

OAO NGK SLAVNEFT AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 31 MARCH 2011 AND 31 DECEMBER 2010
AND FOR THE THREE MONTHS
ENDED 31 MARCH 2011 AND 2010
(UNAUDITED)



Report of Independent Accountants

To the Board of Directors and Shareholders

of OAO Neftegazovaya Kompania Slavneft:

We have reviewed the accompanying consolidated balance sheet of OAO Neftegazovaya Kompania Slavneft ("OAO NGK Slavneft" or the "Company") and its subsidiaries as of 31 March 2011, and the related consolidated statements of income, changes in shareholders' capital and cash flows for the three month periods ended 31 March 2011 and 31 March 2010. This condensed interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.


We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of OAO NGK Slavneft and its subsidiaries as of December 31, 2010, and the related consolidated statements of income, changes in shareholders' capital and cash flows for the year then ended (not presented herein), and in our report dated February 11, 2011, we expressed an unqualified opinion on those consolidated financial statements.

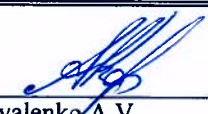
ZAO PricewaterhouseCoopers Audit

5 May 2011

OAO NGK Slavneft
 Consolidated Balance Sheets (unaudited)
 (All amounts in thousands of USD, except for share data)

	Notes	March 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	3	118,736	124,707
Accounts receivable, net	4	249,649	194,864
Inventories	5	197,527	163,020
Deferred income tax assets	13	25,256	26,295
Assets held for sale	6	302,085	366,091
Other current assets	7	388,399	283,394
Total current assets		1,281,652	1,158,371
Investments	8	11,386	12,935
Property, plant and equipment	9	6,786,117	6,700,207
Deferred income tax assets	13	85,625	66,066
Other non-current assets	10	36,327	27,686
Total assets		8,201,107	7,965,265
LIABILITIES AND SHAREHOLDERS' CAPITAL			
Current liabilities			
Accounts payable		361,710	308,739
Short-term debt and current portion of long-term debt	11	174,725	252,806
Taxes payable	13	519,307	391,998
Dividends payable		213,517	238,333
Liabilities associated with assets held for sale	6	60,232	65,918
Other current liabilities	14	56,549	58,101
Total current liabilities		1,386,040	1,315,895
Long-term debt	12	823,086	749,979
Asset retirement obligations	9	201,626	187,679
Deferred income tax liabilities	13	344,222	326,715
Other non-current liabilities		32,084	8,977
Total liabilities		2,787,058	2,589,245
Shareholders' capital			
Common shares (0.001 Russian Ruble par value, 4,754,238,000 shares authorized and issued)		2,201	2,201
Additional paid in capital		1,801,333	1,758,518
Retained earnings		1,454,574	1,451,723
Total Group shareholders' capital		3,258,108	3,212,442
Non-controlling interest	15	2,155,941	2,163,578
Total shareholders' capital		5,414,049	5,376,020
Total liabilities and shareholders' capital		8,201,107	7,965,265


 Trukhachev A.N.
 Vice President on Corporate Relations
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OAO NGK Slavneft
 Consolidated Statements of Income (unaudited)
 (All amounts in thousands of USD, except for share data)

	Notes	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenues			
Sales		1,281,651	956,186
Other		72,068	72,313
Net revenues		1,353,719	1,028,499
Costs and other deductions			
Operating expenses		(330,592)	(244,415)
Selling, general and administrative expenses		(33,374)	(50,374)
Cost of other sales		(56,909)	(69,528)
Taxes other than income taxes	13	(661,741)	(474,879)
Depreciation, depletion and amortization		(194,649)	(109,282)
Exploration expenses		(8,843)	(8,781)
Loss on disposal of assets, net		(17,789)	(12,762)
Income from operating activities		49,822	58,478
Interest expense		(10,498)	(12,580)
Interest income		1,653	1,674
Foreign currency gain / (loss)		(9,946)	(9,117)
Other non-operating gain / (loss) , net		1,781	1,778
Income before income taxes		32,812	40,233
Current income tax expense		(41,459)	(16,337)
Deferred income tax benefit / (expense)		15,356	(5,409)
Total income tax expense	13	(26,103)	(21,746)
Net income from continuing operations		6,709	18,487
Net income / (loss) from discontinued operations	6	(11,495)	(2,743)
Net Income / (loss)		(4,786)	15,744
Less: net income / (loss) attributable to non-controlling interest	15	7,637	(22,865)
Net income / (loss) attributable to Group shareholders		2,851	(7,121)

*Consolidated Statements of Changes in Shareholders' Capital (unaudited)**(All amounts in thousands of USD, except for share data)*

