

Slavneft Group

Consolidated Interim Condensed Financial Statements
(unaudited)

*as of and for the three and the six months ended
30 June 2018*

CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION.....3

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Consolidated Interim Statement of Financial Position (unaudited).....	5
Consolidated Interim Statement of Comprehensive Income (unaudited)	6
Consolidated Interim Statement of Changes in Shareholder’s Equity (unaudited).....	7
Consolidated Interim Statement of Cash Flows (unaudited).....	8

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. General information.....	9
Note 2. Summary of significant accounting policies.....	9
Note 3. Adoption of new and revised Standards and interpretations	11
Note 4. Property, plant and equipment.....	12
Note 5. Other non-current assets	12
Note 6. Inventories	13
Note 7. Accounts receivable and prepayments.....	13
Note 8. Cash and cash equivalents	13
Note 9. Non-current and current debt.....	13
Note 10. Decommissioning and environmental liabilities.....	14
Note 11. Trade payables.....	14
Note 12. Taxes payable	15
Note 13. Other current liabilities	15
Note 14. Income tax	15
Note 15. Revenue	15
Note 16. Taxes other than income tax	16
Note 17. Finance income and expenses.....	16
Note 18. Related party transactions.....	16
Note 19. Contingencies and commitments.....	17
Note 20. Financial risk management	19
Note 21. Fair value for financial instruments.....	21
Note 22. Dividends.....	21
Note 23. Non-controlling interest.....	22
Note 24. Principal subsidiaries.....	23
Note 25. Events after the reporting period	23

Report on Review of Interim Financial Information

To the shareholders and the Board of Directors of
Public Joint Stock Oil and Gas Company Slavneft

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of Public Joint Stock Oil and Gas Company Slavneft and its subsidiaries, which comprise the consolidated interim statement of financial position as at 30 June 2018, the consolidated interim statement of comprehensive income for the three-month and six-month periods then ended, consolidated interim statement of changes in shareholder's equity and consolidated interim statement of cash flows for the six-month period then ended and other explanatory notes (interim financial information). Management of Public Joint Stock Oil and Gas Company 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.



Совершенство бизнеса,
улучшаем мир

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

31 July 2018

Details of the entity


Name: Public Joint Stock Oil and Gas Company 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-street, 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 naberezhnaya, 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.

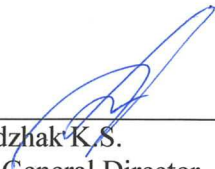
Slavneft Group
Consolidated Interim Statement of Financial Position (unaudited)
(in millions of Russian Roubles)

	Notes	30 June 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	4	348,567	332,104
Deferred tax assets		11,683	11,314
Other non-current assets	5	1,762	1,579
Total non-current assets		362,012	344,997
Current assets			
Inventories	6	9,033	7,967
Accounts receivable and prepayments	7	63,124	46,363
Income tax receivables		129	102
Cash and cash equivalents	8	1,901	4,153
Other current assets		41	47
Total current assets		74,228	58,632
Total assets		436,240	403,629
Equity			
Ordinary share capital		70	70
Retained earnings		64,098	53,635
Additional paid-in capital		54,812	54,812
Total equity attributable to SLAVNEFT'S shareholders		118,980	108,517
Non-controlling interest	23	107,387	101,402
Total equity		226,367	209,919
Liabilities			
Non-current liabilities			
Non-current debt	9	86,377	88,198
Deferred tax liabilities		19,759	18,903
Decommissioning and environmental liabilities	10	20,466	19,699
Other non-current liabilities		2,655	2,627
Total non-current liabilities		129,257	129,427
Current liabilities			
Current debt and current portion of non-current debt	9	18,106	10,359
Trade payables	11	25,352	24,098
Advances received		185	209
Dividends payable		13	10
Taxes payable	12	33,358	26,618
Other current liabilities	13	3,602	2,989
Total current liabilities		80,616	64,283
Total liabilities		209,873	193,710
Total equity and liabilities		436,240	403,629


