national currency exchange rate.

The Company tapped an unsecured credit facility in the amount of \$550 million to implement the construction project of the Refinery and Petrochemical Plants Complex in Nizhnekamsk of. The credit is structured as a loan with a fixed rate of 3.50% per annum with semiannual interest payments and it is subject to bullet repayment in 3 years. The deal has some unique features associated with hedging the creditors' risks to obtain interest payments from the Company at a fixed rate. The loan has been attracted through the self-organized club-deal with the interest to participate on that part of potential lenders significantly exceeding the Company's borrowing requirements. In December of 2011 TATNEFT and its subsidiary of OAO TANECO announced the start of financing from export credit agencies of Denmark (EKF) and Italy (SACE). One of the most prestigious international publications in the field of structured and trade financing, TRADE FINANCE magazine, called it "the deal of the year". Funding was granted by a group of international banks (Societe Generale, Nordea Bank, Mitsui Sumitomo (SMBS) and Bank of Tokyo Mitsubishi (BTMYU)) as a "package" of the two transactions in the amount totaling \$219.5 million (EKF secured loan of \$ 75 million and SACE loan in the amount of \$144.5 million). "Deal of the Year" is awarded to the best projects among a large number of transactions in the sector of trade and structured financing through a survey of market participants. Obtaining the prestigious award is the result of great teamwork of TATNEFT and TANECO professionals.

In order to reduce interest payments the work was carried out in 2011 to reduce the interest rate on the \$2 billion syndicated loan received in 2010. As a result the rate was reduced by 0.7 percent in March 2011 for two tranches, which will reduce interest payments by U.S. \$ 18 million.

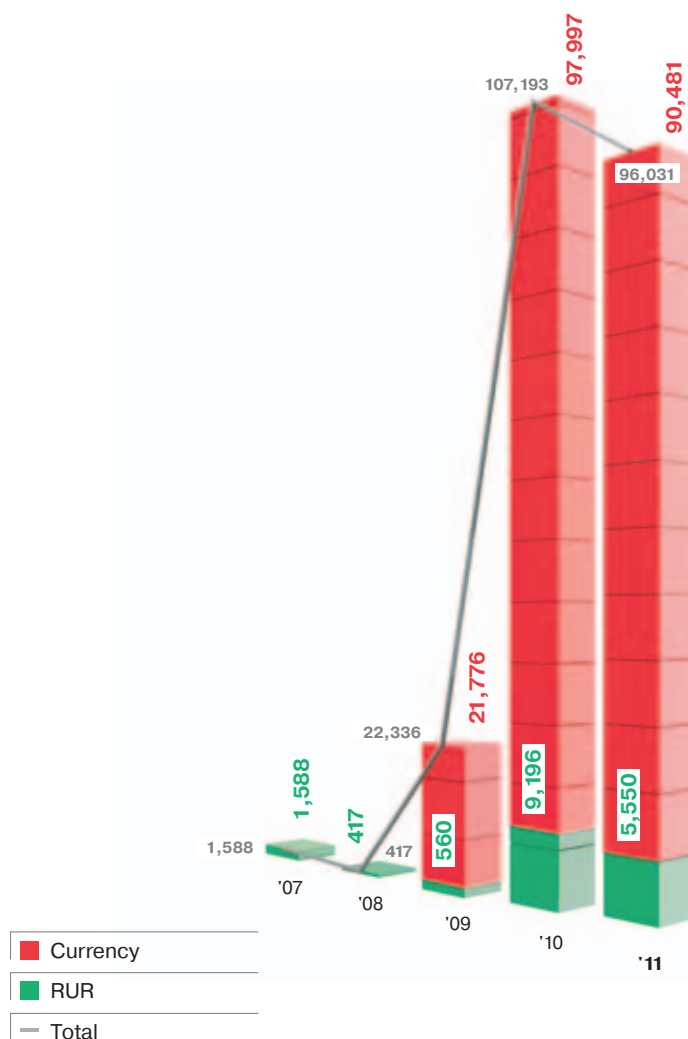
In view of reducing distractions from the Company's turnover and accelerating settlements with permanent counterparties reciprocal obligations were redeemed through the Mutual Claims Set-Off Center (MCSC). The settlements turnover through the Center amounted to more than 1.3 billion rubles in 2010. 266 companies are the participants of the Center.

The need to respond rapidly to macroeconomic developments during the reporting year caused to improve the methodological base of financial management. Changes and clarifications were introduced in the regulatory documents and standards in order to improve the work of managing cash flows of the Company.

Budget Planning System. Distribution of Budget by CCAs (Centers of Control and Accountability)

Budget funds of the Company are planned and distributed between 13 Control and Accountability Centers. Each CCA is guided by a Deputy General Director or Head of Department for respective activity, which provides operative financial management and responsibility for purposeful and effective use of funds.

DYNAMICS OF CHANGES IN THE AMOUNT AND STRUCTURE OF THE PRINCIPAL ON BORROWINGS OF OAO TATNEFT 2007-2011



In 2010-2011 the Company's expenses were distributed between the CCA as follows

| NOS CCA | ADMINISTRATOR | AREAS OF FUNDS SPENDING | 2010, % | 2011, % |
|--|--|---|---------|---------|
| 1. URNiN (Oil and Oil Products Sales Department) | N.U. Maganov, First Deputy General Director, Head of URNiN (Oil and Oil Products Sales Department) | Business expenses, related to sale of oil, petroleum products, gas products, and petrochemical products; funding of investment program for development of selling infrastructure | 37 | 47 |
| 2. Service of Deputy General Director, Economics | V.P. Lavushchenko, Deputy General Director, Economics | Expenses for salary; travel allowance; expenses for introduction of SAP R/3 and other information systems; expenses from profit | 2 | 2 |
| 3. Financial Department | E.A. Tikhturov, Head of Financial Department | Repayment of credits and interests on credits, granting of loans, redemption of own bills, commissions of banks, expenses for investment activity (in terms of financing construction and revamping of the petrochemical complex, foreign projects and projects outside the Republic of Tatarstan), payments for services of monopolists in the power sector and other services | 26 | 16 |
| 4. Accounting & Reporting Department | I.G. Garifullin, Head of Accounting and Reporting Department | Tax payments | 15 | 17 |
| 5. Production Department | V.G. Fadeev, Head of Production Department | Expenses for the main production (in terms of capital repair of other fixed assets and services of production nature); financing of production and exploration drilling, other production payments (in terms of communication services, software, rational proposals and inventions, participation in exhibitions, etc.); research and development; ecological payments | 4 | 3 |
| 6. Capital Construction Department | N.M. Glazkov, Deputy General Director for Capital Construction | Expenses for capital construction of production and non-production facilities, capital repair, liquidation of facilities, landfill operations for temporary access roads, water lines and power lines (for drilling | 1 | 2 |
| 7. Service of Material Support and Logistics | F.L. Shchelkov, Deputy General Director for General Issues | Purchase of materials and equipment; payment for transport services, maintenance of roads and roadsides | 2 | 2 |
| 8. Service of Chief Geologist | R.S. Khisamov, Chief Geologist-Deputy General Director | Geophysical services and hydrodynamic survey of wells, topographic and geodetic works, scientific and technical services, and exploration works | 1 | 1 |
| 9. Property Department | V.I. Gorodny, Deputy General Director, Head of Property Department | Expenses for property matters, lease payments, securities servicing, participation in other organizations: contributions to authorized capitals of third companies, acquisition of shares | 5 | 3 |
| 10. Service of Deputy General Director for HR and Social Development | R.N. Mukhamadeev, Deputy General Director for HR and Social Development | Expenses for social area issues and HR, expenses for mass media, image of the Company, advertizing | 1 | 1 |
| 11. Reserve of General Director | Sh.F. Takhautdinov, General Director | Distributed between other Centers of Control and Accountability acc. to the results of actual application of budget funds | 1 | 1 |
| 12. Structural Divisions | Managers of Structural Divisions | Decentralized expenses for current activity of structural divisions | 4 | 3 |
| 14. Service of Deputy General Director for Well Workover and EOR | R.M. Rakhmanov, Deputy General Director for Well Workover and EOR | Expenses for well workover and oil recovery enhancement, and production services during well workover | 1 | 2 |
| | | | 100% | 100% |

LOGISTICS MANAGEMENT

Management of production logistics is based on the principles of transparency and maximum efficiency. The processes of centralization and further development of the consignment warehouse network, implementation of the "E-Store" project, as well as optimization and automation of centralized delivery processes were continued in 2011.

Consignment Support

Uninterrupted supply of materials and machinery for the Company and service enterprises is provided through consignment warehouses.

There are 58 consignment warehouses operating in OAO TATNEFT. The sales volume of commodities and materials via the consignment warehouses amounted to 1,957 million rubles in 2011.

The cost of commodities stored by Tatneftsnab and remaining the property of the consignor until the moment the commodity is allocated to a structural division amounted to 217 million rubles in the reporting year, which allowed to avoid spending current assets for formation and storage of the own reserves for the same amount.

Electronic Trading Platform

The complex of electronic trading site started operation in December 2009 in order to improve procurement activities in TATNEFT Group of Companies. Procurement in electronic form allows adhering to such basic principles as openness, transparency and equal competitive opportunities for suppliers, selection of the winner based on the optimal combined performance (quality, delivery terms, and price). Starting in the second half of 2010 virtually all service subsidiaries of TATNEFT Group of Companies participated in the competitive procurement procedures implemented through the electronic trading site. Plans for the future provide that the electronic trading site shall unite all the enterprises of TATNEFT Group of Companies

The Logistics Department arranged 1,496 two-stage procurement procedures in 2011 for the total amount of 6,803 million rubles. The first stage was a request for quotations and the second one was a price cutting auction among the participants, who priced the whole lot. 761 auctions were held successfully for the amount of \$ 2,490.30 million rubles with additional savings on the price determined in the first stage in the amount of 96.35 million rubles.

Contractors of OAO TATNEFT are drawn to participate in electronic bidding. The contractor buys materials at an electronic platform, which means that he had gone through established procedures before he comes to a specific price and in the long run it reduces the cost of services for TATNEFT, reduces labor costs and time required for UMTO (Logistics Department) to check the contractors' accounts. During 2011 management companies and subsidiaries carried out 603 procurement procedures for the amount of 2,082.3 million rubles, while indepen-

dent oil companies held trading operations for the amount of 250.9 million rubles

The electronic trading site significantly accelerated the tenders arrangement, virtually excluded all extra paperwork, including sending letters through the postal service. Prices became transparent clearly demonstrating who and how priced the lot with all auctions held online. The number of accredited participants increased.

The accredited suppliers of TATNEFT are the suppliers that passed the security inspection and were included into a special Company's register. The value for money parameter still remains a priority when choosing a vendor and determining the winner.

Thanks to the electronic platform in conjunction with the existing e-store based on the SAPR-3 we have a complete procurement picture. The Company acquired an online tool for purchasing procedures and tenders allowing to expand the range of suppliers.

The functionality of the platform is much broader and larger. The electronic trading platform (ETP) is also a tool for market analysis. OOO "Tatintek" which is OAO TATNEFT electronic trading platform operator provides such opportunities. Given that each customer has his own needs at the commodity market, the operator creates and updates the data base of suppliers and creates a data bank based on their products and prices.

In order to ensure participation of manufacturers in trading at the ETP and the study of the possibility of concluding direct long-term contracts, the Logistics Department organized expert commission visits to manufacturing plants. The tasks of the experts sent to the factories include presenting the rules for accreditation and participation in trading at the ETP. In addition, if there is a direct supply agreement, the issues of providing additional discounts for OAO TATNEFT manufacturers are put before the manufacturers, as well as the issues of reducing delivery time periods and mitigating payment forms. During December 2011 mobile teams that included experts from the Office of the Logistics Department and "Tatneftsnab" Administration visited 11 major manufacturing factories, which play a key role at the market across Russia. The visit results will be used as a basis for continuation of further interactive work with these manufacturers and establishment of direct contractual relationship.

E-Store

The principle solution in the Company's logistics field management is "E-Store", which is a tool of implementing the corporate technological policy in procurement arrangement within the allocated budgets and funding in accordance with the acquisition schedule.

More than 70,000 applications (description of goods) of structural divisions of the Company, its subsidiaries and affiliated companies were placed through the "Electronic Store" in 2011.

Tender Work

Mechanisms of pre-Tender procedures and tender selection of suppliers were improving in 2011.

Selection of suppliers is made on a competitive basis. The contestant, whose application for participation in the tender offers the best conditions for the supply of goods, is announced the Tender winner.

New approaches to pre-tender procedures allowed attracting a wider range of potential suppliers.

Centralized Delivery

In 2010 the share of the centralized delivery of commodities and materials accounted for 14.8 billion rubles, which was 0.4% more, than in 2010.

The share of shipping expenses in the cost of goods related with centralized delivery remained at the level of 2009 and amounted to 1.1%.

OAO TATNEFT Trade & Technical House

Products manufactured for external consumers are sold by the Company via the Trade/Technical house of OAO TATNEFT. The sales volume of products amounted to 1,525 million rubles in 2011, which was 297 million rubles more, than in 2010 (25% increase).

Of the total volume sales to the external customer amounted to 1,153 million rubles (874 million rubles in 2010), while "within-the-group" deliveries amounted to 371 million rubles (354 million rubles in 2010).

The main share in the structure of sold products is represented by:

- 860 km of various purpose pipes for the amount of 477 million rubles (855 km for 534 million rubles in 2010 – 11% drop. The reason of cost wise reduction is predominance of the customer-supplied raw materials);
- 210 chain drives for the amount of 213 million rubles (148 pcs in 2010 for 125 million rubles – 70 % up);
- oilfield equipment manufactured by BMZ for the amount of 423 million rubles (210 million rubles in 2010, 101 % up)
- cable/conductor products of "Sistema-Servis" Management Company and OOO "Tatneft-Cable" for the amount of 230 million rubles (261 million rubles in 2010, 12% drop).

ACCUMULATIVE PROFILE OF TENDER BIDS VOLUMES AND ADDITIONAL REDUCTION EFFECT (mln RUR)



Tatneftesnab Administration

As of January 01, 2012 the Administration fulfilled the norm quota for current assets with the actual index value amounting to 943.8 million rubles (with the norm amounting to 943.8 million rubles)

During the year, "Tatneftesnab" Administration signed more than 5.1 thousand contracts and specifications in the amount of 16.1 billion rubles. 39% of all orders were placed with the enterprises of the Republic of Tatarstan.

During 2011 every day work was carried out to implement the terms of the contracts. "Tatneftesnab" Administration laid 224 claims to the counterparts for failure to fulfill contractual obligations in the amount of 634 million rubles. Products worth 710 million rubles (taking into account the balance of the claims for January 1, 2011) were actionably collected or delivered under the claims.

COMPANY'S POLICY IN THE FIELD OF INFORMATION TECHNOLOGIES (SAP)

Information technologies are considered by the Company as a tool of improving business efficiency and contributing to the achievement of strategic business objectives. Effective use of information technologies is impossible without a strategic vision of business development directions and without regard to its specific needs both current ones and those that will arise in future.

Considering the issues of the Company's perspective development, the Board of Directors determined the direction of the enterprise management system modernization and prioritized the integrated management system development based on SAP products.

At present more than 3,000 users operate at OAO TATNEFT with application of SAP solutions. Creation of a unified information space allowed developing and implementing common standards for the entire group in the management of financial, material and human resources.

SAP solutions for investment management were deployed for the purpose of ensuring long-term investment planning, monitoring the progress of investment programs implementation, obtaining reliable data by comparing actual results with the planned ones by the Executive Office and at all oil and gas production boards.

The operating records system was supplemented with the SAP based "Manager's Monitor" informational and analytical system with an access through the portal and mobile technologies. On the basis of operational and periodic reporting on all

activity aspects the system generates visual representation of the major industrial and economic indicators dynamics for the management of different levels.

The system of compiling consolidated financial statements according to international standards enables integration with existing accounting systems and its preparation in a timely manner with appropriate detail reporting for management analysis.

The works are in progress to further optimize management processes of further standardization and harmonization of the Company's costs and expenses analytical accounting; establishment of the Company's planning, monitoring and costs adjustment system. The introduced solutions must ensure transparent processes of forming, planning and adjusting the targets of financial and economic activity, operational monitoring of the Company's expenses, and also reduce labor costs for data consolidation. Formation of OAO TATNEFT's consolidated financial statements system on SAP-based solutions will allow implementing an end-to-end monitoring operational accounting and control of internal settlements between all structural divisions, thus ensuring provision of the information to the Company's management for monitoring key business performance indicators based on the accounting data. The system of major construction management will provide for a full-cycle management of major construction projects from planning and allocation of investments up to commissioning of the facilities;

SAP AG Concern conferred a strategic partner status – Premier Customer Network SAP – in recognition of SAP projects successful implementation and professionalism of OAO TATNEFT. A new status means the transition to a fundamentally new level of interaction between companies: from now on one of the SAP AG Group Board of Directors members will oversee the relationship between the two companies within the management model agreed by the parties. In addition, the new status means the exchange of experiences and best practices of the global oil and gas industry with other members of the Premier Customer Network, as well as the Company's participation in SAP's Councils for oil and gas industry innovations.

In 2011, OAO TATNEFT commemorated the tenth anniversary of SAP solutions application with holding a conference on "SAP solutions application in oil and gas companies." The conference was attended by more than two dozen of oil and gas sector representatives as well as representatives of the other industry sectors of Russia, Belarus and other countries. All participants were given the opportunity to learn about current trends and best practices of SAP solutions global implementation, share their experiences and ask questions.

CORPORATE MANAGEMENT STANDARDS

The Company has begun to introduce a system of uniform corporate standards since 2006 aiming at the support of common principles of management and transparency of the activities of all divisions, subsidiaries and affiliates of the Company. Currently there are about 1,200 acting uniform corporate standards in TATNEFT Group of Companies.

12 new standards were introduced during the year under review with one of them replacing the previously adopted ones.

RISK MANAGEMENT

There is an integrated system of risk management operating in the Company based on the analysis and evaluation of possible factors that could affect the strategic plans, indicators

of current production and financial and economic activity of TATNEFT Group. External as well as internal factors are considered when analyzing the risk factors. The external factors include: market, industry, socio-economic, political, financial, and competitive and other conditions of the Company's, its subsidiaries and affiliates activity. For the purpose of minimizing intra-corporate risk factors the Company performs control of abidance by the uniform corporate standards: managerial, operational, HR, social, environmental and other ones, regulating the main business processes of the Group.

In general, the corporate risk management system is designed to identify potential risks in order to take prompt measures to eliminate or minimize them.

| NAMES OF NEW CORPORATE MANAGEMENT STANDARDS (2011) | STANDARD SUPPORTING SERVICE | SKU REGISTRATION NUMBER |
|--|--|--|
| Corporate Management Code | Property Department | SKU 2-04-082-28-2011 |
| Information Security Policy | IT Department | SKU 2-02-083-23-2011 |
| Standard of Centralized Delivery of Materials and Commodities to Structural Divisions and subsidiaries of OAO TATNEFT by "Tatneftesnab" Administration | Logistics Department | SKU 2-04-068-41-2009 Cancelled. Valid SKU 2-11-090-21-2011 |
| Regulations on safe execution of works performed by outside organizations | Industrial Safety and Labor Protection Department | STO TN 062-2011 |
| Standard of labor discipline in OAO TATNEFT | HR Office | SKU 2-13-081-15-2011 |
| Technical standard of personal protective equipment for employees of divisions and subsidiaries of OAO TATNEFT | Industrial Safety and Labor Protection Department | SKU 2-08-084-22-2011 |
| Standard of introduction and development of personnel control systems when executing work at the oil oilfield facilities of OAO TATNEFT | IT Department | SKU 2-02-085-23-2011 |
| Company standard for provision of safety clothing and footwear for employees of OAO TATNEFT through the "Workwear Salon" | Logistics Department | SKU 2-14-086-41-2011 |
| Regulations on the structure of management and interaction of OAO TATNEFT's oil and gas projects participants outside of RT | Department of Oil and Gas Projects outside the Republic of Tatarstan | SKU 2-01-087-140-2011 |
| Corporate standard of SAP OAO TATNEFT life cycle system | IT Department | SKU 2-02-088-46-2011 |
| Standard of controlling services consumption in the field of OAO TATNEFT information technologies | IT Department | SKU 2-02-089-23-2011 |
| Standard of determining the method of production organization in the remote sites | Economic Department | SKU 2-05-091-07-2011 |

INTERNAL CONTROL AND AUDIT

Mechanisms of internal control and audit are integral parts of the corporate management that allow for the effectiveness of the Company's operation and protection of the shareholders and investors interests.

The internal control procedures include purposive actions of the Board of Directors, the Company's Management and other aspects aimed at improving the risk management process and increasing the likelihood of achieving the goals and objectives.

The current Company's system of internal audit provides for a submission of independent and objective information aimed at improving economic activity to the Board of Directors and the Executive Directorate. The "internal audit" function helps achieving targets through application of a systematic and consistent approach to evaluating and improving the effectiveness of risk management, control and corporate management systems.

The main functions of the internal audit are as follows:

- Evaluating the effectiveness of the internal control and the corporate management systems;
- Advising the management of the Company in terms of the internal control, risk management and the corporate management.
- Evaluating the effectiveness of control over the completeness and authenticity of financial and managerial information.
- Evaluating abidance by internal policies and procedures of the Company, as well as the ones of the legislation.
- Elaboration of recommendations for improving the systems of internal control, risk management and corporate management.
- Monitoring implementation of measures (corrective steps) elaborated by the management on the basis of the audit results.

11 audits were performed in 2011 as planned.

In 2011, monitoring of the planned events execution was performed on the audit results of the 2008-2011 period. All cases of plans non-execution were initially reported to the head of the relevant division, and then to General Director. The information on the implementation of the action plan is brought to the Audit Committee on a quarterly basis.

In 2012 "Ernst & Young" Company at the initiative of the Audit Committee of the Board of Directors carried out an assessment of the Internal Audit Department activities of OAO TATNEFT. According to the assessment results the activity of the Internal Audit Department in general meets the requirements of international standards for professional activity of the Institute of Internal Auditors and the Code of Ethics. Further development of the internal audit at the Company will be based on the recommendations for improvement given.

HR MANAGEMENT

The Company has a comprehensive system of personnel management aimed at maintaining a high professional level of workers and professionals involved in all areas of the Company activities, including: maximally efficient involvement of human resources, development of the employees' skills on an ongoing basis, as well as strengthening motivation of the Company's employees in general and ensuring a decent standard of living of each employee. The Company's personnel management policy is aimed at maintaining the status of the best employer of choice at the regional market for workers with the skills and motivation to bring the maximum benefit to the Company.

The basic principles of personnel management are: focus on the efficiency and quality of work, priority of internal promotion, great opportunities for training and improving, decent working conditions and benefits, flexibility and professionalism, high culture and continuity, comprehensiveness and consistency, talented individuals support, responsibility and cooperation

Staff Headcount

The average headcount of staff working in OAO TATNEFT amounted to 21,036 persons in 2011. Total number of personnel for the Group amounted to 74.2 thousand persons.

Structure of the Personnel Income

The main income gained by the staff is formed by the salary and employment benefits. The salary includes a rated (permanent) part according to the uniform wage rate schedule, and a bonus (variable) part. The employment benefits provide workers with an appropriate volume of medical and other social guarantees.

Social payments accounted for 10% in the structure of the personnel's aggregate income in 2011.

Information about the structure of OAO TATNEFT's employees' income for 2011

| DESCRIPTION | VALUE |
|---------------------------------|--------------|
| Salary share | 89.1% |
| permanent part | 50% |
| variable part | 50% |
| Share of social payments | 10.9% |

Recruitment, Training, Skill Development and Retraining of Staff

OAO TATNEFT considers its employees as a key resource in the implementation of the corporate strategy, therefore their development and training is the most important area of the personnel management policy aimed at creating an integrated system of ongoing education with continuous improvement and development of employees

OAO TATNEFT pays special attention to attracting highly skilled specialists, professional development of the staff to strengthen the Company's position in the oil and gas business.

The Company has unique conditions for training and development of all categories of the staff. In the reporting year, OAO TATNEFT continued improvement of the on-going professional education system, including training and skills development of workers, professionals, middle level managers and senior managerial staff.

Training of workers for OAO TATNEFT is performed by the non-governmental educational institution "TATNEFT Personnel Training Center" and its eight branches located in the south-eastern part of the Republic of Tatarstan.

In 2011, the training at TATNEFT Personnel Training Center and its branches was arranged for 274 occupations, including 140 occupations controlled by Rostekhnadzor of Russia. The Centre has a modern material and technical base and vast experience in training working personnel.

The priority for the Company is versatile and consistent training of senior and middle level management. Development of their skills is performed at educational institutions having the highest rating in the training of oil and gas industry sector professionals.

Training and professional development for middle managers is arranged in accordance with the program of training managers and professionals of OAO TATNEFT approved by the General Director of OAO TATNEFT, as well as with skill development programs for divisions and conducted on the basis of specialized universities in the region and in the Russian Federation.

Training of the higher managerial staff is performed by a non-state educational institution "Institute of Oil and Gas Business" (Moscow), where OAO TATNEFT annually sends prospective employees of TATNEFT of Group Companies for training after competitive selection.

14,667 employees of the Company went through professional training and skills development in 2011, which is 5.8 % higher than the level of 2010 including 8,002 workers and 6,659 managers and specialists. The amount of 117 million rubles was spent for the purpose, which was 25 % more than in 2010.

Corporate University

One of the innovative tools in the field of personnel training and development is the establishment of an Electronic Corporate University of OAO TATNEFT, allowing to carry out the intellectual and professional development of the employees, selection of talented professionals and their adaptation to ensure cooperation with universities in training highly qualified specialists.

A regional personnel forum was held at OAO TATNEFT on the subject "Electronic forms of training and staff development", as part of this project".

The system of internal corporate training and development of professionals necessitating application of modern tools when working with staff acquires greater importance in the dynamic production conditions. One of these innovative resources that were created with the support of the Company's management in 2011 was the Electronic Corporate University (ECU) that allows arranging a system of training and development, starting from school and with continuation in the high school and at the Company's enterprises.

Within the ECU there are currently operating various practical training courses of adaptation, as well as specialized workshops for the Company's professionals and university students, and also professionally oriented electronic Olympiad programs for schoolchildren.

More than 5,000 persons attended a variety of training programs in 2011 under the ECU with methodical support and organizational follow-up of over 600 experts, mentors and moderators. Last year witnessed further development of the on-line project of diploma projects defense practice by the students. Using the intranet portal managers and specialists of the Company can remotely ask questions and evaluate the performances of students of all specialties. The adaptation program "A young professional course", which was attended by more than 1,200 young professionals and 525 mentors. As part of this training young specialists are offered a basic and a specialized courses, and can always address their mentor.

For the professionals of the Company specialized trainings were developed such as "SAP Solutions for Enterprise Management", which allows for training to work in the SAP system, "Manage the project", which develops the training participants' skills of projects implementation aimed at the introduction of technological and managerial innovations in production activities.

A unique simulator "Establish your company" has been developed and is available for students and young professionals where the participants learn the features of establishing and functioning of the enterprise (production and supply, economics and finance, legal issues, etc.).

The ECU Project was awarded the title of the winner in the category "Innovation in Education" of the seventh Republican Contest "Fifty best innovative ideas for the Republic of Tatarstan"

SOCIAL GUARANTEES FOR EMPLOYEES

The Company considers maintaining social welfare, decent quality of life and abilities of professional development of its staff one of the main conditions of its activities. This is reflected in the level of wages, social guarantees, and personnel development programs. Improvement of the quality of level contributes to employees' interest in responsible achievement of best results of the Company's activities.

