

OPEN TENDER NOTICE

Transneft notifies of an open tender for selecting an auditor for the mandatory annual audit of Transneft for 2017 and reviewing the interim consolidated financial statements by IFRS for Quarter 1 of 2018 in accordance with the relevant laws

Client: Transneft

Location, mail address: 119180, Moscow, 57 Bolshaya Polyanka St.

Person in charge: Stanislav Evgenyevich Romanov

Tel: (495) 950 86 22, (499) 799 84 06 and (499) 799 84 15.

Email address: RomanovSE@ak.transneft.ru

The subject of the contract for the mandatory audit of Transneft financial statements envisages the following:

- a) auditing the legal entity's financial statements in accordance with the Russian Financial Reporting Standards for 2017;
- b) auditing the consolidated financial statements of Transneft Group, drawn in accordance with the International Financial Reporting Standards (IFRS) for 2017;
- c) reviews of the Group's interim consolidated financial statements as of and for the reporting periods ending 30 June 2017, 30 September 2017, 31 March 2018, prepared in accordance with IFRS;

The volume and times of rendering the services are indicated in the draft contract for auditing services (Appendix #2 to the Bidding documents for an open tender to select an auditor for the mandatory annual audit of Transneft for 2017 and reviewing the interim consolidated financial statements by IFRS for the Quarter 1 of 2018).

The initial (maximum) price of the contract anticipating the rendering of the above-stated services amounts to twenty-nine million, five hundred ninety-four thousand and four hundred (29,594,400) Russian rubles less VAT.

Source of financing: equity capital of Transneft.

The place of rendering the services is the office of Transneft located at 119180, Moscow, 57 Bolshaya Polyanka St.

The bidding documents are published in the integrated information system and on the site of Transneft (www.transneft.ru) and submitted to the interested persons on the basis of a written application, at the address: 121059, Moscow, 7 Kievskaya St., entrance 7, floor 9, tel. (499) 799 84 23, during two business days after the receipt of a respective application. The bidding documents are provided to the interested users from the time of publishing the Notice about an open tender until 12 a.m. on 13 March 2017. The bidding documents are presented in Russian. No payment is charged for the bidding documents.

The application security amounts to one million (1,000,000) rubles.

The application for participation in the tender can be provided by the bidder by way of money transfer to the bank account of Transneft or through a bank guarantee.

The bank account of Transneft for money transfer to secure applications for participation in the open tender:

INN 7706061801 KPP 997150001

Bank VTB Moscow PJSC

BIC 044525187

C/a 30101810700000000187

S/a 40702810900060000003

There is no fixed amount of the contract execution security.

If an audit firm signing the contract offered the price 25% or more below the initial (maximum) contract price the contract is signed only after this firm provides the contract execution security in the amount of upfront money to be paid for all stages. As per the draft contract for rendering

the audit services, the Client shall pay the Auditor fifty (50) per cent of each stage cost in advance.

Requirements for the Open Tender Participants

Any audit firm meeting the requirements for audit firms stipulated by the Russian laws can participate in the open tender.

An audit firm claiming the participation in an open tender must comply with the following mandatory requirements:

- a) compliance with the requirements set for audit firms in accordance with Federal Law #307-FZ, dated 30 December 2008 “On Auditing Activities”;
- b) lack of liquidation proceedings in relation to the open tender participant;
- c) the lack of an arbitration court ruling about recognizing the open tender participant as insolvent (bankrupt) and about the opening of bankruptcy proceedings;
- d) non-suspension of the bidder business activity as of the date of application submittal in accordance with the procedure specified in the Russian Code about administrative offences;
- e) the audit firm lacking any tax arrearage or arrears on other dues and mandatory payments to budgets of the Russian budgetary system (save for the sums for which deferral or payment by installments is granted, as well as the investment tax loan in accordance with the Russian laws, on which there is an effective court ruling, recognizing the bidder’s obligation to pay these amounts as executed, or which are recognized as bad or hopeless debts in accordance with the Russian law about taxes and dues) for the past calendar year with the amount exceeding 25% of the book value of the open tender participant, as per the financial statements for the last reporting period. The audit firm is thought compliant with the established requirements if this firm appealed against the specified arrearage and the decision on this appeal as of the date of reviewing the application for participation in the open tender was not made yet;
- f) the procurement participant – an individual or CEO, members of the collegial executive body, the person performing the functions of a sole executive body, or the chief accountant of the legal entity, the procurement participant – must lack a criminal record and sentences for economic crimes and (or) offences specified in articles 289, 290, 291, and 291.1 of the Russian Criminal Code (save for persons having expired or expunged convictions) as well as there must be no application relative to the specified individuals of the punishment in the form of divesting them of the right to take certain positions or engage in certain activities related to the supply of goods, execution of works, rendering of services being the object of the procurement as well as administrative penalties in the form of disqualification;
- g) the lack of any conflict of interests between the open tender participant and the Client, meaning cases whereby the Client’s Director General, member of the procurement commission, head of the Client’s contractual service or contract manager are in marriage relations with the individuals being beneficiaries, the sole executive body of the economic entity (director, Director General, steward, president, etc.), members of the collegial executive body of the economic entity, chief executive (director, Director General) of an institution or unitary enterprise, or any other management boards of legal entities – open tender participants. Beneficiaries, for the purposes of this article, shall be construed as individuals directly or indirectly (via a legal entity or several legal entities) of more than 10% of voting shares of any business or a stake exceeding 10% in the authorized capital of the economic entity;
- i) the open tender participant is not an offshore company;
- j) the procurement participant is a legal entity which during two years until submitting an application for participation in the procurement had never been brought to administrative proceedings as perpetrators of an administrative offence stipulated by Article 19.28 of the Russian Code about administrative offences.

