

# **Slavneft Group**

Consolidated Interim  
Condensed Financial Statements (unaudited)

*as of and for the three months ended  
31 March 2018*

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## Report on Review of Interim Financial Information

To the shareholders and the Board of Directors of  
OAO NGK Slavneft

### **Introduction**

We have reviewed the accompanying consolidated interim condensed financial statements of OAO NGK Slavneft and its subsidiaries, which comprise the consolidated interim statement of financial position as at 31 March 2018, the consolidated interim statement of comprehensive income, consolidated interim statement of changes in shareholder's equity and consolidated interim statement of cash flows for the three-month period then ended and other explanatory notes (interim financial information). Management of OAO NGK Slavneft is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

K.I. Petrov  
Partner  
Ernst & Young LLC



28 April 2018

### **Details of the entity**


Name: OAO NGK Slavneft  
Record made in the State Register of Legal Entities on 30 July 2002, State Registration Number 1027739026270.  
Address: Russia, 125047, Moscow, 4th Lesnoy side-str., 4.

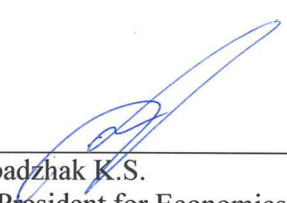
### **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, building 1.  
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

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

	Notes	31 March 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	339,545	332,104
Deferred tax assets		11,544	11,314
Other non-current assets	5	1,736	1,579
<b>Total non-current assets</b>		<b>352,825</b>	<b>344,997</b>
<b>Current assets</b>			
Inventories	6	8,828	7,967
Accounts receivable and prepayments	7	49,069	46,363
Income tax receivables		105	102
Cash and cash equivalents	8	3,283	4,153
Other current assets		42	47
<b>Total current assets</b>		<b>61,327</b>	<b>58,632</b>
<b>Total assets</b>		<b>414,152</b>	<b>403,629</b>
<b>Equity</b>			
Ordinary share capital		70	70
Retained earnings		56,907	53,635
Additional paid-in capital		54,812	54,812
<b>Total equity attributable to OAO NGK Slavneft's shareholders</b>		<b>111,789</b>	<b>108,517</b>
Non-controlling interest	23	103,597	101,402
<b>Total equity</b>		<b>215,386</b>	<b>209,919</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current debt	9	91,204	88,198
Deferred tax liabilities		19,355	18,903
Decommissioning and environmental liabilities	10	19,900	19,699
Other non-current liabilities		2,626	2,627
<b>Total non-current liabilities</b>		<b>133,085</b>	<b>129,427</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	9	11,607	10,359
Trade payables	11	23,161	24,098
Advances received		319	209
Dividends payable	22	10	10
Taxes payable	12	26,825	26,618
Other current liabilities	13	3,759	2,989
<b>Total current liabilities</b>		<b>65,681</b>	<b>64,283</b>
<b>Total liabilities</b>		<b>198,766</b>	<b>193,710</b>
<b>Total equity and liabilities</b>		<b>414,152</b>	<b>403,629</b>

  
 Trukhachev A.N.  
 Vice-President for Corporate Relations and  
 General Issues  
 OAO NGK Slavneft

  
 Karabadzhak K.S.  
 Vice-President for Economics and Finance  
 OAO NGK Slavneft

28 April 2018

**Slavneft Group**  
**Consolidated Interim Statement of Comprehensive Income (unaudited)**  
*(in millions of Russian Roubles)*

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
<b>Revenue</b>	<b>15</b>	<b>65,342</b>	<b>58,039</b>
Production expenses		(11,498)	(10,417)
Selling, general and administrative expenses		(1,386)	(1,337)
Cost of other sales		(575)	(958)
Taxes other than income tax	<b>16</b>	(33,575)	(29,216)
Depreciation, depletion and amortization	<b>4, 5</b>	(9,347)	(8,538)
Exploration expenses		(193)	(204)
Impairment and gain/(loss) on disposal of assets		(70)	(78)
<b>Total operating expenses and costs</b>		<b>(56,644)</b>	<b>(50,748)</b>
Other operating income		339	260
<b>Operating profit</b>		<b>9,037</b>	<b>7,551</b>
Finance income	<b>17</b>	119	322
Finance expenses	<b>17</b>	(2,288)	(1,222)
Foreign exchange gain/(loss)		(9)	739
<b>Profit before income tax</b>		<b>6,859</b>	<b>7,390</b>
Income tax expense	<b>14</b>	(1,359)	(1,315)
<b>Profit for the year attributable to:</b>		<b>5,500</b>	<b>6,075</b>
- OAO NGK Slavneft's shareholders		3,304	3,655
- Non-controlling interest	<b>23</b>	2,196	2,420
<b>Other comprehensive income</b>		<b>–</b>	<b>81</b>
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of post-employment benefit obligations and other long-term benefits		–	81
<b>Total comprehensive income attributable to:</b>		<b>5,500</b>	<b>6,156</b>
- OAO NGK Slavneft's shareholders		3,304	3,701
- Non-controlling interest	<b>23</b>	2,196	2,455
<b>Earnings per share attributable to OAO NGK Slavneft's shareholders</b>			
Basic earnings per share (in Russian Roubles)		0.69	0.77
Weighted average number of shares outstanding (million)		4,754	4,754