 Osipov M.L.
 General Director

SLAVNEFT

31 July 2018


 Karabadzhaq K.S.
 Deputy General Director
 for Economics and Finance
 SLAVNEFT

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

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

	Notes	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Revenue	15	82,667	148,009	53,371	111,410
Production expenses		(10,748)	(22,246)	(11,054)	(21,787)
Selling, general and administrative expenses		(1,508)	(2,894)	(1,423)	(2,761)
Cost of other sales		(1,046)	(1,621)	(925)	(1,566)
Taxes other than income tax	16	(43,099)	(76,674)	(25,970)	(55,186)
Depreciation, depletion and amortization	4, 5	(9,409)	(18,756)	(9,261)	(17,800)
Exploration expenses		(145)	(338)	(269)	(473)
Impairment and gain/(loss) on disposal of assets		(830)	(900)	(20)	(97)
Total operating expenses and costs		(66,785)	(123,429)	(48,922)	(99,670)
Other operating income		259	598	223	483
Operating profit		16,141	25,178	4,672	12,223
Finance income	17	108	227	271	593
Finance expenses	17	(2,182)	(4,470)	(1,356)	(2,578)
Foreign exchange gain/(loss)		(337)	(346)	(406)	332
Profit before income tax		13,730	20,589	3,181	10,570
Income tax expense	14	(2,746)	(4,105)	(499)	(1,813)
Profit for the year attributable to:		10,984	16,484	2,682	8,757
- SLAVNEFT'S shareholders		7,191	10,495	1,143	4,798
- Non-controlling interest	23	3,793	5,989	1,539	3,959
Other comprehensive income		-	-	-	81
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit obligations and other long-term benefits		-	-	-	81
Total comprehensive income attributable to:		10,984	16,484	2,682	8,838
- SLAVNEFT'S shareholders		7,191	10,495	1,143	4,844
- Non-controlling interest	23	3,793	5,989	1,539	3,994
Earnings per share attributable to SLAVNEFT'S shareholders					
Basic earnings per share (in Russian Roubles)		1.51	2.21	0.24	1.01
Weighted average number of shares outstanding (million)		4,754	4,754	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			
At 1 January 2017		70	54,812	(56)	41,613	96,439	91,776	188,215
Profit for the period		–	–	–	4,798	4,798	3,959	8,757
Other comprehensive income								
Remeasurement of post-employment benefit obligations and other long-term benefits		–	–	–	46	46	35	81
Total comprehensive income		–	–	–	4,844	4,844	3,994	8,838
Dividends		–	–	–	–	–	(4)	(4)
At 30 June 2017		70	54,812	(56)	46,457	101,283	95,766	197,049
At 1 January 2018		70	54,812	–	53,635	108,517	101,402	209,919
Profit for the period		–	–	–	10,495	10,495	5,989	16,484
Total comprehensive income		–	–	–	10,495	10,495	5,989	16,484
Dividends		–	–	–	–	–	(3)	(3)
The effect of the first application of IFRS 9 <i>Financial Instruments</i>	3	–	–	–	(32)	(32)	(1)	(33)
At 30 June 2018		70	54,812	–	64,098	118,980	107,387	226,367

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 30 June 2018	Three months ended 30 June 2017
Cash flows from operating activities			
Profit for the period		16,484	8,757
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation, depletion and amortization	4, 5	18,756	17,800
Impairment and (gain)/loss on disposal of assets		900	97
Finance income	17	(227)	(593)
Finance expenses	17	4,470	2,578
Foreign exchange loss/(gain)		346	(332)
Income tax expense	14	4,105	1,813
Change in provisions		774	(161)
Other		35	(216)
Cash flows from operating activities before working capital changes		45,643	29,743
Working capital changes			
Increase in accounts receivable and prepayments		(17,804)	(19,839)
Pension paid		(154)	(129)
Increase in inventories		(876)	(691)
Increase in other current and non-current assets		(175)	(91)
Decrease in accounts payable		(1,308)	(507)
Increase in other current liabilities		(124)	(43)
Decrease in other non-current liabilities		(69)	(16)
Increase/(decrease) in taxes payable		6,501	(493)
Income tax paid		(3,407)	(1,954)
Net cash from operating activities		28,227	5,980
Investing activities			
Proceeds from sale of property, plant and equipment		210	84
Purchases of property, plant and equipment		(32,265)	(29,833)
Interest received		225	592
Changes in long term investments		3	3
Net cash used in investing activities		(31,827)	(29,154)
Financing activities			
Proceeds from current debt	9	15,609	–
Proceeds from non-current debt	9	29,281	61,550
Repayments of current debt	9	(12,395)	–
Repayments of non-current debt	9	(26,910)	(33,510)
Interest paid		(4,159)	(3,473)
Net cash used in financing activities		1,426	24,567
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(78)	5
Net decrease in cash and cash equivalents		(2,252)	1,398
Cash and cash equivalents at the beginning of the period	8	4,153	4,333
Cash and cash equivalents at the end of the period	8	1,901	5,731

