

Slavneft Group

IFRS Consolidated Interim Condensed
Financial Information (Unaudited)

as of and for the three and the six months ended 30 June 2016

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CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

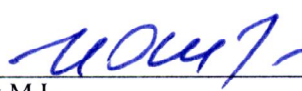
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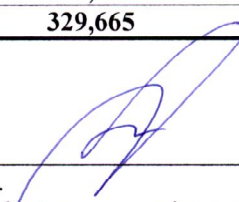
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Slavneft Group
Consolidated Interim Statement of Financial Position (Unaudited)
(in million of Russian Roubles)

	Notes	30 June 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	4	287,052	275,868
Investments		73	313
Deferred income tax assets		7,804	8,096
Other non-current assets	5	3,689	3,800
Total non-current assets		298,618	288,077
Current assets			
Inventories	6	8,033	6,602
Accounts receivable and prepayments	7	13,963	8,062
Income tax receivables		702	1,135
Cash and cash equivalents	8	8,314	8,078
Other current assets		35	31
Total current assets		31,047	23,908
Total assets		329,665	311,985
Equity			
Ordinary share capital		70	70
Retained earnings		34,669	24,347
Other reserves		(77)	62
Additional paid-in capital		54,812	54,812
Total equity attributable to OJSC NGK Slavneft's shareholders		89,474	79,291
Non-controlling interest	23	86,967	80,056
Total equity		176,441	159,347
Liabilities			
Non-current liabilities			
Non-current debt	9	56,293	54,562
Deferred income tax liabilities		15,386	14,287
Decommissioning and environmental liabilities	10	13,762	13,521
Other non-current liabilities		2,332	2,226
Total non-current liabilities		87,773	84,596
Current liabilities			
Current debt and current portion of non-current debt	9	17,437	26,986
Trade payables	11	23,024	22,699
Advances received		216	1,324
Dividends payable	22	62	63
Taxes payable	12	21,989	14,932
Other current liabilities	13	2,723	2,038
Total current liabilities		65,451	68,042
Total liabilities		153,224	152,638
Total equity and liabilities		329,665	311,985


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29 July 2016

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

	Notes	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Revenue	15	58,264	104,500	60,926	119,590
Production expenses		(11,196)	(22,412)	(10,948)	(21,133)
Selling, general and administrative expenses		(1,550)	(2,932)	(1,652)	(3,150)
Cost of other sales		(1,322)	(2,309)	(1,084)	(2,225)
Taxes other than income tax	16	(23,753)	(40,277)	(27,914)	(54,808)
Depreciation, depletion and amortization	4, 5	(7,835)	(15,595)	(7,908)	(15,544)
Exploration expenses		(157)	(281)	(251)	(313)
Impairment and gain/(loss) on disposal of assets		69	46	(129)	(21)
Total operating expenses and costs		(45,744)	(83,760)	(49,886)	(97,194)
Other operating income		173	288	104	342
Operating profit		12,693	21,028	11,144	22,738
Finance income	17	406	860	514	1,105
Finance expenses	17	(1,995)	(3,700)	(1,356)	(2,523)
Foreign exchange gain		1,209	3,265	2,559	221
Profit before income tax		12,313	21,453	12,861	21,541
Income tax expense	14	(2,202)	(4,352)	(2,768)	(4,556)
Profit for the period attributable to:		10,111	17,101	10,093	16,985
– OJSC NGK Slavneft shareholders		6,416	10,190	6,523	10,597
– Non-controlling interest	23	3,695	6,911	3,570	6,388
Other comprehensive loss		(33)	(139)	(128)	(98)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(33)	(139)	(128)	(98)
Total comprehensive income attributable to:		10,078	16,962	9,965	16,887
– OJSC NGK Slavneft shareholders		6,383	10,051	6,395	10,499
– Non-controlling interest	23	3,695	6,911	3,570	6,388