The accompanying notes are an integral part of these consolidated interim condensed financial statements (unaudited).

**Slavneft Group**  
**Consolidated Interim Statement of Changes in Shareholder's Equity (unaudited)**  
*(in millions of Russian Roubles)*

	Notes	Equity attributable to Group shareholders				Total	Non-controlling interest	Total equity
		Ordinary share capital	Additional paid-in capital	Other reserves	Retained earnings			
<b>At 1 January 2017</b>		<b>70</b>	<b>54,812</b>	<b>(56)</b>	<b>41,613</b>	<b>96,439</b>	<b>91,776</b>	<b>188,215</b>
Profit for the year		–	–	–	3,655	3,655	2,420	6,075
<b>Other comprehensive income</b>								
Remeasurement of post-employment benefit obligations and other long-term benefits		–	–	–	46	46	35	81
<b>Total comprehensive income</b>		–	–	–	<b>3,701</b>	<b>3,701</b>	<b>2,455</b>	<b>6,156</b>
<b>At 31 March 2017</b>		<b>70</b>	<b>54,812</b>	<b>(56)</b>	<b>45,314</b>	<b>100,140</b>	<b>94,231</b>	<b>194,371</b>
<b>At 1 January 2018</b>		<b>70</b>	<b>54,812</b>	–	<b>53,635</b>	<b>108,517</b>	<b>101,402</b>	<b>209,919</b>
Profit for the year		–	–	–	3,304	3,304	2,196	5,500
<b>Total comprehensive income</b>		–	–	–	<b>3,304</b>	<b>3,304</b>	<b>2,196</b>	<b>5,500</b>
The effect of the first application of IFRS 9 <i>Financial Instruments</i>	3	–	–	–	(32)	(32)	(1)	(33)
<b>At 31 March 2018</b>		<b>70</b>	<b>54,812</b>	–	<b>56,907</b>	<b>111,789</b>	<b>103,597</b>	<b>215,386</b>

The accompanying notes are an integral part of these consolidated interim condensed financial statements (unaudited).

**Slavneft Group**  
**Consolidated Interim Statement of Cash Flows (unaudited)**  
*(in millions of Russian Roubles)*

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
<b>Cash flows from operating activities</b>			
<b>Profit for the period</b>		<b>5,500</b>	<b>6,075</b>
<b>Adjustments to reconcile profit for the year to net cash provided by operating activities:</b>			
Depreciation, depletion and amortization	4, 5	9,347	8,538
Impairment and (gain)/loss on disposal of assets		70	78
Finance income	17	(119)	(322)
Finance expenses	17	2,288	1,222
Foreign exchange gain		9	(739)
Income tax expense	14	1,359	1,315
Change in provisions		488	(18)
Other		(34)	(198)
<b>Cash flows from operating activities before working capital changes</b>		<b>18,908</b>	<b>15,951</b>
<b>Working capital changes</b>			
(Increase)/Decrease in accounts receivable and prepayments		(2,956)	4,002
Pension paid		(77)	(64)
Increase in inventories		(755)	(1,031)
Increase in other current and non-current assets		(151)	(58)
(Decrease)/Increase in accounts payable		(847)	1,701
Increase in other current liabilities		140	3
Decrease in other non-current liabilities		(69)	(15)
Increase in taxes payable		350	152
Income tax paid		(1,280)	(1,286)
<b>Net cash from operating activities</b>		<b>13,263</b>	<b>19,355</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		159	53
Purchases of property, plant and equipment		(16,550)	(14,603)
Interest received		117	322
Changes in long term investments		(21)	2
<b>Net cash used in investing activities</b>		<b>(16,295)</b>	<b>(14,226)</b>
<b>Financing activities</b>			
Proceeds from current debt	9	8,435	–
Proceeds from non-current debt	9	4,460	17,633
Repayments of current debt	9	(4,000)	–
Repayments of non-current debt	9	(4,600)	(18,332)
Interest paid		(2,093)	(1,672)
<b>Net cash used in financing activities</b>		<b>2,202</b>	<b>(2,371)</b>
<b>Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies</b>			
		(40)	6
<b>Net decrease in cash and cash equivalents</b>		<b>(870)</b>	<b>2,764</b>
<b>Cash and cash equivalents at the beginning of the period</b>	8	<b>4,153</b>	<b>4,333</b>
<b>Cash and cash equivalents at the end of the period</b>	8	<b>3,283</b>	<b>7,097</b>

The accompanying notes are an integral part of these consolidated interim condensed financial statements (unaudited).