Collective Agreement

Company's obligations to the staff are put on paper in the Collective Agreement of OAO TATNEFT. The Collective Agreement significantly expands safeguards established by law, and provides additional benefits for employees, social protection of young workers, and support for veterans and retirees. In 2011, all commitments established by the Collective Agreement were completed. Salaries were paid on time twice a month in the full amount.

Non-State Pension Fund

One of the most important areas of social policy of the Company is provision of a non-state pension for its employees. Since 1997, the Company has run the Program of Non-State Pension Provision based on accumulation of savings for non-state pension provision through transfer of funds by the employees themselves. The size of the non-state pension is under constant review of the Company's management. Every two years, additional funding is allocated for indexation of non-state pension.

Voluntary Health Insurance

Voluntary health insurance (VHI) is a major source for maintaining and strengthening health of the workers. The VHI program for the staff of OAO TATNEFT includes four areas: Outpatient Services, Inpatient Services, Rehabilitation and Remedial Treatment, and Integrated Health Care. In accordance with the Treaty of Voluntary Health Insurance of Employees signed between OAO TATNEFT and Chulpan insurance company, the total number of insured employees amounted to 21,500. The total amount of the VHI contracts was RUR 237.1 million.

Through implementation of VHI programs, employees are able to receive free medical care and spa vouchers. During

2011, 4,389 employees improved their health, including 461 in spas and resorts of RT and RF.

OAO TATNEFT allocated RUR 5.8 million to organize sanatorium treatment of employees with children working in its structural units (Mother and Child program). More than RUR 13 million it gave to sanatorium rehabilitation of TATNEFT Group pensioners.

Mortgage Programs

The Company operates a social mortgage program aimed at improving living conditions through providing access to housing by purchasing housing units in installments, as well as it provides support for young families in obtaining housing.

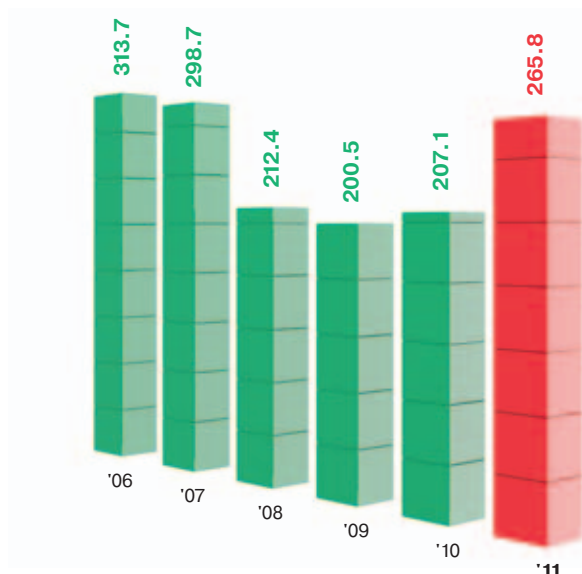
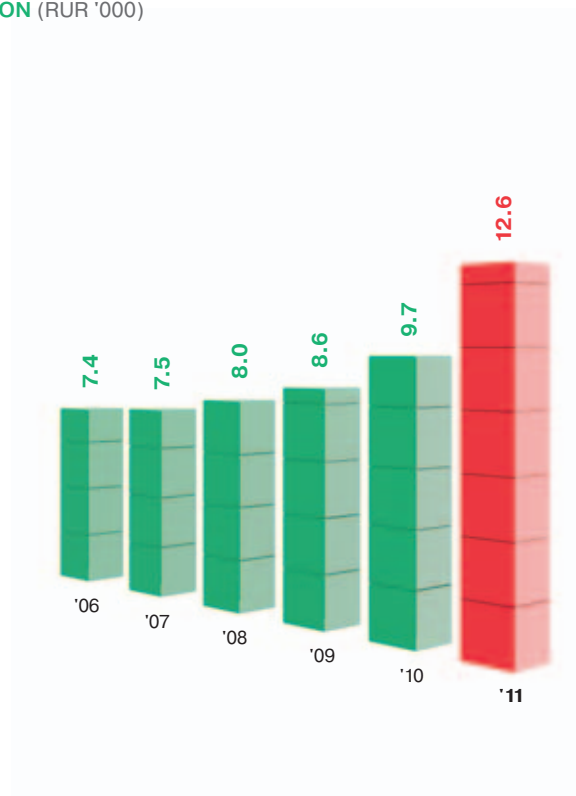
In 2011, as part of this program ten residential buildings were commissioned in the cities of Almet'yevsk, Leninogorsk, Aznakaevo, Nurlat, and Nizhnekamsk. Employees of the Company received 876 apartments with the total area of 60.2 thousand square meters, with young families receiving 30% of the commissioned apartments. TATNEFT allocated RUR 6.08 million for acquisition of furniture in these residential units.

In the current year, OAO TATNEFT paid the initial payment in the amount of RUR 120.1 million for its employees, which is 24.3% of the cost of allocated housing. The size of the lump-sum loan for young families was 30%.

INDUSTRIAL SAFETY AND LABOR PROTECTION

The industrial and ecological safety activities and the activities on the labor protection are performed in OAO TATNEFT according to ISO 14001:2004 international ecological safety standard and the standard of industrial safety and health OHSAS 18001:2007 under the integrated management system of industrial safety, labor and environmental protection. In 2010 the integrated system successfully passed compliance certification with the requirements of International Standards ISO 14001 and OHSAS 18001. For the purpose of establishing unified requirements to the components of the integrated management system of industrial, fire, electric power, radiation safety and labor protection the Company continued in 2011 elaboration of relevant industrial safety standards. The approved provisions and standards apply to all structural divisions and they are recommended to all subsidiary companies and enterprises of TATNEFT Group. In addition to production, treatment, handling and transportation of oil, petroleum products, natural gas and associated gas and gas condensate the scope of certification includes design, development, manufacture, sale, repair and maintenance of chemical, petrochemical, oil & gas production, oil field and oil refining equipment, pipelines, oil and gas transportation, etc.

The work on industrial safety and labor protection, prevention of occupational accidents and professional diseases is carried out in accordance with the Regulation on monitoring compliance with industrial safety requirements at hazardous production facilities of OAO TATNEFT, which establishes uniform regulations

EXPENSES PROFILE FOR LABOR PROTECTION (RUR mln)**EXPENSES PROFILE FOR LABOR PROTECTION PER PERSON (RUR '000)**

to ensure industrial, fire, electricity, radiation safety, labor protection and production control in all structural divisions and subsidiaries of the Company. Since 2010, there is a special “Program of OAO TATNEFT for industrial and occupational safety to prevent injuries, reduce the risk of accidents and unplanned losses for the period until 2012”.

The amount of 2.46 billion rubles was spent during the reporting year to ensure industrial safety and labor protection.

Agreements on Labor Protection are annually concluded in structural divisions of the Company, which are annexed to the Collective Agreement of TATNEFT with the purpose of improving the work of creating safe and healthy working environment at the production sites in accordance with the Labor Code of the Russian Federation and recommendations on planning the labor protection activities.

A program of radiation safety at the facilities of OAO TATNEFT has been designed and implemented. A number of guidance documents on radiation safety of the Company’s employees of and the prevention of natural radionuclide propagation in the environment were put in force. A system of control over the processes of accumulation of sediments with high content of natural radio nuclides, the radiation situation at the production facilities and levels of the workers’ exposure was established. In 2011, the Departmental Radiation Monitoring Laboratory performed more than 13,000 measurements of the gamma

radiation dose rate. The results show that the equivalent dose rate does not exceed the values established by the norms of radiation safety. Ongoing work on the individual monitoring allowed to achieving that the maximum level of the workers’ annual doses was an order of magnitude below the normative values.

A labor safety and health committee was established for maintaining labor safety and carrying out preventive measures to reduce injuries and accidents in the Company, its structural

Industrial Injuries Profile in 2004-2011

| YEAR | NUMBER OF ACCIDENTS |
|------|---------------------|
| 2004 | 29 |
| 2005 | 23 |
| 2006 | 18 |
| 2007 | 9 |
| 2008 | 5 |
| 2009 | 7 |
| 2010 | 2 |
| 2011 | 5 |

divisions and subsidiaries. The Committee oversees certification of job sites and provision of clothing, footwear and personal protective equipment for the workers.

ECOLOGICAL ACTIVITY

The environmental activities of the Company are performed in accordance with Federal laws ("On Environmental Protection", "On Air Protection", "On Sanitary and Epidemiological population Welfare," "On Subsoil", "On Ecological Expertise", "On Production and Consumption Wastes", "On Specially Protected Natural Areas ") and codes (Land, Water, Forestry), meet all environmental standards and regulations, take into account documentary norms of international, federal and regional levels. The Company passed certification of management systems ensuring environmental safety, labor protection and industrial safety in accordance with the requirements of ISO14001:2004 and OHSAS 18001:2007 international standards. The Environmental Management System OAO TATNEFT certified in the 2006 successfully passed a recertification audit in 2009, oversight audits for compliance with the international standard ISO 14001:2004 in 2010 and 2011.

Activity of the Company is performed in accordance with the OAO TATNEFT policy of industrial, occupational and environmental safety and in the framework of the special prolonged Environmental Program of OAO TATNEFT designed for the period from 2000 to 2015. The program envisages further reduction of the technological equipment failure rate and exclusion of the production activities negative impact on the environment. As part of this program the Company provides for performance of complex organizational and technical measures, including introduction of a broad industrial environmental control in the area of the Company's divisions operation and training of the environmental services employees.

INDICES OF ECOLOGICAL SAFETY AND ENVIRONMENTAL IMPACT

Air protection

The Company implements the program for optimization and reconstruction of the oil and gas collecting systems. 54.8 km of gas pipelines were repaired and 58.6 km of gas pipelines were constructed and put into operation in 2011.

Anti-corrosion protection was applied for 30,999 sq. meters of vertical tanks and horizontal settlers and the facilities of crude oil gathering and crude oil treatment of the oil and gas production boards.

There are 44 hydrocarbon vapor recovery units (VRU) operating at the facilities of the Company, and application of this equipment allowed reducing emission of the hydrocarbon vapors to the atmosphere by 4.3 times since the beginning of VRU introduction.

In total, the Company's gross emissions of polluting matters into the air during the last 20 years were reduced by 2.7 times. The Company's gross emissions of polluting matters into the air during 2011 amounted to 83.5 thousand tons. Specific emissions per one ton of produced oil amounted to 3.2 kg in 2011.

All emissions of harmful substances (pollutants) from stationary sources into the ambient air (93.9 thousand tons) are within the standards established by environmental agencies for maximum permissible emissions (MPE).

For the purpose of rational use of natural resources the Company developed and approved a special program of OAO TATNEFT for utilization of associated petroleum gas at the Company's facilities for the period of 2009-2013. The program envisages increasing of the associated petroleum gas utilization (APG) to the level of 95 %. At present TATNEFT effectively utilizes about 790.4 million cubic meters of APG per year, which is 20.4 million cubic meters more, than in 2010. The ratio of APG utilization amounted to 94.9 %. Processing of APG by "Tatneftgazpererabotka" Administration amounted to 715.1 million cubic meters in 2011, which is 22.3 million cubic meters more, than gas processing volume in 2010.

In accordance with the "Program of OAO TATNEFT activities for utilization of associated petroleum gas at the Company's facilities for 2009-2013" the following projects were implemented as of January 1, 2012:

- Introduction of crude oil heating furnaces using APG as fuel at Bastyrk and Novo-Suksinskaya crude oil treatment plants at NGDU Prikamneft
- Construction of gas engine generator plants was continued at Yelabuga crude oil treatment plant of NGDU Prikamneft;
- Pilot operations are in progress on introduction of gas engine generator plants at the facilities of NGDU Yamashneft;
- Works were continued on reconstruction of worn out sections of the existing gas gathering pipelines;
- Construction of gas gathering system for APG collection from facilities of NGDU "Almetyevneft" and NGDU "Aznakaevskneft";
- Construction of an additional pipeline from KS-24 to Minnibayevovo USO (sulfur removal facility) for the transfer of additional sour gas volumes from the plants hydrogen sulfide stripping at Kichuy and Aktash UPVSN, as well as for reducing pressure at the gas separation facilities of NGDU "Elkhovneft";
- Reconstruction of Bavlinsky USO (sulfur removal facility) for expanding the gas sweetening capacity;
- Minnibayevovo USO reconstruction continued;
- Introduction of crude oil heating furnaces that use APG as fuel at the facilities of NGDU "Nurlatneft".

In order to create a supportive environment in its activity area and increase the absorption of greenhouse gases OAO TATNEFT has been purposefully implementing special programs of activities

Main Indices of the Company's Activities for Ecological Safety and Reduction of Environmental Impact

| DESCRIPTION | MEASURE UNIT | 2011 |
|---|-----------------------|-------------|
| Gross emission of harmful substances into the air | thousand tons | 83.550 |
| Total harmful substances recovered and neutralized | tons | 149.541 |
| Associated petroleum gas production | million cubic meters | 833.175 |
| Associated petroleum gas utilization | million cubic meters | 790.406 |
| Level of associated petroleum gas utilization | % | 94.9 |
| Fresh water intake for own needs | thousand cubic meters | 29,159.25 |
| Contaminated land area | hectare | 0.0 |
| Failure induced ecological damage | thousand rubles | 0.0 |
| Commissioning of facilities for recovery and neutralization of waste gas harmful substances | thousand cubic meters | 264,787 |
| Investments into the main capital, used for environmental protection purposes: | thousand rubles | 521,747 |
| Current environmental protection expenses | thousand rubles | 3,908,705.1 |
| Expenses for Fixed Assets Overhaul to Protect the Environment | thousand rubles | 970,419 |

for planting strips along public roads and oil field roads in the oil regions of the Republic of Tatarstan since 2000.

As part of the industrial environmental laboratorial and analytical monitoring of the air protection more than 16 thousand air analyses were performed in 2011, including about 2 thousand tests for compliance with MPE at stationary sources of harmful substances emissions into the air, about 2 thousand tests for the toxicity of the vehicles exhaust gases and more than 12 thousand analyses were carried out to monitor the status of the air in the settlements located in the area of the Company's operations and sanitary protection zones of the Company production facilities. Studies of the air basin were carried out in parallel with the meteorological observations: wind speed and direction measurement, as well as temperature and relative humidity.

The total amount of 847 million rubles was spent for air protection during the reported year.

Protection and Management of Water Resources

In 2011 for the purpose of stable and trouble-free operation of oil-field facilities and in order to increase their industrial and ecological safety the Company produced 820 km of corrosion resistant pipes (metal/plastic and polymer coated), 5,302.6 tons of corrosion inhibitors, cathode protection equipment was provided for casing strings in 912 wells, while the sacrificial protection was provided for 728.5 km of oil and water lines, 2,747 km of oil lines and water lines were subjected to diagnostic survey.

Electro-chemical corrosion protection of internal and external

surfaces of vertical steel tanks was provided for 48 tanks and vessels. Internal corrosion protection was provided for 27 vertical steel tanks with sacrificial protection provided for 16 of them, 11 tanks were equipped with cathode protection and 21 vertical tanks with cathodic sacrificial protection.

1351.38 km of tubing with internal polymer coating P-EP-585 were produced in 2011. The volume of new pipes coating amounted to 986.619 km and 364.761 km of tubing were coated repeatedly after operation.

Storm water drainage systems were installed at 364 oilfield facilities of oil and gas production divisions during the year.

The volume of water used for the needs of OAO TATNEFT in 2011 amounted to 29.611 million cubic meters (31,233 million cubic meters in 2010) with the share of the fresh water amounting to 29.159 million cubic meters (30.781 million cubic meters in 2010). The specific amount of fresh water flow per ton of produced crude oil amounted to 1.13 cubic meters.

As a result of the activities on protection and rational use of water resources wastewater discharges from the Company's production facilities to surface water bodies was reduced by more than 6 times during the period from 2000 till 2011.

OAO TATNEFT operates a network of observation posts to evaluate the effectiveness of measures to protect surface and underground fresh water from pollution.

The departmental observation network of OAO TATNEFT has been operating since 1969. Industrial environmental water quality monitoring is carried out at the Kama, Ick, Stepnoy Zay and Sheshma rivers and their tributaries.

Water is analyzed at the central chemical and analytical laboratory for the presence of more than 40 substances (parameters): chloride ions and sulfate ions, hardness and alkalinity, mineral oil products, ions of calcium, potassium, sodium, heavy metals, pesticides, etc. Only the chemical and analytical laboratory of the Reservoir Pressure Maintenance Administration (UPTZh dlya PPD), which is the central laboratory of OAO TATNEFT control of water bodies performed 20,474 analyses in 2011.

In general, the Company performed more than 130,000 analyses of water (natural, waste) for the year 2010 within the framework of industrial control in the field of environmental protection to comply with licensing conditions for the development of hydrocarbon fields, extraction of groundwater, terms of agreements and decisions for the right to use surface water bodies, standards for allowable discharge of pollutants into water bodies

As a result of measures taken for protection of water bodies, concentration of chlorides and oil products in the main rivers of the Company's area of operation does not exceed the standard MAC levels.

There are over 500 springs used by population as potable water sources, which were cleaned, capped and architecturally improved in the territory of the Company's activity.

Over 3,046 million rubles were spent for protection and rational use of water resources in 2010.

Protection and Rational Use of Land Resources

The major task of land resources protection is optimization of oil-field facilities distribution, and also prevention of the soil fertility disturbance.

Research projects are implemented, regulatory documentation is developed and improved techniques and technologies are applied, as well as other special activities are performed to reduce the anthropogenic impact on soil.

The Company spent 97 million rubles in 2011 for reclamation of soils disturbed by its business activity. This allowed continuing positive tendency towards steady reduction of disturbed agricultural lands as a result of emergency situations.

Industrial Wastes Disposal

The Company works continuously on reduction and utilization of wastes formed as a result of technological processes of crude oil production by their processing, recycling and neutralization.

In comparison with 2010 the total amount of generated production wastes decreased by 0.8 thousand tons and amounted to 89.7 thousand tons. Specific waste generation for 1 ton of crude oil produced in 2011 amounted to 3.46 kg.

21.773 thousand tons of scrap metal were collected and sent for recycling at OAO TATNEFT in 2011.

For the purpose of solving a disposal problem of some specific types of waste the Company has special facilities for

their utilization, which are evenly spaced throughout the field development territory. For example, there are 4 specialized installations for sludge processing, which fully meet the needs of the Company with regard to this activity. There is a specialized station for recycling worn-out cable, which allows transforming this kind of waste into secondary raw materials. For recycling used tires and rubber products there is a so called UPASH installation. The Company uses a special installation of "Kleckner" Company for regeneration of waste oils and their recycling.

The funds directed by the Company to protect the environment from the adverse impact of production and consumption waste amounted to over 1,410 million rubles, thus reducing the anthropogenic impact on the environment and preventing unauthorized production and consumption wastes disposal.

In general, total funds spent by OAO TATNEFT to ensure ecological safety and environmental protection measures from all sources of financing amounted to more than 5,401 million rubles in 2011. At the same time the specific amount of funds directed by the Company to ensure environmental safety and protection of the environment per 1 ton of crude oil amounted to 208 rubles 2011 for (174 rubles in 2010).

Main Objectives of the Company in 2012 in the Field of Environmental Activities

1. Continue the work on improving and maintaining the operation of OAO TATNEFT's integrated management system for industrial safety, labor and environment protection;
2. Ensure the implementation of OAO TATNEFT's Environmental Program for the period 2000-2015" and OAO TATNEFT's Program (Action Plan) for industrial and occupational safety to prevent injuries, reduce the risk of accidents and unplanned losses for the period 2010 to 2012";
3. Ensure compliance with established standards of permissible impact on the environment;

CORPORATE SOCIAL RESPONSIBILITY

The TATNEFT Company consistently implements the principles of social responsibility following its corporate mission and strategic goals of development. The social activity of the Company is in accord with the priorities of the government's social policy and National Social Projects for promotion of health, education, sports, children's development, and the overall quality of life. The most important component of corporate social policy is charity, which the

Company performs through its three charity funds: Rukhiyat, Mercy, and Gifted Children.

The Company's social policy is uniform for all departments and enterprises of the TATNEFT Group and is integrated into all financial activities.

Annually, simultaneously with the Annual Report the Company publishes the Social Report, in which, in accordance with international and national standards (GRI), it discloses information for all socially significant aspects of its activities and where the register of existing corporate social projects is published.

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Participation in National Projects

Promotion of education, health, and sports is among the priority areas of corporate social-oriented policy, which mainly aims to obtain the maximum social effect from the Company's principal activity.

Promotion of Health

As part of the National Health Project, the Company implements integrated programs aimed at maintaining and improving the health of workers and local population, including through participation in construction and reconstruction of health facilities.

This year, OAO TATNEFT purchased for its Medical and Sanitary Division the up-to-date equipment, including a spectral tomographic scanner, MRI machine, etc., as well as installed the E-health Center information system. The Company allocated funds to repair obstetric items in settlements Kama-Ismagilovo and Kama-Elga of Almetyevsk district and renovated Leninogorsk central republican hospital's branch.

Promotion of Education

The Company pays great attention to developing education by supporting industry-specific colleges and schools, contributing to training highly qualified professionals there. At its own expense, Tatneft holds a competitive selection of students of

all budget courses for future employment with the Company, and also forms the target groups for training programs. The Company pays great attention to development of secondary schools and kindergartens of the south-eastern Tatarstan; it allocates substantial funds for their reconstruction, major repairs, and equipment. The Company also carries out major repairs of kindergartens in towns and settlements of the oil region. RUR 108.9 million have been allocated for repairing and reinforcing material and technical base of schools and kindergartens of RT. Two new kindergartens have been constructed and commissioned: Belekech kindergarten No. 1 in Almetyevsk and Podsolnushek kindergarten in Nizhnekamsk, the allocation sum totaling RUR 379.5 million.

Promotion of Sports

OAO TATNEFT implements special programs for development of mass adult and children's sports in the south-east of Tatarstan. The Company is involved in construction and reconstruction of existing sports facilities; it acts as an organizer of recreational activities, sports competitions, hockey tournaments for OAO TATNEFT prizes. Due attention is paid to ensure that coaches and hockey teams have all the necessary athletic gear.

In the south-east of Tatarstan the Company's enterprises renovated, constructed and serviced 91 hockey courts and warm changing rooms. Each year, funds are allocated for purchasing athletic uniform for youth hockey teams, as well as for remuneration of coaches and staff serving these courts. More than four thousand adolescents play in youth clubs and hockey sections. OAO TATNEFT also organizes neighborhood hockey tournaments and provides prizes for them, as well as Oil and Life magazine.

SPECIAL CORPORATE PROJECT TO SUPPORT DEVELOPMENT OF SMALL AND MEDIUM BUSINESSES

The project of OAO TATNEFT to support the development of small and medium sized businesses has been implemented since 2005 in accordance with the decision of the Board of Directors. The project has been forming as part of improving the Company's organizational structure and withdrawal of non-core activities. New business entities have been established on outsourcing terms in the service and non-productive areas. At the same time the Company has initiated provision of the released property (land, industrial and business premises, as well as equipment) to create new production facilities and services in demand in the territory of Tatarstan. The overall objective of the project is to assist in solving the challenges of the socio-economic development of the State, formation of new popular business entities with an innovative component, creation of jobs, strengthening of social stability in the Company's region of operations.

The project of supporting the development of small and medium-sized business covers four areas.

1. Establishment of small and medium-sized businesses in a competitive environment based on withdrawal of non-core activities and efficient use of the Company's assets

As part of withdrawing non-core activities and ensuring efficient use of the Company's property more than 100 business entities have been established in production servicing, the research sector, the social sector (health centers, personal services, trade). With establishment of new entities with a view of their entry into the market environment and providing for their sustainability in a competitive environment TATNEFT Company has provided all-round assistance, including loan granting, possibility to obtain credit under the guarantee of TATNEFT, assistance in the acquisition of movable and immovable industrial and economic property, assistance in compliance with standards for financial and production activities, provision OAO TATNEFT's orders at the new the enterprises development stage. Currently the new business entities render a significant share (on average more than 50%) of outsourcing services to third parties.

The major work of OAO TATNEFT has been completed in this area.

2. Interaction with the small oil companies for the development of peripheral fields with hard-to-recover reserves.

A strategy of small oil companies' development till 2030 has been devised to improve the efficiency of crude oil production in the territory of the Republic, which presumes development of peripheral oil fields with hard-to-recover reserves, including innovative modernization and stabilization capabilities of the resource base through implementation of geological and technological activities, as well as measures of stabilizing the resource base capabilities. There are 35 small oil companies operating within the territory of the Republic, which provide for employment of more than 8000 persons. TATNEFT Company provides all-round support to the small oil companies in solving production related and technological nature problems. Pursuing the objectives of optimizing production processes and improving reliability of the oilfield equipment operation small oil companies submit certain types of works and services to outsourcing service companies creating prerequisites for the establishment of new small and medium business enterprises.

3. Creation of technopark for establishment of innovative enterprises.

TATNEFT Company has created two technological parks: "Idea: South-East" in Leninogorsk and "Tatneft-Active" in Almetyevsk. Technoparks form extensive opportunities for the small and medium-sized business entities development associated with the Company's core business, as well as production facilities, which are particularly popular in the south-eastern part of Tatarstan.

The technology parks provide prepared areas with existing infrastructure to implement ideas and projects, provide necessary advice and organizational support at key stages of the works formation and development, including business planning and logistics.

Technopark "Idea: South-East" has three industrial sites with a total area of about 38,000 square meters. Residents occupy about 17,469 square meters of this area.

"Tatneft-Active" owns real estate with a total area of 115,948 square meters. 22,076 sq. meters of this area have been granted to small and medium-sized businesses. The areas are also leased to the service companies.

Over 50 projects providing for more than 500 job positions were organized within the territory of two technoparks in 2011.

4. Supporting the development of small and medium-sized businesses through the Business Development Fund OAO TATNEFT

The Company established a Business Development Fund in 2005 in order to coordinate the corporate project of supporting the developing small and medium-sized businesses and assisting in projects financing. The Fund reviewed more than 250 business projects during the period of its existence till the end of 2011. Targeted funding of 21 projects for small business activities was carried out on a competitive basis: agricultural production and animal husbandry, agricultural machinery repairs, personal services, clothing manufacture, repair and maintenance of roads. The enterprises established provided more than 100 job positions in the south-eastern part of the Republic.

The project of supporting the development of small and medium-sized business enterprises is of great socio-economic importance for the local regions of the Company's activity regions and the Republic as a whole. For the purpose of cooperation with all interested parties a Coordinating and Expert Board has been established. A catalog of the Company's released property with detailed specifications and recommendations on the possibility of its use has been compiled together with the Ministry of Industry and Trade of the Republic of Tatarstan. A list of proposals for the transfer of small and medium business entities has been prepared in the frame of the Agency of the Investment Development Program of the Republic of Tatarstan on the organization of large enterprises cooperation with small and medium business entities, including the use of outsourcing. The Company places a registry of fixed assets, equipment and land plots proposed for small and medium businesses on the corporate website on a quarterly basis. Various options are being explored for the use of released space and production facilities of the Company for scientific research and developments.

Results of the Project to support the development of small and medium-sized businesses during the period of 2005-2011.

- A block of fully-featured competitive small and medium-sized business enterprises with high potential for further development in the productive and nonproductive sectors was formed. The new enterprises form prerequisites for creation of new small and medium-sized outsourcing companies.
- New enterprises provided more than 40,000 jobs positions with social guarantees and cooperation ties and stable tax deductions into the budget of the Republic.
- Established companies in various activity areas expand the coverage of the Republic territory and start going out to the other regions.

