

Slavneft Group

IFRS Consolidated Interim Condensed
Financial Information (Unaudited)

as of and for the three months ended 31 March 2016

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Report on review of consolidated interim condensed financial information

To the Shareholders and the Board of Directors of
OJSC NGK Slavneft

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of OJSC NGK Slavneft and its subsidiaries, comprising the consolidated interim statement of financial position as at 31 March 2016, the related consolidated interim statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matters

The consolidated financial statements of OJSC NGK Slavneft and its subsidiaries for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 11 February 2016.

The consolidated interim condensed financial information of OJSC NGK Slavneft and its subsidiaries for the three-month period ended 31 March 2015 was reviewed by another auditor who issued a report on review with an unqualified conclusion dated 30 April 2015.

Ernst & Young LLC

29 April 2016

Moscow, Russia

Slavneft Group
Consolidated Interim Statement of Financial Position (unaudited)
(in million of Russian Roubles)

	Notes	31 March 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	4	281,161	275,868
Investments		313	313
Deferred income tax assets		8,042	8,096
Other non-current assets	5	3,688	3,800
Total non-current assets		293,204	288,077
Current assets			
Inventories	6	7,744	6,602
Accounts receivable and prepayments	7	14,265	8,062
Income tax receivables		546	1,135
Cash and cash equivalents	8	13,262	8,078
Other current assets		33	31
Total current assets		35,850	23,908
Total assets		329,054	311,985
Equity			
Ordinary share capital		70	70
Retained earnings		28,121	24,347
Other reserves		(44)	62
Additional paid-in capital		54,812	54,812
Total equity attributable to OJSC NGK Slavneft's shareholders		82,959	79,291
Non-controlling interest	23	83,273	80,056
Total equity		166,232	159,347
Liabilities			
Non-current liabilities			
Non-current debt	9	67,299	54,562
Deferred income tax liabilities		14,945	14,287
Decommissioning and environmental liabilities	10	13,597	13,521
Other non-current liabilities		2,295	2,226
Total non-current liabilities		98,136	84,596
Current liabilities			
Current debt and current portion of non-current debt	9	24,765	26,986
Trade payables	11	20,032	22,699
Advances received		392	1,324
Dividends payable	22	63	63
Taxes payable	12	16,916	14,932
Other current liabilities	13	2,518	2,038
Total current liabilities		64,686	68,042
Total liabilities		162,822	152,638
Total equity and liabilities		329,054	311,985

Osipov M.L.
President
OJSC NGK Slavneft

Karabadzhak K.S.
Acting vice-president on economics and
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OJSC NGK Slavneft

29 April 2016

Slavneft Group
Consolidated Interim Statement of Comprehensive Income (Unaudited)
(in million of Russian Roubles)

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenue	15	46,236	58,664
Production expenses		(11,216)	(10,184)
Selling, general and administrative expenses		(1,381)	(1,498)
Cost of other sales		(987)	(1,141)
Taxes other than income tax	16	(16,524)	(26,894)
Depreciation, depletion and amortization	4, 5	(7,761)	(7,636)
Exploration expenses		(124)	(62)
Impairment and gain/(loss) on disposal of assets		(23)	107
Total operating expenses and costs		(38,016)	(47,308)
Other operating income		116	238
Operating profit		8,336	11,594
Finance income	17	454	591
Finance costs	17	(1,706)	(1,167)
Foreign exchange gain/(loss)		2,056	(2,338)
Profit before income tax		9,140	8,680
Income tax expense	14	(2,149)	(1,788)
Profit for the period attributable to:		6,991	6,892
- OJSC NGK Slavneft shareholders		3,774	4,074
- Non-controlling interest	23	3,217	2,818
Other comprehensive (loss)/income:		(106)	30
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(106)	30
Total comprehensive income/(loss) attributable to:		6,885	6,922
- OJSC NGK Slavneft shareholders		3,668	4,104
- Non-controlling interest	23	3,217	2,818

The accompanying notes are an integral part of this consolidated interim condensed financial information.