## **Slavneft Group**

### **Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

*(in million of Russian Roubles, unless noted otherwise)*

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#### **NOTE 1. GENERAL INFORMATION**

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

The Company was established as an open joint-stock company in August 1994 in accordance with Decree of the Government of the Russian Federation # 305, issued 8 April 1994, Decree of the Council of Ministers of the Republic of Belarus # 589-r, issued 15 June 1994, and the Charter agreement dated 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 OAo Slavneft-Megionneftegaz, currently the principal oil producing subsidiary of the Group, and 50.7% of voting shares of OAo Megionneftegazgeologiya, the Republic of Belarus 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 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 0.001 Russian Rouble per share. The carrying value of share capital as at 31 March 2018 and 31 December 2017 differs from its historic value due to the effect of hyperinflation in the Russian Federation until 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 by OAo Siberian Oil Company (currently known as PJSC Gazprom Neft) and TNK-BP (subsequently acquired by Rosneft Oil Company). PJSC Gazprom Neft and Rosneft Oil Company (the “Primary Shareholders”) are the primary shareholders and jointly control the Group.

#### **Registered address and place of business**

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

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of compliance**

The Consolidated Interim Condensed Financial Statements 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 (hereinafter – “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 Statements 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 2017, 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 Statements are adequate to make the information presented not misleading if this Consolidated Interim Condensed Financial Statements is read in conjunction with the Group’s Consolidated Financial Statements for 2017.

The results reported in this Consolidated Interim Condensed Financial Statements for the three months ended 31 March 2018 and 31 March 2017 are not necessarily indicative of the results expected for the full year.

## Slavneft Group

### Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of measurement

These Consolidated Financial Statements have 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's management 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. These Consolidated Interim Condensed Financial Statements is presented in Russian Roubles, and all values are rounded to the nearest million, except when otherwise indicated.

### 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 Russian Roubles (hereinafter – “RR”) at the official exchange rates of the Central Bank of the Russian Federation (hereinafter – “CBR”) at that date. Non-monetary assets and liabilities are translated at historical rates. Revenues, expenses and cashflows are translated into the functional currency at average rates for the period or exchange rates prevailing on the transaction dates where practicable. Gains and losses resulting from re-measurement into the functional currency are included in the Consolidated Interim Statement of Comprehensive Income.

The following exchange rates determined by the Central Bank of the Russian Federation have been applied at 31 March 2018 and 31 December 2017 and for the three months ended 31 March 2018 and 2017 (in RR):

	31 March 2018	31 December 2017	Average rates for the three months ended 31 March	
			2018	2017
<b>Exchange rate of one currency unit to Russian Roubles</b>				
- US dollar (“USD”)	57.2649	57.6002	56.8803	58.8366
- Euro (“EUR”)	70.5618	68.8668	69.8727	62.6474

### Going concern

The Group's management prepared these Consolidated Interim Condensed Financial Statements 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.

Management believes that the current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its short-term debts and obligations when they become due.

### Changes in accounting policies, estimates and judgements

The accounting policies, estimates and judgements applied by the Group in this Consolidated Interim Condensed Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2017.

## Slavneft Group

### Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

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#### NOTE 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies applied by the Group in this Consolidated Interim Condensed Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2017, except that the Group has adopted those new and amended Standards that are mandatory for financial annual periods beginning on 1 January 2018:

<b>Standards</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 9 (Amended) <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 2 (Amended) <i>Share-based Payment</i>	1 January 2018
IFRS 4 (Amended) <i>Insurance Contracts</i>	1 January 2018
IFRIC 22 Interpretation <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IAS 40 (Amended) <i>Investment Property</i>	1 January 2018

The Group reflected in the current period the effect of the first application of IFRS 9 *Financial Instruments* as of January 1, 2018 in the amount of RR 33 million as part of Retained earnings and the effect for the current period in the amount of RR 0 million in the composition of financial results for the period.

The application of the remaining standards and interpretations did not have a significant impact on the Group's financial position or results of operations.