In general, a model of small and medium-sized businesses formation was created:

- Creation of a small and medium-sized business enterprises zone around the key companies of OAO TATNEFT and establishment of new production service entities.
- Formation of cooperative ties between the new entities.
- Formation of interaction of the large and medium-sized businesses.
- Creation of the most favorable conditions for the development of modern cost-effective production entities.

Financial Results

AUDIT OPINION

AUDIT OPINION OF ACCOUNTING (FINANCIAL) STATEMENTS for the period from January 01 till December 31, 2011

AUDIT OPINION

To Shareholders of the Open Joint Stock Company

Audited Entity

Full name: Open Joint Stock Company TATNEFT named after V.D. Shashin (hereinafter referred to as Company).

Abbreviated Name: OAO TATNEFT n.a. V.D. Shashin.

State Registration Number 1021601623702.

Location: 75 Lenin Street, Almetyevsk 423450, Republic of Tatarstan, Russian Federation

Auditor

Name: ZAO ENERGY CONSULTING/Audit

State Registration Number: 1047717034640.

Location: 14 Zvezdny Boulevard, Moscow 129515, Russia.

Postal address: 7 Pavlovskaya Street, Moscow 115093, Russia.

Member of NP "Institute of Professional Auditors of Russia (IPAR)", basic state registration number: 10202014620.

We have audited the accompanying financial statements of the Company comprising the balance sheet as of December 31, 2011, profit and loss statement (attachments to the statement of changes in equity and the statement of cash flows for the year 2011), other attachments to the balance sheet and profit and loss statement (explanatory notes).

Responsibility of the Audited Entity for Financial Statement

The Company's management is responsible for compiling and authenticity of the submitted financial statements in accordance with the rules of accounting reports compiling in the Russian Federation and for the system of internal control necessary for the preparation of financial statements free of material misstatement due to fraud or errors.

Responsibility of the Auditor

Our responsibility is to express an opinion on authenticity of the financial statements based on our audit results. We have carried out the audit in accordance with the federal auditing standards of the Russian Federation. These standards require that we comply with relevant ethical requirements and perform the audit to obtain reasonable assurance that the financial statements are free of any material misstatement.

The audit included performance of audit procedures aimed at obtaining audit evidence supporting the numerical indicators of the financial statements and disclosure of the information contained therein. The choice of the audit procedures is the subject of our judgment, which is based on the assessment of the risk of material misstatements, made due to fraud or errors. In assessing this risk, we considered the system of internal control, providing for compiling and authenticity of the financial statements in order to select the relevant conditions for setting the auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

**AUDIT OPINION OF ACCOUNTING (FINANCIAL) STATEMENTS
for the period from January 01 till December 31, 2011**

The audit also included the assessment of appropriateness of the accounting policies applied and the reasonableness of the estimated figures received by the management of the audited entity as well as the overall assessment of the financial statements presentation in general.

We believe that the audit evidence provides a reasonable basis for expressing an opinion on the authenticity of the financial statements.

Opinion

In our opinion, the financial statements authentically present in all material respects the financial position of OAO Tatneft named after V.D. Shashin as of December 31, 2011, the results of its financial and business performance and cash flows for the year 2011 in accordance with the established rules of compiling financial statements in the Russian Federation.



March 26, 2012

General Director
ZAO ENERGY CONSULTING

L.A. Antonenko
Auditor's qualification certificate of Sept. 08, 2011
No. 02-000014, ORNZ 29702011544

Financial Statements of OAO TATNEFT for 2011 in accordance with RAS

Balance Sheet (thousand RUR.)

| INDICATOR DESCRIPTION | LINE CODE | AS OF DECEMBER 31, 2011 | AS OF DECEMBER 31, 2010 | AS OF DECEMBER 31, 2009, |
|---|-------------|----------------------------|----------------------------|-----------------------------|
| ASSETS | | | | |
| I. FIXED ASSETS | | | | |
| Intangible assets | 1110 | 193,427 | 205,265 | 228,390 |
| incl. non-completed works for creation of intangible assets | 1111 | 118,203 | 95,598 | 203,090 |
| Results of studies and developments | 1120 | 69,004 | 96,128 | 83,413 |
| incl. non-completed R&D works | 1121 | 58,530 | 81,241 | 68,556 |
| Capital assets | 1130 | 77,448,478 | 64,436,508 | 60,993,285 |
| incl. non-completed construction of facilities out of operation | 1131 | 7,639,889 | 4,486,084 | 4,644,734 |
| equipment to be installed | 1132 | 3,542,457 | 88,880 | 232,868 |
| Income-bearing lease investment | 1140 | 5,832,537 | 6,035,729 | 6,054,309 |
| Financial assets | 1150 | 41,567,542 | 56,073,711 | 48,323,982 |
| Deferred tax assets | 1160 | | | |
| Other non-current assets | 1170 | 10,803,178 | 5,205,442 | 4,381,267 |
| incl. prepaid expenses for major construction work and services | 1171 | 6,848,459 | 1,274,171 | 386,273 |
| expenses for the development of natural resources | 1172 | 859,085 | 679,988 | 592,434 |
| fields licenses | 1173 | 3,089,813 | 3,245,836 | 3,394,671 |
| TOTAL for section I | 1100 | 135,914,166 | 132,052,783 | 120,064,646 |
| II. CURRENT ASSETS | | | | |
| Reserves | 1210 | 20,120,514 | 14,199,829 | 12,497,178 |
| incl. feedstock, materials | 1211 | 1,382,972 | 785,247 | 581,973 |
| Non-completed production expenses | 1212 | 6,858,270 | 5,969,443 | 4,361,376 |
| finished products and goods for resale | 1213 | 10,003,092 | 6,574,282 | 6,486,967 |
| goods shipped | 1214 | 986,580 | 87,185 | 87,113 |
| deferred expenses | 1215 | 885,803 | 779,592 | 965,010 |
| Input value added tax | 1220 | 3,931,627 | 3,553,105 | 3,686,408 |
| Receivables | 1230 | 85,542,284 | 80,565,056 | 74,301,757 |
| incl. receivables, payments for which are expected later than 12 months after the report date | 1231 | 9,596,916 | 14,385,751 | 17,584,565 |
| Receivables, payments for which are expected not later than 12 months after the report date | 1232 | 75,945,368 | 66,179,305 | 56,717,192 |
| Financial assets (except cash equivalents) | 1240 | 200,472,862 | 184,454,534 | 88,229,738 |
| Cash and cash equivalents | 1250 | 15,719,038 | 3,994,733 | 13,862,197 |
| Other current assets | 1260 | 227,206 | 161,112 | 296,850 |
| TOTAL for section II | 1200 | 326,013,531 | 286,928,369 | 192,874,128 |
| BALANCE | 1600 | 461,927,697 | 418,981,152 | 312,938,774 |

Balance Sheet (thousand RUR.)

| INDICATOR DESCRIPTION | LINE CODE | AS OF DECEMBER 31, 2011 | AS OF DECEMBER 31, 2010 | AS OF DECEMBER 31, 2009, |
|--|-------------|----------------------------|----------------------------|-----------------------------|
| LIABILITIES | | | | |
| III. CAPITAL AND RESERVES | | | | |
| Authorized capital (share capital, registered fund, contributions of partners) | 1310 | 2,326,199 | 2,326,199 | 2,326,199 |
| Own shares repurchased | 1320 | () | () | () |
| Revaluation of current assets | 1340 | 9,638,151 | 9,125,551 | 9,659,709 |
| Additional fund (without revaluation) | 1350 | (9,231) | | |
| Reserve fund | 1360 | 1,197,142 | 1,195,856 | 2,601,928 |
| Undistributed profits (uncovered loss) | 1370 | 314,145,186 | 271,096,423 | 248,920,986 |
| TOTAL for section III | 1300 | 327,297,447 | 283,744,029 | 263,508,822 |
| IV. LONG-TERM LIABILITIES | | | | |
| Loans and borrowings | 1410 | 58,831,609 | 74,256,907 | 9,443,608 |
| Deferred tax liabilities | 1420 | 8,126,945 | 5,946,320 | 4,670,964 |
| Estimated liabilities | 1430 | | | |
| Other liabilities | 1450 | 121,813 | 289,141 | 363 |
| TOTAL for section IV | 1400 | 67,080,367 | 80,492,368 | 14,114,935 |
| V. SHORT-TERM LIABILITIES | | | | |
| Loans and borrowings | 1510 | 37,977,561 | 33,052,910 | 12,910,274 |
| Credit indebtedness | 1520 | 28,340,077 | 21,138,133 | 21,584,520 |
| incl. suppliers and contractors | 1521 | 8,138,832 | 6,759,019 | 5,810,654 |
| Debt to the state non-budgetary funds | 1522 | 220,044 | 112,276 | 42,064 |
| Taxes and dues payable | 1523 | 9,657,722 | 8,041,803 | 8,138,888 |
| Deferred revenues | 1530 | 7,714 | 8,693 | 11,509 |
| Estimated liabilities | 1540 | 1,224,531 | 545,019 | 808,714 |
| TOTAL for section V | 1500 | 67,549,883 | 54,744,755 | 35,315,017 |
| BALANCE | 1700 | 461,927,697 | 418,981,152 | 312,938,774 |

Profit and Loss Statement fy 2011 (thousand RUR.)

| INDICATOR DESCRIPTION | LINE CODE | JANUARY-DECEMBER 2011 | JANUARY-DECEMBER 2012 |
|---|-------------|--------------------------|--------------------------|
| Revenues | 2110 | 318,594,183 | 257,954,943 |
| Production cost of sales | 2120 | (198,344,043) | (166,018,811) |
| Gross profit | 2100 | 120,250,140 | 91,936,132 |
| Selling expenses | 2210 | (24,485,140) | (19,130,228) |
| Management expenses | 2220 | | |
| Profit (loss) from sales | 2200 | 95,765,000 | 72,805,904 |
| Profits from participation in other organizations | 2310 | 564,532 | 237,374 |
| Interests receivable | 2320 | 2,193,112 | 3,457,629 |
| Interest payable | 2330 | (3,620,561) | (3,571,804) |
| Other incomes | 2340 | 10,060,856 | 11,272,628 |
| Other expenses | 2350 | (29,842,057) | (33,181,451) |
| Profit (loss) before taxation | 2300 | 75,120,882 | 51,020,280 |
| Current income tax | 2410 | (16,274,726) | (13,770,797) |
| incl. constant Tax Liabilities (assets) | 2421 | (3,431,174) | (4,842,097) |
| Changes of deferred tax liabilities | 2430 | (2,180,625) | (1,275,356) |
| Changes of deferred tax assets | 2450 | | |
| Any other | 2460 | (1,784,656) | 1,802,860 |
| Net profit (loss) | 2400 | 54,880,875 | 37,776,987 |
| INFORMATIONAL | | | |
| Result of fixed assets revaluation not included in the net income (loss) for the period | 2510 | 609,626 | 193,975 |
| Result from other operations not included in the net income (loss) for the period | 2520 | 2520 | |
| Cumulative financial result for the period | 2500 | 55,481,270 | 37,970,962 |
| Basic earnings (loss) per share | 2900 | 24.71 | 17.00 |
| Diluted earnings per share | 2910 | 24.71 | 17.00 |

IMPORTANT ASPECTS OF THE ACCOUNTING POLICY AND INFORMATION REPRESENTATION IN FINANCIAL STATEMENTS FOR 2011

Main Approaches to Preparation of Annual Financial Statements

The financial accounting in the Company is carried out in accordance with Federal Law No. 129-FZ of Nov. 21, 1996 "On Accounting", Provision on Accounting and Reporting in the Russian Federation approved by order of the Russian Federation Ministry of Finance No. 34n dated July 29, 1998 (PBU), as well as the accounting policy of the Company. The financial statements of the Company for 2011 were executed in compliance with the Law, the accounting and reporting rules and the Company's policy, as well as the assumption of the organization's activity continuity. Annual financial statements for 2011 were compiled according to the forms developed and approved by the Company in accordance with the Order of the Ministry of Finance No. 66n of July 02, 2010 "On the forms of organizations' accounting". These financial statements are presented in thousands of rubles

Assets and Liabilities Expressed in Foreign Currency

Accounting for assets and liabilities denominated in foreign currencies is carried out in accordance with e PBU 3/2006, "Accounting for assets and liabilities denominated in foreign currencies", and approved by Order No. 154n of the Finance Ministry of the Russian Federation dated November 27, 2006.

The exchange rate difference is reflected in the accounting and financial statements for that reporting period, which is concerned with the due date of payment or which the financial statements were executed for.

The exchange rate difference arising from translation of the organization's assets and liabilities denominated in foreign currency used to perform activities outside the Russian Federation into rubles is credited to the organization's additional capital.

The exchange rate difference is credited to financial results of the organization as other income and expenses. The currency exchange rate gains and losses are recognized in the Profit and Loss account in the "Other income" or "Other expenses" items.

When accounting for business transactions in foreign currencies the official foreign currency exchange rate to the ruble was used valid for the day of transaction. Cash in foreign currency accounts in banks and on hand, financial investments (except for shares), and settlement funds in foreign currencies (except for funds received and given as advances and pre-payment or earnest money) are reflected in the financial statements as amounts calculated on the basis of the currencies official exchange rates in effect for December 31, 2011. The currency exchange rates for that date amounted to 32.1961 rubles for USD 1 (30.4769 rubles for December 31, 2010, and 30.2442 rubles for December 31, 2009); 41.6714 rubles for Euro 1 (40.3331 rubles for December 31, 2010, and 43.3883 rubles for December 31, 2009).

Intangible Assets

Reflected as part of intangible assets are software programs for computers; inventions; useful models; production secrets (know-how); trademarks and service marks.

The costs associated with creation of computer programs and databases, which are not planned for registration with a federal executive authority as the intellectual property are also taken into account as part of intangible assets.

Acc. to PBU 14/2007 "Accounting of intangible assets" the intangible assets are accepted for accounting at their original cost. The original value of intangible assets acquired for a fee is determined as a sum of actual expenditures for the purchase (excluding value added tax and other taxes recoverable, except the cases envisaged by the legislation of the Russian Federation), as well as the costs of bringing the intangible assets to a state in which they are suitable for use as planned.

The original value of intangible assets acquired under contracts providing for execution of a non-monetary obligation, is determined based on the value of the assets transferred or subject to transfer by the organization. The cost of the assets transferred or subject to transfer is set on the basis of the price at which the value of similar assets is usually determined in comparable circumstances.

If it is impossible to establish the value of assets transferred or subject to transfer by the organization, then the value of obtained intangible assets is determined based on the price at which the similar intangible assets are usually purchased.

The value of intangible assets shall be repaid by the straight-line depreciation method at the rates specified on the basis of the due date of their useful live.

Depreciation is not charged for intangible assets with an indefinite period of useful service life.

Depreciation charging is performed through accumulation of appropriate amounts in a separate account. Depreciation on intangible assets is reflected in the accounting period, which it refers to and is charged regardless of the organization's activity outcome during the reporting period.

The useful life period of intangible assets is verified every year with the purpose of clarification. In case of a substantial change (more than twenty percent) of the period duration of the intended asset's useful life the latter is subject to change. The adjustment arising therefrom is reflected in the accounting and financial reporting at the beginning of the year as changes in the estimated values.

Revaluation of groups of homogeneous intangible assets at fair market value is not carried out.

Expenses for Scientific/Research, Experimental Design and Engineering Works

Expenses for scientific/research, experimental/design and engineering works are accounted in the amount of actual expenses incurred during performance of these works.

The expenses for scientific/research, experimental design and engineering works, which yielded positive results and began to be used in the work are written off as expenses of ordinary activities starting with the month following the month, when the actual application of the mentioned works results in manufacturing products (work performance, service rendering) or for meeting administrative needs of the organization began.

Writing off the costs of each completed research, development, design and technological work is done as linear function within one year of R & D results becoming useful.

Expenditure on research, experimental design and engineering works that have not yielded positive results are written off to financial result as miscellaneous expenses.

Fixed Assets

Land plots, buildings, installations, machinery, equipment, transport means and other facilities with the life time over 12 months and with the cost exceeding 40,000 rubles are reflected in the fixed assets item.

As of December 31, 2011 the Company revaluated the buildings (industrial buildings), facilities (pipelines, oil pipelines, and water lines), machinery and equipment (power machinery and equipment) by the direct conversion of documented market prices. Resulting revaluation data were included in the balance sheet for the end of 2011.

The amounts of the revalued facilities original cost and the accumulated depreciation (revaluation surplus) are attributable to an increase in additional capital. The sum of the fixed asset revaluation surplus equals to the sum of its devaluation performed in previous reporting periods and classified in the financial results as other expenses, enlisted in the financial results as other income.

Devaluation amounts of the fixed assets are classified in the financial results as other expenses. Assets devaluation amounts are classified as decrease in additional capital formed through the revaluation surplus of these assets performed in previous years. Excess amounts of assets devaluation over the amount of the revaluation surplus credited to the Company's additional capital resulting from the revaluation in previous reporting periods are classified in the financial results as other expenses.

Acc. to items 7, 8 of PBU 6/01 "Accounting of fixed assets" the fixed assets are accepted to accounting with their original cost. The original cost of fixed assets purchased at a charge is the amount of actual Company's expenditures for acquisition, construction and production, excluding the value added tax and other recoverable taxes (except cases envisaged by the legislation of the Russian Federation).

Depreciation of fixed assets placed in service before January 1, 2002, is carried out following a single depreciation rates pattern approved by the Council of Ministers of the USSR Order No. 1072 of November 22.10, 1990 "On the uniform norms of depreciation for the full recovery of the fixed assets of the Soviet economy" and put into effect from January 1, 2002 with regard to the rates calculated on the basis of the useful life period. The classification of fixed assets included in depreciation groups approved by the Government of the Russian Federation Order No. 1 of January 01, 2002 is used as a source of information about the useful life periods.

Depreciation accrual is performed in a linear fashion.

| FIXED ASSETS GROUPS | TIME PERIODS OF FACILITIES USEFUL LIFE (YEARS) | |
|-------------------------|---|------------------------|
| | BEFORE JAN. 01, 2002 | AFTER JAN. 01, 2002 |
| Buildings | 25-50 | 6-31 |
| Facilities, including: | 10-25 | 4-31 |
| Wells | 10-15 | 4-11 |
| Machinery and equipment | 5-15 | 2-21 |

Depreciation is not charged on the land plots and natural resources sites.

Changing of fixed assets original value as they were included for accounting purposes is allowed in cases of completion, retrofit, renovation, modernization, partial liquidation, and the fixed assets revaluation.

In accordance with paragraph 11 of PBU 6/01 "Accounting for fixed assets," fixed assets obtained under contracts providing for in-kind fulfillment of obligations (payment of) are estimated as follows:

- cost of goods (values) that were transferred or are subject to transfer. The cost of goods (values) that were transferred or are subject to transfer shall be determined on the basis of the price, which in comparable circumstances usually determines the cost of similar goods (values).
- if it is impossible to establish the cost of goods (values) that have been transferred or are subject to transfer, then the cost of fixed assets obtained under contracts providing for in-kind fulfillment of obligations (payment of) shall be determined on the basis of the price, which in comparable circumstances shall be paid to acquire similar fixed assets.

The expenses of fixed assets repairs are included for accounting purposes for a period in which they were made.

As part of the fixed assets on the line "non-completed construction of facilities out of operation" there are taken into account costs of construction and erection works, acquisition of buildings, facilities, equipment and other tangible long use objects, capital works and other expenses. This line reflects the cost of capital construction projects

before putting facilities into operation, after which the structures are transferred into the fixed assets.

In addition the line "non-completed construction of facilities out of operation" reflects the costs associated with the lease of land for construction of future wells.

Financial Investments

Financial investments are accepted for accounting with their original cost. When acquiring financial investments at a charge, the original cost is made up by actual expenses for their acquisition, excluding VAT and other recoverable taxes (except cases provided for by the legislation of the Russian Federation about taxes and charges).

Financial investments defining the current market cost are reflected in the statements by the end of the reporting year by the current market cost through their assessment adjustment for the previous reporting date. This adjustment is done on a monthly basis.

The difference between the valuation of financial investments at fair market cost on the balance sheet date and the previous estimate of financial investments are included in the financial results as part of other income or expenses.

Financial investments for which there is no definition of the current market cost are reflected in accounting as of the reporting date after deduction of the amount of the reserve formed for their depreciation.

Financial investments are included in current assets if the expected duration of possession is less than 12 months after the reporting date. Other investments are included in fixed assets.

The cost of information, consulting services, valuation services and other similar services related to taking a decision on acquisition of financial investments made prior to the acquisition of the financial investments are recorded in the line "Other current assets" (in case the decision to acquire investments will be made within 12 months from the date of the expenditure). In other cases they are presented in the line "Other non-current assets."

On disposal of investments, which is not determined by current market value, their value is formed on the basis of assessment determined by:

- disposal of shares, bonds – at the cost on first-time financial investments acquisition (FIFO method);
- disposal of bills – at the original cost of each unit of the financial investments accounting.

The cost of information, consulting services, valuation services and other similar services related to the disposal of the financial investments made prior to the financial investments disposal are reflected in the line "Other current assets".

In case of the financial investments disposal, for which the current market value is not determined, their value is determined by the organization on the basis of the last assessment.

Gains and losses of the financial investments disposal are reflected in the profit and loss statement as part of other income and expenses.

Repo transactions are reflected in the financial statements as giving or receiving a loan against securities.

Inventories

The line "Raw materials and supplies" of the balance sheet reflects the raw materials, basic and auxiliary materials, purchased semi-finished products and components, fuel, packaging, spare parts, construction and other materials.

The line of the material inventories also reflect the assets, which meet the conditions necessary for the recognizing them as fixed assets provided that their cost is no more than 40,000 per unit.

The inventories are recorded at the actual cost of their acquisition with the exception of VAT and other recoverable taxes (except as provided by the legislation of the Russian Federation). Disposal of the inventories is carried at the average production cost.

The inventories, which are obsolete, wholly or partially lost their original quality, or which current market value decreased, are reflected in the balance sheet net of the reserve provision for impairment of property costs.

Non-Completed Production, Finished Products, Goods and Sales Expenses

Expenditures incurred in carrying out activities under the Agreement for the exploration and production sharing with Libya during the exploration period is reflected as part of the production in progress. The plans provide that the mentioned expenditures for petroleum operations will be offset through delivery of finished products (crude oil, liquid hydrocarbon by-products and natural gas), which OAO TATNEFT will receive as a result of production sharing during the operational period.

Finished products are reflected in the balance sheet at the full actual production cost (including management expenses).

In shipment of crude oil, petroleum products and gas products assessment is carried out by the average cost method for each group of products.

Sales expenditures are written off to the results of the Company's financial and economic activities without differentiating between the sold and unsold products.

Shipped Goods

The accounting article "goods shipped" reflects shipped products, the title for which was not transferred to buyers.

This line also reflects the fixed assets transferred to the buyer by the delivery-acceptance act before the moment of state registration of the ownership transfer.

Indebtedness

Indebtedness of buyers and customers is determined on the ground of prices established by contracts concluded between the Company and buyers (customers) taking into account all discounts (extra charges). Indebtedness unrealistic to be recovered is written off from the balance as it is proved to be so.

The indebtedness not paid within the time limits stipulated in contracts and not secured with respective guarantees is shown after deduction of accrued reserves for bad debts. These reserves constitute a conservative assessment carried out by the Company with regard to the part of debts which is likely not to be paid. The reserve is created for each doubtful debt outstanding (depending on the financial condition (solvency) of the debtor and estimated probability of debt repayment in whole or in part) on the basis of the receivables inventory, made for the last day of the month of reporting.

Income and expenses generated in the creation and recovery of allowance for doubtful debts in one financial year are reflected in the profit and loss statement in the lines "Other income" or "Other expenses".

Cash and cash equivalents

In accordance with the regulations on accounting "Report of Cash Flows" approved by Order of the Ministry of Finance of Russia No. 11n dated February 02, 2011 and entered into force starting with the financial statements for 2011, cash equivalents include highly liquid investments that can easily be converted into a known amount of cash and are subject to an insignificant risk of changes in value.

The Company considers bank deposits placed for the period up to 12 months under contracts, which terms provide for the possibility of early vindication, as cash equivalents.

In the Statement of Cash Flows:

- balances of cash and cash equivalents in foreign currency at the beginning and the end of the reporting period are reflected in a ruble amount, which is determined in accordance with PBU 3/2006. Differences arising in connection with the conversion of the organization of cash flows and cash equivalents in foreign currency exchange rates on different dates are reflected in the cash flows statement as the impact of foreign currency exchange rate changes against the ruble.
- indirect taxes (VAT and excise duties) as part of the proceeds from buyers and customers, payments to suppliers and contractors and payments to the Russian Federation budget system or the reimbursement of out of it are reflected as the balanced outcome as part of the other income (payments) from operating activities in the line "Other income" ("Other payments").

Consequences of accounting corrections the for 2011 are reflected in the financial statements for 2011 in retrospect

Authorized and Additional Capital

The authorized capital is reflected in the amount of face value of ordinary and preferred shares purchased by the shareholders.

The additional capital of the Company includes exchange differences arising from translation of the organization's assets and liabilities value expressed in foreign currency used to perform activities outside the Russian Federation in rubles. In addition, the revaluation surplus of fixed assets resulting from revaluation included in the additional capital is reflected the line "Revaluation of fixed assets". Revaluation surplus in case of the fixed assets disposal is transferred from the additional capital to retained earnings of the Company.

In accordance with the legislation the Company established a reserve fund in the amount to 5% of the authorized capital formed at the account of the Company's net profit. The reserve fund is intended to cover losses of the Company, for bonds redemption and repurchase of the Company's shares in the absence of other funds.

In accordance with the constituent documents the Company establishes an employees' shareholding fund, which is formed from the Company's net profit. Contributions to this fund are made in accordance with the methodology approved by "Regulations on the bonus certificates of OAO TATNEFT".

Estimated Liabilities

In order to enable uniform inclusion of costs to be incurred into the reporting period expenses the Company establishes a reserve for bonus payment on the results of the year.

The amount of monthly payments to the reserve is determined based on the monthly deduction payments and the actual expenses amount of the labor costs. Percentage of contributions to the reserve is calculated by the ratio of the annual planned expenditure for the labor payment to the planned total labor costs.

Based on the Provision "Estimated Liabilities, Contingent Liabilities and Contingent Assets (PBU 8/2010)" becoming effective the Company introduced amendments in terms of recognizing estimated liabilities to the employees for unused vacations starting with 2011 financial statements.

The estimated liability value of for unused employees' vacation for accrual of relevant allowance is determined based on the total number of days of the unused vacation for each employee of the average daily earnings and insurance premiums accrued on the specified reserve.

The actual amount of the vacation allowance accrued to the employee in the accounting at the expense of the set up a reserve for unused vacation payment.

An inventory of the reserve for unused vacation payment is carried out as of the last day of each quarter, which results are reflected by the reserve adjustments.

Consequences of the accounting policy adjustments for 2011 are reflected in the financial statements for 2011 in retrospect.

Borrowings and Credits

In accordance with PBU 15/01 "Accounting of expenses on borrowings and credits" approved by Order of the Ministry of Finance of Russia No. 107n from 06.10.2008 a principal amount of the debt by the loan (credit) received from the lender is taken into account in accordance with the terms of the loan agreement (credit agreement) in the amount of actually received cash or in the valuation of other things provided for by the contract.

Loan and credit indebtedness, as well as accrued interest, are reflected in the balance sheet on the "Borrowings" line.