Slavneft Group
Consolidated Interim Statement of Changes in Equity (Unaudited)
(in million of Russian Roubles)

	Equity attributable to Group shareholders				Total	Non-controlling interest	Total equity
	Ordinary share capital	Additional paid-in capital	Other reserves	Retained earnings			
At 1 January 2015	70	54,812	112	14,305	69,299	71,004	140,303
Profit for the period	–	–	–	4,074	4,074	2,818	6,892
Other comprehensive income							
Currency translation differences	–	–	30	–	30	–	30
Total comprehensive income	–	–	30	4,074	4,104	2,818	6,922
At 31 March 2015	70	54,812	142	18,379	73,403	73,822	147,225
At 1 January 2016	70	54,812	62	24,347	79,291	80,056	159,347
Profit for the period	–	–	–	3,774	3,774	3,217	6,991
Other comprehensive loss							
Currency translation differences	–	–	(106)	–	(106)	–	(106)
Total comprehensive income/(loss)	–	–	(106)	3,774	3,668	3,217	6,885
At 31 March 2016	70	54,812	(44)	28,121	82,959	83,273	166,232

The accompanying notes are an integral part of this consolidated interim condensed financial information.

Slavneft Group
Consolidated Interim Statement of Cash Flows (Unaudited)
(in million of Russian Roubles)

	Notes	Three months ended 31 March 2016	Three months ended 31 March 2015
Cash flows from operating activities			
Profit for the period		6,991	6,892
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation, depletion and amortization	4, 5	7,761	7,636
Impairment and loss/(gain) on disposal of assets		23	(107)
Finance income	17	(454)	(591)
Finance costs	17	1,706	1,167
Foreign exchange (gain)/loss		(2,056)	2,338
Income tax expense	14	2,149	1,788
Change in provisions		348	322
Other		(177)	109
Cash flow from operating activities before working capital changes		16,291	19,554
Changes in working capital			
Increase in accounts receivable and prepayments		(7,654)	(1,610)
Increase in inventories		(1,271)	(1,257)
Decrease/(increase) in other current and non-current assets		113	(352)
(Decrease)/increase in accounts payable		357	2,732
Increase/(decrease) in other current liabilities		92	(1)
Increase in taxes payable		1,460	5,938
Income tax paid		(321)	(332)
Net cash from operating activities		9,067	24,672
Cash flows from investing activities			
Dividends received		16	–
Proceeds from sale of property, plant and equipment		92	57
Purchases of property, plant and equipment		(15,359)	(10,462)
Interest received		415	466
Net cash used in investing activities		(14,836)	(9,939)
Cash flows from financing activities			
Proceeds from issuance of non-current debt		21,395	4,850
Repayments of current debt		(250)	(11,755)
Repayments of non-current debt		(8,638)	(9,328)
Interest payments		(1,483)	(989)
Net cash from/(used in) financing activities		11,024	(17,222)
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies			
		(71)	683
Net decrease in cash and cash equivalents		5,184	(1,806)
Cash and cash equivalents at the beginning of the period	8	8,078	13,709
Cash and cash equivalents at the end of the period	8	13,262	11,903

The accompanying notes are an integral part of this consolidated interim condensed financial information.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 1. GENERAL INFORMATION

OJSC NGK Slavneft (the “Company”) and its subsidiaries (jointly referred to as the “Group”) are engaged in oil exploration, development, production, refining and selling 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 8 April 1994, the Decree of the Council of Ministers of the Republic of Belarus # 589-r, issued 15 June 1994 and the Charter agreement from 27 June 1994. Under the provisions of the decrees and the Charter agreement, the Russian Federation transferred to the Company 60.5% of voting shares of OJSC Slavneft-Megionneftegaz, currently the principal oil producing subsidiary of the Group, and 50.7% of voting shares of OJSC Megionneftegazgeologiya, the Republic of Belarus transferred to the Company 17.6% of OJSC Mozyrsky NPZ and another 15% of OJSC 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 the Republic of Belarus and 6.5% by a number of individuals.

The authorized capital of the Company is 4,754,238,000 common shares with a par value of RR 0.001 per share. The carrying value of share capital as at 31 March 2016 and 31 December 2015 differs from its nominal value due to the effect of hyperinflation in the Russian Federation till 31 December 2002.

In a series of transactions through January 2003, including participation in privatization auctions in the Russian Federation and the Republic of Belarus, 99% of the Company’s shares were ultimately acquired together by OJSC Siberian Oil Company (currently known as PJSC Gazprom Neft) and TNK-BP Group. On 21 March 2013, OJSC Rosneft Oil Company completed the acquisition of an aggregate 100% interest in TNK-BP Group. As a result of this acquisition, OJSC Rosneft Oil Company obtained 49.9% interest in Slavneft Group. PJSC Gazprom Neft and OJSC Rosneft Oil Company (the “Primary Shareholders”) are the Primary shareholders and jointly control the Group.