## Slavneft Group

### Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

#### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Machinery and equipment	Construction in progress	Total
<b>Cost</b>				
<b>As of 1 January 2018</b>	<b>423,666</b>	<b>125,239</b>	<b>50,725</b>	<b>599,630</b>
Additions	274	–	17,238	17,512
Transfers	6,960	1,157	(8,117)	–
Change in decommissioning liabilities	(198)	–	–	(198)
Disposals	(755)	(477)	(4)	(1,236)
<b>As of 31 March 2018</b>	<b>429,947</b>	<b>125,919</b>	<b>59,842</b>	<b>615,708</b>
<b>Accumulated depreciation, depletion and impairment</b>				
<b>As of 1 January 2018</b>	<b>(216,416)</b>	<b>(50,625)</b>	<b>(485)</b>	<b>(267,526)</b>
Depreciation, depletion and impairment losses	(7,334)	(2,009)	–	(9,343)
Transfers	–	–	–	–
Impairment	(14)	(1)	(166)	(181)
Disposal of impairment	2	25	–	27
Disposals	514	346	–	860
<b>As of 31 March 2018</b>	<b>(223,348)</b>	<b>(52,264)</b>	<b>(651)</b>	<b>(276,163)</b>
<b>Net book value as of 1 January 2018</b>	<b>207,250</b>	<b>74,614</b>	<b>50,240</b>	<b>332,104</b>
<b>Net book value as of 31 March 2018</b>	<b>206,699</b>	<b>73,655</b>	<b>59,191</b>	<b>339,545</b>
<b>Cost</b>				
<b>As of 1 January 2017</b>	<b>380,670</b>	<b>114,131</b>	<b>40,024</b>	<b>534,825</b>
Additions	228	–	15,878	16,106
Transfers	8,570	5,629	(14,199)	–
Change in decommissioning liabilities	(101)	–	–	(101)
Disposals	(300)	(131)	(589)	(1,020)
<b>As of 31 March 2017</b>	<b>389,067</b>	<b>119,629</b>	<b>41,114</b>	<b>549,810</b>
<b>Accumulated depreciation, depletion and impairment</b>				
<b>As of 1 January 2017</b>	<b>(187,526)</b>	<b>(44,371)</b>	<b>(811)</b>	<b>(232,708)</b>
Depreciation, depletion and impairment losses	(7,023)	(1,503)	–	(8,526)
Impairment	–	–	(15)	(15)
Disposal of impairment	7	–	341	348
Disposals	256	104	–	360
<b>As of 31 March 2017</b>	<b>(194,286)</b>	<b>(45,770)</b>	<b>(485)</b>	<b>(240,541)</b>
<b>Net book value as of 1 January 2017</b>	<b>193,144</b>	<b>69,760</b>	<b>39,213</b>	<b>302,117</b>
<b>Net book value as of 31 March 2017</b>	<b>194,781</b>	<b>73,859</b>	<b>40,629</b>	<b>309,269</b>

During the three months ended 31 March 2018, borrowing costs of RR 774 million were capitalized (during the three months ended 31 March 2017 – RR 800 million).

#### NOTE 5. OTHER NON-CURRENT ASSETS

	31 March 2018	31 December 2017
Other intangible assets	1,615	1,408
Other non-current financial assets	10	11
Other non-current non-financial assets	111	160
<b>Total other non-current assets</b>	<b>1,736</b>	<b>1,579</b>

Intangible assets are stated net of accumulated amortization in the amount of RR 103 million as of 31 March 2018 (31 December 2017 – RR 99 million). For the three months ended 31 March 2018, accumulated amortization accrued in the amount of RR 4 million (for the three months ended 31 March 2017 – RR 12 million).

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 6. INVENTORIES**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Crude oil	4,170	4,488
Materials and supplies	3,266	2,739
Petroleum products	682	301
Other	728	461
Allowance for inventory impairment	(18)	(22)
<b>Total inventories</b>	<b>8,828</b>	<b>7,967</b>

**NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Trade receivables	44,185	42,288
Other accounts receivable	2,252	2,076
Allowance for expected credit losses	(693)	(664)
<b>Trade and other receivables, net</b>	<b>45,744</b>	<b>43,700</b>
Advances to suppliers and prepayments	1,283	1,391
VAT recoverable	2,042	1,272
<b>Tax prepayments and advances issued</b>	<b>3,325</b>	<b>2,663</b>
<b>Total trade and other receivables, net</b>	<b>49,069</b>	<b>46,363</b>

**NOTE 8. CASH AND CASH EQUIVALENTS**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Cash held in banks – Russian Roubles	214	134
Cash held in banks – foreign currencies	236	397
Deposits – Russian Roubles	2,826	3,196
Deposits – foreign currencies	7	426
<b>Total cash and cash equivalents</b>	<b>3,283</b>	<b>4,153</b>