Information about the open tender participant must be lacking in the register of unscrupulous suppliers (contractors), including information about founders, members of the collegial executive body as well as an individual performing the functions of the sole executive body.

Requirements for participants of the open tender equally apply to all bidders.

Application for Participation in the Open Tender and the List of Documents

To participate in the open tender, a bidder must apply for participation in the open tender after the date of publishing this Notice in the integrated information system and (or) on the site of Transneft (www.transneft.ru) until 12 a.m. on 13 March 2017 using the form established in Appendix #1 to the Bidding documents. The application for participation in the tender must be submitted at the address: 121059, Moscow, 7 Kievskaya St., entrance 7, floor 9, tel. (499) 799 84 15, (499) 799 84 06.

The open tender participant submits an application for participation in the open tender in a written form and in a sealed envelope making the contents of the bid invisible until the enveloped is unsealed.

The application for participation in the open tender must contain the following:

1) the following information and documents about the open tender bidder:

a) name, corporate name (if any), whereabouts, mail address, Taxpayer's ID number, founders, members of the collegial executive body; a person performing the functions of the sole executive body of the open tender participant, full name (including a third name if any), contact phone number;

b) extract from the Unified State Register of Legal Entities or a copy of such an extract attested by notary that was obtained not earlier than six months before the date of publishing in the integrated information system and on the site of Transneft (www.transneft.ru) of the open tender notice;

c) the document confirming the powers of a person to act on behalf of the open tender participant – a legal entity (copy of the appointment or election decision or a copy of the order about the appointment of an individual to the position that empowers this individual to act on behalf of the open tender participant without proxy. If some other person acts on behalf of the open tender participant, the application for participation in the open tender must also contain a Power of Attorney for acting on behalf the open tender participant with its seal affixed and signed by chief executive or a person empowered by chief executive, or a copy of the said Power of Attorney attested by notary. If the Power of Attorney specified is signed by a person authorized by chief executive, the application for participation in the open tender must also contain a document confirming the powers of this person;

d) documents or their copies confirming compliance of the open tender participant with the requirements for bidders, stipulated by paragraphs "a" and "b" of the section "requirements for Open Tender Participants" of this Notice as well as a declaration about compliance of the open tender participant with the requirements established in paragraphs "c" – "f" of the specified section hereof;

e) copies of the constitutive documents of the open tender participant;

f) the decision to approve or strike a big deal, if for the open tender participant, the rendering of services being the subject of the contract or the entry of monies as security of the application for participation in the open tender or the contract execution security is a big deal;

2) contract price proposal (Financial bid);

3) proposal about the quality of services (Technical bid), including:

a) copies of the documents, confirming compliance of the open tender participant with established legislative requirements regarding the auditing activities;

b) documents confirming the qualification of the open tender participant.

4) documents confirming the entry of security for the application for participation in the open tender (payment order confirming the transfer of monies, securing the application for participation in the open tender, stamped by a bank, or a copy of this payment order attested by the bank or a bank guarantee included in the register of bank guarantees);

All the sheets of the application for participation in the open tender in writing, all the sheets of the application volume must be stitched and numbered. An application for participation in an

open tender and the application volume must contain the list of constituent documents, with the bidder's seal affixed to them, and they should be signed by the open tender participant or a person authorized by the open tender participant. Compliance by the open tender participant with said requirements means that the information and documents included in the bid and volumes of the application for participation in the open tender are to be submitted on behalf of the open tender participant who bears responsibility for authenticity and credibility of the information and documents.

Unsealing envelopes with bids for participation in the open tender shall be conducted on 13 March 2017 at 12 a.m. Moscow time in the office of Transneft at the following address: Moscow, 57 Bokshaya Polyanka St.

The protocol of unsealing envelopes with application for participation in the open tender enclosed are to be signed by all attending members of the Tender Committee right after such envelopes are unsealed and not later than the business day following the date of signing this protocol and then published in the integrated information system and on the site of Transneft (www.transneft.ru).

The open tender participants who applied for participation therein, or their representatives have the right to be present at the ceremony of unsealing envelopes with applications for participation in the open tender enclosed, but those willing to be present there must first call (499) 799 84 15 or (499) 799 84 06 for registration and order a pass.

The review and assessments of bids will be conducted from 14 March 2017 to 23 March 2017 in the office of Transneft at the following address: 119180, Moscow, 57 Bokshaya Polyanka St.