	Number of ordinary shares (thousands)	Com- mon shares	Additional paid in capital	Retained earnings	Total Group sharehold- ers' capital	Non controlling interest	Total sharehold- ers' capital
Balance as of January 1, 2010	4,754,238	2,201	1,717,621	1,859,723	3,579,545	2,038,414	5,617,959
Net income	-	-	-	69,736	69,736	125,164	194,900
Transactions accounted for under common control (Note 6)	-	-	40,897	-	40,897	-	40,897
Loans issued to companies affiliated with Primary Shareholders (Note 18)	-	-	-	(72,088)	(72,088)	-	(72,088)
Dividends declared	-	-	-	(405,648)	(405,648)	-	(405,648)
Balance as of December 31, 2010	4,754,238	2,201	1,758,518	1,451,723	3,212,442	2,163,578	5,376,020
Net income / (loss)	-	-	-	2,851	2,851	(7,637)	(4,786)
Transactions accounted for under common control (Note 6)	-	-	42,815	-	42,815	-	42,815
Balance as of March 31, 2011	4,754,238	2,201	1,801,333	1,454,574	3,258,108	2,155,941	5,414,049

OAO NGK Slavneft
 Consolidated Statements of Cash Flow (unaudited)
 (All amounts in thousands of USD, except for share data)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash flows from operating activities		
Net income / (loss)	(4,786)	15,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of assets, net	19,887	14,527
Depreciation, depletion and amortization	200,778	111,640
Deferred income taxes	(16,107)	3,947
(Increase) / decrease in accounts receivable and other non- current assets	(20,237)	(5,994)
(Increase) / decrease in inventories and other current assets	6,988	12,860
Increase / (decrease) in accounts payable	23,081	34,789
Increase / (decrease) in taxes payable	95,555	(52,008)
Decrease in other current liabilities	6,267	4,350
Change in provisions	5,928	(5,464)
Other	11,741	9,859
Net cash provided by operating activities	329,095	144,250
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and long-term investments	17,272	24,490
Purchases of property, plant and equipment and other non- current assets	(320,409)	(296,223)
Net cash used in investing activities	(303,137)	(271,733)
Cash flows from financing activities		
Dividends paid	(41,915)	(30,090)
Proceeds from issuance of long-term debt	90,000	-
Repayments of long-term debt	(90,000)	(2)
Net cash used in financing activities	(41,915)	(30,092)
Effect of exchange rate changes on cash and cash equivalents	9,986	2,651
Net decrease in cash and cash equivalents	(5,971)	(154,924)
Cash and cash equivalents at beginning of period	124,707	272,146
Cash and cash equivalents at end of period	118,736	117,222
Supplemental disclosures of cash flow information		
Interest paid	9,019	10,757
Income taxes paid	25,536	12,516

Note 1. General information and basis of presentation and specific risk factors

Nature of operations

OAo NGK Slavneft (the “Company”) and its subsidiaries (jointly referred to as “the Group”) are engaged in exploration, development, production, refining and marketing activities for oil in the Russian Federation.

The Company was established as an open joint-stock company in August 1994 in accordance with the Decree of the Government of the Russian Federation № 305, issued April 8, 1994, the Decree of the Council of Ministers of Byelorussia # 589-r, issued June 15, 1994 and the Charter agreement from June 27, 1994. Under the provisions of the decrees and the Charter agreement, the Russian Federation transferred to the Company 60.5% of voting shares of OAo Slavneft-Megionneftegaz, currently the principal oil producing subsidiary of the Group, and 50.7% of voting shares of OAo Megionneftegazgeologiya, Byelorussia transferred to the Company 17.6% of OAo Mozyrsky NPZ and another 15% of OAo Mozyrsky NPZ was transferred to the Company by a number of individuals in exchange for the Company’s shares. Upon formation of the Company, 86.3% of its share capital was owned by the Russian Federation, 7.2% by Byelorussia and 6.5% by a number of individuals.

In a series of transactions through January 2003, including participation in privatization auctions in the Russian Federation and Byelorussia, 99% of the Company’s shares were ultimately acquired together by OAo Siberian Oil Company (currently known as OAo Gazprom Neft) and TNK-BP (the “Primary Shareholders”).

Basis of presentation

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The Company and its subsidiaries maintain their accounting records in accordance with the Regulations on Accounting and Reporting in the Russian Federation. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with US GAAP.

Comprehensive income

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 220 *Comprehensive Income* requires disclosure of all changes in equity during a period except those resulting from investments by and distributions to the Company’s shareholders. There is no difference between the Company’s net income and comprehensive income for all periods presented.

Functional and reporting currency

The Group’s functional and reporting currency is the US dollar (“USD”).

Monetary assets and liabilities denominated in currencies other than the USD have been remeasured into USD at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities acquired or assumed in currencies other than the USD have been remeasured into USD at historical rates. Revenues, expenses and cash flows not already measured in USD have been remeasured into USD at the average exchange rates for the period. Differences resulting from the remeasurement are included in the consolidated statement of income.

As of 31 March 2011 and 31 December 2010, exchange rates were 28.43 and 30.48 Russian Rubles to the USD, respectively. Average exchange rates for three months 2011 and 2010 were 29.27 and 29.89 Russian Rubles to the USD, respectively.