**NOTE 9. NON-CURRENT AND CURRENT DEBT**

	<b>Currency</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
JSC GPB	RR	25,750	24,640
AO ALFA-BANK	RR	20,003	20,007
PJSC Sberbank	RR	19,120	19,120
PJSC CREDIT BANK OF MOSCOW	RR	18,365	16,363
PJSC Sovcombank	RR	5,000	5,000
PJSC Bank Saint Petersburg	RR	4,187	4,512
AO Raiffeisenbank	USD	1,985	3,078
AO UniCredit Bank	USD	1,853	2,484
LLC Expobank	RR	500	250
PJSC West Siberian Commercial Bank	RR	–	1,000
Less current portion		(5,559)	(8,256)
<b>Total non-current debt</b>		<b>91,204</b>	<b>88,198</b>

Loan agreements contain a number of restrictive financial and other covenants that the Company or its subsidiaries as the borrower are obliged to fulfill. These covenants include maintaining certain financial ratios. As of 31 March 2018 and 31 December 2017, the Group complied with all restrictive financial and other covenants contained in the loan agreements.

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 9. NON-CURRENT AND CURRENT DEBT (CONTINUED)****Current debt and current portion of non-current debt**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Current loans – Russian Roubles	6,048	2,103
Current portion of non-current loans – Russian Roubles	1,721	2,694
Current portion of non-current loans – foreign currencies	3,838	5,562
<b>Total current debt and current portion of non-current debt</b>	<b>11,607</b>	<b>10,359</b>

**NOTE 10. DECOMMISSIONING AND ENVIRONMENTAL LIABILITIES**

The table below presents movements in decommissioning provision:

	<u>Three months ended 31 March 2018</u>	<u>Three months ended 31 December 2017</u>
<b>Decommissioning provision, opening balance</b>	<b>19,056</b>	<b>16,140</b>
Additions	92	18
Disposal	(7)	(1)
Change in estimates	(198)	(101)
Unwinding of discount	393	282
<b>Decommissioning provision, closing balance (non-current portion)</b>	<b>19,336</b>	<b>16,338</b>

The table below presents movements in environmental provision:

	<u>Three months ended 31 March 2018</u>	<u>Three months ended 31 December 2017</u>
<b>Environmental provision, opening balance (including current portion)</b>	<b>1,070</b>	<b>954</b>
Additions	111	36
Disposal	(10)	–
Change in estimates	–	(3)
Unwinding of discount	11	2
<b>Environmental provision, closing balance</b>	<b>1,182</b>	<b>989</b>
Less current portion	(618)	(390)
<b>Environmental provision, closing balance (non-current portion)</b>	<b>564</b>	<b>599</b>

**NOTE 11. TRADE PAYABLES**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Payables to suppliers and contractors	13,442	13,077
Payables for purchased non-current assets	9,719	11,021
<b>Total trade payables</b>	<b>23,161</b>	<b>24,098</b>

**NOTE 12. TAXES PAYABLE**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Mineral extraction tax	10,576	10,891
Value added tax	10,346	9,555
Excise	3,945	4,149
Property tax	1,063	984
Social payments	632	641
Income tax	151	292
Personal income tax	99	90
Other	13	16
<b>Total taxes payable</b>	<b>26,825</b>	<b>26,618</b>

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 13. OTHER CURRENT LIABILITIES**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Accrual for bonus payments	863	610
Accrual for vacation payments	814	690
Environmental liabilities (current portion)	618	427
Wages and salaries	493	474
Factoring liabilities	310	305
Accrued liabilities	32	30
Other	629	453
<b>Total other current liabilities</b>	<b>3,759</b>	<b>2,989</b>

**NOTE 14. INCOME TAX**

The Group calculates the income tax expense for the period based on the tax rate that will be applied to the expected total profit for the year. The main components of income tax expense in the Consolidated Interim Statement of Comprehensive Income were as follows:

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Current income tax expense	1,276	1,084
Deferred tax expense	222	410
Income tax allowance	–	66
Income tax adjustments for previous periods	(139)	(245)
<b>Total income tax expense</b>	<b>1,359</b>	<b>1,315</b>

**NOTE 15. REVENUE**

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Crude oil	57,291	50,762
Processing services	6,771	6,110
Other sales	1,189	1,068
Associated gas	91	99
<b>Total revenue</b>	<b>65,342</b>	<b>58,039</b>

**NOTE 16. TAXES OTHER THAN INCOME TAX**

	<b>Three months ended 31 March 2018</b>	<b>Three months ended 31 March 2017</b>
Mineral extraction tax	31,656	27,379
Property tax	1,046	1,028
Social payments	866	770
Other	7	39
<b>Total taxes other than income tax</b>	<b>33,575</b>	<b>29,216</b>