As the Primary shareholders are state controlled entities, the Government of the Russian Federation is the ultimate controlling party of OJSC NGK Slavneft.

Registered address and place of business. The Company’s registered address is 125047, Moscow, 4, 4th Lesnoy side-street, the Russian Federation. The Group’s principal place of business is Russian Federation.

NOTE 2. BASIS OF PRESENTATION

Statement of compliance

The Consolidated Interim Condensed Financial Information has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by International Financial Reporting Standards (“IFRS”).

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily the Russian Federation). The accompanying Consolidated Interim Condensed Financial Information was primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present it in accordance with IFRS.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2015, such as significant accounting policies, significant estimates and judgements or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in this Consolidated Interim Condensed Financial Information are adequate to make the information presented not misleading if this Consolidated Interim Condensed Financial Information is read in conjunction with the Group’s Consolidated Financial Statements for 2015.

The results reported in this Consolidated Interim Condensed Financial Information for the three months ended 31 March 2016 and 2015 are not necessarily indicative of the results expected for the full year.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of measurement

This Consolidated Interim Condensed Financial Information has been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

Functional and presentation currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* the Group has analysed several factors that influence the choice of functional currency and, based on this analysis, has determined the functional currency for each entity of the Group. For the majority of the entities the functional currency is the local currency of the entity. This Consolidated Interim Condensed Financial Information is presented in Russian Roubles, and all values are rounded to the nearest million, except when otherwise indicated.

Functional currency and foreign currency translation

Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the reporting date, are translated into RR at the official exchange rates of the Central Bank of the Russian Federation ("CBR") at that date. Non monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cashflows are translated into functional currency at average rates for the period or exchange rates prevailing on the transaction dates where practicable. Gains and losses resulting from the re-measurement into functional currency are included in the Consolidated Interim Statement of Comprehensive Income.

The following exchange rates determined by the CBR were applied at 31 March 2016 and 31 December 2015 and for three months ended 31 March 2016 and 2015 (in RR):

	At 31 March 2016	At 31 December 2015	Average rates for the three months ended 31 March	
			2016	2015
For one currency unit to equivalent				
Russian Rouble				
- US dollar ("USD")	67.6076	72.8827	74.6283	62.1919
- Euro ("EUR")	76.5386	79.6972	82.3373	70.4340

Going concern

Management prepared this Consolidated Interim Condensed Financial Information on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

The Group believes that its operating cash flows, refinancing capabilities and ability to postpone debt repayment with Primary Shareholders provide adequate liquidity for the foreseeable future. Thus the Group continues to use the going concern basis of accounting in preparing the Consolidated Interim Condensed Financial Information.

Seasonality of operations

The Group as a whole is not subject to significant seasonal fluctuations.

Changes in accounting policies, estimates and judgements

The accounting policies and judgements applied by the Group in this Consolidated Interim Condensed Financial Information are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2015.

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)**

(in million of Russian Roubles, unless noted otherwise)

NOTE 3. APPLICATION OF NEW AND REVISED IFRS

The accounting policies applied by the Group in this Consolidated Interim Condensed Financial Information are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2015, except that the Group has adopted those new and amended Standards that are mandatory for financial annual periods beginning on 1 January 2016.

Standards	Effective for annual periods beginning on or after
IAS 1 (Amended) <i>Presentation of Financial Statements</i>	1 January 2016
IAS 16 (Amended) <i>Property, Plant and Equipment</i>	1 January 2016
IAS 19 (Amended) <i>Employee Benefits</i>	1 January 2016
IAS 27 (Amended) <i>Separate Financial Statements</i>	1 January 2016
IAS 28 (Amended) <i>Investments in Associates and Joint Ventures</i>	1 January 2016
IAS 34 (Amended) <i>Interim Financial Reporting</i>	1 January 2016
IAS 38 (Amended) <i>Intangible Assets</i>	1 January 2016
IAS 41 (Amended) <i>Agriculture</i>	1 January 2016
IFRS 1 (Amended) <i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2016
IFRS 5 (Amended) <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
IFRS 7 (Amended) <i>Financial Instruments: Disclosure</i>	1 January 2016
IFRS 10 (Amended) <i>Consolidated Financial Statements</i>	1 January 2016
IFRS 11 (Amended) <i>Joint Arrangements</i>	1 January 2016
IFRS 12 (Amended) <i>Disclosure of Interests in Other Entities</i>	1 January 2016
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016

Application of these standards and interpretations had no significant impact on the Group's financial position or results of operations.