Any remeasurement of Russian Rouble amounts to US dollars should not be construed as a representation that such Russian Rouble amounts have been, could be, or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate.

Use of estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, valuation of accounts receivable and inventory and asset retirement obligations. Actual results could materially differ from those estimates.

Russian Federation

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and a volatile economic environment. Management is unable to predict all developments which could have an impact on the oil and gas industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Volatility in global and Russian oil prices

Crude oil prices are subject to external factors over which the company has no control, including product demand connected with global economic conditions, industry inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries (OPEC), weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty.

Management is unable to reliably estimate the effects on the Group's financial position of any further increased volatility in oil prices. These circumstances may also necessitate a reassessment of the viability / timeline of ongoing projects in the near term. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Reclassifications

Certain reclassifications have been made to previously reported balances to conform to the current period's presentation; such reclassifications had no effect on net income or shareholders' capital.

Note 2. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Accounts receivable

Accounts receivable are recorded at the invoiced amount less allowances for doubtful accounts.

Inventories

Inventories primarily consist of crude oil, petroleum products, materials and supplies. Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined using a weighted average cost method.

Investments

Investments in equity securities

The equity method of accounting is used to account for the Group's share of total recognized earnings or losses in investments where the Group has a significant influence but not control.

As of March 31, 2011 and December 31, 2010 the Group accounted for its investment in OAO Mozyrsky NPZ on a cost basis as, due to political and other macroeconomic considerations, it does not exercise significant influence on these Byelorussia based investments.

Investments in non-marketable securities where the Group does not exercise control or significant influence over the investment are carried at cost less allowance for any permanent diminution in value.

Property, plant and equipment

The Group follows the successful efforts method of accounting for its oil and gas properties, whereby property acquisitions, successful exploratory wells, all development costs (including developmental dry holes) and support equipment and facilities are capitalized. Unsuccessful exploratory wells are charged to expense at the time the wells or other exploration activities are determined to be non-productive. The Group carries as an asset exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expense. Acquisition costs of unproved properties are evaluated periodically and any impairment assessed is charged to expense.

Proved oil and gas properties and other long-lived assets are assessed for possible impairment in accordance with ASC 360 *Property, Plant and Equipment* which requires long-lived assets with recorded values that are not expected to be recovered through future cash flows to be written down to current fair value. Fair value is generally determined by estimating discounted future net cash flows to be generated by the assets.

Depreciation, depletion and amortization of capitalized costs of proved oil and gas properties and equipment is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs. In both cases the proved reserves data used is estimated on a "life of field" basis as management believes it will continue to be successful in the renewal of its oil and gas licenses.

Property, plant and equipment which is not associated with exploration and production activities are carried at cost less accumulated depreciation. Depreciation of these assets is calculated on a straight-line method basis as follows:

Capitalized costs of plant and equipment not directly associated with oil production are depreciated on a straight-line method over the following estimated useful lives of such assets:

Buildings and constructions	30 years
Machinery and equipment	10-25 years
Motor vehicles and other equipment	5 years

Maintenance and repairs and minor renewals are expensed as incurred. Major renewals and improvements which extend the useful lives of the assets are capitalized.

Gains or losses from retirements or sales are included in the determination of net income.

Impairment of long-lived assets

Long-lived assets, such as oil and gas properties and other property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future net cash flows expected to be generated by that group. If the carrying amount of an asset group exceeds its estimated future net cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset group exceeds the fair value.

Asset retirement obligations

The Group incurs asset retirement obligations primarily for its upstream assets. The Group records the fair value of liabilities related to its legal obligations to abandon, dismantle or otherwise retire tangible long-lived assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related long-lived asset is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated over its estimated useful life. Some of our assets, primarily related to our downstream operations, do have contractual or regulatory obligations to perform remediation and, in some instances, dismantlement and removal activities when the assets are abandoned. Our refineries have been in existence for many years and with regular maintenance will continue to be in service for many years to come. Also, it is not possible to predict when demand for petroleum products will cease and we do not believe that such demand will cease for the foreseeable future. Accordingly, the Group believes the date when these assets will be abandoned is indeterminate. With no reasonably determinable abandonment date, we cannot reasonably estimate the fair value of the associated asset retirement obligations. We will record asset retirement obligations for these assets in the period in which sufficient information becomes available for us to reasonably determine the settlement dates.

Income taxes

Deferred income tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, in accordance with ASC 740 *Income Taxes*.

Deferred income tax assets and liabilities are measured using enacted tax rates in the years in which these temporary differences are expected to reverse. Included in this calculation are deferred income taxes for unremitted earnings of equity affiliates and subsidiaries on basis differences between the relevant parent company financial statement carrying amounts and the respective tax basis of its investments in subsidiaries and equity affiliates. Management periodically assesses possible methods of remitting the earnings to the parent and adjusts the liability to the amount calculated at enacted rates corresponding to the expected method of distribution. Valuation allowances are provided for deferred income tax assets when management believes it is more likely than not that the assets will not be realised.