## Slavneft Group

### Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

#### NOTE 17. FINANCE INCOME AND EXPENSES

	Three months ended 31 March 2018	Three months ended 31 March 2017
Interest income	117	322
Other income	2	–
<b>Total finance income</b>	<b>119</b>	<b>322</b>
Interest expenses	(1,307)	(872)
Fees for factoring services	(508)	–
Unwinding of discount on decommissioning and environmental liabilities	(404)	(284)
Expenses on pension liabilities	(48)	(50)
Bank commissions and charges	(17)	(14)
Other	(4)	(2)
<b>Total finance expenses</b>	<b>(2,288)</b>	<b>(1,222)</b>

#### NOTE 18. RELATED PARTY TRANSACTIONS

For the purpose of these Consolidated Interim Condensed Financial Statements, parties are generally considered to be related if one party has the ability to control the other party, the parties are under common control, or one party 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 drawn to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the three months ended 31 March 2018 were the Primary Shareholders (Note 1) and their group entities (Rosneft Group and Gazprom Neft Group).

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, and OJSC Slavneft-Yaroslavnefteorgsintez) was as follows:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Short-term employee benefits	34	52
Long-term bonus scheme and other long-term employee benefits	–	3
<b>Total</b>	<b>34</b>	<b>55</b>

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

Customer	Description	Three months ended 31 March 2018	Three months ended 31 March 2017
Entities of Rosneft Group	Crude oil	28,551	25,221
Entities of Gazprom Neft Group	Crude oil	28,551	25,221
Entities of Rosneft Group	Processing services	3,385	3,056
Entities of Gazprom Neft Group	Processing services	3,385	3,054
Other	Other	530	1,024
<b>Total</b>		<b>64,402</b>	<b>57,576</b>

For the three months ended 31 March 2018, the Group incurred operating expenses with related parties consisting of purchases in the amount of RR 136 million (for the three months ended 31 March 2017 – RR 260 million).



## Slavneft Group

### Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

#### NOTE 18. RELATED PARTY TRANSACTIONS (CONTINUED)

Receivables from related parties were as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Entities of Rosneft Group	21,381	20,134
Entities of Gazprom Neft Group	21,894	20,503
<b>Total</b>	<b>43,275</b>	<b>40,637</b>

Accounts payable to related parties were as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Entities of Gazprom Neft Group	1,181	2,364
Entities of Rosneft Group	1,225	1,204
Other	2	2
<b>Total</b>	<b>2,408</b>	<b>3,570</b>

Dividends payable to Shareholders were as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Entities of Gazprom Neft Group	5	5
Entities of Rosneft Group	5	5
<b>Total</b>	<b>10</b>	<b>10</b>

#### 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 2018 in the amount of RR 56,849 million (31 December 2017 – RR 40,744 million).

##### Litigation

The Group has a number of insignificant claims and litigations relating to regular business activities and insignificant fiscal claims. The Group's management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

##### 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 interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that the Group has paid or 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.

**NOTE 19. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

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. The Group's management has implemented internal procedures to be in compliance with the new transfer pricing legislation. The Group's 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.

**Operating environment**

Russia continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of the economic, financial and monetary measures taken by the Government.

A decline in oil prices and sanctions imposed on Russia by some countries have had a negative impact on the Russian economy. Interest rates of borrowings in Russian Roubles remain high. The combination of these factors has led to a decrease in the availability of capital and increase in its value, as well as to an increase in uncertainty about future economic growth, which may adversely affect the financial position, results of operations and business prospects. Management is taking necessary measures to ensure the sustainability of the Group's operations.

In the normal course of business the Group is exposed to the following financial risks: market risk (including foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group operates a risk management system and a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

Risk management is exercised by the Management Board on a regular basis. The Company's Management Board and the Management Boards of subsidiaries jointly with the Boards of Directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk and interest rates risk.

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 20. FINANCIAL RISK MANAGEMENT****Market risk**

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, 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 measures taken by the Group's management to optimize revenues and expenses help to reduce the impact of this risk.