A number of new standards and amendments to standards were not yet effective for the three months ended 31 March 2016, and have not been applied in these Consolidated Interim Condensed Financial Information.

Standards	Effective for annual periods beginning on or after
IAS 7 (Amended) <i>Statement of Cash Flows</i>	1 January 2017
IAS 12 (Amended) <i>Income Taxes</i>	1 January 2017
IFRS 9 (Amended) <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

IFRS 9 *Financial Instruments* is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. Amended IFRS 7 *Financial Instruments: Disclosure* requires additional disclosure on transition from IAS 39 to IFRS 9. The standard provides amended guidance on the recognition and measurement of financial assets and liabilities. The Group is currently assessing the impact of the standard on its Consolidated Financial Statements.

Slavneft Group
Notes to the Consolidated Interim Condensed Financial Information (Unaudited)
(in million of Russian Roubles, unless noted otherwise)
NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Plant and equipment	Construction in progress	Total
Cost				
As of 1 January 2016	337,876	103,956	35,637	477,469
Additions	344	–	12,963	13,307
Transfers	9,195	512	(9,707)	–
Change in decommissioning liabilities	(127)			(127)
Disposals	(961)	(144)	(21)	(1,126)
As of 31 March 2016	346,327	104,324	38,872	489,523
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2016	(163,097)	(37,602)	(902)	(201,601)
Depreciation, depletion and amortization	(6,396)	(1,350)	–	(7,746)
Impairment recovery	46	–	–	46
Disposals	839	100	–	939
As of 31 March 2016	(168,608)	(38,852)	(902)	(208,362)
Net book value as of 1 January 2016	174,779	66,354	34,735	275,868
Net book value as of 31 March 2016	177,719	65,472	37,970	281,161
Cost				
As of 1 January 2015	300,666	98,909	32,598	432,173
Additions	27	–	11,843	11,870
Transfers	6,470	425	(6,895)	–
Change in decommissioning liabilities	(154)	–	–	(154)
Disposals	(940)	(47)	(81)	(1,068)
As of 31 March 2015	306,069	99,287	37,465	442,821
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2015	(139,557)	(32,803)	(1,865)	(174,225)
Depreciation, depletion and amortization	(6,310)	(1,326)	–	(7,636)
Impairment	–	–	(82)	(82)
Impairment recovery	2	–	167	169
Disposals	1,088	30	–	1,118
As of 31 March 2015	(144,777)	(34,099)	(1,780)	(180,656)
Net book value as of 1 January 2015	161,109	66,106	30,733	257,948
Net book value as of 31 March 2015	161,292	65,188	35,685	262,165

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 5. OTHER NON-CURRENT ASSETS**

	31 March 2016	31 December 2015
Catalysts	2,837	2,641
Other intangible assets*	827	1,033
Other	35	137
Allowance for impairment of non-current assets	(11)	(11)
Total other non-current assets	3,688	3,800

* Net of accumulated depreciation. For the three months ended 31 March 2016, accumulated depreciation accrued in the amount of RR 15 million (for the three months ended 31 March 2015 no depreciation was accrued).

NOTE 6. INVENTORIES

	31 March 2016	31 December 2015
Crude oil	3,178	3,046
Materials and supplies	2,720	2,379
Oil products	761	482
Other	1,251	724
Allowance for inventory impairment	(166)	(29)
Total inventories	7,744	6,602

NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2016	31 December 2015
Trade receivables (net of provision for impairment of RR 613 million and RR 616 million at 31 March 2016 and 31 December 2015)	11,525	4,976
Other accounts receivable (net of provision for impairment of RR 85 million and RR 83 million at 31 March 2016 and 31 December 2015)	218	360
Trade and other financial receivables, net	11,743	5,336
Advances to suppliers and prepayments	1,670	2,055
VAT recoverable	852	671
Tax prepayments and advances issued	2,522	2,726
Total trade and other receivables, net	14,265	8,062

NOTE 8. CASH AND CASH EQUIVALENTS

	31 March 2016	31 December 2015
Cash held in banks – Russian Roubles	297	62
Cash held in banks – other currencies	394	539
Short-term deposits – Russian Roubles	11,904	6,743
Short-term deposits – other currencies	667	734
Total cash and cash equivalents	13,262	8,078

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 9. NON-CURRENT AND CURRENT DEBT**