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)

NOTE 1. GENERAL INFORMATION

Public Joint Stock Oil and Gas Company Slavneft (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 30 June 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.

On July 17, 2018 OAO NGK Slavneft was renamed into SLAVNEFT. The Company’s name was changed so that it conforms with Chapter Four of the Civil Code of the Russian Federation..

Registered address and place of business

The Company’s registered address is 125047, Moscow, 4th 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 these 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The results reported in this Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2018 and 30 June 2017 are not necessarily indicative of the results expected for the full year.

Basis of measurement

These Consolidated Interim Condensed 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 30 June 2018 and 31 December 2017 and for the six months ended 30 June 2018 and 2017 (in RR):

	30 June 2018	31 December 2017	Average rates for the six months ended	
			30 June 2018	2017
Exchange rate of one currency unit to Russian Roubles				
- US dollar (“USD”)	62.7565	57.6002	59.3536	57.9862
- Euro (“EUR”)	72.9921	68.8668	71.8223	62.7187

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 these 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)*

NOTE 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies applied by the Group in these 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:

Standards	Effective for annual periods beginning on or after
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 1 January 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 9 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' 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
Cost				
As of 1 January 2018	423,666	125,239	50,725	599,630
Additions	290	–	36,950	37,240
Transfers	15,677	2,733	(18,410)	–
Change in decommissioning liabilities	(396)	–	–	(396)
Disposals	(2,077)	(1,161)	(231)	(3,469)
As of 30 June 2018	437,160	126,811	69,034	633,005
Accumulated depreciation, depletion and impairment				
As of 1 January 2018	(216,416)	(50,625)	(485)	(267,526)
Depreciation, depletion and impairment losses	(14,856)	(3,891)	–	(18,747)
Impairment	(99)	(6)	(166)	(271)
Disposal of impairment	23	25	2	50
Disposals	1,420	636	–	2,056
As of 30 June 2018	(229,928)	(53,861)	(649)	(284,438)
Net book value as of 1 January 2018	207,250	74,614	50,240	332,104
Net book value as of 30 June 2018	207,232	72,950	68,385	348,567
Cost				
As of 1 January 2017	380,670	114,131	40,024	534,825
Additions	428	–	32,747	33,175
Transfers	19,560	7,744	(27,304)	–
Change in decommissioning liabilities	(202)	–	–	(202)
Disposals	(662)	(778)	(845)	(2,285)
As of 30 June 2017	399,794	121,097	44,622	565,513
Accumulated depreciation, depletion and impairment				
As of 1 January 2017	(187,526)	(44,371)	(811)	(232,708)
Depreciation, depletion and impairment losses	(14,586)	(3,205)	–	(17,791)
Impairment	(1)	–	(15)	(16)
Disposal of impairment	10	–	341	351
Disposals	584	685	–	1,269
As of 30 June 2017	(201,519)	(46,891)	(485)	(248,895)
Net book value as of 1 January 2017	193,144	69,760	39,213	302,117
Net book value as of 30 June 2017	198,275	74,206	44,137	316,618

During the six months ended 30 June 2018, borrowing costs of RR 1,779 million were capitalized (during the six months ended 30 June 2017 – RR 1,648 million).

NOTE 5. OTHER NON-CURRENT ASSETS

	30 June 2018	31 December 2017
Intangible assets	1,736	1,408
Other non-current financial assets	8	11
Other non-current non-financial assets	18	160
Total other non-current assets	1,762	1,579

Intangible assets are stated net of accumulated amortization in the amount of RR 108 million as of 30 June 2018 (31 December 2017 – RR 99 million). For the six months ended 30 June 2018, accumulated amortization accrued in the amount of RR 9 million (for the six months ended 30 June 2017 – RR 9 million).