The Group uses a two-step approach for recognizing and measuring uncertainties in income tax positions. The first step is recognition: the Group recognizes a threshold and a measurement attribute for the financial statement recognition. The second step is measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognised, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset or an increase in a deferred tax liability.

Interest costs and penalties related to unrecognized tax benefits are classified as "Income tax expense" in the consolidated statements.

Commitments and contingencies, including environmental liabilities

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Environmental remediation liabilities are not discounted for the time value of future expected payments.

Revenue Recognition

Revenues from the production and sale of crude oil and petroleum products are recognised when deliveries to customers are made, title has transferred and collectibility is reasonably assured. Revenues from processing are recognised when processing services to customers are rendered and collectibility is reasonably assured.

Starting in 2010 the results of operations of the Group's Belgian subsidiary are recognized on a net basis, as the basis for gross presentation was not met. For comparability purposes the net presentation has been made to previously reported balances to conform to the current period's presentation. Such netting has no effect on net income or shareholders' capital.

New accounting standards adopted

In August 2009, ASU No. 2009-5, *Measuring Liabilities at Fair Value*, was issued and became effective for the Group on 1 January 2010. This ASU amends ASC 820, *Fair Value Measurements and Disclosures*, and provides additional guidance on how companies should measure liabilities at fair value. While reaffirming the existing definition of fair value, this ASU reintroduces the concept of entry value into the determination of fair value. Entry value is the amount an entity would receive to enter into an identical liability. Under the new guidance, the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. The adoption of this ASU had no material effect on the Group's results of operations, financial position or liquidity.

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 of 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 became 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

(All amounts in thousands of USD, except for share data)

requirements of this ASU, the Group evaluates subsequent events through the date the financial statements are available to be issued.

Recent accounting pronouncements.

In July 2010, ASU No. 2010-20 *Receivables (Topic 310). Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, was issued. This ASU requires providing 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. As the Group is non-public company, the extensive new disclosures requirements in respect of information as of the end of a reporting period will become effective for the Group starting the annual reporting period ending on 31 December 2011. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

In December 2010 ASU No. 2010-29 *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* was issued by FASB. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity as defined by Topic 805, *Business Combinations*, that enters into business combinations that are material on an individual or aggregate basis. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The provisions of this ASU became effective for the Group on 1 January 2011 and later. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

In January 2011 the FASB issued ASU 2011-01 *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, which temporarily defers the effective date in ASU 2010-20 for disclosures about troubled debt restructurings ("TDRs") by creditors until the FASB finalizes its project on determining what constitutes a TDR for a creditor. The ASU requires nonpublic (private) entities to apply the TDR disclosure requirements in ASU 2010-20 for periods ending on or after December 15, 2011. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

On April 5, 2011, the FASB issued ASU No 2011-02 *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, which amends the content in ASC 310 related to identifying TDRs and effectively nullifies ASU 2011-01. This ASU removes the deferral of the TDR disclosure requirements of ASU 2010-20 for public entities and thus establishes the effective date for those disclosures. For Nonpublic Entities the amendments in this Update are effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

Note 3. Cash and cash equivalents

Cash and cash equivalents include the following:

	March 31, 2011	December 31, 2010
Cash held in banks – Russian Rubles	7,005	5,341
Cash held in banks – other currencies	5,790	4,520
Short-term deposits	105,941	114,846
	118,736	124,707

Note 4. Accounts receivable, net

Accounts receivable include the following:

	March 31, 2011	December 31, 2010
Trade accounts receivable	191,727	131,412
VAT receivable	49,908	33,222
Other accounts receivable	12,760	34,822
	254,395	199,456
Allowance for doubtful accounts	(4,746)	(4,592)
	249,649	194,864

Note 5. Inventories

Inventories include the following:

	March 31, 2011	December 31, 2010
Petroleum products	11,218	10,014
Materials and supplies	87,525	80,925
Crude oil	78,463	65,613
Other	20,321	6,468
	197,527	163,020

As of March 31, 2011 and December 31, 2010, inventories are presented net of allowance of USD 1,570 and USD 6,019 respectively, which relates to slow-moving and obsolete materials and supplies.