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	–	–	–	10,597	10,597	6,388	16,985
Other comprehensive loss							
Currency translation differences	–	–	(98)	–	(98)	–	(98)
Total comprehensive income/(loss)	–	–	(98)	10,597	10,499	6,388	16,887
At 30 June 2015	70	54,812	14	24,902	79,798	77,392	157,190
At 1 January 2016	70	54,812	62	24,347	79,291	80,056	159,347
Profit for the period	–	–	–	10,190	10,190	6,911	17,101
Other comprehensive loss							
Currency translation differences	–	–	(139)	–	(139)	–	(139)
Total comprehensive income/(loss)	–	–	(139)	10,190	10,051	6,911	16,962
Other	–	–	–	132	132	–	132
At 30 June 2016	70	54,812	(77)	34,669	89,474	86,967	176,441

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	Six months ended 30 June 2016	Six months ended 30 June 2015
Cash flows from operating activities			
Profit for the period		17,101	16,985
Adjustments to reconcile profit for the period to net cash provided by operating activities			
Depreciation, depletion and amortization	4, 5	15,595	15,544
Impairment and loss/(gain) on disposal of assets		(46)	21
Finance income	17	(860)	(1,105)
Finance expenses	17	3,700	2,523
Foreign exchange gain		(3,265)	(221)
Income tax expense	14	4,352	4,556
Change in provisions		531	675
Other		320	(66)
Cash flow from operating activities before working capital changes		37,428	38,912
Changes in working capital			
Increase in accounts receivable and prepayments		(7,167)	(2,002)
Increase in inventories		(1,381)	(1,532)
Decrease/(increase) in other current and non-current assets		112	(402)
Increase/(decrease) in accounts payable		1,198	(2,698)
Increase in other current liabilities		80	126
Increase in other non-current liabilities		-	3
Increase in taxes payable		6,384	6,807
Income tax paid		(1,854)	(1,579)
Net cash from operating activities		34,800	37,635
Cash flows from investing activities			
Dividends received		15	-
Proceeds from sale of property, plant and equipment		198	102
Purchases of property, plant and equipment		(28,080)	(26,096)
Interest received		837	975
Net cash used in investing activities		(27,030)	(25,019)
Cash flows from financing activities			
Proceeds from issuance of current debt		30	250
Proceeds from issuance of non-current debt		33,325	21,050
Repayments of current debt		(250)	(11,755)
Repayments of non-current debt		(37,661)	(17,754)
Dividends paid		(1)	(3)
Interest payments		(2,940)	(2,148)
Net cash from/(used in) financing activities		(7,497)	(10,360)
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(37)	95
Net increase in cash and cash equivalents		236	2,351
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	8,314	16,060

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 of 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 voting shares of OJSC Mozyrsky NPZ and another 15% of voting shares 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 30 June 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, PJSC Rosneft Oil Company completed the acquisition of an aggregate 100% interest in TNK–BP Group. As a result of this acquisition, PJSC Rosneft Oil Company obtained 49.9% interest in Slavneft Group. PJSC Gazprom Neft and PJSC 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 PREPARATION

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 six months ended 30 June 2016 and 30 June 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. BASIS OF PREPARATION (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 Russian roubles ("RR") at the official exchange rates of the Central Bank of the Russian Federation ("CBR") at that date. Non monetary assets and liabilities are 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 30 June 2016 and 31 December 2015 and for six months ended 30 June 2016 and 30 June 2015 (in RR):

	At 30 June 2016	At 31 December 2015	Average rates for the six months ended 30 June	
			2016	2015
For one currency unit to equivalent				
Russian rouble				
– US dollar ("USD")	64.2575	72.8827	70.2583	57.3968
– Euro ("EUR")	71.2102	79.6972	78.3669	64.3057