	Currency	31 March 2016	31 December 2015
OJSC Credit Bank of Moscow	RR	14,694	7,713
JSC Alfa-Bank	RR	14,314	14,314
CJSC Raiffeisenbank	USD	8,589	10,100
CJSC UniCreditbank	USD	8,018	9,428
OJSC Gazprombank	RR	8,000	8,000
PJSC Bank Sankt Petersburg	RR	7,164	7,228
LLC Ekspobank	RR	5,500	5,500
OJSC SMP Bank	RR	5,200	–
OJSC Promsvyazbank	RR	4,200	–
PJSC Absolutbank	RR	3,041	3,041
CJSC ING Bank London branch	USD	2,899	4,687
PJSC Svyaz bank	RR	2,001	2,001
CJSC Commerzbank (Eurasija)	USD	1,691	1,823
OJSC Evrofinance Mosnarbank	RR	1,500	–
CJSC BNP Paribas bank	USD	1,473	2,116
PJSC Rosbank	USD	1,352	1,944
NATIXIS Paris	USD	865	1,244
OJSC Uralsib	RR	800	650
CJSC Natixis Bank	USD	487	700
OJSC Zapsibkombank	RR	–	551
Less current portion		(24,489)	(26,478)
Total non-current debt		67,299	54,562

The interest rates for these borrowings received in US dollar vary from floating rate LIBOR +2.0% to LIBOR +2.47%. The interest rates of loans received in Russian Rouble vary from 12.5% to 14.5%.

The Group's non-current debt has restrictive covenants calculated based on the Consolidated Interim Condensed Financial Information on a quarter basis including, but not limited to, the requirement to maintain the following minimum ratios: Net debt/EBITDA, Debt/EBITDA, EBITDA/Interest expense. The Group was in compliance with these covenants based on its Consolidated Interim Condensed Financial Information as at the reporting date.

The Group's short-term borrowings are secured by sales and related receivables.

Current debt and current portion of non-current debt

	31 March 2016	31 December 2015
Current loans – Russian Roubles	65	306
Current portion of non-current loans – Russian Roubles	9,671	7,442
Current loans – other currencies	211	202
Current portion of non-current loans – other currencies	14,818	19,036
Total current debt and current portion of non-current debt	24,765	26,986

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 10. DECOMMISSIONING AND ENVIRONMENTAL LIABILITIES**

The table below presents movement of decommissioning and environmental provisions:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Decommissioning and environmental provisions, opening balance (including current portion)	13,895	13,487
Additions	139	80
Disposal	(22)	(294)
Change of the cost, discount rate and period	(207)	(7)
Unwinding of the present value discount	165	163
Decommissioning and environmental provisions, closing balance	13,970	13,429
Less current portion	(373)	(756)
Decommissioning and environmental provisions, non-current portion, closing balance	13,597	12,673

NOTE 11. TRADE PAYABLES

	31 March 2016	31 December 2015
Trade payables to suppliers and contractors	12,831	11,528
Payables for purchased non-current assets	7,201	11,171
Trade and other financial payables	20,032	22,699

NOTE 12. TAXES PAYABLE

	31 March 2016	31 December 2015
Mineral extraction tax	6,046	5,359
Value added tax	5,883	5,902
Excise	2,582	2,025
Property tax	1,061	914
Income tax	671	132
Social payments	541	482
Personal income tax	79	71
Other	53	47
Total taxes payables	16,916	14,932

NOTE 13. OTHER CURRENT LIABILITIES

	31 March 2016	31 December 2015
Accrual for bonus payments	744	492
Accrual for vacation payments	701	564
Wages and salaries	446	403
Environmental liabilities (current portion)	373	374
Accrued liabilities	19	21
Other	235	184
Total other current liabilities	2,518	2,038

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 14. INCOME TAX**

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

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three months ended 31 March 2016 is 23.51% (the estimated tax rate for the three months ended 31 March 2015 was 20.60%). The estimated average annual tax rate increased because of the raise of provision for uncertain tax positions related to income tax.