Note 6. Assets held for sale and discontinued operations

Assets held for sale and associated liabilities include the following:

	March 31, 2011	December 31, 2010
Assets held for sale:		
OAO Messoyahaneftgaz	-	81,703
ZAO "SP MeCaMineft"	43,849	34,158
OOO "Megion service"	30,214	29,109
OOO "MUBR"	79,982	87,300
OOO "BNGRE"	109,484	107,359
OOO "Megion geology"	41,540	41,540
OOO "Ob' geology less impairment	42,131	30,037
	<u>(45,115)</u>	<u>(45,115)</u>
	302,085	366,091
Liabilities associated with assets held for sale:		
ZAO "SP MeCaMineft"	8,979	5,800
OOO "Megion service"	19,212	15,586
OOO "MUBR"	25,494	29,009
OOO "BNGRE"	6,547	15,523
	<u>60,232</u>	<u>65,918</u>

Disposal of core service subsidiaries of the Group

In September 2009, the Group's Board of Directors took the decision to dispose certain core service and other subsidiaries and certain fixed assets associated with the service subsidiaries' business. As of March 31, 2011 the criteria for recognition of these assets as held for sale have been met for certain noncore service subsidiaries of the Group: ZAO "SP MeCaMineft", OOO "BNGRE", OOO "Ob' geology", OOO "Megion geology", OOO "Megion service" and OOO "MUBR". The Group recognized the impairment loss in respect of these entities in total amount of USD 45,115, which represents the excess of the carrying value of the assets to be disposed of over the Management best estimate of the expected selling price based on existing negotiation. Management of the Group expects that these assets will be sold during 2011. Management believes that respective asset balances will be fully recovered through the intended sale.

The net loss associated with core services operations is as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Net revenues	18,593	11,592
Costs and other deductions	(29,565)	(5,953)
Income / (loss) from operating activities	(10,972)	5,639
Other non-operating loss	(1,260)	(368)
Income tax benefit / (expense)	737	(102)
Net income / (loss) from discontinuing operations	(11,495)	5,169

Disposal of OAO Messoyahaneftgaz

In September 2009, the Group's Board of Directors took a decision to sell ZAO "Messoyahaneftgaz" to the Group's Primary Shareholders.

In December 2010, the Group completed the sale of ZAO Messoyahaneftgaz's 50% equity share to OAO "TNK-BP Holding" for USD 19,195. In February 2011 the Group completed the sale of ZAO Messoyahaneftgaz's 50% equity share to OOO "Gazpromneft-Invest" company affiliated with the Primary Shareholder - OAO "Gazprom Neft" for USD 19,275.

For three months ended 31 March 2010 the amount of net loss from this discontinued operations is USD 8,858.

As a result of this deal, the Group recorded these transactions similar to transactions under common control and recognized total shareholders' contribution to additional paid-in capital in the amount of USD 83,712, which includes USD 40,897 contribution made during 2010 and USD 42,815 in the first quarter of 2011.

Disposal of noncore service subsidiaries of the Group

In February 2010, the Group's Board of Directors took a decision to sell certain noncore service subsidiaries of the Group: OOO "AutoTransService", OOO "NefteSpetsTrans" and OOO "NefteSpetsStroy" to third parties through open tender. These assets were sold during the year ended December 31, 2010.

Net gain from discontinued operations for three months ended 31 March 2010 is USD 946.

Note 7. Other current assets

Other current assets include the following:

	March 31, 2011	December 31, 2010
Prepaid expenses	123,513	115,600
Tax prepayments	44,388	62,957
Loan issued to related parties	218,336	101,832
Short-term investments	2,162	3,005
	388,399	283,394

Note 8. Investments

Investments include the following:

	March 31, 2011	December 31, 2010
Investments in related parties	10,974	12,635
Other long-term investments, at cost	412	300
	11,386	12,935

Note 9. Property, plant and equipment and asset retirement obligations

Property, plant and equipment

Property, plant and equipment include the following:

	March 31, 2011	December 31, 2010
Oil and gas properties	5,642,861	5,521,098
Plant and equipment	2,035,089	2,074,549
Construction in progress	1,447,051	1,315,179
	9,125,001	8,910,826
Less accumulated depreciation, depletion and amortization	(2,338,884)	(2,210,619)
	6,786,117	6,700,207

Asset retirement obligations

As of March 31, 2011 the asset retirement obligation amounted to USD 201,626. The changes in the asset retirement obligations during the three months ended March 31, 2011 and the year December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Asset retirement obligations, beginning of the period	187,679	169,332
Accretion expense	4,645	16,001
Liabilities incurred	1,232	16,559
Liabilities settled	(926)	(1,305)
Changes in estimate and other	8,996	(12,908)
	201,626	187,679

Change in estimates relates to the increase of expected well abandonment costs.

Note 10. Other non-current assets

Other non-current assets include the following:

	March 31, 2011	December 31, 2010
Long-term trade accounts receivable	426	403
Catalysts	25,257	21,429
Other	10,644	5,854
	36,327	27,686

Note 11. Short-term debt and current portion of long-term debt

Short-term debt and current portion of long-term debt includes the following:

	March 31, 2011	December 31, 2010
Interests payable	1,008	3,784
Current portion of long-term debt	173,717	249,022
	174,725	252,806

Note 12. Long-term debt

Long-term debt includes the following:

	March 31, 2011	December 31, 2010
Natixis bank	60,000	60,000
BNP Paribas bank	100,000	100,000
Raiffeisenbank	87,500	87,500
UniCreditbank	250,000	250,000
Vnesheconombank	128,181	129,892
Sberbank	130,000	220,000
ING Bank Eurasia ZAO	150,000	150,000
Bank Societe Generale Vostok	90,000	-
Other	1,122	1,609
	996,803	999,001
Less current portion	(173,717)	(249,022)
	823,086	749,979

In 1998 the Yaroslavl refinery (YANOS), a subsidiary of the Group obtained a loan from the Ministry of Finance of the Russian Federation (with Vnesheconombank as its Agent) for the reconstruction of YANOS refining facilities. The loan is denominated in Japanese YEN and matures on March 31, 2015. Interest on the loan is 4.9% per annum.