Loan and credit indebtedness, as well as accrued interest, is divided in accounting into short-term (which maturity according to the contract does not exceed 12 months) and long-term (which repayment period under the terms of the contract exceeds 12 months).

Transfer of the long-term debt into the short term one is made at the time, when there are 365 days left to the debt principal amount repayment.

Interest on loans and credits received are recognized as other expense of the period in which they were incurred, except for the part to be included in the value of an investment asset.

Expenses of received loans and credits that directly attributable to the acquisition and/or the creation of an investment asset are included in the cost of the asset and are repaid through depreciation unless the rules of accounting depreciation of an asset is not provided.

Inclusion of the received loans and credits expenses in the original value of the investment asset is terminated on the first day of the month following the month of accepting the asset for accounting as a fixed asset, intangible asset or R & D expenditures.

Recognition of Revenues from Goods Sales

Proceeds from the sale of goods, products and service rendering (work execution) is recognized when the products are shipped to the buyers (services are rendered to the customers).

Proceeds from the sales under contracts providing for the fulfillment of obligations (payment) by non-monetary assets is determined by the cost of the things of value, received or receivable by the Company, calculated on the basis of the prices which in comparable circumstances the Company generally determines in the evaluation of similar property.

Revenues are reflected in the accounts net of the value added tax, excises and similar compulsory payments.

According to contracts for hydrocarbons sale majority of the settlement documents must be handed over to the buyers no later than 15 days after the shipment month date with the price of raw materials to be determined by calculation on the basis of market quotations or it is fixed in the contract as agreed between the parties.

Expenses

Administrative expenses are written off for production in full on a monthly basis.

Distribution of the administrative expenses at the oil and gas production boards is made between the calculation items for crude oil and associated petroleum gas, the production of other goods (works, services) is made in proportion to the overall cost of their production net of royalties, taxes and other obligatory payments.

Distribution of the administrative expenses at the other structural divisions is carried out in proportion to the actual remuneration expenses for the labor of the main production workers.

Property Assessment

According to i.1 of Article 11 of Federal Law No. 129-FZ valuation of property and liabilities in terms of money is performed for their reflection in the accounting and financial statements.

Valuation of the property acquired for a fee is carried out by summing the actual costs incurred for its acquisition; the property received free of charge – at the market value on the date of recognition, the property produced in the organization – the actual cost of production.

Depreciation of fixed assets and intangible assets is made regardless of the organization's economic performance in the reporting period.

Accounting of Profit Tax Calculations

The accounting balance-sheet reflects balanced (folded) sums of deferred tax asset and deferred tax liability during execution of the financial statements.

Correction of Errors in the Accounting and Reporting

The error identified in the accounting records and financial statements is recognized as an essential one, if the reference of this error to the gross total of the relevant balance sheet article of OAO TATNEFT, or a line in the profit and loss statements of OAO TATNEFT for the reporting period amounts to at least five percent. In other cases the error is not significant.

Consolidated Financial Statements

Years Ended December 31, 2011 and 2010



Report of Independent Auditors

To the Board of Directors and Shareholders of OAO Tatneft:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of OAO Tatneft (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

ZAO PricewaterhouseCoopers Audit

April 16, 2012

Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

Continued

Consolidated Balance Sheets (in millions of Russian Roubles)

| | NOTES | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 17,044 | 8,080 |
| Restricted cash | | 1,178 | 2,897 |
| Accounts receivable, net | 4 | 60,095 | 52,951 |
| Due from related parties | 17 | 13,726 | 14,585 |
| Short-term investments | 5 | 9,391 | 9,196 |
| Current portion of loans receivable | 8 | 1,839 | 2,275 |
| Inventories | 6 | 25,243 | 15,140 |
| Prepaid expenses and other current assets | 7 | 27,084 | 27,433 |
| Total current assets | | 155,600 | 132,557 |
| Long-term loans and notes receivable, net | 8 | 3,168 | 2,344 |
| Due from related parties | 17 | 11,829 | 9,915 |
| Long-term investments | 5 | 13,542 | 15,823 |
| Property, plant and equipment, net | 10 | 430,781 | 393,776 |
| Other long-term assets | 9 | 12,903 | 12,764 |
| Total assets | | 627,823 | 567,179 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Short-term debt and current portion of long-term debt | 11 | 40,722 | 34,333 |
| Trade accounts payable | | 15,741 | 14,890 |
| Due to related parties | 17 | 6,154 | 5,135 |
| Other accounts payable and accrued liabilities | 12 | 20,321 | 15,861 |
| Capital lease obligations | 10 | - | 34 |
| Taxes payable | 14 | 14,123 | 10,583 |
| Total current liabilities | | 97,061 | 80,836 |
| Long-term debt, net of current portion | 11 | 61,776 | 75,021 |
| Due to related parties | 17 | 462 | 585 |
| Other long-term liabilities | | 2,744 | 3,295 |
| Asset retirement obligations, net of current portion | 10 | 47,534 | 43,008 |
| Deferred tax liability | 14 | 14,835 | 13,888 |
| Total liabilities | | 224,412 | 216,633 |
| SHAREHOLDERS' EQUITY | | | |
| Preferred shares (authorized and issued at December 31, 2011 and 2010 – 147,508,500 shares; nominal value at December 31, 2011 and 2010 – RR1.00) | 15 | 148 | 148 |
| Common shares (authorized and issued at December 31, 2011 and 2010 – 2,178,690,700 shares; nominal value at December 31, 2011 and 2010 – RR1.00) | 15 | 2,179 | 2,179 |
| Additional paid-in capital | | 96,925 | 96,617 |
| Accumulated other comprehensive income | | 1,995 | 1,933 |
| Retained earnings | | 291,029 | 241,005 |
| Less: Common shares held in treasury, at cost (55,875,000 shares and 58,960,000 shares at December 31, 2011 and 2010, respectively) | | (3,117) | (3,275) |
| Total Group shareholders' equity | | 389,159 | 338,607 |
| Non-controlling interest | | 14,252 | 11,939 |
| Total shareholders' equity | | 403,411 | 350,546 |
| Total liabilities and Equity | | 627,823 | 567,179 |

Consolidated Statements of Operations and Comprehensive Income (in millions of Russian Roubles)

| | NOTES | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|-----------|---------------------------------|---------------------------------|
| Sales and other operating revenues | 16 | 615,867 | 468,032 |
| COSTS AND OTHER DEDUCTIONS | | | |
| Operating | | 79,071 | 67,190 |
| Purchased oil and refined products | | 73,827 | 55,621 |
| Exploration | | 2,230 | 2,068 |
| Transportation | | 21,762 | 17,217 |
| Selling, general and administrative | | 33,339 | 30,028 |
| Depreciation, depletion and amortization | 16 | 11,829 | 12,483 |
| Loss/(gain) on disposals of property, plant and equipment, investments and impairments | | 532 | (345) |
| Taxes other than income taxes | 14 | 299,072 | 216,065 |
| Maintenance of social infrastructure and transfer of social assets | 10 | 3,561 | 3,608 |
| Total costs and other deductions | | 525,223 | 403,935 |
| OTHER (EXPENSES)/INCOME | | | |
| (Losses)/earnings from equity investments | 5 | (677) | 786 |
| Foreign exchange loss | | (4,308) | (1,954) |
| Interest income | | 2,731 | 3,761 |
| Interest expense, net of amounts capitalized | | (1,050) | (483) |
| Other expenses, net | | (1,431) | (1,737) |
| Total other (expenses)/income | | (4,735) | 373 |
| Income before income taxes and non-controlling interest | | 85,909 | 64,470 |
| INCOME TAXES | | | |
| Current income tax expense | | (19,356) | (13,774) |
| Deferred income tax expense | | (2,580) | (48) |
| Total income tax expense | 14 | (21,936) | (13,822) |
| Net income | | 63,973 | 50,648 |
| Less: net income attributable to non-controlling interest | | (2,545) | (3,975) |
| Net income attributable to Group shareholders | | 61,428 | 46,673 |
| Foreign currency translation adjustments | | 246 | 574 |
| Actuarial loss on employee benefit plans | | (16) | (545) |
| Unrealized holding losses on available-for-sale securities, net of tax | | (168) | (3) |
| Comprehensive income | | 61,490 | 46,699 |
| Basic and diluted net income per share (RR) | 15 | | |
| Common | | 27.07 | 20.62 |
| Preferred | | 27.05 | 20.56 |
| Weighted average shares outstanding (millions of shares) | 15 | | |
| Common | | 2,121 | 2,116 |
| Preferred | | 148 | 148 |

Consolidated Statements of Cash Flows (in millions of Russian Roubles)

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| OPERATING ACTIVITIES | | |
| Net income | 63,973 | 50,648 |
| Adjustments: | | |
| Depreciation, depletion and amortization | 11,829 | 12,483 |
| Deferred income tax expense | 2,580 | 48 |
| Loss/(gain) on disposals of property, plant and equipment, investments and impairments | 532 | (345) |
| Transfer of social assets | 183 | 675 |
| Effects of foreign exchange | 4,744 | 1,556 |
| Equity investments losses/(earnings) net of dividends received | 1,117 | (392) |
| Change of allowance for doubtful accounts | (262) | 333 |
| Accretion of asset retirement obligation | 4,314 | 3,905 |
| Change in fair value of trading securities | 279 | (382) |
| Other | 235 | 1,209 |
| Changes in operational working capital, excluding cash: | | |
| Accounts receivable | (5,678) | (11,282) |
| Inventories | (10,009) | (3,531) |
| Prepaid expenses and other current assets | 330 | (1,698) |
| Trading securities | 227 | (370) |
| Related parties | 602 | 376 |
| Trade accounts payable | 647 | 318 |
| Other accounts payable and accrued liabilities | 1,866 | 2,597 |
| Taxes payable | 3,531 | 275 |
| Notes payable | (11) | (49) |
| Other non-current assets | (373) | (497) |
| Net cash provided by operating activities | 80,656 | 55,877 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (52,679) | (77,901) |
| Proceeds from disposals of property, plant and equipment | 3,466 | 686 |
| Proceeds from disposal of investments | 806 | 4,580 |
| Purchase of investments | (97) | (4,658) |
| Certificates of deposit | 259 | 3,286 |
| Loans and notes receivable | (873) | (304) |
| Change in restricted cash | 1,719 | 9,174 |
| Net cash used in investing activities | (47,399) | (65,137) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of debt | 89,118 | 115,800 |
| Repayment of debt | (101,685) | (95,959) |
| Repayment of capital lease obligations | (34) | (151) |
| Dividends paid to shareholders | (11,404) | (14,943) |
| Dividends paid to non-controlling shareholders | (313) | (329) |
| Purchase of treasury shares | (13) | (5) |
| Proceeds from sale of treasury shares | 13 | 9 |
| Proceeds from issuance of shares by subsidiaries | 25 | 77 |
| Net cash (used in)/provided by financing activities | (24,293) | 4,499 |
| Net change in cash and cash equivalents | 8,964 | (4,761) |
| Cash and cash equivalents at beginning of period | 8,080 | 12,841 |
| Cash and cash equivalents at end of period | 17,044 | 8,080 |

Consolidated Statements of Shareholders' Equity (in millions of Russian Roubles)

| | 2011 | | 2010 | |
|--|------------------|----------------|------------------|----------------|
| | SHARES | AMOUNT | SHARES | AMOUNT |
| PREFERRED SHARES: | | | | |
| Balance at January 1 and December 31 (shares in thousands) | 147,509 | 148 | 147,509 | 148 |
| COMMON SHARES: | | | | |
| Balance at January 1 and December 31 (shares in thousands) | 2,178,691 | 2,179 | 2,178,691 | 2,179 |
| TREASURY SHARES, AT COST: | | | | |
| Balance at January 1 | 58,960 | (3,275) | 66,985 | (3,721) |
| Acquisitions | 2,365 | (353) | 1,809 | (908) |
| Disposals | (5,450) | 511 | (9,834) | 1,354 |
| Balance at December 31 (shares in thousands) | 55,875 | (3,117) | 58,960 | (3,275) |
| ADDITIONAL PAID-IN CAPITAL | | | | |
| Balance at January 1 | | 96,617 | | 95,735 |
| Treasury share transactions | | 308 | | 882 |
| Balance at December 31 | | 96,925 | | 96,617 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | | | | |
| Balance at January 1 | | 1,933 | | 1,907 |
| Actuarial loss on employee benefit plans | | (16) | | (545) |
| Foreign currency translation adjustments | | 246 | | 574 |
| Unrealized holding losses on available-for-sale securities, net of tax | | (168) | | (3) |
| Balance at December 31 | | 1,995 | | 1,933 |
| RETAINED EARNINGS | | | | |
| Balance at January 1 | | 241,005 | | 209,275 |
| Net income | | 61,428 | | 46,673 |
| Dividends | | (11,404) | | (14,943) |
| Balance at December 31 | | 291,029 | | 241,005 |
| NON-CONTROLLING INTEREST | | | | |
| Balance at January 1 | | 11,939 | | 7,984 |
| Net income | | 2,545 | | 3,975 |
| Dividends | | (313) | | (329) |
| Change in Group structure | | 81 | | 309 |
| Balance at December 31 | | 14,252 | | 11,939 |
| Total shareholders' equity at December 31 | | 403,411 | | 350,546 |

Notes to Consolidated Financial Statements

(in millions of Russian Roubles)

NOTE 1: ORGANIZATION

OAO Tatneft (the "Company") and its subsidiaries (jointly referred to as "the Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining and marketing of crude oil and refined products as well as production and marketing of petrochemicals (see Note 16).

The Company was incorporated as an open joint stock company effective January 1, 1994 (the "privatization date") pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan (the "Government"). All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

As of December 31, 2011 and 2010 OAO Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan, together with its subsidiary, hold approximately 36% of the Company's voting stock. These shares were contributed to Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. Tatarstan also holds a "Golden Share", a special governmental right, in the Company (see Note 15). The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government, including through OAO Svyazinvestneftekhim, also controls or exercises significant influence over a number of the Company's suppliers and contractors.

NOTE 2: BASIS OF PRESENTATION

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). The accompanying financial statements have been prepared from these accounting records and adjusted as necessary to comply with accounting principles generally accepted in the United States of America ("US GAAP"). The principal differences between RAR and US GAAP relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) capital leases; (6) share base payment; (7) accounting for oil and gas properties; (8) recognition and disclosure of guarantees, contingencies and commitments; (9) accounting for asset retirement obligation; (10) pensions and other post retirement benefits; (11) business combinations and goodwill; and (12) consolidation and accounting for subsidiaries, equity investees and variable interest entities ("VIEs").

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and

the disclosures of contingent assets and liabilities. While management uses its best estimates and judgments, actual results could differ from those estimates and assumptions used. Among the estimates made by the management are: assets valuation allowances, depreciable lives, oil and gas reserves, pensions, asset retirement costs and income taxes.

Foreign currency transactions and translation

Management has determined the functional currency of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Rouble because the majority of its revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Roubles. Accordingly, transactions and balances not already measured in Russian Roubles (primarily US Dollars) have been re-measured into Russian Roubles in accordance with the relevant provisions of ASC 830 Foreign Currency matters.

Under ASC 830, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Exchange gains and losses arising from re-measurement of monetary assets and liabilities that are not denominated in Russian Roubles are credited or charged to operations.

For operations of subsidiaries located outside of the Russian Federation, that primarily use US Dollars as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Roubles are recorded in a separate component of shareholders' equity entitled accumulated other comprehensive income or loss. Gains or losses resulting from transactions in other than the functional currency are reflected in net income.

The official rate of exchange, as published by the Central Bank of Russia ("CBR"), of the Russian Rouble ("RR") to the US Dollar ("US \$") at December 31, 2011 and 2010 was RR 32.20 and RR 30.48 to US Dollar, respectively. Average rate of exchange for the years ended December 31, 2011 and 2010 were RR 29.39 and RR 30.37 per US Dollar, respectively.

Principles of consolidation and long-term investments

The accompanying consolidated financial statements include the operations of all majority-owned, controlled subsidiaries and VIEs, where the Group is the primary beneficiary. Joint ventures and affiliates in which the Group has significant influence but not control are accounted for using the equity method. Intercompany transactions and accounts are eliminated on consolidation. Other long-term investments are carried at cost and adjusted for estimated impairment. The Group reviews equity method investments for impairment on an annual basis, and records impairment when circumstances indicate that an other-than-temporary decline in value has occurred. The amount of the impairment is based on quoted market prices, where available, or other valuation techniques, including discounted cash flows. Equity investments and investments in other companies are included in "Long-term investments" in the consolidated balance sheet.

Cash equivalents

Cash equivalents are highly liquid short-term investments that are readily convertible into known amounts of cash and have original maturities within three months from their date of purchase.

At December 31, 2011 and 2010, cash and cash equivalents of the Group, include US Dollar denominated amounts of RR 2,307 million (US \$72 million) and RR 1,841 million (US \$60 million), respectively.

Restricted cash

Restricted cash represents cash deposited under letter of credit arrangements, which are restricted under various contractual agreements. Letters of credit are used to pay contractors for materials, equipment and services provided.

Inventories

Inventories of crude oil, refined oil products, materials and supplies, and finished goods are valued at the lower of cost or net realizable value. The Group uses the weighted-average-cost method. Costs include both direct and indirect expenditures incurred in bringing an item or product to its existing condition and location.

Investments

Debt and equity securities are classified into one of three categories: trading, available-for-sale, or held-to-maturity and consist of certificates of deposit as well as debt and equity securities classified as available-for-sale or trading.

Securities classified as trading are bought and held principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated balance sheet. In determining fair value, trading securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price. Unrealized and realized gains and losses on trading securities are included in other income of the consolidated statements of operations and comprehensive income.

Securities are classified as available-for-sale when, in management's judgment, they may be sold in response to or in anticipation of changes in market conditions. Available-for-sale securities are carried at estimated fair values on the consolidated balance sheet. Unrealized gains and losses on available-for-sale securities are reported net as increases or decreases to accumulate other comprehensive income. The specific identification method is used to determine realized gains and losses on available-for-sale securities.

If the decline in fair value of an investment below the accounting basis is other-than-temporary, the carrying value of the securities is reduced and a loss in the amount of any such decline is recorded. No such reductions have been required during the past three years.

Long-term investments not designated as available-for-sale or trading securities are recorded at cost because they are not traded on any market and it is not practicable to determine their fair value.

Accounts receivable

Trade accounts receivable are stated at their transaction amounts net of allowances for doubtful accounts. Allowances are recorded against trade receivables whose recovery or collection has been identified as doubtful. Estimates of allowances require the exercise of judgment and the use of assumptions.

Loans receivable

Loans originated by the Group by providing money directly to the borrower are carried at amortized cost less allowance for loan impairment. Loans are recognized when cash is advanced to borrowers.

Oil and gas exploration and development cost

Oil and gas exploration and production activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property as well as costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized. Exploration expenses, including geological and geophysical expenses and the costs of

carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. If proved reserves are not found exploratory well costs are expensed. In an area requiring a major capital expenditure before production can begin, exploratory well remains capitalized if sufficient reserves are discovered to justify its completion as a production well, and additional exploration drilling is underway or firmly planned.

Impairment of long-lived assets

Long-lived assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with ASC 360, Property, Plant and Equipment. Property, plant and equipment used in operations are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recovered. If the carrying amounts are not expected to be recovered by undiscounted pretax future cash flows, the assets are impaired and an impairment loss is recorded in the periods in which the determination of impairment is made. The amount of impairment is determined based on the estimated fair value of the assets determined by discounting anticipated future net cash flows or based on quoted market prices in active markets, if available. In the case of oil and gas fields, the net present value of future cash flows is based on management's best estimate of future prices, which is determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including risk-adjusted probable and possible reserves, expected to be produced based on a stipulated amount of capital expenditures. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information. The price and cost outlook assumptions used in impairment reviews differ from the assumptions used in the Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserve Quantities. In that disclosure, ASC 932, Extractive Industry – Oil and Gas requires the use of the arithmetic average of the previous twelve month's sales prices and costs at the balance sheet date, with no projection of future changes in those assumptions.

Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets – generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at a site level for service stations. Long-lived assets committed by management for disposal within one year, and meet the other criteria for held for sale pursuant to ASC 360, are accounted for at the lower of amortized cost or fair value, less cost to sell. Costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

Depreciation, depletion and amortization

The Group calculates depletion expense for acquisition costs of proved properties using the units-of-production method over proved oil and gas reserves. Depreciation and depletion expense for oil and gas production equipment and wells and other development costs is calculated using the units-of-production method for each field over proved developed oil and gas reserves.

Depreciation of all other plant and equipment is determined on the straight-line method based on estimated useful lives which are as follows:

| | YEARS |
|-----------------------------|---------|
| Buildings and constructions | 25 – 33 |
| Machinery and equipment | 5 – 15 |

Maintenance and repair

Maintenance and repairs, which are not significant improvements, are expensed when incurred.

Capitalized interest

Interest from external borrowings is capitalized on major projects. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

Asset retirement obligations

The Group recognizes a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred. The Group has numerous asset removal obligations that it is required to perform under law or contract once an asset is permanently taken out of service. The Group's field exploration, development, and production activities include assets related to: well bores and related equipment and operating sites, gathering and oil processing systems, oil storage facilities and gathering pipelines. Generally, the Group's licenses and other operating permits require certain actions to be taken by the Group in the abandonment of these operations. Such actions include well abandonment activities, equipment dismantlement and other reclamation activities. The Group's estimates of future abandonment costs consider present regulatory or license requirements and are based upon management's experience of the costs and requirement for such activities. Most of these costs are not expected to be incurred until several years, or decades, in the future and will be funded from general Group resources at the time of removal. The Group is not subject to any legal or contractual obligations, to retire or otherwise abandon petrochemical, refining and marketing and distribution assets. As the regulatory and legal environment in Russia continues to evolve, there could be future changes to the requirements and costs associated with abandoning long-lived assets.

Measurements of asset retirement obligations include, as a component of expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties and unforeseeable circumstances inherent in the obligations, sometimes referred to as a market-risk premium. To date, the oil and gas industry has few examples of credit-worthy third parties who are willing to assume this type of risk, for a determinable price, on major oil and gas production facilities and pipelines. Therefore, because determining such a market-risk premium would be an arbitrary process, it has been excluded from the Company's estimates.

The Group capitalizes the associated asset retirement costs as part of the carrying amount of the long-lived assets. Over time the liability is increased for the change in its present value, and the capitalized cost in properties, plant and equipment is depreciated on a units-of-production basis over the useful life of the related assets.

Property dispositions

When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated, with any gain or loss reflected in the consolidated statements of operations and comprehensive income. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and sales proceeds, if any, is charged or credited to accumulated depreciation.

Capital leases

Capital leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the interest charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liabilities. Interest charges are charged directly to the consolidated statements of operations and comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term unless the leased assets are capitalized by virtue of the terms of the lease agreement granting the Group with ownership rights over the leased assets by the end of the lease term or containing a bargain purchase option. In this case, capitalized assets are depreciated over the estimated useful life of the asset regardless of the lease term. Depreciation of assets held under capital leases is included in depreciation, depletion and amortization charge.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

Environmental expenditures

Environmental expenditures are expensed or capitalized, depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and do not have a future economic benefit, are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments or cleanups are probable and the costs can be reasonably estimated.

Pension and post-employment benefits

The Group has various pension plans covering substantially all eligible employees and members of management. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the "Statement of Organization of Non-Governmental Pension Benefits for OAO Tatneft Employees" and the contracts concluded between the Company or its subsidiaries, management, and the non-profit organization "National Non-Governmental Pension Fund". In accordance with these contracts the Group is committed to make certain contributions on behalf of all employees and guarantees a minimum benefit upon retirement. Contributions or benefits are generally based upon grade and years until official retirement age (age 60 for men and 55 for women), and in the case of management are based upon years of service. In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obligated to pay certain post-employment benefits, the amounts of which are generally based on salary grade and years of service at the time of retirement. There are no contribution requirements for these ben-

efits, which are paid by the Group directly to employees. The Group's mandatory contributions to the governmental pension scheme are expensed when incurred.

Revenue recognition

Revenues from the production and sale of crude oil, petroleum and petrochemical products and all other products are recognized when deliveries of products to final customers are made, title passes to the customer, collection is reasonably assured and sales price to final customers is fixed or determinable. Revenues include excise on petroleum products sales and duties on export sale of crude oil and petroleum products of RR 198,430 million and RR 143,268 million at December 31, 2011 and 2010, respectively. All revenues are shown net of Value Added Tax (VAT).

Other operating revenues in the consolidated statements of operations and comprehensive income include sales of non-petroleum refined products, petrochemicals and other products and services.

Shipping and handling costs

Shipping and handling costs are included in Transportation expenses caption in the consolidated statements of operations and comprehensive income.

Non-monetary transactions

In accordance with US GAAP, exchanges of non-monetary assets are recorded based on the fair values of the assets (or services) involved which is the same basis as that used in monetary transactions. Thus, the cost of a non-monetary asset acquired in exchange for another non-monetary asset is the fair value of the asset surrendered to obtain it, and a gain or loss is recognized on the exchange if the carrying amount of the asset surrendered differs from its fair value. The fair value of the asset received is used to measure the cost if it is more clearly evident than the fair value of the asset surrendered.

Stock-based compensation

The Company has a share-based compensation plan (the "Plan") for senior management and directors of the Company. Under the provisions of the Plan, share-based bonus awards ("Awards") are issued on an annual basis to the Company's directors and senior management as approved by the Board of Directors. Each Award provides a cash payment at the settlement date equal to one of the Company's common shares multiplied by the difference between the lowest share price for the preceding three years as of the grant date and the highest share price for the preceding three years as of each year-end. Share prices are measured based on the weighted average daily trading price as reported on the Moscow Interbank Currency Exchange (MICEX). Awards are subject to individual annual performance conditions and are generally settled within 90 days after the Company's Management Committee approval.

The Company accounts for its Awards under the liability method prescribed in ASC 718. The fair value of the Awards is determined using the Black-Scholes valuation model at the grant date and subsequently remeasured each interim reporting period. The liability at December 31, 2011 and 2010 is determined based on the final expected bonus payments. The Awards are recognized as expense over the annual service period, net of forfeitures, with a corresponding liability to other accounts payable and accrued liabilities.

For the year ended December 31, 2011, the Company issued 6,513,000 Awards to senior management and directors, all of which are expected to be settled at a price of RR 166.95 per Award. Final settlement is subject to approval at the Company's Management

Committee meeting in July-September 2012. For the year ended December 31, 2010, the Company issued 6,740,000 Awards to senior management and directors, 6,683,000 of which were settled at a price of RR 161.17 per Award. The amount of related compensation expense recognized in the consolidated statements of operations and comprehensive income for the years ended December 31, 2011 and 2010 was RR 1,065 million and RR 1,061 million, respectively.

Income taxes

Deferred income tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, except for deferred taxes on income considered to be permanently reinvested in foreign subsidiaries. Deferred tax assets and liabilities are measured using enacted tax rates in the periods in which these temporary differences are expected to reverse. Valuation allowances are provided for deferred income tax assets when management believes that it is more likely than not those such assets will not be realized.

The Group applies the authoritative guidance of ASC 740, Income taxes, which prescribe a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Company or its subsidiaries have taken or expect to take in their income tax returns. Income tax penalties expense and income tax penalties payable are included in Taxes other than income tax in the consolidated statements of income and Taxes payable in the consolidated balance sheets, respectively. Income tax interest expense and payable are included in Interest expense in the consolidated statements of income and other accounts payable and accrued expenses in the consolidated balance sheets, respectively.

Non-controlling interest

Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity of the Group's subsidiaries. This has been calculated based upon the non-controlling interest ownership percentage of these subsidiaries.

Net income per share.