The components of income taxes were as follows:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Current income tax expense	1,437	801
Deferred income tax expense	712	987
Total income tax expense	2,149	1,788

NOTE 15. REVENUES

	Three months ended 31 March 2016	Three months ended 31 March 2015
Crude oil	37,868	49,839
Processing services	6,724	7,110
Other sales (mainly oilfield services)	1,541	1,615
Associated gas	103	100
Total revenue	46,236	58,664

NOTE 16. TAXES OTHER THAN INCOME TAX

	Three months ended 31 March 2016	Three months ended 31 March 2015
Mineral extraction tax	14,688	25,130
Property tax	1,028	989
Social payments	767	729
Other	41	46
Total taxes other than income tax	16,524	26,894

NOTE 17. FINANCE INCOME AND COSTS

	Three months ended 31 March 2016	Three months ended 31 March 2015
Interest income	415	466
Other income	39	125
Total finance income	454	591
Interest expense	(1,482)	(949)
Unwinding of discount on decommissioning and environmental liabilities	(165)	(163)
Expenses on pension liabilities	(46)	(33)
Bank commissions and charges	(12)	(18)
Other	(1)	(4)
Total finance costs	(1,706)	(1,167)
Total finance income/(costs), net	(1,252)	(576)

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 18. RELATED PARTY TRANSACTIONS**

For the purposes of this Consolidated Interim Condensed Financial Information, parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. Related parties may enter into transactions which would have been impossible if the parties were not related. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the three months ended 31 March 2016 were the Primary Shareholders (Note 1), and their group entities.

Remuneration of key management personnel of the Group (members of the Board of Directors and the Management Board of OJSC NGK Slavneft, OJSC Slavneft-Megionneftegaz, OJSC Slavneft-Yaroslavnefteorgsintez) was as follows:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Short-term employee benefits	35	40
Long-term bonus scheme and other long-term employee benefits	1	–
Total	36	40

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

Customer	Description	Three months ended 31 March 2016	Three months ended 31 March 2015
Entities related to Rosneft Group	Crude oil	18,799	24,844
Entities related to Gazprom Neft Group	Crude oil	18,799	24,844
Entities related to Rosneft Group	Processing services	3,362	3,555
Entities related to Gazprom Neft Group	Processing services	3,362	3,555
Other	Oil products and other	1,142	974
Total		45,464	57,772

For the three months ended 31 March 2016 the Group incurred operating expenses with related parties representing purchases in the amount of RR 164 million (for the three months ended 31 March 2015 – RR 115 million).

Borrowings from related parties were as follows:

	31 March 2016	31 December 2015
Entities of Gazprom Neft Group	8,000	8,000
Total	8,000	8,000

Receivables from related parties were as follows:

	31 March 2016	31 December 2015
Entities of Rosneft Group	4,209	1,481
Entities of Gazprom Neft Group	4,163	1,330
Other	81	77
Total	8,453	2,888

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 18. RELATED PARTY TRANSACTIONS (CONTINUED)**

Accounts payable to related parties were as follows:

	31 March 2016	31 December 2015
Entities of Gazprom Neft Group	2,021	2,228
Entities of Rosneft Group	891	1,703
Other	218	178
Total	3,130	4,109

Dividends payable to Shareholders were as follows:

	31 March 2016	31 December 2015
Entities of Gazprom Neft Group	31.5	31.5
Entities of Rosneft Group	31.5	31.5
Total	63	63

NOTE 19. CONTINGENCIES AND COMMITMENTS**Capital expenditure commitments**

The Group has approved contractual capital expenditure commitments for construction and fixed assets acquisition as of 31 March 2016 in the amount of RR 24,407 million (31 December 2015 – RR 6,423 million).

Taxation contingencies in the Russian Federation

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 activities of the Group may be challenged by the tax authorities.

Currently, the Russian tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and fees 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.

Management believes that it has paid and accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle such liabilities.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal procedures to be in compliance with the new transfer pricing legislation. Management believes that its pricing methodology is in compliance with the transfer pricing legislation and applied intra-Group prices are arm's length.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and the overall operations of the Group.

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 19. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Operating environment**

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

During 2015 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to «below investment» grade. This operating environment has a significant impact on the Group's operations and financial position.

Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

NOTE 20. FINANCIAL RISK MANAGEMENT

In the normal course of its operations, the Group is exposed to market (including foreign currency, interest rate and commodity price), credit and liquidity risks. The Group's overall risk management programme is focused on the unpredictability of financial markets and is aimed to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Management Board and Department of corporate finance on a monthly basis. The Management Board jointly with Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk.

Market risk

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil and gas condensate, foreign currency exchange rates, interest rates, stock prices and other indices that could affect the value of the Group's financial assets, liabilities or expected future cash flows. The primary objective of mitigating these market risks is to manage and control risk exposure, while optimizing the return on risk. More detailed analysis of the market risk was disclosed in the Consolidated Financial Statements of the Group for 2015.