In July 2009 OAO Slavneft-Megionneftegaz obtained a loan from Sberbank in the amount of USD 270,000. The total outstanding amount of this loan as of March 31, 2011 is 130,000. The loan is denominated in USD and matures in 2011. Interest on the loan is 6.53% per annum.

In April 2010 OAO NGK Slavneft obtained a loan from UniCreditbank in the amount of USD 80,000. The loan is denominated in USD and matures in 2013. Interest on the loan is LIBOR +3.75% per annum.

In April 2010 OAO Slavneft-Megionneftegaz obtained a loan from UniCreditbank in the amount of USD 85,000. The loan is denominated in USD and matures in 2013. Interest on the loan is LIBOR +3.75% per annum.

In April 2010 Yaroslavl refinery (YANOS), a subsidiary of the Group obtained a loan from UniCreditbank in the amount of USD 85,000. The loan is denominated in USD and matures in 2013. Interest on the loan is LIBOR +3.75% per annum.

In May 2010 Yaroslavl refinery (YANOS), a subsidiary of the Group obtained a loan from Raiffeisenbank in the amount of USD 87,500. The loan is denominated in USD and matures in 2013. Interest on the loan is LIBOR +3.7% per annum.

In August 2010 ОАО НКГК Slavneft obtained a loan from Natixis bank (ZAO) in the amount of USD 60,000. The loan is denominated in USD and matures in August 2013. Interest on the loan is LIBOR +3.1 % per annum.

In August 2010 Yaroslavl refinery (YANOS), a subsidiary of the Group obtained a loan from BNP Paribas bank in the amount of USD 85,000. The loan is denominated in USD and matures in February 2013. Interest on the loan is LIBOR +3.0 % per annum.

In December 2010 ОАО НКГК Slavneft obtained a loan from ING Bank Eurasia ZAO in the amount of USD 60,000. The loan is denominated in USD and matures in December 2013. Interest on the loan is LIBOR +2.43 % per annum.

In December 2010 ОАО "ОНГГ", a subsidiary of the Group obtained a loan from from ING Bank Eurasia ZAO in the amount of USD 90,000. The loan is denominated in USD and matures in December 2013. Interest on the loan is LIBOR +2.43 % per annum.

In February 2011 ОАО Slavneft-Megionneftegaz obtained a loan from Bank Societe Generale Vostok in the amount of USD 90,000. The loan is denominated in USD and matures in 2014. Interest on the loan is LIBOR +2.4 % per annum.

Debt repayment schedule

Contractual repayments of long-term debt outstanding at March 31, 2011 are as follows:

<u>01.04.2011- 31.03.2012</u>	<u>01.04.2012- 31.03.2013</u>	<u>01.04.2013- 31.03.2014</u>	<u>01.04.2014- 31.03.2015</u>	<u>01.04.2015 and thereafter</u>
173,717	113,484	665,984	28,484	15,134

Note 13. Taxes

Income taxes

The Group is taxable in various jurisdictions within the Russian Federation and Byelorussia. The Group is subject to a statutory tax rate of 20% in Russian and 24% in Byelorussian jurisdictions.

In 2011 certain subsidiaries of the Group producing mineral resources, incurring exploration expenses and making capital investments in the territory of Khanty-Mansiysk Autonomous District applied a 4% relief to their statutory corporate income tax rate as provided by the regional tax law. For three months ended March 31, 2011, the Group's income tax expense includes a tax benefit relating to these tax incentive of USD 8,603.

The components of income taxes were as follows:

	<u>Three months ended March 31, 2011</u>	<u>Three months ended March 31, 2010</u>
Current income tax expense	(41,459)	(16,337)
Deferred income tax expense	15,356	(5,409)
Total income tax expense	<u>(26,103)</u>	<u>(21,746)</u>

The temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities primarily relate to property plant and equipment, inventory, accounts payable and undistributed earnings of subsidiaries.