Basic income per share is calculated using the two class method of computing income per share. Under this method, net income is reduced by the amount of dividends declared in the current period for each class of shares, and the remaining income is allocated to common and preferred shares to the extent that each class may share in income if all income for the period had been distributed. Diluted income per share reflects the potential dilution arising from options granted to senior managers and the Directors of the Group.

Treasury shares

Common shares of the Company owned by the Group at the balance sheet date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Guarantees

The Group recognizes a liability for the fair value of the obligation it assumes under the guarantee in accordance with the provisions of US GAAP.

New accounting standards adopted

In January 2010, ASU No. 2010-6, Fair Value Measurements and Disclosures, was issued. The ASU amends ASC 820, Fair Value Measurements and Disclosures, and requires separate disclosures of transfers in and out Level 1 and Level 2 fair value measurements and the reasons for the transfers. Also the ASU requires disclosure of activity in Level 3 fair value measurements on a gross basis rather than as one net number. The guidance requires the Group to provide fair value measurement disclosure for each class of assets and liabilities as well as disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall either in Level 2 or Level 3. The provisions of this ASU were effective for the Group on 1 January 2010 with the exception of disclosure of activity in Level 3 fair value measurements which will become effective on 1 January 2011.

In February 2010, ASU No. 2010-9, Amendments to Certain Recognition and Disclosure Requirements, was issued and became effective for the Group upon issuance. This ASU amends ASC 855, Subsequent Events, and requires an entity which is either a Securities and Exchange Commission filer or a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date that the financial statements are issued. An entity that meets neither of those criteria is required to evaluate subsequent events through the date the financial statements are available to be issued. Pursuant to the requirements of this ASU, the Group evaluates subsequent events through the date the financial statements are available to be issued.

In July 2010, ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, was issued. This ASU requires the provision of information for both the financing receivables and the related allowance for credit losses at disaggregated levels. This ASU introduces two new defined terms that will govern the level of disaggregation – a portfolio segment and a class of financing receivables. The portfolio segment is defined as the level at which an entity determines its allowance for credit losses. The class of financing receivable is defined as a group of financing receivables determined on the basis of their initial measurement attribute. The new disclosures requirements in respect of information as of the end of a reporting period will become effective for the Group starting with the annual reporting period ending on 31 December 2010. The disclosures about activity that occurs during a reporting period became effective on 1 January 2011.

In May 2011, ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, was issued and became effective for the Group for its annual period ended December 31, 2011. It is expected that the adoption of this ASU will not have a material effect on the Group's results of operations, financial position or liquidity.

In June 2011, ASU No. 2011-05, Comprehensive Income (Topic 220) was issued and became effective for the Group for its annual period ended December 31, 2011. This Update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and requires consecutive presentation of the statement of net income and other comprehensive income. The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

In December 2011 the Financial Accounting Standards Board ("FASB") issued ASU 2011-12 — Comprehensive Income (Topic 220). The amendments in this Update supersede certain pending paragraphs in Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, to effectively defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. Taking into account that Update 2011-05 had no material impact on the Group's results of operations, financial position or liquidity the Update 2011-12 also will not have impact on the Group's results of operations, financial position or liquidity.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable are as follows:

| | AT DECEMBER 31, 2011 | | | AT DECEMBER 31, 2010 | | |
|---------------------------------------|------------------------------|---|------------------------|------------------------------|---|------------------------|
| | TOTAL ACCOUNTS RECEIVABLE | ACCOUNTS RECEIVABLE FROM RELATED PARTIES (NOTE 17) | ACCOUNTS RECEIVABLE | TOTAL ACCOUNTS RECEIVABLE | ACCOUNTS RECEIVABLE FROM RELATED PARTIES (NOTE 17) | ACCOUNTS RECEIVABLE |
| Trade – domestic | 21,461 | 1,245 | 20,216 | 18,407 | 1,638 | 16,769 |
| Trade – export | 36,486 | - | 36,486 | 28,971 | - | 28,971 |
| Other receivables | 4,141 | 748 | 3,393 | 7,553 | 342 | 7,211 |
| Total accounts receivable, net | 62,088 | 1,993 | 60,095 | 54,931 | 1,980 | 52,951 |

Accounts receivables are presented net of an allowance for doubtful accounts of RR 11,021 million and RR 10,465 million at December 31, 2011 and 2010, respectively.

In accordance with the Group's policies for recorded allowances for doubtful accounts the Group fully provided for receivables from ChMPKP Avto of US \$334 million as of December 31, 2011 and 2010, relating to the sale of crude oil to Ukraine (Kremenchug refinery) (Note 19).

Changes in provisions for doubtful accounts are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

NOTE 5. SHORT AND LONG-TERM INVESTMENTS

Short-term investments are classified as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| Certificates of deposit | 10,570 | 9,923 |
| Trading securities | 8,200 | 8,055 |
| Total short-term investments | 18,770 | 17,978 |
| Less: due from related parties (Note 17) | (9,379) | (8,782) |
| Short-term investments, net | 9,391 | 9,196 |

Trading securities are held in the Group with the objective of earning profits on short-term price differences.

Short-term investments classified as trading securities are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| Russian government debt securities | 1,436 | 1,217 |
| Corporate debt securities | 2,927 | 2,391 |
| Equity securities | 3,837 | 4,447 |
| Total trading securities | 8,200 | 8,055 |
| Less: corporate debt securities due from related parties (Note 17) | (200) | (129) |
| Trading securities, net | 8,000 | 7,926 |

Long-term investments are as follows:

| | OWNERSHIP PERCENTAGE AT DECEMBER 31, | | NET BOOK VALUE AT DECEMBER 31, | | GROUP'S SHARE OF INCOME/ (LOSS) FOR THE YEARS ENDED DECEMBER 31, | |
|--|---|-------|-----------------------------------|---------------|--|------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| INVESTMENTS IN EQUITY AFFILIATES AND JOINT VENTURES: | | | | | | |
| ZAO Tatex | 50 | 50 | 1,808 | 2,105 | 133 | 219 |
| IPCG Fund | – | – | – | – | – | (362) |
| Bank Zenit | 25 | 25 | 5,695 | 5,200 | 619 | 899 |
| Osmand Holdings Ltd | 30 | 30 | 1,106 | 2,663 | (1,187) | 69 |
| MARS Emerging Markets Fund Limited | – | 33 | – | 580 | – | – |
| Other | 20–50 | 20–50 | 618 | 816 | (242) | (39) |
| Total investments in equity affiliates and joint ventures (loss)/income | | | 9,227 | 11,364 | (677) | 786 |
| LONG-TERM INVESTMENTS, AT COST: | | | | | | |
| ZAO Ukrtatnafta (Note 19) | 9 | 9 | – | – | | |
| Other | 0–20 | 0–20 | 1,010 | 954 | | |
| Total long-term investments, at cost | | | 1,010 | 954 | | |
| Long-term certificates of deposit | | | 11,279 | 7,418 | | |
| Less: due from related parties (Note 17) | | | (7,974) | (3,913) | | |
| Total long-term investments | | | 13,542 | 15,823 | | |

Long-term investments not designated as available-for-sale or trading securities are recorded at cost because they are not traded on any market and it is not practicable to determine their fair value.

During the years ended December 31, 2011 and 2010 the Group received dividends from equity investees of RR 440 million and RR 394 million, respectively.

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

| | 2011 | 2010 |
|-------------------------|---------|---------|
| Sales / interest income | 26,916 | 25,393 |
| Net income | 6,551 | 4,465 |
| Current assets | 220,400 | 177,847 |
| Long-term assets | 43,913 | 47,137 |
| Current liabilities | 169,219 | 135,525 |
| Long-term liabilities | 58,773 | 46,564 |

In February 2010 the Group submitted a request to redeem its entire interest in IPCG Fund. The redemption request was accepted by IPCG Fund and was effected on March 31, 2010 through the delivery to the Group of 47.5 million of Tatneft shares, loans receivable from Bank Zenit in the amount of USD 48 million, cash of USD 102 million and a 28.6% interest in MARS Emerging Markets Fund Limited valued at USD 18 million. As a result of the redemption and divestment from the IPCG Fund, the Group ceased to hold 8 million treasury shares resulting in an increase in additional paid in capital of RR 881 million.

As a result of a Group reorganization, treasury shares decreased by 3.1 million shares with a corresponding increase to additional paid in capital of RR 303 million.

**NOTE 6.
INVENTORIES**

Inventories are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| Materials and supplies | 9,835 | 6,448 |
| Crude oil | 6,284 | 4,564 |
| Refined oil products | 5,373 | 1,801 |
| Petrochemical supplies and finished goods | 3,751 | 2,327 |
| Total inventories | 25,243 | 15,140 |

**NOTE 7.
PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| VAT recoverable | 5,705 | 7,271 |
| Advances | 6,019 | 7,784 |
| Prepaid export duties | 12,393 | 8,122 |
| Prepaid income tax | 368 | 694 |
| Prepaid transportation expenses | 518 | 1,035 |
| Other | 2,081 | 2,527 |
| Prepaid expenses and other current assets | 27,084 | 27,433 |

**NOTE 8.
LOANS AND NOTES RECEIVABLE**

Loans and notes receivable are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| Notes receivable | 4,334 | 4,108 |
| Loans to employees | 1,041 | 630 |
| Other foreign currency denominated loans receivable | 966 | 1,966 |
| Other Russian Rouble denominated loans receivable | 4,422 | 7,707 |
| Total loans and notes receivable | 10,763 | 14,411 |
| Less: current portion of loans receivable and short-term loans | (1,839) | (2,275) |
| Less: due from related parties (Note 17) | (5,756) | (9,792) |
| Total long-term loans and notes receivable | 3,168 | 2,344 |

Loans and notes receivable, excluding amounts due from related parties, reported as of December 31, 2011 in the amounts of RR 1,139 million, RR 463 million and RR 1,566 million mature in 2013, 2014 and thereafter (2015 – 2024), respectively.

Loans and notes receivable, excluding amounts due from related parties, reported as of December 31, 2010 in the amounts of RR 418 million, RR 1,026 million and RR 900 million mature in 2012, 2013 and thereafter (2014 – 2024), respectively.

The fair value of loans and notes receivable is approximately RR 9,736 million and RR 13,525 million as of December 31, 2011 and 2010 assuming a discount rate of 8.0% and 7.75% as of December 31, 2011 and 2010, respectively (CBR interbank refinancing rate).

Loans and notes receivable are presented net of an allowance for doubtful accounts of RR 466 million and RR 801 million at December 31, 2011 and 2010, respectively.

**NOTE 9.
OTHER LONG-TERM ASSETS**

Other long-term assets are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| Deferred financing cost | 2,855 | 3,059 |
| Long-term accounts receivable | 1,986 | 2,272 |
| Prepaid license agreements | 286 | 375 |
| Non-current deferred tax assets (Note 14) | 3,430 | 2,980 |
| Prepaid computer programs | 2,710 | 2,655 |
| Other long-term assets | 2,089 | 1,456 |
| Total other long-term assets | 13,356 | 12,797 |
| Less: due from related parties (Note 17) | (453) | (33) |
| Total other long-term assets, net | 12,903 | 12,764 |

Long-term accounts receivables are presented net of an allowance for doubtful accounts of RR 138 million and RR 363 million at December 31, 2011 and 2010, respectively.

**NOTE 10.
PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are as follows:

| | COST | ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION | NET BOOK VALUE |
|-----------------------------|----------------|--|----------------|
| Oil and gas properties | 318,707 | 134,964 | 183,743 |
| Buildings and constructions | 141,424 | 16,554 | 124,870 |
| Machinery and equipment | 86,471 | 46,300 | 40,171 |
| Assets under construction | 81,997 | - | 81,997 |
| December 31, 2011 | 628,599 | 197,818 | 430,781 |
| Oil and gas properties | 307,989 | 130,734 | 177,255 |
| Buildings and constructions | 40,002 | 14,776 | 25,226 |
| Machinery and equipment | 65,855 | 49,854 | 16,001 |
| Assets under construction | 175,294 | - | 175,294 |
| December 31, 2010 | 589,140 | 195,364 | 393,776 |

As of December 31, 2011 and 2010, oil and gas properties include RR 4,737 million and RR 4,715 million, respectively, of unproved properties.

As stated in Note 3, the Group calculates depreciation, depletion and amortization for oil and gas properties using the units-of-production method over proved or proved developed oil and gas reserves depending on the nature of the costs involved. The proved or proved developed reserves used in the units-of-production method assume the extension of the Group's production license beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

The Group's oil and gas fields are located principally on the territory of Tatarstan. The Group obtains licenses from the governmental authorities to explore and produce oil and gas from these fields. The Group's existing production licenses for its major fields expire, after their recent extension, between 2026 and 2038, with other production licenses expiring between 2012 and 2043. The economic lives of many of the Group's licensed fields extend beyond these dates. Under Russian law, the Group is entitled to renew the licenses to the end of the economic lives of the fields, provided certain conditions are met. Article 10 of the Subsoil Law provides that a license to use a field "shall be" extended at its scheduled termination at the initiative of the subsoil user if necessary to finish production in the field, provided that there are no violations of the conditions of the license. The legislative history of Article 10 indicates that the term "shall" replaced the term "may" in August 2004, clarifying that the subsoil user has the right to extend the license term so long as it has not violated the conditions of the license. In August 2006, the term of the Group's license to produce oil and gas from the Group's largest field, Romashkinskoye, was extended through 2038. And the license to produce oil and gas from the Group's second largest field, Novo-Elkhovskoe, was extended through 2026. The Group's right to extend licenses is, however, dependent on the Group continuing to comply with the terms of the licenses, and management has the ability and intent to do so.

Management plans to request the extension of the licenses that have not yet been extended. The Group's current production plans are based on the assumption, which management considers to be reasonably certain, that the Group will be able to extend all existing licenses.

These plans have been designed on the basis that the Group will be producing crude oil through the economic lives of the fields and not with a view to exploiting the Group's reserves to maximum effect only through the license expiration dates.

Management is reasonably certain that the Group will be allowed to produce oil from the Group's reserves after the expiration of existing production licenses and until the end of the economic lives of the fields. "Reasonable certainty" is the applicable standard for defining proved reserves under the SEC's Regulation S-X, Rule 4-10.

The following tables provide details of the changes in the balance of capitalized exploratory wells costs pending the determination of proved reserves.

| | |
|---------------------------------------|---------------|
| Balance as of 31 December 2011 | 10,630 |
| Additions | 1,513 |
| Reclassification to production wells | (433) |
| Balance as of 31 December 2010 | 9,550 |
| Additions | 2,772 |
| Reclassification to production wells | (438) |
| Balance as of 31 December 2009 | 7,216 |

Exploration activity often involves drilling multiple wells over a number of years to fully evaluate a project and therefore a decision on the recognition of proved reserves in some cases may not occur for several years. These costs remain capitalized until a final assessment of the economic and operating viability of the reserves is made.

Asset Retirement Obligations

The following tables summarize the Group's asset retirement obligations and asset retirement costs activities

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| Balance, beginning of period | 43,142 | 39,049 |
| Accretion of discount | 4,314 | 3,905 |
| New obligations | 257 | 220 |
| Spending on existing obligations | (32) | (32) |
| Balance, end of period | 47,681 | 43,142 |
| Less: current portion of asset retirement obligations (Note 12) | (147) | (134) |
| Long-term balance, end of period | 47,534 | 43,008 |

Capital leases

The Group leases machinery and equipment.

The following is an analysis of the leased property under capital leases:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| Machinery and equipment | - | 7,113 |
| Less: accumulated amortization | - | (6,459) |
| Net book value of machinery and equipment under capital leases | - | 654 |

Social assets

During the years ended December 31, 2011 and 2010 the Group transferred social assets with a net book value of RR 183 million and RR 675 million, respectively, to local authorities. At December 31, 2011 and 2010, the Group held social assets with a net book value of RR 2,980 million and RR 2,932 million, respectively, all of which were constructed after the privatization date.

The social assets comprise mainly dormitories, hotels, gyms and other facilities. The Group may transfer some of these social assets to local authorities in the future, but does not expect these to be significant. The Group incurred social infrastructure expenses of RR 3,378 million and RR 2,933 million for the years ended December 31, 2011 and 2010, respectively, for maintenance that mainly relates to housing, schools and cultural buildings.

NOTE 11.

DEBT

Short-term and long-term debt as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| SHORT-TERM DEBT | | |
| Foreign currency denominated debt | | |
| Current portion of long-term debt | 38,442 | 30,213 |
| Other foreign currency denominated debt | 1,073 | 970 |
| Rouble denominated debt | | |
| Current portion of long-term debt | 64 | 60 |
| Other rouble denominated debt | 3,029 | 5,061 |
| Less: due to related parties (Note 17) | (1,886) | (1,971) |
| Total short-term debt | 40,722 | 34,333 |
| LONG-TERM DEBT | | |
| Foreign currency denominated debt | | |
| US \$75 mln 2011 credit facility | 2,415 | - |
| US \$550 mln 2011 credit facility | 17,708 | - |
| US \$2.0 bln 2010 credit facility | 51,963 | 60,954 |
| US \$1.5 bln 2009 credit facility | 20,809 | 37,043 |
| Other foreign currency denominated debt | 1,726 | 1,814 |
| Rouble denominated debt | | |
| Bonds | 5,000 | 5,000 |
| Other rouble denominated debt | 1,123 | 1,068 |
| Less: due to related parties (Note 17) | (462) | (585) |
| Total long-term debt | 100,282 | 105,294 |
| Less: current portion | (38,506) | (30,273) |
| Total long-term debt, net of current portion | 61,776 | 75,021 |

Foreign currency debts are primarily denominated in US Dollars.

Short-term foreign currency denominated debt

In December 2003 the Group entered into a RR 1,034 million (US \$35 million) one month revolving credit facility with Credit Suisse Zurich. The monthly revolving loan bears interest at 1 month LIBOR plus varying margin of about 1.785% per annum and is collateralized by crude oil sales. The amount of loan outstanding as of December 31, 2011 and 2010 was RR 553 million (US \$17 million) and RR 4 million (US \$0.1 million), respectively.

In 2008 and 2009 the Group entered into credit agreements with BNP Paribas Geneva for RR 4,688 million (US \$155 million) in aggregate. The loans bear interest from 1.78% to 5.78% per annum and are collateralized by total crude oil sales of 344 thousand tons. The amount of loans outstanding as of December 31, 2010 was RR 716 million (US \$23.5 million). The Group repaid in full the credit agreements in the first quarter 2011.

Short-term Russian rouble denominated debt

Russian Rouble denominated short-term debt is primarily comprised of loans with Russian banks. Short-term Rouble denominated loans of RR 3,029 million and RR 5,061 million bear contractual interest rates of 7.0% to 10.0% and 8.0% to 10.0% per annum for the years ended December 31, 2011 and 2010, respectively.

In August 2010, the Company entered into a RR 2,500 million (US \$82 million) credit agreement with Ak Bars Bank. The loan bears interest 8% per annum and matures in March 2011. The amount of loans outstanding as of December 31, 2010 is RR 2,500 million (US \$82 million). The loan was repaid in full in February 2011.

Long-term foreign currency denominated debt

In October 2009, the Company entered into a dual (3 and 5 year) tranches secured syndicated pre-export facility for up to USD 1.5 billion arranged by WestLB AG, Bayerische Hypo- und Vereinsbank AG, ABN AMRO Bank N.V., OJSC Gazprombank, Bank of Moscow and Nordea Bank. The amount outstanding under this loan as of December 31, 2011 and 2010 was RR 20,809 million (US \$646 million) and RR 37,043 million (US \$1,215 million), respectively, including the current portion. As of December 31, 2010 this credit facility is collateralized with the contractual rights and receivables under an oil export contract between Tatneft and Tavit B.V. under which Tatneft supplies no less than 480,000 metric tones of oil in a calendar quarter. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth, and interest coverage ratios. The loan bears interest at LIBOR plus 3.10% and 4.10% for the 3 and 5 year tranches, respectively. In February 2011 the Company reached an agreement to substantially decrease the amount of crude oil volumes used as collateral for this facility. The crude oil volumes used as collateral decreased to 360,000 metric tons of oil in a calendar quarter.

In June 2010, the Company entered into a triple (3, 5 and 7 year) tranches secured credit facility for up to USD 2 billion arranged by Barclays Bank PLS, BNP Paribas (Suisse) SA, Bank of Moscow, Bank of Tokyo-Mitsubishi UFJ, LTD, Citibank, N.A., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis SA, Nordea Bank, The Royal Bank of Scotland N.V., Sberbank, Societe Generale, Sumitomo Mitsui Finance Dublin LTD, Unicredit Bank AG, VTB Bank and WestLB AG. Unicredit Bank AG was the lender of record in this credit facility. The amount outstanding under this loan as of December 31, 2011 and 2010 was RR 51,963 million (US \$1,614 million) and RR 60,954 million (US \$2,000 million), including the current portion. The loan is collateralized with the contractual rights and receivables under an oil export contract between Tatneft and Tatneft Europe AG under which Tatneft supplies no less than 750,000 metric tones of oil in a calendar quarter. The loan agreement requires compliance with certain financial covenants includ-

ing, but not limited to, minimum levels of consolidated tangible net worth, and interest coverage ratios. Prior to February 2011, the loan bore interest at LIBOR plus 3.10% for the 3-year tranche and 4.10% for the 5-year tranche. The 7-year tranche bears the interest of LIBOR plus 5%. In February 2011 the Company reached an agreement to decrease the margins. The margins were decreased to LIBOR plus 2.40% and 3.40% for the 3 and 5 year tranches, respectively.

In June 2011, the Company entered into a US \$550 million unsecured financing with a fixed rate of 3.50% per annum with bullet repayment in three years. The loan was arranged by BNP Paribas (Suisse) SA, The Bank Of Tokyo Mitsubishi UFJ, Ltd., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis, Open Joint Stock Company Nordea Bank, Sumitomo Mitsui Banking Corporation and WestLB AG, London Branch. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth, and interest coverage ratios. The amount outstanding under this credit facility as of December 31, 2011 was RR 17,708 million (US \$550 million).

In November 2011, TANECO entered into a US \$75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Societe Generale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth, and interest coverage ratios. The amount outstanding under this credit facility as of December 31, 2011 was RR 2,415 million (US \$75 million), including the current portion.

Long-term Russian rouble denominated debt

In September 2010, the Group issued rouble exchange bonds in the amount of RR 5,000 million due in September 2013 at an interest rate of 7.25% per annum.

Management believes that for the year ended December 31, 2011 the Group was in compliance with all covenants required by the above loan agreements.

Loan arrangements on short-term and long-term debt have both fixed and variable interest rates that reflect the currently available terms for similar debt. The carrying value of this debt is a reasonable approximation of its fair value.

Aggregate maturities of long-term debt outstanding at December 31, 2011 are as follows:

| | |
|-----------------------------|----------------|
| 2012 | 38,506 |
| 2013 | 22,784 |
| 2014 | 29,089 |
| 2015 | 5,031 |
| 2016 | 1,059 |
| 2017 | 529 |
| Thereafter | 3,284 |
| Total long-term debt | 100,282 |

Interest paid during the years ended December 31, 2011 and 2010 was 3,721 million and RR 4,291 million, respectively.

The Group has no subordinated debt and no debt that may be converted in an equity instrument of the Group.

NOTE 12. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Other accounts payable and accrued liabilities are as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| Salaries and wages payable | 3,915 | 3,194 |
| Advances received from customers | 3,170 | 3,735 |
| Insurance provision | 2,026 | 1,944 |
| Dividends payable | 96 | 119 |
| Current portion of asset retirement obligations (Note 10) | 147 | 134 |
| Current deferred tax liability (Note 14) | 3,570 | 1,591 |
| Other accrued liabilities | 7,954 | 5,211 |
| Less: due to related parties (Note 17) | (557) | (67) |
| Total other accounts payable and accrued liabilities | 20,321 | 15,861 |

NOTE 13. PENSIONS AND POST EMPLOYMENT BENEFITS

The Company sponsors a post retirement program for all eligible employees, whereby the Company makes an annual contribution on behalf of all employees to the non-profit organization National Non-governmental Pension Fund (the "Fund"). Employees are also eligible to make contributions into the Fund. The amount of contributions, frequency of benefit payments and other conditions of this plan are regulated by the Statement of Organization of Non-governmental Pension Benefits for OAO Tatneft Employees (the "Agreement") and the Fund. The Company also guarantees a minimum benefit upon retirement to all participants in the Fund covered by the Agreement. The minimum guaranteed benefit component of this plan is accounted for as a defined benefit plan, with the resulting projected benefit obligation netted against the fair value of the contributions made to date as of each measurement date.

The Group has several pension programs for management, which are concluded through various agreements between the Company, the Fund and management. Under the agreements, participants are provided a

monthly benefit payment, generally based upon grade, for a period of 10 to 25 years subsequent to retirement. The Company makes voluntary periodic contributions to the Fund on behalf of eligible participants.

In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obligated to pay certain post-employment benefits, including a lump sum payment upon retirement, jubilee and holiday payments during retirement and funeral benefits. Benefits are generally based on salary grade and years of service at the time of retirement. There are no contribution requirements for these benefits, which are paid by the Group directly to retirees.

The Company uses December 31 as the measurement date for its post retirement benefits program.

The following table provides information about the benefit obligations, plan assets and actuarial assumptions used as of December 31, 2011 and 2010. The benefit obligations below represent the projected benefit obligations of the Group's benefit plans.

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| BENEFIT OBLIGATIONS | | |
| Benefit obligations as of January 1 | 4,065 | 2,898 |
| Effect of exchange rate changes | 6 | 1 |
| Service cost | 126 | 97 |
| Interest cost | 325 | 275 |
| Benefit paid | (360) | (370) |
| Actuarial (loss)/gain | (103) | 699 |
| Other | (5) | 465 |
| Benefit obligations as of December 31 | 4,054 | 4,065 |
| PLAN ASSETS | | |
| Fair value of plan assets as of January 1 | 1,451 | 1,134 |
| Actual return on plan assets | 131 | 102 |
| Contributions | 202 | 211 |
| Benefit paid | (133) | (144) |
| Actuarial (loss)/gain | (119) | 154 |
| Other | (1) | (6) |
| Fair value of plan assets as of December 31 | 1,531 | 1,451 |
| Under funded status at end of year | 2,523 | 2,614 |

| AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|--|---------------------------------|---------------------------------|
| Accrued benefit liabilities included in "other accounts payable and accrued liabilities" | (189) | (216) |
| Accrued benefit liabilities included in "other long-term liabilities" | (2,334) | (2,398) |
| Net amount recognized | (2,523) | (2,614) |

| ASSUMPTIONS | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|-----------------------------------|---------------------------------|---------------------------------|
| Discount rate | 8.0% | 8.0% |
| Expected return on plan assets | 9.0% | 9.0% |
| Rate of increase in salary levels | 7.0% | 7.0% |

Components of net periodic benefit costs were as follows:

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| Service cost | 126 | 97 |
| Interest cost | 325 | 275 |
| Less expected return on plan assets | (131) | (102) |
| Effect of exchange rates | - | 1 |
| Disposals | - | 6 |
| Other | (5) | 465 |
| Total net periodic benefit costs | 315 | 742 |

The annual contributions made by the Group are managed by the Fund. The primary investment objectives of the Fund are to achieve the highest rate of total return within prudent levels of risk and liquidity, to diversify and mitigate potential downside risk associated with the investments, and to provide adequate liquidity for benefit payments and portfolio management.