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
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 six months ended 30 June 2016, and have not been applied in this 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	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January 2016	337,876	103,956	35,637	477,469
Additions	370	–	27,257	27,627
Transfers	19,645	2,981	(22,626)	–
Change in decommissioning liabilities	(510)	–	–	(510)
Disposals	(1,737)	(326)	(132)	(2,195)
Other	–	249	–	249
As of 30 June 2016	355,644	106,860	40,136	502,640
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2016	(163,097)	(37,602)	(902)	(201,601)
Depreciation, depletion and amortization	(12,762)	(2,809)	–	(15,571)
Impairment	(27)	–	(81)	(108)
Impairment recovery	49	–	1	50
Disposals	1,591	218	–	1,809
Other	–	(167)	–	(167)
As of 30 June 2016	(174,246)	(40,360)	(982)	(215,588)
Net book value as of 1 January 2016	174,779	66,354	34,735	275,868
Net book value as of 30 June 2016	181,398	66,500	39,154	287,052
Cost				
As of 1 January 2015	300,666	98,909	32,598	432,173
Additions	253	–	23,325	23,578
Transfers	14,809	542	(15,351)	–
Change in decommissioning liabilities	(149)	–	–	(149)
Disposals	(1,834)	(332)	(1 232)	(3,398)
As of 30 June 2015	313,745	99,119	39,340	452,204
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2015	(139,557)	(32,803)	(1,865)	(174,225)
Depreciation, depletion and amortization	(12,888)	(2,656)	–	(15,544)
Impairment	(56)	–	(83)	(139)
Impairment recovery	17	–	1,023	1,040
Change in decommissioning liabilities	157	–	–	157
Disposals	1,596	272	–	1,868
As of 30 June 2015	(150,731)	(35,187)	(925)	(186,843)
Net book value as of 1 January 2015	161,109	66,106	30,733	257,948
Net book value as of 30 June 2015	163,014	63,932	38,415	265,361

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**

	30 June 2016	31 December 2015
Catalysts	2,730	2,641
Other intangible assets*	902	1,033
Other	68	137
Allowance for impairment of non-current assets	(11)	(11)
Total other non-current assets	3,689	3,800

* Net of accumulated depreciation. For the three and the six months ended 30 June 2016, accumulated depreciation accrued in the amount of RR 9 million and RR 24 million respectively (for the three and the six months ended 30 June 2015 no depreciation was accrued).

NOTE 6. INVENTORIES

	30 June 2016	31 December 2015
Crude oil	3,407	3,046
Materials and supplies	3,000	2,379
Oil products	618	482
Other	1,181	724
Allowance for inventory impairment	(173)	(29)
Total inventories	8,033	6,602

NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2016	31 December 2015
Trade receivables (net of bad debt provision of RR 614 million and RR 616 million at 30 June 2016 and 31 December 2015 respectively)	10,839	4,976
Other accounts receivable (net of bad debt provision of RR 86 million and RR 83 million at 30 June 2016 and 31 December 2015 respectively)	343	360
Trade and other financial receivables, net	11,182	5,336
Advances to suppliers and prepayments	1,303	1,724
VAT recoverable	1,478	1,002
Tax prepayments and advances issued	2,781	2,726
Total trade and other receivables, net	13,963	8,062

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Cash held in banks – Russian roubles	229	62
Cash held in banks – other currencies	470	539
Short-term deposits – Russian roubles	6,952	6,743
Short-term deposits – other currencies	663	734
Total cash and cash equivalents	8,314	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****Non-current debt**

	Currency	30 June 2016	31 December 2015
JSC Alfa-Bank	RR	12,300	14,314
OJSC Gazprombank	RR	9,000	8,000
PJSC VTB Bank	RR	8,000	–
AO Raiffeisenbank	USD	7,420	10,100
PJSC CREDIT BANK OF MOSCOW	RR	7,009	7,713
AO UniCredit Bank	USD	6,927	9,428
PJSC Bank Sankt Petersburg	RR	6,923	7,228
LLC Ekspobank	RR	5,500	5,500
PJSC Promsvyazbank	RR	4,200	–
AO COMMERZBANK (EURASIJA)	RR	1,608	1,823
CJSC ING Bank London branch	USD	1,378	4,687
CJSC BNP Paribas bank	USD	933	2,116
PJSC Rosbank	USD	857	1,944
CJSC Natixis Bank	USD	857	1,944
PJSC Bank Otkritie Financial Corporation	RR	600	–
PJSC Absolut Bank	RR	–	3,041
PJSC Sviaz-Bank	RR	–	2,001
PJSC BANK URALSIB	RR	–	650
PJSC West Siberian Commercial Bank	RR	–	551
Less current portion		(17,219)	(26,478)
Total non-current debt		56,293	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 12.0% 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, 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