Classification of deferred income tax assets and liabilities on the consolidated balance sheet are presented in the table below:

	March 31, 2011	December 31, 2010
Deferred income tax assets - current	25,256	26,295
Deferred income tax assets – non-current	111,947	89,320
Less valuation allowance	(26,322)	(23,254)
Total deferred income tax asset	110,881	92,361
Other liabilities - current	(1,600)	(664)
Deferred income tax liabilities – non-current	(344,222)	(326,715)
Net deferred income tax liability	(234,941)	(235,018)

The Group has not recognized a deferred income tax liability for the undistributed earnings of certain foreign operations that arose during three months ended March 31 and prior years, as it does not plan to remit those earnings. As of March 31, 2011 the undistributed earnings of these subsidiaries totaled approximately USD 16,999. The Group will recognize a deferred tax liability as appropriate depending on decisions made with respect to remittance of earnings of this subsidiary.

As of March 31, 2011 the Group had operating loss carryforwards of USD 244,816 attributable to Russian Group subsidiaries that expire up to 2021. For loss carryforward amounts related to exploration entities a valuation allowance has been established reflecting uncertainty as to the Group’s ability to realize the related tax benefits. During the three months ended March 31, 2011 the valuation allowance increased by USD 3,068 to USD 26,322 for subsidiaries of the Group which more likely than not could not realize their deferred tax asset.

Uncertain tax positions. The Group adopted accounting guidance on the accounting for uncertainty in income taxes.

The Group’s management evaluates our tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

Taxes other than income taxes

Taxes other than income tax expense were as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Unified production tax	621,240	437,023
Property taxes and other	40,501	37,856
	661,741	474,879

Taxes payable

Taxes payable include the following:

	March 31, 2011	December 31, 2010
Unified production and subsoil use taxes	234,933	187,370
Value added tax	178,513	116,695
Excise tax	48,894	36,844
Income tax	17,074	16,385
Property tax	22,499	22,563
Other taxes	17,394	12,141
	519,307	391,998

Note 14. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities include the following:

	March 31, 2011	December 31, 2010
Accrued charges	25,689	35,726
Salaries payable	10,682	9,169
Deferred income tax liabilities – current	1,600	664
Other	18,578	12,542
	56,549	58,101

Note 15. Non-controlling interest

The Group's Primary Shareholders hold financial interests in a number of the Group's subsidiaries. Non-controlling interest on the consolidated balance sheet as of March 31, 2011 and December 31, 2010 includes USD 1,885,060 and USD 1,885,902 respectively, attributable to the Primary Shareholders' interests.

Included in non-controlling interest on the consolidated statements of income for the three months ended March 31, 2011 and March 31, 2010 is USD 842 and USD 24,348 respectively, attributable to the Primary Shareholders' interests in the Group's subsidiaries.

Note 16. Commitments and contingencies

Contingencies

Oil field licenses

The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses. Management of the Group correspond with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group.

Insurance

The Group, except for YANOS does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group is involved in various claims and legal actions arising in the normal course of business. It is the opinion of management that the ultimate disposition of these matters will not have a material adverse effect on the Group's consolidated financial position, results of operations, or liquidity.

Taxation

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this regard has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Environmental liabilities

Environmental regulations continue to be developed in the Russian Federation. The Group periodically evaluates its obligations related to environmental issues. When obligations are determined to exist they are recognized immediately, depending on their nature. Management believes there are no significant unrecorded liabilities under existing legislation, which could have a material adverse effect on the operating results or financial position of the Group.

On its interpretations of applicable Russian environmental legislation management has accrued in the balance sheet as at March 31, 2011 a provision in the amount of USD 38,361 (included USD 6,277 in Other current liabilities and USD 32,084 in Other non-current liabilities).

The likelihood and amount of liabilities relating to environmental obligations under proposed or future legislation cannot be reasonably estimated at present and could become material.

Note 17. Related party transactions

As of March 31, 2011 and December 31, 2010 and for three months ended March 31, 2011 and 2010 the Group had the following balances and transactions with related parties:

Sales and other sales

Sales (including other sales) to related parties were as follows:

Customer	Description	Three months ended March 31, 2011	Three months ended March 31, 2010
OAO Gazprom Neft	Crude oil	571,680	411,832
ZAO SL Trading	Crude oil	574,581	-
ZAO TNK Trade	Crude oil	-	411,833
OAO TNK-BP Holding	Processing services	64,826	62,809
OAO Gazprom Neft	Processing services	64,826	62,845
Other	Oil products and other	14,284	14,677
		1,290,197	963,996

Operating expenses

Operating expenses incurred with related parties, representing purchases, were as follows:

Customer	Description	Three months ended March 31, 2011	Three months ended March 31, 2010
OAO Gazprom Neft	Oil products	-	11,112
ZAO Trade-Oil	Oil products	-	758
Other	Oil products and other	9,261	31,758
		9,261	43,628

Interest expenses

Interest expenses incurred with related parties were as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
ОАО Газпромбанк	-	5,240
	-	5,240

Cash and cash equivalents

Cash and cash equivalents with banks which are the related parties were as follows:

	March 31, 2011	December 31, 2010
ОАО Газпромбанк	42	43
	42	43

Trade accounts and notes receivable

Receivables from related parties were as follows:

	March 31, 2011	December 31, 2010
ОАО TNK-BP Holding	29,991	22,871
ZAO TNK Trade	-	11,351
ОАО Газпром Нефт	67,647	45,453
ОАО Газпром NNG	-	1,443
ZAO SL Trading	32,408	-
Other	7,840	15,713
	137,886	96,831

Short-term receivables from related parties were as follows:

	March 31, 2011	December 31, 2010
ZAO "Messoyahaneftgaz" (included into "Other current assets")	218,336	101,832
ZAO "Messoyahaneftgaz" (included into "Assets held for sale")	-	101,832
	218,336	203,664

Accounts payable

Accounts payable to related parties were as follows:

	March 31, 2011	December 31, 2010
ОАО Газпром Нефт	25,746	19,363
ОАО TNK-BP Holding	12,544	25,438
ООО Газпромнефт Marine Bunker	11,076	-
Other	11,012	16,320
	60,378	61,121

Dividends payable

Dividends payable to Shareholders were as follows:

	March 31, 2011	December 31, 2010
ОАО Gazprom Neft	105,691	117,975
ОАО TNK-BP Holding	105,691	117,975
	<u>211,382</u>	<u>235,950</u>

Other current liabilities

Other current liabilities to related parties were as follows:

	March 31, 2011	December 31, 2010
ОАО Gazprom Neft	560	350
ОАО TNK-BP Holding	538	495
ООО Gazprom Neft SM	51	23
Other	11	7
	<u>1,160</u>	<u>875</u>

Gazprom Neft Trade Company GmbH Austria, ОАО Gazprom Neft, ОАО TNK-BP Holding, ЗАО TNK-Trade, ООО TNK-BP Zapad, ООО Gazpromneft-Belnefteproduct -Brest, ОАО Gazprombank, ОАО Gazprom Neft Finance, ООО Gazprom Neft SM, ОАО TNK-Yaroslavl, ЗАО SL Trading, ООО Gazpromneft Marine Bunker are entities associated with the Primary Shareholders.

Note 18. Dividends

The Company did not declare any dividends during the three month ended March 31, 2011 or up to the date of issuance of these financial statements.

During 2009 and 2010, the Group issued loans and had accounts receivable's from companies affiliated with the Primary Shareholders in connection with the disposal of the Group Byelorussian retail operations to the Primary Shareholders. The loans and accounts receivable have been treated as a reduction of the shareholders' capital in the accompanying financial statements. As at December 31, 2010 the amount of loans issued is USD 100,148.

Note 19. Fair values

The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate. ASC 820, *Fair Value Measurements and Disclosures*, requires an entity to maximize its use of observable inputs when measuring fair value. In the absence of observable inputs, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realize or settle in a market transaction. Certain of these financial instruments are with major financial institutions and expose the Group to market and credit risk. The creditworthiness of these institutions is routinely reviewed and full performance is anticipated. The Group is also exposed to a credit risk in the event of non-payment by counterparties. The creditworthiness of customers and other counterparties is continually reviewed.

ASC 820, *Fair Value Measurements and Disclosures*, prioritises the inputs to valuation techniques into three levels as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The methods and assumptions used to estimate fair value of each class of financial instruments are summarized below.

Cash and cash equivalents, short-term bank deposits, accounts receivable and accounts payable. The carrying amounts of these items are a reasonable approximation of their fair value.

Short-term debt. Loan arrangements have variable interest rates that reflect the currently available terms for a similar debt. The carrying value of this debt is a reasonable approximation of its fair value.

Long-term debt. Loans under bank arrangements have interest rates that reflect currently available terms and conditions for a similar debt. The carrying value of this debt is a reasonable approximation of its fair value.

Note 20. Subsequent events

In November 2010, the Group's Board of Directors took a decision to separate and subsequently sell business activities and fixed assets (rail tank-wagons) engaged in oil products transportation services. For this purpose Group established ZAO "Upravlenie otgruzok" ("Department of shipments") to be sold in future. Primary Shareholder of the ZAO "Upravlenie otgruzok" is Group's company ООО "Realizatsia T". Share capital of the established company is 2,750 mln Russian Rubles.

In April 2011 the Group completed the sale of the Group's subsidiary ZAO "SP McCaMineft" to a third party for USD 34,447 (Note 6).

15 April 2011 ОАО НКГК Славнефт obtained a short-term loan from Raiffeisenbank in the amount of USD 35,000. The loan is denominated in USD and matures in December 2011. Interest on the loan is LIBOR +2.2% per annum.

28 April 2011 ОАО Славнефт-Мегийоннефтегаз, a subsidiary of the Group obtained a short-term loan from Raiffeisenbank in the amount of USD 35,000. The loan is denominated in USD and matures in December 2011. Interest on the loan is LIBOR +2.2% per annum.

Subsequent events have been evaluated through May 5, 2011, the date of issuance of these financial statements.