**Foreign currency risk**

The Company undertakes transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments denominated in foreign currencies are as follows:

	<b>31 March 2018</b>					<b>Total</b>
	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>BYR</b>	<b>Subtotal for foreign currency</b>	
<b>Current assets</b>						
Trade and other receivables	45,396	–	379	1	380	45,776
Cash and cash equivalents	3,040	145	89	9	243	3,283
Other current assets	43	–	–	–	–	43
<b>Non-current liabilities</b>						
Non-current debt	(91,204)	–	–	–	–	(91,204)
<b>Current liabilities</b>						
Current debt	(7,769)	(3,838)	–	–	(3,838)	(11,607)
Trade accounts payable	(22,200)	(63)	(897)	(1)	(961)	(23,161)
<b>Total, net</b>	<b>(72,694)</b>	<b>(3,756)</b>	<b>(429)</b>	<b>9</b>	<b>(4,176)</b>	<b>(76,870)</b>
<b>31 December 2017</b>						
	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>BYR</b>	<b>Subtotal for foreign currency</b>	<b>Total</b>
<b>Current assets</b>						
Trade and other receivables	42,556	–	1,143	1	1,144	43,700
Cash and cash equivalents	3,330	713	100	10	823	4,153
Other current assets	47	–	–	–	–	47
<b>Non-current liabilities</b>						
Non-current debt	(88,198)	–	–	–	–	(88,198)
<b>Current liabilities</b>						
Current debt	(4,797)	(5,562)	–	–	(5,562)	(10,359)
Trade accounts payable	(22,558)	(11)	(1,528)	(1)	(1,540)	(24,098)
<b>Total, net</b>	<b>(69,620)</b>	<b>(4,860)</b>	<b>(285)</b>	<b>10</b>	<b>(5,135)</b>	<b>(74,755)</b>

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The impact of the 20% appreciation/(depreciation) of the Russian ruble against foreign currencies on the Company's income before income tax would be the following:

	Three months ended 31 March 2018			Three months ended 31 March 2017		
	EUR	USD	BYR	EUR	USD	BYR
Effect on profit before tax	+/-86	+/-751	-/+2	+/-7	+/-1,647	-/+31

**Commodity price risk**

The Group's overall commercial trading strategy in crude oil and related products is centrally managed. Changes in commodity prices could negatively or positively affect the Group's results of operations. The Group sells substantially all its crude oil and related products to the Primary Shareholders.

**Interest rate risk**

Loans and borrowings raised at variable interest rates expose the Company to interest rate risk arising from the possible movement of variable elements of the overall interest rate. Taking the CBR's key rate decline during 2018 and 2017, as well as the forecasts for further reduction of the CBR's key rate, the Group increased the share of loans with a floating rate.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 March 2018	31 December 2017
Bank deposits	2,833	3,622
Non-current debt	(19,120)	(19,120)
Current portion of non-current debt	(4,845)	(2,100)
<b>Fixed rate financial instruments (net)</b>	<b>(21,132)</b>	<b>(17,598)</b>
Non-current debt	(72,084)	(69,078)
Current portion of non-current debt	(6,725)	(8,212)
<b>Variable rate financial instruments</b>	<b>(78,809)</b>	<b>(77,290)</b>

The Group's management analyzes its interest rate exposure, including by performing scenario analysis to measure the impact of an interest rate shift on annual income before income tax.

The table below summarizes the impact of a potential increase or decrease on the Company's profit before tax, as applied to the variable element of interest rates on loans and borrowings. The increase/decrease is based on management estimates of potential interest rate movements.

A 5% change in interest rates at the reporting date would have the following effect on profit before tax:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Effect on profit before tax	1,040	663

The sensitivity analysis is limited to variable rate loans and borrowings and is conducted with all other variables held constant. The analysis is prepared with the assumption that the amount of variable rate liability outstanding at the reporting date was outstanding for the whole year. The interest rate on variable rate loans and borrowings will effectively change throughout the year in response to fluctuations in market interest rates.

The impact measured through the sensitivity analysis does not take into account other potential changes in economic conditions that may accompany the relevant changes in market interest rates.

## **NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **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 is dependent on a limited number of customers, the top trade debtors of which are entities associated with the Primary Shareholders. Therefore the probability of repayment of non-discounted debts of buyers and customers as of 31 March 2018 is not considered as a significant risk, as the debtors (Primary Shareholders and other companies) in the past has not violated the terms of the arranged agreements.

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

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to settle its financial liabilities as they fall due. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding with committed credit facilities and the ability to close out market positions.

As of 31 March 2018, the net current liability position of the Group was RR 4,354 million (31 December 2017 – RR 5,651 million). Positive cash flow from operations for the three months ended 31 March 2018 was RR 13,263 million (for the three months ended 31 March 2017 – RR 19,355 million). As of 31 March 2018, the Group had an equity to total asset ratio of 52% (31 December 2017 – 52%).

The Group's Management ensures flexibility in funding by maintaining the availability of credit line facilities. The unused portion of committed credit lines as of 31 March 2018 was RR 26,484 million (31 December 2017 – RR 31,787 million). The unused portion of uncommitted credit lines as of 31 March 2018 was RR 9,300 million (31 December 2017 – RR 2,900 million).