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

The Group has the following financial assets and financial liabilities denominated in foreign currencies:

	31 March 2016				Subtotal for foreign currency	Total
	RUR	USD	EURO	BYR		
Current assets						
Trade accounts receivable	10,067	–	1,660	16	1,676	11,743
Cash and cash equivalents	12,201	273	108	680	1,061	13,262
Loans receivable	1	–	–	–	–	1
Non-current liabilities						
Non-current debt	(56,742)	(10,557)	–	–	(10,557)	(67,299)
Current liabilities						
Current debt	(9,736)	(14,818)	(211)	–	(15,029)	(24,765)
Trade accounts payable	(18,124)	(24)	(1,878)	(6)	(1,908)	(20,032)
Net exposure	(62,333)	(25,126)	(321)	690	(24,757)	(87,090)

Slavneft Group
Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2015				Subtotal for foreign currency	Total
	RUR	USD	EURO	BYR		
Current assets						
Trade accounts receivable	4,009	–	1,327	–	1,327	5,336
Cash and cash equivalents	6,805	473	51	749	1,273	8,078
Loans receivable	1	–	–	–	–	1
Non-current liabilities						
Non-current debt	(41,555)	(13,007)	–	–	(13,007)	(54,562)
Current liabilities						
Current debt	(7,748)	(19,037)	(201)	–	(19,238)	(26,986)
Trade accounts payable	(21,196)	(46)	(1,457)	–	(1,503)	(22,699)
Net exposure	(59,684)	(31,617)	(280)	749	(31,148)	(90,832)

A 20% change in foreign exchange rates at the reporting date would have following effect on pre-tax profit:

	Three months ended 31 March 2016			Three months ended 31 March 2015		
	USD	EURO	BYR	USD	EURO	BYR
Effect on pre-tax profit	5,002	64	138	8,653	94	287

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group.

The Group's interest rate risk arises primarily from non-current debt. The Group's debt at floating interest rates is primarily denominated in USD. Borrowings at floating interest rates expose the Group to a cash flow interest rate risk.

The interest rate profile of the Group's financial instruments exposed to interest rate risk is as follows:

	31 March 2016	31 December 2015
Bank deposits	12,571	7,477
Non-current debt	(17,069)	(17,372)
Current debt	(4,750)	(4,520)
Fixed rate financial instruments (net)	(9,248)	(14,415)
Non-current debt	(50,230)	(37,190)
Current debt	(19,660)	(22,110)
Floating rate financial instruments	(69,890)	(59,300)

At 31 March 2016 and 31 December 2015, the Group's risk policy does not provide for any interest risk hedging.

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to a financial loss to the Group. The Group minimises its exposure to this risk by sale on credit to customers after rigid credit approval procedures.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group is dependent on a limited number of customers related to Primary Shareholders. The Group's top trade debtors are entities associated with the Primary Shareholders. And so the credit quality of trade receivables not impaired at 31 March 2016 is not a significant risk as the debtors (Primary Shareholders and other parties) in the past, did not violate the terms of credit agreements. Disclosure regarding trade receivables that are either past due or impaired is presented in Note 7.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its financial liabilities as they fall due. During the three months ended 31 March 2016, global and Russian capital markets experienced significant volatility, significant fluctuation of Russian Rouble against USD and Euro. Despite stabilization measures undertaken by various governments, markets remain volatile. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

As at 31 March 2016 net current liability position of the Group was RR 28,836 million (31 December 2015 – RR 44,134 million). As a result of operations for the three months ended 31 March 2016, the Group generated a profit before income tax of RR 9,140 (profit before income tax for three months ended 31 March 2015 – RR 8,680 million). Cash flows from operations for the three months ended 31 March 2016 were RR 9,067 million (for the three months ended 31 March 2015 – RR 24,672 million). As of 31 March 2016 the Group has an equity to total asset ratio of 51% (31 December 2015 – 51%).

The Department of corporate finance of the Group ensures flexibility in funding by maintaining availability of credit line facilities. The unused portion of committed credit lines at 31 March 2016 was RR 3,895 million (31 December 2015 – RR 4,495 million). The unused portion of uncommitted credit lines at 31 December 2015 was RR 1,500 million (31 December 2015 – RR 3,000 million). As on 31 December 2015 the Group's short-term borrowings and current portion of long-term debt totaled RR 24,765 million.