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

	30 June 2018	31 December 2017
Crude oil	5,177	4,488
Materials and supplies	2,856	2,739
Petroleum products	446	301
Other	575	461
Allowance for inventory impairment	(21)	(22)
Total inventories	9,033	7,967

NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2018	31 December 2017
Trade receivables	58,796	42,288
Other accounts receivable	2,394	2,076
Allowance for expected credit losses	(705)	(664)
Trade and other receivables, net	60,485	43,700
Advances to suppliers and prepayments	1,005	1,391
VAT recoverable	1,634	1,272
Tax prepayments and advances issued	2,639	2,663
Total trade and other receivables, net	63,124	46,363

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash held in banks – Russian Roubles	36	134
Cash held in banks – foreign currencies	245	397
Deposits – Russian Roubles	1,614	3,196
Deposits – foreign currencies	6	426
Total cash and cash equivalents	1,901	4,153

NOTE 9. NON-CURRENT AND CURRENT DEBT

	Currency	30 June 2018	31 December 2017
JSC GPB	RR	25,800	24,640
AO ALFA-BANK	RR	25,304	20,007
PJSC CREDIT BANK OF MOSCOW	RR	19,013	16,363
PJSC Sberbank	RR	16,759	19,120
PJSC Sovcombank	RR	5,000	5,000
PJSC Bank Saint Petersburg	RR	3,852	4,512
AO Raiffeisenbank	USD	1,899	3,078
PJSC BANK URALSIB	RR	1,576	–
AO UniCredit Bank	USD	1,354	2,484
LLC Expobank	RR	500	250
PJSC West Siberian Commercial Bank	RR	–	1,000
Less current portion		(14,680)	(8,256)
Total non-current debt		86,377	88,198

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)**

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 30 June 2018 and 31 December 2017, the Group complied with all restrictive financial and other covenants contained in the loan agreements.

Current debt and current portion of non-current debt

	30 June 2018	31 December 2017
Current loans – Russian Roubles	3,426	2,103
Current portion of non-current loans – Russian Roubles	11,427	2,694
Current portion of non-current loans – foreign currencies	3,253	5,562
Total current debt and current portion of non-current debt	18,106	10,359

NOTE 10. DECOMMISSIONING AND ENVIRONMENTAL LIABILITIES

The table below presents movements in decommissioning provision:

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Decommissioning provisions, opening balance	19,336	19,056	16,338	16,140
Additions	177	269	200	218
Disposal	(14)	(21)	–	(1)
Change in estimates	(198)	(396)	(101)	(202)
Unwinding of discount	389	782	286	568
Decommissioning and environmental provisions, closing balance	19,690	19,690	16,723	16,723

The table below presents movements in environmental provision:

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Environmental provision, opening balance (including current portion)	1,182	1,070	989	954
Additions	186	297	42	78
Disposal	(27)	(37)	(2)	(2)
Change in estimates	(11)	(11)	1	(2)
Unwinding of discount	9	20	8	10
Environmental provision, closing balance	1,339	1,339	1,038	1,038
Less current portion	(563)	(563)	(447)	(447)
Environmental provision, closing balance (non-current portion)	776	776	591	591

NOTE 11. TRADE PAYABLES

	30 June 2018	31 December 2017
Payables to suppliers and contractors	13,536	13,077
Payables for purchased non-current assets	11,816	11,021
Total trade payables	25,352	24,098

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 12. TAXES PAYABLE**

	30 June 2018	31 December 2017
Mineral extraction tax	14,051	10,891
Value added tax	12,925	9,555
Excise	4,068	4,149
Property tax	1,005	984
Social payments	660	641
Income tax	536	292
Personal income tax	98	90
Other	15	16
Total taxes payable	33,358	26,618

NOTE 13. OTHER CURRENT LIABILITIES

	30 June 2018	31 December 2017
Accrual for bonus payments	1,041	610
Accrual for vacation payments	751	690
Factoring liabilities	648	305
Environmental liabilities (current portion)	563	427
Wages and salaries	478	474
Accrued liabilities	35	30
Other	86	453
Total other current liabilities	3,602	2,989