The fair value of the pension plan assets held by Fund is based on quoted, unadjusted prices for identical assets in active market that the Fund has ability to access. These inputs are classified as Level 1 in fair-value hierarchy. The fair value of the Group's respective share of the Fund's assets reported as the fair value of the Group's plan assets was as follows:

| TYPE OF ASSETS | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--------------------------------------|----------------------|----------------------|
| Russian corporate bonds | 649 | 599 |
| Equity securities of Russian issuers | 200 | 272 |
| Russian government and regions bonds | 452 | 441 |
| Bank deposits | 122 | 98 |
| Other | 108 | 41 |
| Total | 1,531 | 1,451 |

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2021 |
|---|------------|------------|------------|------------|------------|--------------|
| Pension benefits | 281 | 228 | 215 | 221 | 218 | 1,046 |
| Other long-term employee benefits | 189 | 154 | 152 | 153 | 155 | 835 |
| Total expected benefits to be paid | 470 | 382 | 367 | 374 | 373 | 1,881 |

NOTE 14. TAXES

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following December 31, 2011 and 2010:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|-----------------------------------|----------------------|----------------------|
| Accounts receivable | 59 | 112 |
| Obligations under capital leases | - | 7 |
| Tax loss carry forward | 3,922 | 3,466 |
| Other | 554 | 701 |
| Deferred tax assets | 4,535 | 4,286 |
| Property, plant and equipment | (14,847) | (14,118) |
| Inventories | (1,630) | (1,070) |
| Long-term investments | (215) | (128) |
| Undistributed Earnings | (819) | (697) |
| Other liabilities | (1,999) | (772) |
| Deferred tax liabilities | (19,510) | (16,785) |
| Net deferred tax liability | (14,975) | (12,499) |

Tax loss carry forward expires mainly between 2017 and 2021.

At December 31, 2011 and 2010, deferred taxes were classified in the consolidated balance sheet as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| Non-current deferred tax assets (Note 9) | 3,430 | 2,980 |
| Current deferred tax liability (Note 12) | (3,570) | (1,591) |
| Non-current deferred tax liability | (14,835) | (13,888) |
| Net deferred tax liability | (14,975) | (12,499) |

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate to income before income taxes:

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| Income before income taxes and non-controlling interest | 85,909 | 64,470 |
| Theoretical income tax expense at statutory rate | 17,182 | 12,894 |
| Increase due to: | | |
| Non-deductible expenses, net | 4,754 | 928 |
| Income tax expenses | 21,936 | 13,822 |

No provision has been made for additional income taxes of RR 4,736 million on undistributed earnings of a foreign subsidiary. These earnings have been and will continue to be reinvested. These earnings could become subject to additional tax of approximately RR 426 million if they were remitted as dividends. Income taxes paid during the years ended December 31, 2011 and 2010 was RR 19,308 million and RR 14,640 million, respectively.

The Company is subject to a number of taxes other than income taxes, which are detailed as follows:

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|--|---------------------------------|---------------------------------|
| Export duties | 197,817 | 142,877 |
| Unified production tax | 96,719 | 68,954 |
| Property tax | 2,085 | 2,018 |
| Excise taxes | 613 | 391 |
| Penalties and interest | 334 | (108) |
| Other | 1,504 | 1,933 |
| Total taxes other than income taxes | 299,072 | 216,065 |

Effective January 1, 2007, the base tax rate formula for unified production tax was modified to provide a benefit for fields whose depletion rate exceeds 80% of proved reserves as determined under Russian resource classification. Under the new rules, the Company receives a benefit of 3.5% per field for each percent of depletion in excess of the 80% threshold. As the Company's largest field, Romashkinskoe, along with certain other fields are more than 80% depleted, the Company received a benefit of approximately RR 16.7 billion and RR 10.4 billion for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, taxes payable were as follows:

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|-------------------------------|----------------------|----------------------|
| Unified production tax | 8,843 | 6,991 |
| Value Added Tax on goods sold | 1,576 | 1,430 |
| Other | 3,704 | 2,162 |
| Total taxes payable | 14,123 | 10,583 |

NOTE 15. SHARE CAPITAL, ADDITIONAL CAPITAL AND OTHER COMPREHENSIVE INCOME

Authorized share capital. At December 31, 2011 the authorized share capital consists of 2,178,690,700 voting common shares and 147,508,500 non-voting preferred shares; both classes of shares have a nominal value of RR 1.00 per share.

Golden share

OAO Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan, as of December 31, 2011 holds approximately 33.59% of the Company's capital stock. These shares were contributed to Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. Tatarstan also holds a "Golden Share" – a special governmental right – in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and Revision Committee of the Company and to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Company's suppliers and contractors, such as the electricity producer OAO Tatenergo and the petrochemicals company OAO Nizhnekamskneftekhim (see also Note 1).

Rights attributable to preferred shares

Unless a different amount is approved at the annual shareholders meeting, preferred shares earn dividends equal to their nominal value. The amount of a dividend for a preferred share may not be less than the amount of a dividend for a common share. Preferred shareholders may vote at meetings only on the following decisions:

- the amendment of the dividends payable per preferred share;
- the issuance of additional shares with rights greater than the current rights of preferred shareholders; and
- the liquidation or reorganization of the Company.

The decisions listed above can be made only if approved by 75% of preferred shareholders.

Holders of preferred shares acquire the same voting rights as holders of common shares in the event that dividends are either not declared, or declared but not paid, on preferred shares. On liquidation, the shareholders are entitled to receive a distribution of net assets. Under Russian Joint Stock Companies Law and the Company's charter in case of liquidation, preferred shareholders have priority over shareholders holding common shares to be paid declared but unpaid dividends on preferred shares and the liquidation value of preferred shares, if any.

Amounts available for distribution to shareholders

Amounts available for distribution to shareholders are based on the Company's non-consolidated statutory accounts prepared in accordance with RAR, which differ significantly from US GAAP (see Note 2). The statutory accounts are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current period net profit calculated in accordance with RAR. However, this legislation and other statutory laws and regulations dealing with distribution rights are open to legal interpretation. For the years ended December 31, 2011 and 2010, the Company had a statutory current profit of RR 54,881 million and RR 37,777 million, respectively.

Net income per share

Under the two-class method of computing net income per share, net income is computed for common and preferred shares according to dividends declared and participation rights in undistributed earnings. Under this method, net income is reduced by the amount of dividends declared in the current period for each class of shares, and the remaining income is allocated to common and preferred shares to the extent that each class may share in income if all income for the period had been distributed.

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|--|---------------------------------|---------------------------------|
| Net income attributable to Group shareholders | 61,428 | 46,673 |
| Common share dividends | (10,664) | (13,975) |
| Preferred share dividends | (740) | (968) |
| Income available to common and preferred shareholders, net of dividends | 50,024 | 31,730 |
| Basic and diluted: | | |
| Weighted average number of shares outstanding (millions of shares): | | |
| Common | 2,121 | 2,116 |
| Preferred | 148 | 148 |
| Combined weighted average number of common and preferred shares outstanding | 2,269 | 2,264 |
| Basic and diluted net income per share (RR) | | |
| Common | 27.07 | 20.62 |
| Preferred | 27.05 | 20.56 |

Non-controlling interest

Non-controlling interest is adjusted by dividends paid by the Group's subsidiaries amounting to RR 313 million and RR 329 million at December 31, 2011 and 2010, respectively.

NOTE 16. SEGMENT INFORMATION

The Group's business activities are conducted predominantly through three business segments: exploration and production, refining and marketing and petrochemicals. The segments were determined according to how management recognizes the segments within the Group for making operating decisions and how they are evident from the Group structure.

Exploration and production segment activities consist of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of other goods and services provided to other operating segments.

Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations.

Sales of petrochemical products include sales of tires and petrochemical raw materials and refined products, which are used in production of tires.

Other sales include revenues from ancillary services provided by the

specialized subdivisions and subsidiaries of the Group, such as sales of oilfield equipment and drilling services provided to other companies in Tatarstan, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on income or losses before income taxes and non-controlling interest not including interest income, expense, earnings from equity investments, other income and monetary effects. Segment accounting policies are the same as those disclosed in Note 3. Intersegment sales are at prices that approximate market.

For the year ended December 31, 2011, the Group had four customers which accounted for RR 396,505 million in crude oil sales, comprising 50%, 15%, 12% and 7% respectively of the crude oil sales by the Group during the year.

For the year ended December 31, 2010, the Group had four customers which accounted for RR 292,605 million in crude oil sales, comprising 40%, 14%, 13% and 11% respectively of the crude oil sales by the Group during the year.

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

Segment sales and other operating revenues

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

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| EXPLORATION AND PRODUCTION | | |
| Domestic own crude oil | 70,299 | 54,158 |
| CIS own crude oil | 3,893 | 7,096 |
| Non – CIS own crude oil | 356,514 | 273,105 |
| Other | 3,295 | 3,255 |
| Intersegment sales | 25,218 | 12,884 |
| Total exploration and production | 459,219 | 350,498 |
| REFINING AND MARKETING | | |
| Domestic sales | | |
| Crude oil purchased for resale | 2,697 | 10,933 |
| Refined products | 52,890 | 40,758 |
| Total Domestic sales | 55,587 | 51,691 |
| CIS sales | | |
| Crude oil purchased for resale | 20,016 | 14,438 |
| Refined products | 6,719 | 2,003 |
| Total CIS sales⁽¹⁾ | 26,735 | 16,441 |
| Non – CIS sales | | |
| Crude oil purchased for resale | 20,984 | 15,400 |
| Refined products | 27,994 | 6,092 |
| TOTAL NON – CIS SALES⁽²⁾ | 48,978 | 21,492 |
| Other | 2,352 | 2,770 |
| Intersegment sales | 2,704 | 1,937 |
| Total refining and marketing | 136,356 | 94,331 |
| PETROCHEMICALS | | |
| Tires – domestic sales | 23,556 | 18,114 |
| Tires – CIS sales | 6,519 | 4,084 |
| Tires – non-CIS sales | 1,316 | 805 |
| Petrochemical products and other | 2,547 | 2,686 |
| Intersegment sales | 954 | 995 |
| Total petrochemicals | 34,892 | 26,684 |
| Total segment sales | 630,467 | 471,513 |
| Corporate and other sales | 14,276 | 12,335 |
| Elimination of intersegment sales | (28,876) | (15,816) |
| Total sales and other operating revenues | 615,867 | 468,032 |

(1) – CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).

(2) – Non-CIS sales of crude oil and refined products are mainly made to European markets.

Segment earnings

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|--|---------------------------------|---------------------------------|
| SEGMENT EARNINGS | | |
| Exploration and production | 88,572 | 62,066 |
| Refining and marketing | 8,284 | 7,160 |
| Petrochemicals | 281 | (422) |
| Total segment earnings | 97,137 | 68,804 |
| Corporate and other | (6,493) | (4,707) |
| Other (expenses)/income | (4,735) | 373 |
| Income before income taxes and non-controlling interest | 85,909 | 64,470 |

Segment assets

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|----------------------------|----------------------|----------------------|
| ASSETS | | |
| Exploration and production | 297,752 | 281,976 |
| Refining and marketing | 216,432 | 183,251 |
| Petrochemicals | 27,215 | 24,525 |
| Corporate and other | 86,424 | 77,427 |
| Total assets | 627,823 | 567,179 |

The Group's assets and operations are primarily located and conducted in Russia.

Segment depreciation, depletion and amortization and additions to property, plant and equipment are as follows:

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| DEPRECIATION, DEPLETION AND AMORTIZATION | | |
| Exploration and production | 6,088 | 8,026 |
| Refining and marketing | 1,181 | 1,136 |
| Petrochemicals | 1,818 | 1,090 |
| Corporate and other | 2,742 | 2,231 |
| Total segment depreciation, depletion and amortization | 11,829 | 12,483 |
| ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT | | |
| Exploration and production | 20,503 | 18,708 |
| Refining and marketing | 29,076 | 56,218 |
| Petrochemicals | 445 | 1,563 |
| Corporate and other | 2,911 | 1,632 |
| Total additions to property, plant and equipment | 52,935 | 78,121 |

During the year ended December 31, 2011 and 2010 the Company recorded RR 3,182 million and RR 3,990 million of capitalized interest as property, plant and equipment additions, respectively.

**NOTE 17.
RELATED PARTY TRANSACTIONS**

Transactions are entered into in the normal course of business with affiliates, directors and other related parties. These transactions include sales of crude oil and refined products, purchases of electricity and banking transactions.

As of December 31, 2011 and 2010, the Group had RR 4,707 million and RR 8,664 million, respectively, in loans and notes receivable due from Bank Zenit or its wholly-owned subsidiary Bank Devon Credit.

These loans and notes mature between 2012 and 2013, bearing interest between 3.2% and 7.5%. As of December 31, 2011 and 2010, the Group has short and long-term certificates of deposit of RR 16,843 million and RR 12,375 million, respectively, held with Bank Zenit or its wholly-owned subsidiary Bank Devon Credit.

In March 2009 the Group issued a long-term deposit to Bank Zenit for RR 2,140 million payable in 10 years bearing interest 10.85%.

The amounts of transactions for each year and the outstanding balances at each year end with related parties are as follows:

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|-------------------------------|---------------------------------|---------------------------------|
| Sales of refined products | 38 | 36 |
| Other sales | 2,732 | 1,367 |
| Purchases of crude oil | (9,739) | (6,045) |
| Purchases of refined products | (5) | (3) |
| Purchases of electricity | - | (107) |
| Other services | (6,413) | (2,087) |
| Other purchases | (923) | (217) |

For the year ended December 31, 2011 the Group has entered into transactions with a related party for purchases of construction services in the amount of 5,364 million which is included in our property, plant and equipment balance as of December 31, 2011.

For the year ended December 31, 2010 the Group has entered into transactions with a related party for purchases of construction services in the amount of RR 1,397 million which is included in our property, plant and equipment balance as of December 31, 2010.

For the years ended December 31, 2011 and 2010, the Group sold crude oil on a commission basis from related parties for RR 17,117 million and RR 9,696 million, respectively.

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|---|----------------------|----------------------|
| ASSETS | | |
| Accounts receivable (Note 4) | 1,993 | 1,980 |
| Notes receivable (Note 8) | 2,010 | 3,122 |
| Short-term certificates of deposit (Note 5) | 9,179 | 8,653 |
| Trading securities (Note 5) | 200 | 129 |
| Loans receivable (Note 8) | 344 | 701 |
| Due from related parties short-term | 13,726 | 14,585 |
| Long-term certificates of deposit (Note 5) | 7,974 | 3,913 |
| Long-term loans receivable (Note 8) | 3,402 | 5,969 |
| Long-term accounts receivable (Note 9) | 453 | 33 |
| Due from related parties long-term | 11,829 | 9,915 |
| LIABILITIES | | |
| Other accounts payable (Note 12) | (557) | (67) |
| Short-term debt (Note 11) | (1,886) | (1,971) |
| Trade accounts payable | (3,711) | (3,097) |
| Due to related parties short-term | (6,154) | (5,135) |
| Long-term debt (Note 11) | (462) | (585) |
| Due to related parties long-term | (462) | (585) |

NOTE 18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate, however considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market transaction.

The net carrying values of cash and cash equivalents, short-term investments, short-term loans receivable, accounts receivable and payable approximate their fair values because of the short maturities of these instruments.

Information concerning the fair value of loans receivable is disclosed in Note 8 and information concerning the fair value of short-term and long-term debt is disclosed in Note 11.

The Company implemented the provisions of ASC 820. The implementation of ASC 820 did not have a material effect on the Group's results of operations or consolidated financial position and had no effect on the company's existing fair-value measurement practices. However, ASC 820 requires disclosure of a fair-value hierarchy of inputs the Company uses to value an asset or a liability. The three levels of the fair-value hierarchy are described as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. For the Group, Level 1 inputs include marketable securities that are actively traded on the Russian domestic markets.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability. Certain investments held by IPCG Fund, which is accounted for under the equity method, including its investment in Bank Zenit are valued using level 2 inputs.

Level 3: Valuations utilizing significant, unobservable inputs. This provides the least objective evidence of fair value and requires a significant degree of judgment. The Group does not use Level 3 inputs for any of its recurring fair-value measurements; however, certain investments held by the IPCG Fund are valued using level 3 inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Marketable securities: The Group has RR 8,200 million and RR 8,055 million in marketable securities as of December 31, 2011 and 2010, respectively. The Group calculates fair value for its marketable securities based on quoted market prices for identical assets and liabilities (Level 1 valuations).

Credit risk

The Group's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of accounts receivables, cash and cash equivalents, prepaid VAT as well as loans receivable and advances. A significant portion of the Group's accounts receivable is due from domestic and export trading companies. The Group does not always require collateral to limit the exposure to loss; however, in most cases letters of credit and prepayments are used, especially with respect to accounts receivables from non-CIS sales of crude oil. Although collection of these receivables could be influenced by economic factors affecting these entities, management believes there is no significant risk of loss to the Group beyond provisions already recorded.

The Group deposits available cash mostly with financial institutions in the Russian Federation. To manage this credit risk, the Group allocates

its available cash to a variety of Russian banks. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

Prepaid VAT, representing amounts paid to suppliers, is recoverable from the tax authorities through offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of prepaid VAT and believes it is fully recoverable within one year.

NOTE 19. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

The Group has no outstanding guarantees at December 31, 2011 and 2010.

Operating environment

While there have been improvements in the economic situation in the Russian Federation in recent years, the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not easily convertible in most countries outside of the Russian Federation and relatively high inflation. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

Capital commitments

As of December 31, 2011 and 2010 the Group has outstanding capital commitments of approximately RR 14,966 million and RR 23,086 million, respectively, for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2012 and 2013.

Management believes the Group's current and long-term capital expenditures program can be funded through cash generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities (Note 11). Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the TANECO refinery project, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

Taxation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Tax authorities are currently reviewing the operations of the Company and its subsidiaries for the years ended December 31, 2009 and 2010. While the results of that review have not been finalized, management expects the ultimate outcome will not have a material effect on the Group's results of operations or cash flows.

New transfer pricing rules were introduced in Russia – applicable from 2012. Compared to the previous transfer pricing legislation, these new rules appear more technically elaborated and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). Upon the introduction of new Russian transfer pricing rules, the Group will revise its transfer pricing policies and will be required to prepare annual notices to local tax offices and transfer pricing documentation supporting the arm's length nature of prices applied and transfer pricing methods used in transactions that are subject to special oversight from the tax authorities.

The Group is currently assessing the potential impact of the new transfer pricing rules on intragroup transactions.

Environmental contingencies

The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and Group policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group.

Legal contingencies

The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated financial statements.

Social commitments

The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

Transportation of crude oil

The Group benefits from the blending of its crude oil in the Transneft pipeline system since the Group's crude oil production is generally of a lower quality than that produced by some other regions of the Russian Federation (mainly Western Siberia) which supply through the same pipeline system. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme is not determinable at present. However, if this practice were to change, the Group's business could be materially and adversely affected.

Ukratnafta

Historically, and in particular during the course of 2007, there have been a number of attempts by Ukraine to challenge AmRUZ and Seagroup's acquisition of shares in Ukratnafta, and in particular, by the State Property Fund and NJSK Naftogaz of Ukraine ("Naftogaz"). Naftogaz is 100% owned by the Ukrainian Government and also owner of record of 43% Ukratnafta's common shares.

The challenges were suspended in April 2006 when the Supreme Court of Ukraine ruled the payment for Ukratnafta shares made with promissory notes issued by AmRUZ and SeaGroup was lawful. However, in May 2007 the Ministry of Fuel and Energy of Ukraine ("MFEU") resumed its attempts and, as a result, succeeded in obtaining alleged and doubtful court decisions, after which it announced the transfer into Naftogaz's custody the 18.3% of Ukratnafta's shares, representing the entire holdings of AmRUZ and SeaGroup in Ukratnafta. Subsequent to these actions, MFEU effectively began to exclude the Group from exercising their shareholder rights related to Ukratnafta.

In October 2007 the existing management of Ukratnafta, as appointed by its shareholders, was forcibly removed based on an alleged court order. Subsequently, individuals who obtained the ability to manage Ukratnafta took certain actions effectively assisting MFEU in taking control over the shares in Ukratnafta owned by SeaGroup and AmRUZ. In addition, Ukratnafta subsequently refused to settle its payables to ChMPKP Avto (Note 4), a Ukrainian intermediary that previously purchased crude oil from the Group for deliveries to Ukratnafta. Following this forced change of control of Ukratnafta, the Company (originally the key crude supplier to the Kremenchug refinery) suspended its crude oil deliveries to Ukratnafta and initiated legal proceedings against the Ukrainian owners in international arbitration. In November 2009 the Business Court of the City of the Poltava Region invalidated the initial purchase of 8.6% of Ukratnafta shares by the Company without payment of any compensation to the Company.

In May 2008, Tatneft commenced international arbitration against Ukraine on the basis of the agreement between the Government of the Russian Federation and the Cabinet of Ministries of Ukraine on the Encouragement and Mutual Protection of Investments of November 27, 1998 ("Russia-Ukraine BIT"). The arbitration concerns losses suffered by Tatneft as a consequence of the forcible takeover of Ukratnafta. Tatneft requested the arbitral tribunal declare Ukraine has breached the Russian-Ukraine BIT and to order MFEU to restore Ukratnafta's lawful management and pay compensation in excess of US\$ 2.4 billion. In September 2010 the arbitral tribunal issued an award confirming that all of Tatneft's claims are admissible and that the tribunal has jurisdiction over the claims. Tatneft's claims will now move forward to the merits stage with the award expected in 2013.

There are a number of legal proceedings currently in process in the Ukraine, Russian Federation and international courts to recover the Group's assets. As a result of the ongoing legal dispute over shareholding interests, as of December 31, 2011 the Company has fully provided for its investments in Ukratnafta.

Libya

As a result of the turmoil in Libya, the Group had to entirely suspend its operations there and evacuate all its personnel. The Group is not certain if and when it is able to resume its operations in Libya. Currently the Group is not able to assess the impact of these events on the Group's financial statements. As of December 31, 2010 the company had approximately RR 5,224 million of assets associated with its Libyan operations of which RR 4,781 million is related to capitalized exploration costs, RR 219 million of inventories and RR 224 million of cash. As of December 31, 2011 the company had approximately RR 5,692 million of assets associated with its Libyan operations of which RR 5,392 million is related to capitalized exploration costs, RR 216 million of inventories and RR 84 million of cash.

NOTE 20.

SUBSEQUENT EVENTS

We have evaluated the existence of both recognized and unrecognized subsequent events through the date of this report April 16, 2012 and have deemed no adjustments or additional disclosures are necessary.

Supplemental Information on Oil and Gas Exploration and Production Activities (Unaudited) (in millions of Russian Roubles)

In accordance with ASC 932-235, Extractive Activities – Oil and Gas, this section provides supplemental information on oil and gas exploration and production activities of the Group.

The Group does not disclose the effect of adoption of ASU No 2010-3, Oil and Gas Reserves Estimation and Disclosures, on the supplemental information on oil and gas exploration and production activities as of and for the year ended 31 December 2011, as it is not practicable to estimate.

The following information presents the quantities of proved oil and gas reserves and changes thereto as at and for the years ended 31 December 2011 and 2010.

The definitions used are in accordance with United States Securities and Exchange Commission (“SEC”) regulations.

The Group’s oil and gas production is predominantly in Tatarstan within the Russian Federation; therefore, all of the information provided in this section pertains entirely to that region.

Oil Exploration and Production Costs

The following tables set forth information regarding oil exploration and production costs. The amounts reported as costs incurred include both capitalized costs and costs charged to expense during the year.

Costs Incurred in Exploration and Development Activities

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| Exploration costs | 3,536 | 5,256 |
| Development costs | 15,954 | 15,367 |
| Total costs incurred in exploration and development activities | 19,490 | 20,623 |

Property acquisitions for the years ended December 2011 and 2010 are immaterial to the Group’s oil activities.

Capitalized Costs of Oil Properties

| | AT DECEMBER 31, 2011 | AT DECEMBER 31, 2010 |
|--|----------------------|----------------------|
| Wells, support equipment and facilities | 313,970 | 303,274 |
| Unproved properties | 15,366 | 14,264 |
| Uncompleted wells, equipment and facilities | 4,892 | 2,586 |
| Total capitalized costs of oil properties | 334,228 | 320,124 |
| Accumulated depreciation, depletion and amortization | (134,964) | (130,734) |
| Net capitalized costs of oil properties | 199,264 | 189,390 |

Results of Operations for Oil Producing Activities

The Group's results of operations from oil producing activities are shown below. Proved natural gas reserves do not represent a significant portion of the Group's total reserves.

In accordance with ASC 932, results of operations do not include general corporate overhead and monetary effects nor their associated tax effects. Income taxes are based on statutory rates for the year, adjusted for tax deductions, tax credits and allowances.

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---------------------------------|---------------------------------|
| REVENUES FROM NET PRODUCTION: | | |
| Sales | 430,706 | 334,359 |
| Transfers ⁽¹⁾ | 25,218 | 12,884 |
| Total revenues from net production | 455,924 | 347,243 |
| Less: | | |
| Production and operating costs ⁽²⁾ | 61,125 | 55,221 |
| Exploration expenses | 2,230 | 2,068 |
| Depreciation, depletion and amortization | 6,088 | 8,026 |
| Taxes other than income taxes | 296,229 | 212,938 |
| Related income taxes | 18,050 | 13,798 |
| Results of operations for oil and gas producing activities | 72,202 | 55,192 |

(1) Transfers represent crude oil to the refining subsidiaries at the estimated market price of those transactions.

(2) Production and operating costs include transportation expenses and accretion of discount in accordance with ASC 410-20.

The average sales price (including transfers) per ton for 2011 and 2010 are RR 17,562 and RR 13,551 respectively. The average production and operating cost per ton for 2011 and 2010 are RR 2,351 and RR 2,124, respectively.

Proved Oil Reserves

As determined by the Group's independent reservoir engineers, Miller and Lents, Ltd., the following information presents the balances of proved oil reserves at December 31, 2011 and 2010. The definitions used are in accordance with applicable US Securities and Exchange Commission ("SEC") regulations.

Management believes that proved reserves should include quantities which are expected to be produced after the expiry dates of the Group's production licenses. The Group's existing production licenses for its major fields expire, after their recent extension, between 2026 and 2038, with other production licenses expiring between 2012 and 2043. Management believes the licenses may be extended at the initiative of the Group and management expects to extend such licenses for properties expected to produce subsequent to their license expiry date. The Group has disclosed information on proved oil and gas reserve quantities and standardized measure of discounted future net cash flows for periods up to and past license expiry dates separately.

Proved reserves are defined as those quantities of oil and gas, which, by analysis of geosciences and engineering data can be estimated with

reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulation.

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined, which are average, first-day-of-the-month prices during the 12 month period and year-end costs.

Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are inherently imprecise, require the application of judgment and are subject to change over time as additional information becomes available.

"Net" reserves exclude quantities due to others when produced.

A significant portion of the Group's total proved reserves are classified as developed non-producing. The developed non-producing proved reserves can be produced from existing well bores but require capital costs for work-overs, recompletions, or restoration of shut-in wells, additional completion work or future recompletion prior to the start of production.