The Group expects that the major sources of the Group's liquidity in 2016 will be cash generated from operations and additional financing in order to refinance the existing loans.

NOTE 21. FAIR VALUE FOR FINANCIAL INSTRUMENTS

Fair value measurement

There were no transfers between the levels of the fair value hierarchy during the period. There are no significant assets or liabilities measured at fair value categorised within Level 1 of the fair value hierarchy. Borrowings are within Level 2 of the fair value hierarchy, accounts receivable and payable – within Level 3 of the fair value hierarchy.

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.

Current and non-current debt. Loans under bank arrangements have floating and fixed interest rates that reflect currently available terms and conditions for a similar debt.

The fair value of current and non-current debt differs from its carrying value and amount to RR 88,684 million as at 31 March 2016 (31 December 2015 – RR 76,900 million).

NOTE 22. DIVIDENDS

The Group did not declare and did not pay dividends during the three months ended 31 March 2016 or until the date of issuance of this Consolidated Interim Condensed Financial Information.

The Group did not declare and did not pay dividends during the three months ended 31 March 2015.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. NON-CONTROLLING INTEREST

The table below presents information regarding subsidiaries that are not wholly owned by the Group (non-controlling interest – NCI) as at 31 March 2016 and as at 31 December 2015, and for three months ended 31 March 2016 and 2015.

Subsidiaries	Core activity	31 March 2016		Three months ended 31 March 2016	
		NCI share, %	NCI in the net assets	NCI in the net profit	NCI in the net comprehensive (loss)/income
OJSC Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	52,132	1,722	1,722
OJSC Slavneft Yaroslavnefteorgsintez*	Petroleum refining	60.17%	27,965	1,305	1,305
OJSC Ob'neftegazgeologiya	Oil and gas development and production	19.76%	1,908	191	191
LLC MUBR	Field survey and exploration	43.58%	1,102	25	25
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	154	(18)	(18)
LLC MegionErgoNeft'	Field survey and exploration	43.58%	127	4	4
LLC Megion Geologiya	Field survey and exploration	11.87%	(69)	4	4
OJSC Sobol'	Oil and gas development and production	16.31%	(57)	(16)	(16)
Other	–	–	11	–	–
Total			83,273	3,217	3,217

Subsidiaries	Core activity	31 December 2015		Three months ended 31 March 2016	
		NCI share, %	NCI in the net assets	NCI in the net profit	NCI in the net comprehensive (loss)/income
OJSC Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	50,411	1,611	1,611
OJSC Slavneft Yaroslavnefteorgsintez *	Petroleum refining	60.17%	26,660	1,120	1,120
OJSC Ob'neftegazgeologiya	Oil and gas development and production	19.76%	1,717	59	59
LLC MUBR	Field survey and exploration	43.58%	1,077	26	26
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	172	(8)	(8)
LLC MegionErgoNeft'	Field survey and exploration	43.58%	123	12	12
LLC Megion Geologiya	Field survey and exploration	11.87%	(73)	–	–
OJSC Sobol'	Oil and gas development and production	16.31%	(41)	1	1
Other	–	–	10	(3)	(3)
Total			80,056	2,818	2,818

* The voting rights of the Group comprise 39.83% as of 31 March 2016 and 31 December 2015. No dividends were declared by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez during the annual general meetings held on 20 June 2014. The similar decision was taken by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez on 18 June 2015. In this case, the voting rights of the Group did not change and comprise 39.83% as of 31 March 2016. The management have concluded that the Group still controls OJSC Slavneft Yaroslavnefteorgsintez, even though it holds less than half of the ownership interest of this subsidiary. The Primary Shareholders who have the majority of the remaining share (together 54.97%) have confirmed to the Group that there has been no effective change, nor is one expected, in the ownership nor any change in how the subsidiary is controlled and operated.

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)**

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. NON-CONTROLLING INTEREST (CONTINUED)

The Group's Primary Shareholders hold financial interests in a number of the Group's subsidiaries.

The share of the Primary Shareholders in non-controlling interest of the Group comprises the following amounts: non-controlling interest in the Consolidated Interim Financial Statements as of 31 March 2016 and 31 December 2015 includes RR 75,846 million and RR 72,885 million respectively, attributable to the Primary Shareholders' interests.

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2016 and 2015 comprises RR 2,962 million and RR 2,577 million as profit respectively, attributable to the Primary Shareholders' interest.

NOTE 24. EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of this Consolidated Interim Condensed Financial Information prepared in accordance with IFRS.