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:

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Current income tax expense	2,266	3,542	963	2,046
Deferred tax expense	265	487	(287)	123
Income tax allowance	–	–	(177)	(111)
Income tax adjustments for previous periods	215	76	–	(245)
Total income tax expense	2,746	4,105	499	1,813

NOTE 15. REVENUE

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Crude oil	74,070	131,361	45,170	95,932
Processing services	7,133	13,904	6,592	12,702
Other sales	1,370	2,559	1,515	2,583
Associated gas	94	185	94	193
Total revenue	82,667	148,009	53,371	111,410

Slavneft Group**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)***(in million of Russian Roubles, unless noted otherwise)***NOTE 16. TAXES OTHER THAN INCOME TAX**

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Mineral extraction tax	40,977	72,633	24,157	51,536
Property tax	1,229	2,275	1,022	2,050
Social payments	833	1,699	760	1,530
Other	60	67	31	70
Total taxes other than income tax	43,099	76,674	25,970	55,186

NOTE 17. FINANCE INCOME AND EXPENSES

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Interest income	108	225	270	592
Other income	–	2	1	1
Total finance income	108	227	271	593
Interest expenses	(1,160)	(2,467)	(924)	(1,797)
Fees for factoring services	(463)	(971)	–	–
Unwinding of discount on decommissioning and environmental liabilities	(398)	(802)	(294)	(578)
Expenses on pension liabilities	(48)	(96)	(50)	(99)
Bank commissions and charges	(113)	(130)	(87)	(101)
Other	–	(4)	(1)	(3)
Total finance expenses	(2,182)	(4,470)	(1,356)	(2,578)

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, 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 unrelated parties might not, and transactions between related parties may not be effected on the same terms as transactions between unrelated parties.

The Group's principal related parties for the six months ended 30 June 2018 were the Primary Shareholders (Note 1) and their group subsidiaries (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 SLAVNEFT, OJSC Slavneft-Megionneftegaz, and OJSC Slavneft-Yaroslavnefteorgsintez) was as follows:

	Three months ended 30 June 2018	Six months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2017
Short-term employee benefits	41	75	62	114
Long-term bonus scheme and other long-term employee benefits	–	–	–	3
Total	41	75	62	117

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)**

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

Customer	Description	Three months ended	Six months ended	Three months ended	Six months ended
		30 June 2018	30 June 2018	30 June 2017	30 June 2017
Entities of Rosneft Group	Crude oil	37,017	65,568	22,577	47,798
Entities of Gazprom Neft Group	Crude oil	37,017	65,568	22,577	47,798
Entities of Rosneft Group	Processing services	3,567	6,952	3,297	6,353
Entities of Gazprom Neft Group	Processing services	3,567	6,952	3,297	6,353
Other	Other	1,088	1,618	1,489	2,512
Total		82,256	146,658	53,237	110,814

For the six months ended 30 June 2018, the Group incurred operating expenses with related parties representing purchases in the amount of RR 231 million (for the six months ended 30 June 2017 – RR 331 million).

Receivables from related parties were as follows:

	30 June 2018	31 December 2017
Entities of Rosneft Group	28,451	20,134
Entities of Gazprom Neft Group	29,136	20,503
Total	57,587	40,637

Accounts payable to related parties were as follows:

	30 June 2018	31 December 2017
Entities of Gazprom Neft Group	1,127	2,364
Entities of Rosneft Group	570	1,204
Other	2	2
Total	1,699	3,570

Dividends payable to Shareholders were as follows:

	30 June 2018	31 December 2017
Entities of Gazprom Neft Group	5	5
Entities of Rosneft Group	5	5
Total	10	10

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 2018 in the amount of RR 48,920 million (31 December 2017 – RR 40,744 million).

Litigation

The Group has a number of 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.