Net proved reserves of crude oil at December 31, 2011:

| | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE UP TO LICENSE EXPIRY DATES | | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE PAST LICENSE EXPIRY DATES | | TOTAL NET PROVED RESERVES OF CRUDE OIL | |
|--|---|-----------------------|--|-----------------------|---|-----------------------|
| | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) |
| Net proved developed producing reserves | 2,615 | 367 | 1,029 | 145 | 3,644 | 512 |
| Net proved developed non-producing reserves | 1,599 | 225 | 769 | 108 | 2,368 | 333 |
| Net proved developed reserves | 4,214 | 592 | 1,798 | 253 | 6,012 | 845 |
| Net proved undeveloped reserves | 114 | 16 | 67 | 9 | 181 | 25 |
| Net proved developed and undeveloped reserves | 4,328 | 608 | 1,865 | 262 | 6,193 | 870 |

Net proved reserves of crude oil at December 31, 2010:

| | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE UP TO LICENSE EXPIRY DATES | | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE PAST LICENSE EXPIRY DATES | | TOTAL NET PROVED RESERVES OF CRUDE OIL | |
|--|---|-----------------------|--|-----------------------|---|-----------------------|
| | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) |
| Net proved developed producing reserves | 2,573 | 361 | 936 | 132 | 3,509 | 493 |
| Net proved developed non-producing reserves | 1,544 | 217 | 786 | 110 | 2,330 | 327 |
| Net proved developed reserves | 4,117 | 578 | 1,722 | 242 | 5,839 | 820 |
| Net proved undeveloped reserves | 80 | 11 | 63 | 9 | 143 | 20 |
| Net proved developed and undeveloped reserves | 4,197 | 589 | 1,785 | 251 | 5,982 | 840 |

Movements in Proved Oil Reserves

| | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE UP TO LICENSE EXPIRY DATES | | NET PROVED RESERVES OF CRUDE OIL RECOVERABLE PAST LICENSE EXPIRY DATES | | TOTAL NET PROVED RESERVES OF CRUDE OIL | |
|-------------------------------------|---|-----------------------|--|-----------------------|---|-----------------------|
| | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) | (MILLIONS OF BARRELS) | (MILLIONS OF TONS) |
| Balance at December 31, 2009 | 3,675 | 517 | 2,466 | 345 | 6,141 | 862 |
| Revisions | 708 | 98 | (681) | (94) | 27 | 4 |
| Production | (186) | (26) | - | - | (186) | (26) |
| Balance at December 31, 2010 | 4,197 | 589 | 1,785 | 251 | 5,982 | 840 |
| Revisions | 318 | 45 | 80 | 11 | 398 | 56 |
| Production | (187) | (26) | - | - | (187) | (26) |
| Balance at December 31, 2011 | 4,328 | 608 | 1,865 | 262 | 6,193 | 870 |

Standardized Measure, Including Year-to-Year Changes Therein, of Discounted Future Cash Flows

The standardized measure of discounted future net cash flows is calculated in accordance with ASC 932, which requires measurement of future net cash flows by applying average, first-day-of-the-month prices, and year-end costs and an annual discount factor of ten percent to year-end quantities of estimated net proved reserves using a standardized formula. The calculations assumed the continuation of existing political, economic, operating and contractual conditions at each of December 31, 2011 and 2010. However, such arbitrary assumptions have not necessarily proven to be the case in the past and may not in the future. Other assumptions of equal validity would give rise to substantially different results. As a result, future cash flows calculated under this methodology are not necessarily indicative of the Group's future cash flows nor the fair value of its oil reserves.

The net price used in the forecast of future net revenue is the weighted average year end price received for sales domestically, for exports to Commonwealth of Independent States ("CIS") countries, and for exports to non-CIS countries, after adjustments, where applicable, for certain costs, duties, and taxes. The weighted average net prices per ton used in the forecasts for 2011 and 2010, are US \$313.35 and US \$233.06 (US \$43.99 and US \$32.72 per barrel), respectively. The Company determined the appropriate mix between domestic sales, exports to CIS countries and exports to non-CIS countries using historic percentages which are supported by export quotas granted by the Government or otherwise available to the Company. The Company assumes that the current level of export quotas will remain unchanged through the life of reserves.

| | AS OF DECEMBER 31, 2011 | AS OF DECEMBER 31, 2010 |
|---|---|---|
| | FUTURE CASH FLOWS ATTRIBUTABLE TO TOTAL RECOVERABLE NET PROVED RESERVES | FUTURE CASH FLOWS ATTRIBUTABLE TO TOTAL RECOVERABLE NET PROVED RESERVES |
| Future cash inflows from production | 9,187,789 | 6,363,682 |
| Future production costs | (4,963,256) | (3,781,404) |
| Future development costs | (319,790) | (199,744) |
| Future income taxes | (767,636) | (464,394) |
| Future net cash flows | 3,137,107 | 1,918,140 |
| 10% annual discount | (2,200,675) | (1,372,560) |
| Discounted future net cash flows | 936,432 | 545,580 |

Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserve Quantities

| | YEAR ENDED DECEMBER 31, 2011 | YEAR ENDED DECEMBER 31, 2010 |
|---|---|---|
| | FUTURE CASH FLOWS ATTRIBUTABLE TO TOTAL NET PROVED RESERVES | FUTURE CASH FLOWS ATTRIBUTABLE TO TOTAL NET PROVED RESERVES |
| Beginning of year | 545,580 | 542,252 |
| Sales and transfers of oil produced, net of production costs and other operating expenses | (98,809) | (79,084) |
| Net change in prices received per ton, net of production costs and other operating expenses | 438,860 | (11,698) |
| Change in estimated future development costs | (14,645) | (8,691) |
| Development costs incurred during the period | 15,954 | 15,367 |
| Revisions of quantity estimates | 67,883 | 23,683 |
| Net change in income taxes | (98,017) | (528) |
| Accretion of discount | 55,853 | 59,556 |
| Other | 23,773 | 4,723 |
| End of year | 936,432 | 545,580 |

For the years ended December 31 2011 and 2010 discounted future cash flows for total net proved reserves include RR 64,269 million and RR 37,121 million, respectively, attributable to net proved reserves recoverable past license expiry dates.

Appendices

Information Reference about the Members of the Board of Directors of OAO TATNEFT in 2011

Rustam N. MINNIKHANOV, born in 1957. 1978 – graduated from Kazan Agricultural Institute, specialty – mechanical engineer. 1986 – graduated from the correspondence Institute of Soviet Trade. 1996-1998 – Minister of Finance of the Republic of Tatarstan. From July 1998 – Prime Minister of the Republic of Tatarstan. President of the Republic of Tatarstan since March 2010. Doctor of Science, Economics.

David W. WAYGOOD, born in 1950. Has an education certificate issued in the United Kingdom of Great Britain and Northern Ireland; graduated from the banking courses of the Bank Institute. In the last few years worked as the Representative of the Group at the Representative Office of the National Westminster Bank in Moscow (1998-1999); 2000-2001 – chief manager of LTPtrade.net pic, London – commercial financial company. From August 2001 – director of Waygood Limited Company, which was renamed as ICDS Ltd. since 2009.

Mariya L. VOSKRESENSKAYA, born in 1955. 1977 – graduated from Moscow Financial Academy. Has a US CPA certificate, and she is a certified Russian auditor. 1991-2004 – worked for the Ernst & Young Company. From 2004 – director of Brentcross Ltd. Member of the Board of Association of Independent Directors of Russia.

Radik R. GAIZATULLIN, born in 1964. 1985 – graduated from Kazan Agricultural Institute, specialty – accounting and analysis of economic activity in agriculture. June 2000 – appointed Deputy Minister of Finance of the Republic of Tatarstan; 2001 – first Deputy Minister of Finance of the Republic of Tatarstan. From June 2002 – Head of the Ministry of Finance of the Republic of Tatarstan.

Sushovan GHOSH, born in 1957. Graduated from the college of Queen Maria, London University of Electric and Electronic Developments and Institute of Accountants-Experts in England and Wales. From 2002 worked as Managing Director of SGI Group Ltd.

Nail G. IBRAGIMOV, born in 1955. 1977 – graduated with honors from Gubkin Moscow Institute of Petrochemical and Gas Industry. From 2000 – first Deputy General Director for Production, Chief Engineer of OAO TATNEFT. Doctor of Science, Engineering.

Vladimir P. LAVUSHCHENKO, born in 1949. Graduated from Gubkin Moscow Institute of Petrochemical and Gas Industry and the postgraduate course of VNII OENG. 1997 – appointed Deputy General Director for Economics of OAO TATNEFT. Doctor of Science, Economics.

Nail U. MAGANOV, born in 1958. 1983 – graduated from Tatar evening faculty of Gubkin Moscow Institute of Petrochemical and Gas Industry. 1994 – appointed Deputy General Director for production, from July 2000 – first Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department.

Renat Kh. MUSLIMOV, born in 1934. 1957 – graduated from Kazan State University, specialty – geology and exploration of oil and gas fields. From June 2007 – appointed State Advisor to President of the Republic of Tatarstan on development of crude oil and gas fields, Professor of the Crude Oil and Gas Geology Chair of Kazan State University. Doctor of Geological and Mineralogical Sciences, Professor.

Rinat K. SABIROV, born in 1967. 1991 – graduated with honors from the physics faculty of Kazan State University; 1994 – graduated from the postgraduate course of Kazan State Technological University. 1998 – had a training course under the President's program for managerial staff. From 2006 headed the Petrochemical Complex Department of the Cabinet of Ministers of the Republic of Tatarstan Department. From 2010 – Assistant to President of the Republic of Tatarstan. PhD, Chemical Science.

Valery Yu. SOROKIN, born in 1964. 1986 – graduated from Kazan State University. From 2003 – General Director of OAO Svyazinvestneftekhim.

Mirgaziyan Z. TAZIYEV, born in 1947. 1972 – graduated from Gubkin Moscow Institute of Petrochemical and Gas Industry. From January 2005 – Head of NGDU Almeteyvneft. PhD, Engineering.

Shafagat F. TAKHAUTDINOV, born in 1946. 1971 – graduated from Gubkin Moscow Institute of Petrochemical and Gas Industry. 1999 – appointed General Director of OAO TATNEFT. Doctor of Science, Economics.

Azat K. KHAMAIEV, born in 1956. Graduated from Kazan Aviation Institute, specialty – mechanical engineer. 2000 – graduated from the Law Faculty of Kazan State University. From 2004 worked as General Director of OAO Tatkhimfarmpreparaty Company. December 2008 – appointed first Deputy Minister of Land and Property Relations of the Republic of Tatarstan. March 2009 – appointed Head of the Ministry of Land and Property Relations of the Republic of Tatarstan.

Rais S. KHISAMOV, born in 1950. 1978 – graduated from the evening department of Gubkin Moscow Institute of Petrochemical and Gas Industry. From October 1997 – appointed Chief Geologist – Deputy General Director of OAO TATNEFT. Doctor of Geological and Mineralogical Sciences, Professor.

Appendices

Information Reference about the Members of the Management Board of OAO TATNEFT in 2011

| NAME | DATE OF BIRTH | POSITIONS DURING LAST 5 YEARS | SHARE IN AUTHORIZED CAPITAL |
|----------------------------|---------------|--|-----------------------------|
| Shafagat F. TAKHAUTDINOV | 1946 | 2006 – present time – General Director of OAO TATNEFT | 0.116503% |
| Vladlen A. VOSKOBOYNIKOV | 1965 | 2006 – present time – Head of Consolidated Financial Reporting Department of OAO TATNEFT | |
| Nonelskandar G. GARIFULLIN | 1960 | 2006 – present time – Head of Accounting and Reporting Department – Chief Accountant of OAO TATNEFT | 0.009806% |
| Victor I. GORODNY | 1952 | 2006 – present time – Deputy General Director of OAO TATNEFT – Head of Property Department. Doctor of Science, Economics | 0.000254% |
| Valery D. ERSHOV | 1949 | 2006 – present time – Head of Legal Department of OAO TATNEFT | None |
| Nail G. IBRAGIMOV | 1955 | 2006 – present time – First Deputy General Director on Production – Chief Engineer of OAO TATNEFT. Doctor of Science, Engineering | 0.019586% |
| Vladimir P. LAVUSHCHENKO | 1949 | 2006 – present time – Deputy General Director of OAO TATNEFT on Economics. Doctor of Science, Economics | 0.045465% |
| Nail U. MAGANOV | 1958 | 2006 – present time – First Deputy General Director – Head of Oil and Petroleum Products Sales Department of OAO TATNEFT | 0.000176% |
| Rustam N. MUKHAMADEEV | 1952 | 2006 – present time – Deputy General Director of OAO TATNEFT on HR and Social Development. | 0.004204% |
| Rafael S. NURMUKHAMETOV | 1949 | 2006 – present time – Head of NGDU Leninogorskneft of OAO TATNEFT | 0.010465% |
| Rifkat M. RAKHMANOV | 1948 | 2006 – present time – Deputy General Director of OAO TATNEFT on Well Workover, Drilling and Oil Recovery Enhancement | 0.020604% |
| Evgeny A. TIKHTUROV | 1960 | 2006 – present time – Head of Financial Department of OAO TATNEFT | 0.0020% |
| Semen A. FELDMAN | 1936 | 2006 – present time – Adviser to General Director of OAO TATNEFT | 0.016877% |
| Zagit F. SHARAFEEV | 1956 | 2006 – present time – Deputy General Director of OAO TATNEFT on Petrochemical Production – Director of OOO Tatneft-Neftekhim, PhD, Economics | none |
| Fedor L. SHCHELKOV | 1948 | 2006 – present time – Deputy General Director of OAO TATNEFT on General Issues | 0.029929% |
| Alexandr T. UKHIMETZ | 1949 | 2006 – present time – Secretary of the Board of Directors of OAO TATNEFT | 0.004583% |

The total remuneration amount paid out by the results of the reporting year to the Members of the Company's Collegial Executive Body and the Board of Directors Members

The total amount of remuneration of all members of the Board of Directors for 2011 was 293.6 million rubles. The remuneration to the persons, who are Members of the Board of Directors and the Collegial Executive Body (Management Board), is included in the amount of the remunerations for all members of the Board of Directors.

The total remuneration sum paid out to all members of the Collegial Executive Body for 2011 amounted to 144 million rubles.

List of Main Issues Reviewed at the Meetings of the Board of Directors in 2011

1. Execution of OAO TATNEFT's budget for 2010.
2. Results of the Internal Audit Department operation in 2010. Approval of the Department's operations plan for 2011.
3. Annual general meeting of shareholders of OAO TATNEFT on the end of 2010.
4. Candidates to the Board of Directors, the Audit Commission of OAO TATNEFT and proposals on the agenda of the annual general meeting of shareholders on the results of 2010.
5. Situation with implementation of new oil field development and production technologies and measures to significantly improve the efficiency of oil recovery enhancement methods application in the fields of OAO TATNEFT.
6. Application of intellectual systems for oil recovery enhancement at the late stage of fields development.
7. Adopting crude oil production plans and performance of geological and technical measures (GTM) for 2012-2013.
8. Progress in introducing innovative development technologies in the fields of OAO TATNEFT and small oil companies in the Republic of Tatarstan.
9. Results of applying technologies of recovery for the oilfield drilling equipment in OAO TATNEFT.
10. Effectiveness of drilling complex design horizontal wells, small diameter wells and the technology of wells recovery through sidetracking.
11. Progress in implementing the crude oil production investment program in 2011 and the investment program for 2012
12. Fulfillment of the investment program for 2010 on the core business, petrochemicals and filling stations.
13. Loan debt burden and the Company's financial stability indicators and the concept of the further financing the construction project of the Refinery and Petrochemical Plants Complex in Nizhnekamsk.
14. Results of operations and prospects of development of OAO TATNEFT's petroleum products sale system.
15. Program of further development of the Company's energy sector.
16. Program of Nizhnekamsk TPS modernization.
17. Increasing the reliability of OAO TATNEFT's power supply system block and resistance to abnormal natural influences.
18. Progress of "Glass fiber production plant construction" project and prospects of its development.
19. Agreement with the Federal Antimonopoly Service, the Federal Service for Ecological, Technological and Nuclear Supervision and the Federal Agency for Technical Regulation and Metrology.
20. Results of OAO TATNEFT's joint work with scientific organizations of the Academy of Sciences of the Republic of Tatarstan.
21. Implementation of "Support to development of small and medium-size business" project at OAO TATNEFT.
22. Results of consolidated financial statements under US GAAP.
23. Combating misuse of insider information.
24. Social issues, including: Organization of summer vacation and health improvement of children of TATNEFT Group of companies' employees at recreation camps of OAO TATNEFT.
25. Work with students on staff development carried out at OAO TATNEFT in collaboration with educational institutions and development of the Electronic Corporate University.

Appendices

List of Main Issues Reviewed at the Meetings of the Management Board in 2011:

1. Current financial and economic condition of OAO TATNEFT and the outcome of executing indicators of orders Nos. 1, 2 and 3 (for 2010, 1-st quarter, 1-st half of 2011).
2. Execution of directive, regulatory, planning and financial performance of operation for 2010 by the structural divisions and subsidiaries of OAO TATNEFT
3. Payment of remuneration for the results of 2010.
4. Results of the executing additional terms of OAO TATNEFT's bonus certificate contracts (BC 007) in 2010.
5. Plans of OAO TATNEFT for crude oil production and geological/engineering activities for 2012-2013
6. Participation in the authorized capital of "Rubezhneft".
7. Temporary abandonment of Mordovo Karmalskoye field wells.
8. Withdrawal of OAO TATNEFT from OAO "Mosnefteprodukt" commercial organization.
9. Progress of transferring agricultural land plots into the category of industrial land to drill wells for OAO TATNEFT.
10. Indexation of wages, wage rates (salaries) from July 01, 2011.
11. Project of "Provision on allocating interest-free loan to employees of OAO TATNEFT structural divisions to pay for medical services".
12. Program of social mortgage housing construction in 2011
13. Provision of material assistance to participants World War II, World War II widows, and home front workers in honor of the Victory in the Great Patriotic War.
14. Quarterly increase of financial assistance to pensioners under the Collective Agreement starting May 01, 2011.

Information about Compliance with the Corporate Behavior Standards at OAO TATNEFT in 2011

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|--|--|--|
| GENERAL REQUIREMENTS TO THE ISSUERS | | |
| 1. The Issuer shall form a Board of Directors. | Full compliance | <p>1) Document with details fixing this requirement and Item/Art. number</p> <p>Document Name: Articles of Association Item/Art. No.: Article 8 Approved by: General Meeting of the Shareholders Decision Date: June 23, 2011 Minutes No.: № 18 Minutes date: June 28, 2011</p> <p>2) Board of Directors composition as of the report compiling date</p> <ol style="list-style-type: none"> 1. Rustam N. Minnikhanov 2. Waygood David William 3. Maria L. Voskresenskaya 4. Radik R. Gaizatullin 5. Sushovan Ghosh 6. Nail G. Ibragimov 7. Vladimir P. Lavushchenko 8. Nail U. Maganov 9. Renat Kh. Muslimov 10. Rinat K. Sabirov 11. Valeriy Yu. Sorokin 12. Shafagat F. Takhautdinov 13. Mirgazyan Z. Taziev 14. Azat K. Khamaev 15. Rais S. Khisamov <p>3) Date of holding the General Meeting of the Shareholders, which elected the acting Board of Directors members, date and Minutes No. of the a/m meeting</p> <p>Decision Date: June 23, 2011 Minutes No.: № 18 Minutes date: June 28, 2011</p> |

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Information about Compliance with the Corporate Behavior Standards at OAO TATNEFT in 2011

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|--|--|---|
| <p>2. The Issuer's Board of Directors shall consist of at least 3 members in compliance with the following requirements:</p> <ul style="list-style-type: none"> ■ at the time of election they are not and they have not been officials or employees of the Issuer (manager) within 1 year preceding the election; ■ they are not officials of another business entity in which any of the officer of this company is a member of the Board of Directors' HR and Remuneration Committee; ■ they are not spouses, parents, children, brothers and sisters of the officials (manager) of the Issuer (an official of the Issuer's controlling organization); ■ they are not affiliated persons of the Issuer, except a member of the Board of Directors of the Issuer; ■ they are not parties to the obligations with the Issuer, in accordance with which they can acquire property (receive money) with a value of 10 percent or more of the aggregate annual income of the mentioned persons in addition to receiving compensation for their participation in the activities of the Company's Board of Directors; ■ they are not representatives of the State, i.e. the persons, who are representatives of the Russian Federation or the constituents of the Russian Federation in the Board of Directors of joint stock companies, who have been mandated to use a special right ("golden share") and the individuals elected to the Board of Directors out of the candidates nominated by the Russian Federation, as well as a constituent of the Russian Federation or a municipal entity, if such Board of Directors members must vote on the basis of written directives (instructions, etc.) of the Russian Federation constituent or municipal entity, respectively. | Full compliance | <p>1) Independent Directors Names:</p> <ol style="list-style-type: none"> 1. Sushovan Ghosh 2. David W. Waygood 3. Mariya L. Voskresenskaya <p>2) Document with details fixing this requirement to the directors and number of the Item/Article</p> <p>Document name:</p> <p>Provision on the Board of Directors Item/Art. No.: Article 4.2</p> <p>Approved by the decision of the General Meeting of the Shareholders Decision date: June 28, 2002 Changes and amendments were introduced by the General Meeting of the Shareholders on June 23, 2011</p> |

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|---|--|---|
| <p>3. 1. The Issuer's Board of Directors shall have a Committee, the exclusive functions of which are assessment of candidates to the auditors of the Joint-Stock Company, assessment of the auditor's conclusion, assessment of the Issuer's internal control efficiency and preparation of proposals on their improvement (the Audit Committee), headed by the director who meets the requirements of Item 2 hereof.</p> <p>2. The Audit Committee shall only consist of the members of the Board of Directors, who meet the requirements of Item 2 hereof; in case it is impossible due to certain reasons – only of the members of the Board of Directors who meet the requirements of Item 2 hereof and the members of the Board of Directors who are not the sole executive body and (or) the members of the Issuer's Collegial Executive Body.</p> <p>3. Assessment of the Issuer's auditor's opinion executed by the Audit Committee shall be presented as materials to the annual General Meeting of the Issuer's participants.</p> | Full compliance | <p>1) Document with details fixing the functions of the Committee</p> <p>Document Name</p> <p>Provision on the Audit Committee</p> <p>Item/Art. No.: Article 4 Approved by: Decision of the Board of Directors Date of decision: Oct. 29, 2004 Minutes number: No. 6</p> <p>2) Full names of the Committee's Head and members (indicating independent and/or non-executive directors. If by the end of the reporting quarter the Committee of the Board of directors is not formed as a result of re-electing the Issuer's Board of Directors, than it is necessary to indicate the Board of directors' composition acting till the date of holding the general shareholders meeting.</p> <p>Committee: elected Full name, Composition, Status</p> <p>1. Sushovan Ghosh, Chairman (Independent Director);</p> <p>2. R.R. Gaizatullin, member of the Committee (Non-Executive Director);</p> <p>3. David William Waygood, member of the Committee (Independent Director);</p> <p>4. M.L. Voskresenskaya, member of the Committee (Independent Director).</p> <p>Date of the Board of Directors meeting Decision Date: June 23, 2011 Minutes: No. 3</p> <p>3) Document with details fixing the mentioned provisions or information about submission of such data to the annual shareholders meeting.</p> <p>Disclosure of the information about the decisions of the Audit Committee is on the website of OAO TATNEFT: http://www.tatneft.ru/wps/wcm/connect/tatneft/portal_rus/infoactsinvest/comaudit/</p> |

Appendices

Information about Compliance with the Corporate Behavior Standards at OAO TATNEFT in 2011

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|--|--|---|
| <p>4. 1. The Issuer's Board of Directors shall have a HR and Remuneration Committee with the following exclusive functions:</p> <ul style="list-style-type: none"> ■ elaboration of principles and criteria for determining the remuneration amount of the Board of Directors members and members of the Collegial Executive Body and the person performing the functions of the sole executive body of the Issuer, including the controlling organization or manager; ■ elaboration of proposals for definition of essential terms of contracts with the members of the Board of Directors, members of the Collegial Executive Body and the person performing the functions of the sole executive body of the Issuer; ■ definition of the criteria of selecting candidates for members of the Board of Directors, members of the Collegial Executive Body and the position of the sole executive body of the Issuer, and a preliminary assessment of the mentioned candidates; ■ regular assessment of the person performing the functions of the sole executive body (the controlling organization, manager) and the members of the Collegial Executive Body of the Issuer and preparation of proposals for the Board of Directors for their possible re-appointment. <p>2. The HR and Remuneration Committee shall only consist of the members of the Board of Directors, who meet the requirements of Item 2 hereof; in case it is impossible due to certain reasons – only of the members of the Board of Directors who meet the requirements of Item 2 hereof and the members of the Board of Directors who are not the sole executive body and (or) the members of the Issuer's Collegial Executive Body.</p> | Full compliance | <p>1) Document with details fixing the functions of the Committee</p> <p>Document Name: Provision on the HR & Remuneration Committee</p> <p>Item/Art. No.: Approved by: Decision of the Board of Directors Date of decision Sept. 28, 2004 Minutes number: No.7</p> <p>Changes and amendments: The amendment in the Provision on HR and Remuneration Committee was approved by decision of the Board of Directors No. 3 of June 26, 2009</p> <p>2) Full names of the Committee's Head and members (indicating independent and/or non-executive directors). If by the end of the reporting quarter the Committee of the Board of directors is not formed as a result of re-electing the Issuer's Board of Directors, than it is necessary to indicate the Board of directors' composition acting till the date of holding the general shareholders meeting.</p> <p>Committee: elected Full name, Composition, Status</p> <p>1. David William Waygood, Chairman, Independent Director;</p> <p>Members of the Committee:</p> <p>2. Sushovan Ghosh, member of the Committee, Independent Director</p> <p>3. R.K. Sabirov, member of the Committee, Non-Executive Director</p> <p>Date of the Board of Directors meeting Decision date: June 23, 2011 Minutes No.: No. 3</p> |

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|--|--|--|
| 5. The Issuer shall form a Collegial Executive Body. | Full compliance | <p>1) Document with details fixing this provision and Item/Art. No</p> <p>Document Name:</p> <p>Provision on the Management Board</p> <p>Item/Art. No.:</p> <p>Approved by: Decision of the shareholders general meeting</p> <p>Date of decision: June, 29, 2007 Minutes number: No. 14</p> <p>2) Date of the meeting of the Issuer's authorized body, which elected the current composition of the collegial executive body, the date and number of minutes of the above mentioned meeting</p> <p>Decision date: Aug. 28, 2002</p> <p>Minutes number:</p> <p>Minutes of the Board of Directors No. 3</p> <p>Personal membership of the Board approved by decision No. 3 of the Board of Directors of August 28, 2002</p> <p>Amendments introduced by the board of Directors:</p> <ul style="list-style-type: none"> - decision No. 4 of Apr. 3, 2003 - decision No. 5 of Apr. 1, 2004 - decision No. 10 of Apr. 1, 2004 - decision No. 7 of July 30, 2004 - decision No. 6 of June 30, 2005 - decision No. 11 of Dec. 29, 2005 - decision No 6 of Apr. 26, 2008 - decision No. 6 of Apr. 29, 2010 |

Appendices

Information about Compliance with the Corporate Behavior Standards at OAO TATNEFT in 2011