	30 June 2016	31 December 2015
Current loans – Russian roubles	22	306
Current portion of non-current loans – Russian roubles	5,840	7,442
Current loans – other currencies	196	202
Current portion of non-current loans – other currencies	11,379	19,036
Total current debt and current portion of non-current debt	17,437	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 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Decommissioning and environmental provisions, opening balance (including current portion)	13,970	13,895	13,429	13,488
Additions	106	245	107	186
Disposal	(129)	(151)	(267)	(561)
Change of the cost, discount rate and period	(402)	(609)	(3)	(10)
Unwinding of the present value discount	559	724	190	353
Decommissioning and environmental provisions, closing balance	14,104	14,104	13,456	13,456
Less current portion	(342)	(342)	(706)	(706)
Decommissioning and environmental provisions, non-current portion, closing balance	13,762	13,762	12,750	12,750

NOTE 11. TRADE PAYABLES

	30 June 2016	31 December 2015
Trade payables to suppliers and contractors	13,808	11,528
Payables for purchased non-current assets	9,216	11,171
Trade and other financial payables	23,024	22,699

NOTE 12. TAXES PAYABLE

	30 June 2016	31 December 2015
Value added tax	8,202	5,902
Mineral extraction tax	7,840	5,359
Excise	3,428	2,025
Property tax	988	914
Income tax	821	132
Social payments	614	482
Personal income tax	82	71
Other	14	47
Total taxes payable	21,989	14,932

NOTE 13. OTHER CURRENT LIABILITIES

	30 June 2016	31 December 2015
Accrual for bonus payments	1,035	492
Accrual for vacation payments	673	564
Wages and salaries	442	403
Environmental liabilities (current portion)	342	374
Accrued liabilities	18	21
Other	213	184
Total other current liabilities	2,723	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 the Russian Federation.

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 weighted average annual tax rate used for the six months ended 30 June 2016 is 20.29% (the estimated tax rate for the six months ended 30 June 2015 was 21.15%). Decrease in the estimated weighted average income tax rate was caused by the increase in the income tax relief related to the entities engaged in field exploration and capital investment activity in the Khanty-Mansiysk Autonomous district.

The components of income taxes were as follows:

	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Current income tax expense	1,524	2,961	1,391	2,192
Deferred income tax expense	678	1,391	1,377	2,364
Total income tax expense	2,202	4,352	2,768	4,556

NOTE 15. REVENUE

	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Crude oil	50,573	88,441	53,185	103,024
Processing services	5,907	12,631	6,301	13,411
Other sales (mainly oilfield services)	1,689	3,229	1,337	2,952
Associated gas	95	199	103	203
Total revenue	58,264	104,500	60,926	119,590

NOTE 16. TAXES OTHER THAN INCOME TAX

	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Mineral extraction tax	21,953	36,642	26,083	51,213
Property tax	1,010	2,038	954	1,943
Social payments	767	1,534	688	1,417
Other	23	63	189	235
Total taxes other than income tax	23,753	40,277	27,914	54,808

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Information (Unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 17. FINANCE INCOME AND EXPENSES**

	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Interest income	423	837	509	975
Other income	(17)	23	5	130
Total finance income	406	860	514	1 105
Interest expense	(1,375)	(2,857)	(1,088)	(2,037)
Unwinding of discount on decommissioning and environmental liabilities	(559)	(724)	(190)	(353)
Expenses on pension liabilities	(46)	(93)	(34)	(67)
Bank commissions and charges	(8)	(20)	(47)	(65)
Other	(7)	(6)	3	(1)
Total finance expenses	(1,995)	(3,700)	(1,356)	(2,523)
Total finance expenses, net	(1,589)	(2,840)	(842)	(1,418)

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. Transactions between related parties and transactions between unrelated parties may provide different terms, conditions and amounts.