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

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 of 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 has introduced a risk management system and developed a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

Risk management is carried out 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 by currencies they are denominated are as follows:

	30 June 2018					Total
	RUR	USD	EUR	BYR	Subtotal for foreign currency	
Current assets						
Trade and other receivables	60,163	–	321	1	322	60,485
Cash and cash equivalents	1,650	150	93	8	251	1,901
Other current assets	41	–	–	–	–	41
Non-current liabilities						
Non-current debt	(86,377)	–	–	–	–	(86,377)
Current liabilities						
Current debt	(14,853)	(3,253)	–	–	(3,253)	(18,106)
Trade accounts payable	(24,686)	(34)	(631)	(1)	(666)	(25,352)
Total, net	(64,062)	(3,137)	(217)	8	(3,346)	(67,408)
	31 December 2017					
	RUR	USD	EUR	BYR	Subtotal for foreign currency	Total
Current assets						
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
Non-current liabilities						
Non-current debt	(88,198)	–	–	–	–	(88,198)
Current liabilities						
Current debt	(4,797)	(5,562)	–	–	(5,562)	(10,359)
Trade accounts payable	(22,558)	(11)	(1,528)	(1)	(1,540)	(24,098)
Total, net	(69,620)	(4,860)	(285)	10	(5,135)	(74,755)

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:

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	EUR	USD	BYR	EUR	USD	BYR
Effect on profit before tax	+/-43	+/-627	+/-2	+/-14	+/-1,555	+/-2

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.

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

	30 June 2018	31 December 2017
Bank deposits	1,620	3,622
Non-current debt	(16,751)	(19,120)
Current portion of non-current debt	(5,000)	(2,100)
Fixed rate financial instruments (net)	(20,131)	(17,598)
Non-current debt	(69,626)	(69,078)
Current portion of non-current debt	(13,052)	(8,212)
Variable rate financial instruments	(82,678)	(77,290)

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Effect on profit before tax	(2,067)	(1,578)

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 30 June 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 30 June 2018 net current liability position of the Group totally was RR 6,388 million (31 December 2017 – RR 5,651 million). Positive cash flow from operations for the six months ended 30 June 2018 was RR 28,250 million (for the six months ended 30 June 2017 – RR 5,980 million). As of 30 June 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 availability of credit line facilities. The unused portion of committed credit lines as of 30 June 2018 was RR 38,687 million (31 December 2017 – RR 31,787 million). The unused portion of uncommitted credit lines as of 30 June 2018 was RR 2,876 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 six months ended 30 June 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 104,618 million as of 30 June 2018 (31 December 2017 – RR 99,201 million).

NOTE 22. DIVIDENDS

The Company did not declare and did not pay dividends during the six months ended 30 June 2018 or until the date of issuance of these Consolidated Interim Condensed Financial Statements. The Company did not declare and did not pay dividends during the six months ended 30 June 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 30 June 2018 and as of 31 December 2017, and for the six months ended 30 June 2018 and 30 June 2017.

Subsidiaries	Core activity	30 June 2018		Six months ended 30 June 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%	65,511	3,613	3,613
OAo Slavneft Yaroslavnefteorgsintez	Petroleum refining	60.17%	37,029	1,928	1,928
OAo Ob'neftegazgeologiya	Oil and gas development and production	19.76%	3,256	399	399
OOO MUBR	Exploratory drilling	43.58%	1,248	(17)	(17)
OAo Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	84	(3)	(3)
OOO MegionErgoNeft'	Electrical maintenance	43.58%	146	–	–
OOO Megion Geologiya	Field survey and exploration	11.87%	(24)	21	21
Other	–	–	137	48	48
Total			107,387	5,989	5,989

Subsidiaries	Core activity	31 December 2017		Six months ended 30 June 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	2,246	2,281
OAo Slavneft Yaroslavnefteorgsintez	Petroleum refining	60.17%	35,104	1,549	1,549
OAo Ob'neftegazgeologiya	Oil and gas development and production	19.76%	2,857	92	92
OOO MUBR	Exploratory drilling	43.58%	1,265	33	33
OAo Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	87	(9)	(9)
OOO MegionErgoNeft'	Electrical maintenance	43.58%	146	13	13
OOO Megion Geologiya	Field survey and exploration	11.87%	(45)	11	11
Other	–	–	90	24	24
Total			101,402	3,959	3,994

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:

Subsidiaries	Core activity	30 June 2018		31 December 2017	
		Ownership	Voting rights	Ownership	Voting rights
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 reporting date and date of signing of the Group's Consolidated Interim Condensed Financial Statements prepared in accordance with IFRS.