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|---|--|---|
| 6. The Issuer's internal documents shall stipulate the duties of the members of the Board of Directors, the members of the Collegial Executive Management Body, the person exercising the functions of the sole executive body, including the Management Company and its officials, to disclose the information about the possession of the issuer's securities, and about the sale and (or) purchase of the Issuer's securities. | Full compliance | <p>Documents with details fixing the duties of each managing body and numbers of items/ articles</p> <p>Board of Directors Document name: Provision on the Board of Directors Item/Art. No.: Art. 4, i.1. Approved by: Decision of the general meeting of shareholders Date of decision: June 28, 2002 Amendments: Amendments and additions introduced by the general meeting of shareholders on June 23, 2011</p> <p>Collegial Executive Body</p> <p>Document name: Corporate Management Code Item/Art. No.: Art. 2.4.10 Approved by: Decision of the Board of Directors Date of decision: May 23, 2011 Minutes No.: No. 8 Minutes date: May 23, 2011 The person performing functions of the sole executive body, including the controlling organization and its officials</p> <p>Document name: Corporate Management Code Item/Art. No.: Art. 2.4.10 Approved by: Decision of the Board of Directors Date of decision: May 23, 2011 Minutes No.: No. 8 Minutes date: May 23, 2011</p> |
| 7. The Issuer's Board of Directors shall approve the document which defines the rules and approaches towards disclosure of the information about the issuer. | Full compliance | <p>Document with details fixing these provisions and Item/Art. No.</p> <p>Document Name: Provision on information Policy Item/Art. No.: Approved by: Decision of the Board of Directors Date of decision: April 29, 2004 Minutes No.: - Minutes date: April 29, 2004</p> |
| 8. The Issuer's Board of Directors shall approve the document for using the information about the issuer's activity, about the Company securities and transactions with them, which is not generally accessible, and disclosure of which can make an essential impact on the market cost of the Issuer's securities. | Full compliance | <p>Document with details or provisions fixing this norm within another document and Item/Art. No.</p> <p>Document Name: Provision for the use of insider information and order of informing on transactions with securities of OAO Tatneft Item/Art. No.: - Approved by: Decision of the Board of Directors Date of decision: Oct. 27, 2006 Minutes No.: No. 6 Minutes date: Oct. 27, 2006</p> |

| LIST OF THE CORPORATE Nos. BEHAVIOR STANDARDS | COMPLIANCE WITH STANDARDS (FULL, PARTIAL NO COMPLIANCE) | NOTE |
|---|--|--|
| 9. The Issuer's Board of Directors shall approve the document which stipulates the procedures for internal control of the Issuer's financial and economic activities. The control of observance of such procedures is provided by the individual structural subdivision of the Issuer, which informs the Audit Committee about all revealed violations. | Full compliance | <p>1) Name of such division Internal Audit Department of OAO TATNEFT</p> <p>2) Document with details confirming establishment of such a division (for example, order or minutes)</p> <p>Provision on the Internal Audit Department of OAO TATNEFT Decision of the Board of Directors No. 11 dated March 28, 2006</p> <p>3) Document with details defining the procedures and a number of the item/ article, body, which approved the required document Document Name: Provision on the Internal Audit Department of OAO TATNEFT Approved by decision of the Board of Directors Decision Date: March 28, 2006 Minutes No.: No. 11 Minutes Date: March 28, 2006 Amendments: Amendments to the Provision on the Internal Audit Department of OAO TATNEFT were introduced by decision of the Board of Directors No. 4 of February 02, 2009.</p> |
| 10. The Issuer's Articles should provide that the notice of holding the general meeting of shareholders shall be made at least 30 days before the meeting, unless the legislation provides for a longer period. | Full compliance | <p>1) Item/Article of the Articles. Article 7, i. 1</p> <p>2) Information confirming the actual observance of this period (the date of the last general meeting of the shareholders and the date of information disclosure / notification to the shareholders of its holding)</p> <p>Date of holding the annual general meeting of the shareholders: June 23, 2011.</p> <p>Published: On the Company's official web-site www.tatneft.ru (February 28, 2011), amendments dated March 28, 2011 In the news lines of information agencies: disclosure.skrin.ru (Essential Fact dated February 28, 2011, amendments Essential Fact of March 28, 2011). In printed media in accordance with prevailing legislation.</p> <p>The information about the last general meeting of shareholders was published in the newspapers: "Neftnyye Vesti" (No.39 of May 25, 2011), "Republic of Tatarstan" (No. 102 of May 21, 2010), "Khazine" (No. 21 of May 21, 2010), "Vatanyam Tatarstan" (No. 93-94 of May 20, 2011)</p> |

Appendices

Registers of Compulsorily Disclosed Information and Voluntarily Disclosed Information in 2011

| No. | MESSAGE CONTENT | DATE OF DISCLOSURE |
|--|---|--|
| INFORMATION SUBJECT TO COMPULSORY DISCLOSURE | | |
| BY RUSSIAN STANDARDS (IN THE FORM OF A MESSAGE ABOUT AN ESSENTIAL FACT OR MESSAGES ABOUT THE INFORMATION WHICH CAN ESSENTIALLY AFFECT THE COST OF THE JOINT-STOCK COMPANY'S SECURITIES) ACCORDING TO ORDER OF FFMS OF RUSSIA 11-46/PZ-N | | |
| 1. | Information about the closing date of the Issuer's shareholders register | February 28, 2011 |
| 2. | Message about the procedure of accessing the information contained in the quarterly report. | By the 15-th day of the month following the quarter under review |
| 3. | Message about disclosure of the affiliated entities list of the Joint Stock Company on the Internet site. | By the 2-nd of the month following the quarter under review |
| 4. | Notice on the procedure of accessing the information contained in the Annual Report for 2010. | June 28, 2011 |
| 5. | Message about data and timing of fulfilling the Issuer's obligations to securities holders (accrued and /or paid income on the Issuer's securities). | August 22, 2011 |
| 6. | Notice of decisions adopted by the Board of Directors (Supervisory Board). | May 03, 2011 |
| 7. | Information about facts resulting in non-recurring increase or decrease of the Issuer's net profit or net loss by more than 10%. | April 01, 2011, May 04, 2011, October 31, 2011 |
| 8. | Message about decisions taken by general meetings | June 28, 2011 |
| 9. | Message about the date of compiling the list of the issuer's certificated documentary, payable to bearer, with obligatory centralized custody securities holders for the purpose of implementing the rights vested by such issuer's securities. | September 15, 2011 |
| 10. | Message with information about accrued and /or paid income on the Issuer's securities. | September 23, 2011 |
| 11. | Message with information about holding a meeting of the Board of Directors (Supervisory Board) of the issuer and its agenda, as well as on special decisions taken by the Board of Directors (Supervisory Board). | December 29, 2011 |
| ACCORDING TO INTERNATIONAL STANDARDS (IN THE FORM OF PRESS RELEASES AND PUBLICATION OF REPORTS AS PER THE LONDON STOCK EXCHANGE REGULATIONS) | | |
| 12. | On convening an annual meeting of shareholders. | June 23, 2011 |
| 13. | On the agenda of the annual meeting of shareholders. | May 03, 2011 |
| 14. | Publication of the review procedure of the consolidated financial statements of OAO TATNEFT as per U.S. GAAP for 2010 (audited). | April 26, 2011 |
| 15. | Publication of the consolidated financial statements of OAO TATNEFT as per U.S. GAAP procedures for the first quarter of 2011 (unaudited). | June 21, 2011 |
| 16. | Publication of the consolidated interim abbreviated financial statements as per U.S. GAAP procedures for the first half of 2011 (unaudited) | October 06, 2011 |
| 17. | Publication of the consolidated interim abbreviated financial statements as per U.S. GAAP procedures for nine months of 2011 (unaudited). | December 13, 2011 |

*(main facts and events, including major transactions and transactions with interest performed by the Company during the year)

No. MESSAGE CONTENT**VOLUNTARILY DISCLOSED INFORMATION**

1. On the results of meetings of the Board of Directors of OAO TATNEFT (monthly).
2. Employees conference was held at TATNEFT.
3. TATNEFT registered its branch in the Republic of Turkmenistan.
4. Minister of ecology of the Republic of Tatarstan visited TATNEFT.
5. Testing grounds of resource saving technologies were formed at TATNEFT
6. TATNEFT received oil free-flowing at the license Nenets Autonomous Area
7. OAO "Nizhnekamskshina" was granted certificates of quality management system ISO 9001:2008 and ISO TS 16949:2009.
8. TATNEFT's filling stations started servicing of SSC tires.
9. Strategic site TANECO complex NPINHZ of TATNEFT is in the focus of the Ministry of Energy attention.
10. OAO TATNEFT published of the review procedure of the consolidated financial statements of as per U.S. GAAP for 2009 (audited).
11. Three years without repair! MTBF reached 1,097 days.
12. Top managers of TATNEFT are in the industrial elite of Russia.
13. Bugulma Mechanical Plant was granted ASME certificate.
14. TATNEFT produced 200,000 solid steel cord tires.
15. TATNEFT successfully completed pilot introduction of a corporate SAP-based personnel management system.
16. Annual General Meeting of OAO TATNEFT shareholders was held.
17. OAO TATNEFT announces drawing a loan in the amount of \$550 million.
18. Ecological management system of TATNEFT's tire manufacturers recognized at the Republican level
19. TATNEFT took part in the Moscow specialized exhibition "Oil&Gas"/MIOGE
20. Traditional oil summit was held.
21. Effect of using tubing in TATNEFT's RPM system is approaching the level of 1 bln rubles
22. TATNEFT compliance with high international standards was again confirmed by IMS audit
23. Another acknowledgement of OAO TATNEFT transparency
24. Quality Management System of "Kama" trading house fully complies with ISO 9001 international standards
25. Traditional youth scientific and practical conference held at TATNEFT
26. Representatives of TATNEFT met with managers of Bank of America – Merrill Lynch
27. Tire manufacturers of TATNEFT strengthen cooperation with partners from Thailand
28. Memorandum signed between the management of OAO TATNEFT and CNCEC Chinese consortium
29. TATNEFT was granted a new Canadian patent
30. 100 hundred thousandth ton of extra-viscous oil produced at Ashalchinskoye field
31. TATNEFT is among the "leaders of Economy2011"
32. TANECO became a full-fledged participant of the crude oil refining branch
33. Traditional reporting and election conference of young employees was held at TATNEFT
34. First TATNEFT's filling stations were open at the Republic of Belarus
35. Round table on innovational oil production technologies
36. Press –conference of General Director of OAO TATNEFT
37. RT President familiarized with hydrofrack technology
38. Visit of Sergei Kudryashov, Deputy Minister of Energy, to OAO TANECO
39. TATNEFT inventions are among the best n the Republic of Tatarstan

Note: overall, 218 press releases and messages about the current Company's activities were distributed in 2011 under the voluntary disclosure of information.

Appendices

Main Corporate Events of 2011

JANUARY

Conference of OAO TATNEFT employees summarizing financial and business activities of the Company in 2010.

Collective bargaining agreements between management and employees of OAO TATNEFT for 2011 was concluded.

FEBRUARY

OAO TATNEFT opened the Company's branch office in Turkmenistan

MARCH

OAO TATNEFT started implementation of the developed off-the-shelf integrated solution based on energy-saving technologies for arrangement of energy-efficient production, gathering and treatment system at Arkhangelskoye field.

Quality management system of OAO "Nizhnekamskshina" confirmed compliance with international standards ISO 9001:2008 and ISO TS 16949:2009.

Production started of new summer tires Kama Euro-129 for passenger cars designed by the Kama "Research and Technology Center" came out to the tire market.

APRIL

Sergey Kudryashov, Deputy Energy Minister, visited the construction site of TANECO Refinery and Petrochemical Plants Complex.

MAY

Nizhnekamsk solid steel cord tire factory, which is part of the "Tatneft-Neftekhim" Management Company, produced the two hundred thousandth solid steel cord design tire.

OAO TATNEFT continued to create jobs in the framework of supporting small and medium business: a new sewing shop, a branch of "Aznakay Kiemnere", started operation at Jalil township.

OAO TATNEFT introduced an Apple iOS platform based application for mobile devices, which considerably simplified the search for the nearest filling stations under the brand name of the Company.

Bugulma Mechanical Plant was certified for compliance with ASME Regulations receiving the certificate of the American Society of Mechanical Engineers and the "U" stamp.

JUNE

The annual general meeting of the Company's shareholders was held.

Delegation of "Rosnedra" Federal Agency for Subsoil Use headed by Anatoly Ledovskikh visited OAO TATNEFT.

A new kindergarten "Podsolnushek" built by OAO TATNEFT was opened in Nizhnekamsk.

JULY

SAP AG Concern granted the status of a strategic partner to TATNEFT Company.

The electronic periodical of OAO TATNEFT "Neftyanaya Gazeta (Oil Newspaper)" was registered and received the official media status.

AUGUST

Sergey Brilev showed on the screen a film "Heavy Oil" dedicated to the development of fields with hard-to-recover reserves, including the ones with extra-viscous oil.

The annual contest of professional skills among young professionals was held at OAO TATNEFT.

TATNEFT Company confirmed compliance with international requirements of the integrated management system for industrial safety, labor and environmental protection ISO 14001:2004 and OHSAS 18001:2007.

A new kindergarten built by OAO TATNEFT under the Republican "Belekech" program was opened in Almetyevsk

SEPTEMBER

Celebration in honor of the professional holiday – Oil and Gas Industry Workers Day with participation of Rustam Minnikhanov, President of the Republic of Tatarstan.

Residents of the oil capital received as a gift from OAO TATNEFT the fifth stage of the ponds cascade in Almetyevsk, a reconstructed Shevchenko street and the second stage of Komsomolsky landscaped park.

OCTOBER

The 10-th International exhibition "Oil. Gas. Energy. Chemistry. Ecology" annually arranged for the specialists of OAO TATNEFT and enterprises of the south-eastern part of the Republic of Tatarstan was held.

NOVEMBER

The Company produced the first 100 thousand tons of extra-viscous oil at Ashalchinskoye field.

OAO TATNEFT became a platform for the joint retreat of the Public Council of the Environment and Natural Resources Ministry of the Republic of Tatarstan.

The Company received a license of Rostekhnadzor for operation and maintenance of explosive and fire hazardous production facilities.

DECEMBER

The first phase construction of OAO TANECO "Oil Refinery and Petrochemical Plants Complex" was completed. The first phase of OAO TANECO Oil Refinery Complex was commissioned.

A new concept of OAO TATNEFT's Youth Policy for 2012-2020 was adopted.

Specialists of OAO TATNEFT participated in roundtable discussions on the implementation of innovative crude oil production technologies in the fields of the Company and small oil companies in the Republic of Tatarstan.

Appendices

Awards and Nominations of OAO TATNEFT in 2011

International Awards and Nominations

1. TATNEFT was awarded three gold, three silver and three bronze medals, Cup and Diploma "For high level of inventiveness in the Republic of Tatarstan" at the XIV-th Moscow International Salon of Inventions and Innovation Technologies "Archimedes-2011".
2. The annual report of TATNEFT was the winner in the "Energy" nomination of the VIII-th open contest of annuals report of the joint stock companies of the International Investment Forum
3. The Company was awarded a diploma of the XI-th Moscow International Exhibition "Oil and Gas" for professionalism and relevance of the exposure.
4. TATNEFT was awarded a diploma of the Ministry of Petroleum and Mineral Resources of the Republic of Turkmenistan for participation in the XVI-th specialized International exhibition "Oil and Gas of Turkmenistan-2011"
5. OAO TATNEFT was recognized the industry branch leader on environmental transparency among the Russian Federation companies operating in the field of crude oil production based on the rating compiled by Interfax-ERA International Information Group
6. The press service and corporate media of OAO TATNEFT won awards in several nominations of the International "PEGAZ" journalistic contest
3. According to the rating of "Industrial Elite of Russia – Top 100 Industrial Managers – 2011" in the "Top 100" included: N. Ibragimov, First Deputy General Director for Operations – Chief Engineer of OAO TATNEFT.
4. According to the transparency rating of the fuel and energy sector Russian companies OAO TATNEFT was included into the Top 10 companies with the highest level of transparency
5. OAO TATNEFT ranked No. 4 among domestic companies engaged in production of crude oil and associated petroleum gas according to the rating of "Leaders of the economy – 2011" contest.
6. OAO TATNEFT was awarded an honorary diploma "Leader of the environmental activities in Russia – 2011".
7. Prize named after Academician I.M. Gubkin was awarded to three teams of OAO TATNEFT's specialists for research and development and monographs "Set of technologies for oil field equipment corrosion protection", "Family of four published monographs on geology and mineral resources base of the Republic of Tatarstan", and "A method of treating intermediate layers with oil emulsion".
8. The highest degree diploma and a cup were awarded to "Almetyevsk heating networks" for participation in the All-Russian contest for the best company/organization in the field of housing and communal services of the Russian Federation.

All-Russia Awards and Nominations

1. General Director of OAO TATNEFT was awarded the III-rd degree Order "Merits for Motherland".
2. Sh.F. Takhautdinov, General Director of OAO TATNEFT was named among the top ten business leaders of the fuel and energy sector.
N.U. Maganov, First Deputy General Director of OAO TATNEFT – Head of Crude Oil and Petroleum Products Sales headed the top five commercial directors of the energy and fuel sector.
V.P. Lavushchenko, Deputy General Director for Economics of OAO TATNEFT was named among the top five financial directors.
F.I. Shchelkov, Deputy General Director for General Affairs of OAO TATNEFT was noted in the ranking of marketing directors.
V.I. Gorodny, Deputy General Director for Property – Head of Property Department of OAO TATNEFT was named among the best directors on corporate management.

Awards and Nominations of the Republic of Tatarstan

1. OAO TATNEFT was named the best company for invention and rationalization of the Republic of Tatarstan.
2. OAO TATNEFT was recognized the absolute winner of "ECOleader" and "Man and Nature" contests in 2010.

Doctor of technical sciences, professor and head of department of research and in-field oil, gas and water treatment of TatNIPIneft was named a laureate of the Republican Contest "Best scientist of the year".

3. OAO TATNEFT was a winner of the Republican review-contest for implementation in 2011 of the long-term target program "Energy conservation and energy efficiency in the Republic of Tatarstan for 2010-2015 and till 2020".

First Deputy General Director for Operations – Chief Engineer of OAO TATNEFT, Deputy General Director – Chief Geologist of OAO TATNEFT, Director TatNIPIneft and Head of Engineering Systems and Equipment Department of TatNIPIneft were awarded gold badges and diplomas of the Society of Inventors and Innovators the Republic of Tatarstan.

4. The Company's projects were winners of the VII-th Republican contest "Fifty best innovative ideas for the Republic of Tatarstan". The Electronic Corporate University was a winner in the "Innovation in education" nomination.

5. Sh.F. Takhautdinov, General Director of OAO TATNEFT, was awarded the "Gratitude of the President of the Republic of Tatarstan".

6. Decree of the President of the Republic of Tatarstan" awarded the State Prize of the Republic of Tatarstan 2011 in science and technology to top managers of OAO TATNEFT. The title "Laureate of the State Prize of the Republic of Tatarstan in the field of science and technology" was awarded to V. Lavushchenko, Deputy General Director of OAO TATNEFT on Economics and to V. Gorodny, Deputy Director General for the Property – Head of Property Department of OAO TATNEFT, for their work "Restructuring of OAO TATNEFT: Methodology and Practice".

7. Gold badges and diplomas of the Society of Inventors and Innovators of the Republic of Tatarstan were awarded to N. Ibragimov, First Deputy Director for Operations – Chief Engineer of OAO TATNEFT, R. Khisamov, Deputy General Director – Chief Geologist of OAO TATNEFT, R. Ibatullin, Director of TatNIPIneft, and V. Kuneev, Manager of Engineering Systems and Equipment Department of TatNIPIneft.

8. P. Sakhabutdinov, Doctor of Science, Professor, Head of Department for Research and In-Field Treatment of Oil, Gas and Water of TatNIPIneft, was awarded a Laureate title of the Republican Contest "Best scientist of the Year".

9. The title "Young inventor and innovator of the Republic of Tatarstan-2011" was awarded to representatives of NGDUs "Almetyevneft", "Aznakaevskneft", "Nurlatneft", "Yamashneft", "Leninogorskneft", "Jalilneft" TatNIPIneft, "Tatneftegazpererabotka" Administration and the Engineering Center of OAO TATNEFT.

10. OAO TATNEFT took first places in the categories: "For development of social partnership in the production sector organizations", "For participation in solving social problems and development areas of corporate philanthropy", the second place in the nomination "For the development of human resources in organizations of the production sector", second place was also awarded to "Almetyevneft" Oil and Gas Production Board, the structural unit of the Company, in nomination "For reducing occupational accidents and occupational diseases in the production organizations" at the Republican stage of the "Russian organization of high social efficiency" contest.

Awards and Nominations of the Trade Unions Federation of the Republic of Tatarstan

1. Collective Agreement of OAO TATNEFT was acknowledged as one of the best in the contest of the Trade Unions Federation of the Republic of Tatarstan in 2011 "The best collective bargaining agreement". The Collective Agreement of TANECO compiled in accordance with the basic principles of TATNEFT was awarded a diploma in the nomination "For the effective protection of social and labor rights of young people", while OOO "Tatneft-RemServis" was awarded a diploma "For active development of HR potential"
2. Press-service of OAO TATNEFT was awarded the III-rd place in the Republican contest "The best coverage of trade unions activity in the media".

Appendices

List of Abbreviations

| | |
|----------------|--|
| OAO TATNEFT | Open Joint Stock Company named after V. D. Shashin |
| ZAO | Close Joint Stock Company |
| OOO | Limited Liability Company |
| NGDU | Oil and Gas Production Board (structural division of OAO TATNEFT) |
| PNP | Oil recovery enhancement |
| MUN | Oil recovery enhancement methods |
| GTM | Geological and engineering measures |
| RNO | Oil field equipment repair |
| ESP | Electrical submergible unit |
| NIOKR | Scientific research and design works |
| OPR | Pilot operations |
| PPD | Reservoir pressure maintenance |
| TatNIPIneft | Tatar R&D Institute of Petroleum (structural division of OAO TATNEFT) |
| DZO | Subsidiaries and affiliated companies |
| UTT | Technological transport administration |
| ST | Specialized vehicles |
| UPTZh dlya PPD | Administration of process liquid treatment for reservoir pressure maintenance (Structural division of OAO TATNEFT) |
| NIS | Standardizing Research Station (structural division of OAO TATNEFT) |
| TGRU | Tatar Geological Exploration Administration |
| ASK | Joint stock insurance company |
| TNG | Tatneftegeophizika Company |
| TsDNG | Oil and gas production shop |
| BMZ | Bugulma Mechanical Plant |
| UKPN | Integrated crude oil treatment plant |
| AZS | Filling station |
| RTS | Russian Trading System Stock Exchange |
| MMVB | Moscow Inter-Banc Currency Exchange (MICEX) |
| UK | Management company |
| NPZ | Crude oil refinery |
| NOU | Non-governmental educational establishment |
| IT | Information technologies |
| KIS | Corporate information system |
| BZ | Near-abroad countries |
| DZ | Far-abroad countries |
| ONVSS | Equipment not included in the construction estimate |
| UTNS | Tatneftesnab Administration |
| TMTs | Commodity stocks and supplies |
| TTD | Trade and technical house of OAO TATNEFT |
| NDPI | Minerals extraction tax |
| NPU | Crude oil refining plant |
| MPT | Metal/plastic pipes |
| NS | Accidents |
| GIS | Geological information systems |
| ASU TP i PSP | Automated process control system of delivery and acceptance point |
| SPE | Society of Petroleum Engineers |
| LKS | Local well casing equipment |
| TsOD | Data processing center |
| KPE | Key performance indicators |
| TU.T | Ton of reference fuel |
| TsKO | Control and accountability center |
| TsZVT | Mutual claims set-off center |

TATNEFT GROUP PORTAL

www.tatneft.ru portal is the official information and analytical resource of the Company and TATNEFT Group.

The latest information about the activities of OAO TATNEFT, its divisions and subsidiaries is promptly posted on the site.

Currently there are 58 sub-portals of TATNEFT Group enterprises and the ones under the targeted projects working on the site. According to the accepted norms the Company discloses on the corporate portal all essential facts, annual and quarterly reports by domestic and international (USGAAP) standards, as well as places to-date information on current activities, including production, financial, corporate, social and environmental indicators and relevant comments.

ANNOTATION TO THE REPORT ON SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY OF OAO TATNEFT FOR 2011

TATNEFT Company annually publishes a Report on Sustainable Development and Social Responsibility of OAO TATNEFT in order to more fully inform all concerned parties about the socially oriented activities of the Company. The Report for 2011 discloses performance parameters of the Company in the field of environmental protection, issues related to occupational safety and health of the personnel, as well as social programs and projects aimed at enhancing social stability in the regions of the Company's activity

This Report has been prepared on the basis of the Guide to reporting on sustainable development of the Global Reporting Initiative (GRI) and the standard of interaction with concerned parties AA1000 taking into account the principles of the Social Charter of Russia's business (RSPP). This has been confirmed by the opinion of an independent verification.

The Report on sustainable development and social responsibility of OAO TATNEFT is a formal complement to the Company's Annual Report and contains information detailing the Company's activity aspects not included in the Annual report. The Report on sustainable development and social responsibility and the Annual Report offer to the interested parties complete information for in-depth and comprehensive analysis of the Company's activities taking into account long-term prospects.

Electronic versions of the Report on sustainable development and social responsibility of OAO TATNEFT are available on the Company's Internet portal www.tatneft.ru.

FORECAST COMMENTS

All statements, other than the actual data for the period reported in this document, are forward-looking statements with regard to the future results. Such forward-looking statements include

- statements of plans, goals and objectives of the of Company
- statements about future results of operations.

Forward looking statements may also include information on projected or anticipated, income, profit (loss), net profit (loss) in respect of shares, dividends, capital structure and other financial matters.

By its nature the forward-looking statements involve risks and uncertainties, both general and specific. There is a risk that predictions, forecasts, plans and other forward-looking statements will not match the reality. It should be borne in mind that due to a number of important factors actual results may materially differ from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. Such factors include the following:

- inflation, fluctuation of interest rates and currency exchange rates;
- price of oil;
- impact of competition in the geographic territories and in areas of the Company's activity;
- effects of changes in laws, standard-setting instruments, standards or procedures of taxation and accounting;
- technological changes;
- weather conditions, etc.

This list of factors is not an exhaustive one. Simultaneously with the above factors it is necessary to take into account political, economic, social and legal environment in which the Company operates. Forward looking statements are relevant only as of the date on which they are made and, subject to any continuing obligations under the listing rules of the UK Listing Authority and other applicable laws. The Company assumes no obligation with regard to updating or introduction of amendments into any of these statements, whether on the basis of new information, future events or otherwise.

The forward-looking statements presented in this document shall not be construed as inducement

REPORT CONCEPT

V.I. Gorodny
V.P. Lavushchenko
N.E. Dorpeko

WORKING GROUP FOR FOR REPORT PREPARATION

V.G. Gariffulin
E.A. Tikhturov
A.T. Yukhimetz
V.A. Voskoboynikov
R.R. Gaifullina
D.V. Kurochkin
V.A. Mozgovoy
R.V. Khisamov
D.V. Tsovma
O.A. Sharagina

DESIGN AND GRAPHIC ART

Direct Design Visual Branding

CONTACT INFORMATION OF OAO TATNEFT

INFORMATION FOR SHAREHOLDERS

10 Gagarin Street,
Almetyevsk 423450,
Tatarstan, Russia
Phone: (+7 8553) 31 97 48
Fax: (+7 8553) 45 74 89

MOSCOW REPRESENTATIVE OFFICE

17 Tverskoy Boulevard,
Moscow 123104, Russia,
Phone: (+7 495) 937 55 78
Fax: (+ 7 495) 937 55 79

OOO EUROASIAN REGISTRAR

(COMPANY'S REGISTRAR)

10 Mira Street,
Almetyevsk 423450,
Tatarstan, Russia
Phone: (+7 8553) 22 10 88
Fax: (+ 7 8553) 22 08 40

ZAO ENERGY CONSULTING/AUDIT

(AUDITOR OF THE COMPANY'S REPORTS BY RSBU)

14 Zvezdny Boulevard,
Moscow 129515, Russia
Phone: (+7 495) 980 90 81
Fax: (+ 7 495) 980 90 82
www.ec-group.ru
e-mail: info@energy-consulting.ru