The Group's Management expects that the major sources of the Group's liquidity in 2018 will be cash generated from operations and additional financing for investments in order to refinance the existing loans and to optimize finance costs.

## **NOTE 21. FAIR VALUE FOR FINANCIAL INSTRUMENTS**

### **Fair value measurement**

There were no transfers between the levels of the fair value hierarchy during the three months ended 31 March 2018. There are no significant assets or liabilities measured at fair value categorised within Level 1 and Level 3 of the fair value hierarchy. Borrowings are within Level 2 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 variable and fixed interest rates that reflect currently available terms and conditions for similar debt.

The fair value of current and non-current debt differs from its carrying value and amounts to RR 103,273 million as of 31 March 2018 (31 December 2017 – RR 99,201 million).

## **NOTE 22. DIVIDENDS**

The Company did not declare and did not pay dividends during the three months ended 31 March 2018 or until the date of issuance of this Consolidated Interim Condensed Financial Statements. The Company did not declare and did not pay dividends during the three months ended 31 March 2017.

**Slavneft Group**

**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

*(in million of Russian Roubles, unless noted otherwise)*

**NOTE 23. NON-CONTROLLING INTEREST**

The table below presents information regarding non-controlling interest (hereinafter – “NCI”) as of 31 March 2018 and as of 31 December 2017, and for the three months ended 31 March 2018 and 31 March 2017.

Subsidiaries	Core activity	31 March 2018		Three months ended 31 March 2018	
		NCI share, %	NCI in net assets	NCI in net profit	NCI in net comprehensive (loss)/income
OAo Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	63,224	1,326	1,326
OAo Slavneft Yaroslavlnefteorgsintez	Petroleum refining	60.17%	35,862	758	758
OAo Ob’neftegazgeologiya	Oil and gas development and production	19.76%	2,968	111	111
OOO MUBR	Exploratory drilling	43.58%	1,261	(4)	(4)
OAo Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	76	(12)	(12)
OOO MegionErgoNeft’	Electrical maintenance	43.58%	142	(4)	(4)
OOO Megion Geologiya	Field survey and exploration	11.87%	(46)	(1)	(1)
Other	–	–	110	22	22
<b>Total</b>			<b>103,597</b>	<b>2,196</b>	<b>2,196</b>

Subsidiaries	Core activity	31 December 2017		Three months ended 31 March 2017	
		NCI share, %	NCI in net assets	NCI in net profit	NCI in net comprehensive (loss)/income
OAo Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	61,898	1,561	1,596
OAo Slavneft Yaroslavlnefteorgsintez	Petroleum refining	60.17%	35,104	673	673
OAo Ob’neftegazgeologiya	Oil and gas development and production	19.76%	2,857	163	163
OOO MUBR	Exploratory drilling	43.58%	1,265	(4)	(4)
OAo Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	87	–	–
OOO MegionErgoNeft’	Electrical maintenance	43.58%	146	10	10
OOO Megion Geologiya	Field survey and exploration	11.87%	(45)	2	2
Other	–	–	90	15	15
<b>Total</b>			<b>101,402</b>	<b>2,420</b>	<b>2,455</b>

**Slavneft Group****Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 24. PRINCIPAL SUBSIDIARIES**

The most significant subsidiaries of the Group and the ownership interest are presented below:

<b>Subsidiaries</b>	<b>Core activity</b>	<b>31 March 2018</b>		<b>31 December 2017</b>	
		<b>Ownership</b>	<b>Voting rights</b>	<b>Ownership</b>	<b>Voting rights</b>
ОАО Slavneft-Megionneftegazgeologiya	Oil and gas development and production	94.72%	94.72%	94.72%	94.72%
ОАО Slavneft-Megionneftegaz	Oil and gas development and production	56.42%	56.42%	56.42%	56.42%
ОАО Ob'neftegazgeologiya	Oil and gas development and production	80.24%	80.24%	80.24%	80.24%
ООО Slavneft' -Nizhnevartovsk	Oil and gas development and production	100%	100%	100%	100%
ООО Slavneft' -Krasnoyarskneftegaz	Field survey and exploration	100%	100%	100%	100%
ОАО Slavneft Yaroslavnefteorgsintez	Petroleum refining	39.83%	51.46%	39.83%	51.46%

**NOTE 25. EVENTS AFTER THE REPORTING PERIOD**

There were no significant subsequent events which have or may have an impact on the Group's financial position, cash flows or operating results which took place during the period between the reporting date and the date of signing of the Group's Consolidated Interim Condensed Financial Statements for the three months ended 31 March 2018 prepared in accordance with IFRS.