The Group's principal related parties for the six months ended 30 June 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 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Short-term employee benefits	42	77	75	115
Long-term bonus scheme and other long-term employee benefits	–	1	–	–
Total	42	78	75	115

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

Customer	Description	Three months ended 30 June 2016	Six months ended 30 June 2016	Three months ended 30 June 2015	Six months ended 30 June 2015
Entities of Rosneft Group	Crude oil	25,280	44,078	26,582	51,426
Entities of Gazprom Neft Group	Crude oil	25,280	44,078	26,582	51,426
Entities of Rosneft Group	Processing services	2,953	6,315	3,151	6,706
Entities of Gazprom Neft Group	Processing services	2,953	6,315	3,151	6,706
Other	Oil products and other	1,207	2,351	1,005	1,979
Total		57,673	103,137	60,471	118,243

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)**

For the six months ended 30 June 2016 the Group incurred operating expenses with related parties representing purchases in the amount of RR 256 million (for the six months ended 30 June 2015 – RR 252 million).

Borrowings from related parties were as follows:

	30 June 2016	31 December 2015
Entities of Gazprom Neft Group	9,000	8,000
Total	9,000	8,000

Receivables from related parties were as follows:

	30 June 2016	31 December 2015
Entities of Rosneft Group	3,876	1,481
Entities of Gazprom Neft Group	3,502	1,330
Other	3	77
Total	7,381	2,888

Accounts payable to related parties were as follows:

	30 June 2016	31 December 2015
Entities of Gazprom Neft Group	2,467	2,228
Entities of Rosneft Group	1,013	1,703
Other	1	178
Total	3,481	4,109

Dividends payable to Shareholders were as follows:

	30 June 2016	31 December 2015
Entities of Gazprom Neft Group	31	31.5
Entities of Rosneft Group	31	31.5
Total	62	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 30 June 2016 in the amount of RR 11,879 million (as of 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 the Group 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.

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. Management has implemented internal procedures to be in compliance with the new transfer pricing legislation. Management believes that the Group's 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

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 2016 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 and 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.

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)****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 liabilities denominated in foreign currencies:

	30 June 2016				Subtotal for foreign currency	Total
	RUR	USD	EUR	BYR		
Current assets						
Trade accounts receivable	9,075	–	2,107	–	2,107	11,182
Cash and cash equivalents	7,181	360	99	674	1,133	8,314
Loans receivable	1	–	–	–	–	1
Non-current liabilities						
Non-current debt	(47,692)	(8,601)	–	–	(8,601)	(56,293)
Current liabilities						
Current debt	(5,861)	(11,380)	(196)	–	(11,576)	(17,437)
Trade accounts payable	(20,027)	(698)	(2,293)	(6)	(2,997)	(23,024)
Total	(57,323)	(20,319)	(283)	668	(19,934)	(77,257)

	31 December 2015				Subtotal for foreign currency	Total
	RUR	USD	EUR	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)
Total	(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:

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	USD	EUR	BYR	USD	EUR	BYR
Effect on pre-tax profit	+/- 4,064	+/- 57	-/+ 134	+/- 7,753	+/- 57	-/+ 164

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.

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)

Interest rate risk (continued)

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

	30 June 2016	31 December 2015
Bank deposits	7,615	7,477
Non-current debt	(20,126)	(17,372)
Current debt	(4,608)	(4,520)
Fixed rate financial instruments (net)	(17,119)	(14,415)
Non-current debt	(36,167)	(37,190)
Current debt	(12,572)	(22,110)
Floating rate financial instruments	(48,739)	(59,300)

At 30 June 2016 and 31 December 2015, the Group's risk policy does not provide for any interest risk hedging.

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Effect on pre-tax profit	1,542	1,619

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.

The Group is dependent on a limited number of customers – 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 30 June 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 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. During the six months ended 30 June 2016, global and Russian capital markets experienced significant volatility, significant fluctuation of Russian rouble against USD and euro. Despite stabilization measures undertaken of governments of different countries, 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 of 30 June 2016 net current liability position of the Group was RR 34,404 million (as of 31 December 2015 – RR 44,134 million). Cash flows from operations for the six months ended 30 June 2016 were RR 34,800 million (for the six months ended 30 June 2015 – RR 37,635 million). As of 30 June 2016 the Group has an equity to total asset ratio of 54% (as of 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 as of 30 June 2016 was RR 12,895 million (as of 31 December 2015 – RR 4,495 million). The unused portion of uncommitted credit lines as of 30 June 2016 was RR 3,000 million (as of 31 December 2015 – RR 3,000 million). As of 30 June 2016 the Group's short-term borrowings and current portion of long-term debt totaled RR 17,437 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 OF FINANCIAL INSTRUMENTS

Fair value measurement

There were no transfers between the levels of the fair value hierarchy during the six months ended 30 June 2016. There are no significant assets or liabilities measured at fair value categorised within Level 1 or 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 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 71,458 million as of 30 June 2016 (as of 31 December 2015 – RR 76,900 million).

NOTE 22. DIVIDENDS

The Group did not declare dividends during the six months ended 30 June 2016, or until the date of issuance of this Consolidated Interim Condensed Financial Information.

The Group paid dividends during the six months ended 30 June 2016 in the amount of RR 1 million, 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 six months ended 30 June 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 non-controlling interest (“NCI”) as of 30 June 2016 and as of 31 December 2015, and for six months ended 30 June 2016 and 30 June 2015.

Subsidiaries	Core activity	30 June 2016		Six months ended 30 June 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%	54,744	4,334	4,334
OJSC Slavneft Yaroslavnefteorgsintez*	Petroleum refining	60.17%	28,711	2,051	2,051
OJSC Ob’neftegazgeologiya	Oil and gas development and production	19.76%	2,212	495	495
LLC MUBR	Field survey and exploration	43.58%	1,113	36	36
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	143	(30)	(30)
LLC MegionEnergNeft’	Field survey and exploration	43.58%	137	13	13
LLC Megion Geologiya	Field survey and exploration	11.87%	(61)	12	12
Other	–	–	(32)	–	–
Total			86,967	6,911	6,911

Subsidiaries	Core activity	31 December 2015		Six months ended 30 June 2015	
		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	4,063	4,063
OJSC Slavneft Yaroslavnefteorgsintez *	Petroleum refining	60.17%	26,660	1,984	1,984
OJSC Ob’neftegazgeologiya	Oil and gas development and production	19.76%	1,717	294	294
LLC MUBR	Field survey and exploration	43.58%	1,077	44	44
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	172	(22)	(22)
LLC MegionEnergNeft’	Field survey and exploration	43.58%	123	22	22
LLC Megion Geologiya	Field survey and exploration	11.87%	(73)	10	10
OJSC Sobol’	Oil and gas development and production	16.31%	(41)	(1)	(1)
Other	–	–	10	(6)	(6)
Total			80,056	6,388	6,388

* The voting rights of the Group comprise 39.83% as of 30 June 2016 and 31 December 2015. No dividends were declared by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez during the annual general meeting held on 20 June 2014. The similar decision was taken by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez on 17 June 2016. In this case, the voting rights of the Group did not change and comprise 39.83% as of 30 June 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 Information as of 30 June 2016 and 31 December 2015 includes RR 79,201 million and RR 72,885 million respectively.

Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended 30 June 2016 and 30 June 2015 comprises RR 6,316 million and RR 5,836 million respectively as profit, 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.