SLAVNEFT GROUP
IFRS CONSOLIDATED INTERIM CONDENSED
FINANCIAL INFORMATION (UNAUDITED)
AS OF AND FOR THE THREE AND THE NINE MONTHS ENDED
30 SEPTEMBER 2014

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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of OAO NGK Slavneft

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO NGK Slavneft and its subsidiaries (the "Group") as of 30 September 2014 and the related consolidated interim condensed statements of profit and loss and other comprehensive income for the three-month and nine-month periods then ended, and of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

7 November 2014
Moscow, Russian Federation

Slavneft Group
Consolidated Interim Condensed Statement of Financial Position (Unaudited)
(in million of Russian Roubles, unless noted otherwise)

	Notes	30 September 2014	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	4	243,486	228,214
Investments		313	313
Deferred income tax assets		5,105	3,966
Other non-current assets	5	3,820	2,927
Total non-current assets		**252,724**	**235,420**
Current assets			
Inventories	6	6,830	6,026
Accounts receivable and prepayments	7	9,736	11,218
Income tax receivables		1,370	1,366
Cash and cash equivalents	8	9,309	28,208
Other current assets		10	20
Total current assets		**27,255**	**46,838**
Total assets		**279,979**	**282,258**
Equity			
Ordinary share capital		70	70
Retained earnings		29,103	36,019
Other reserves		59	-
Additional paid-in capital		54,812	54,812
Total equity attributable to OAO NGK Slavneft's shareholders		**84,044**	**90,901**
Non-controlling interest	26	74,139	69,895
Total equity		**158,183**	**160,796**
Liabilities			
Non-current liabilities			
Non-current debt	9	27,018	33,271
Deferred income tax liabilities		10,907	10,253
Decommissioning and environmental liabilities	10	7,842	13,016
Other non-current liabilities	11	2,028	547
Total non-current liabilities		**47,795**	**57,087**
Current liabilities			
Current debt and current portion of non-current debt	9	32,555	24,010
Trade payables	12	19,987	19,310
Advances received		374	849
Dividends payable	25	198	438
Taxes payable	13	18,166	17,107
Other current liabilities	14	2,721	2,661
Total current liabilities		**74,001**	**64,375**
Total liabilities		**121,796**	**121,462**
Total equity and liabilities		**279,979**	**282,258**

Sukhanov Yu.E.
President
OAO NGK Slavneft

Kovalenko A.V.
Vice-president on economics and finance
OAO NGK Slavneft

7 November 2014

Slavneft Group
Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income (Unaudited)
(in million of Russian Roubles, unless noted otherwise)

	Notes	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Revenue	**16**	**49,441**	**156,311**	**53,414**	**144,843**
Production expenses	**17**	(10,997)	(32,253)	(9,587)	(28,656)
Selling, general and administrative expenses	**17**	(1,296)	(4,186)	(1,558)	(4,540)
Cost of other sales	**17**	(499)	(2,379)	(366)	(1,904)
Taxes other than income tax	**18**	(24,640)	(75,783)	(24,489)	(69,428)
Depreciation, depletion and amortization	**4**	(8,275)	(22,505)	(6,761)	(19,099)
Exploration expenses		(75)	(694)	(165)	(974)
Impairment and loss on disposal of assets	**19**	(341)	(153)	(65)	(606)
Total operating expenses and costs		**(46,123)**	**(137,953)**	**(42,992)**	**(125,207)**
Other operating income		156	557	28	536
Operating profit		**3,474**	**18,915**	**10,450**	**20,172**
Finance income	**20**	226	1,062	388	1,242
Finance costs	**20**	(237)	(666)	(307)	(1,033)
Foreign exchange (loss)/gain	**20**	(7,617)	(9,261)	499	(2,799)
Finance (costs)/income, net	**20**	**(7,628)**	**(8,865)**	**580**	**(2,590)**
(Loss)/profit before income tax		**(4,154)**	**10,050**	**11,030**	**17,582**
Income tax expense/(benefit)	**15**	396	(2,105)	(2,405)	(3,607)
(Loss)/profit for the period attributable to:		**(3,758)**	**7,945**	**8,625**	**13,975**
- OAO NGK Slavneft shareholders		(3,834)	3,701	5,452	8,146
- Non-controlling interest	**26**	76	4,244	3,173	5,829
Other comprehensive income:		**59**	**59**	**-**	**-**
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		59	59	-	-
Total comprehensive (loss)/income attributable to:		**(3,699)**	**8,004**	**8,625**	**13,975**
- OAO NGK Slavneft shareholders		(3,775)	3,760	5,452	8,146
- Non-controlling interest	**26**	76	4,244	3,173	5,829

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

Slavneft Group
Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
(in million of Russian Roubles, unless noted otherwise)

	Equity attributable to Group shareholders						
	Ordinary share capital	**Additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2013	**70**	**54,812**	**-**	**26,757**	**81,639**	**69,706**	**151,345**
Profit for the period	-	-	-	8,146	**8,146**	5,829	**13,975**
Total comprehensive income	-	-	-	**8,146**	**8,146**	**5,829**	**13,975**
Dividends (Note 25)	-	-	-	(285)	**(285)**	(7,348)	**(7,633)**
At 30 September 2013	**70**	**54,812**	**-**	**34,618**	**89,500**	**68,187**	**157,687**
At 1 January 2014	**70**	**54,812**	**-**	**36,019**	**90,901**	**69,895**	**160,796**
Profit for the period	-	-	-	3,701	**3,701**	4,244	**7,945**
Other comprehensive income							
Currency translation differences	-	-	59	-	**59**	**-**	**59**
Total comprehensive income	-	-	**59**	3,701	**3,760**	**4,244**	**8,004**
Dividends (Note 25)	-	-	-	(11,838)	**(11,838)**	**-**	**(11,838)**
Shareholders contribution (Note 21)	-	-	**-**	1,051	**1,051**	**-**	**1,051**
Other	-	-	**-**	170	**170**	**-**	**170**
At 30 September 2014	**70**	**54,812**	**59**	**29,103**	**84,044**	**74,139**	**158,183**

(in million of Russian Roubles, unless noted otherwise)

	Notes	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Operating activities			
Profit for the period		**7,945**	**13,975**
Adjustments to reconcile profit for the nine months to net cash provided by operating activities:			
Depreciation, depletion and amortization	**4**	22,505	19,099
Impairment and loss on disposal of assets	**19**	153	606
Finance costs, net	**20**	8,865	2,590
Income tax expense	**15**	2,105	3,607
Pension expense	**11**	1,733	-
Change in provisions		109	1,331
Other		(6)	152
Cash flow from operating activities before working capital changes		**43,409**	**41,360**
Changes in working capital:			
Decrease in accounts receivable and prepayments		1,468	19
Increase in inventories		(798)	(334)
(Increase)/Decrease in other current and non-current assets		(841)	243
Increase in accounts payable		269	2,440
Increase in other current liabilities		63	111
Decrease in other non-current liabilities		(156)	(22)
Increase in taxes payable		1,255	1,624
Income tax paid		(2,855)	(2,471)
Net cash provided by operating activities		**41,814**	**42,970**
Investing activities			
Dividends received		39	-
Proceeds from sale of property, plant and equipment		171	190
Purchases of property, plant and equipment		(43,764)	(31,080)
Interest received		1,024	1,168
Net cash used in investing activities		**(42,530)**	**(29,722)**
Financing activities			
Proceeds from issuance of current debt		7,333	**-**
Proceeds from issuance of non-current debt		4,000	-
Repayments of non-current debt		(18,668)	(13,272)
Dividends paid	**25**	(11,907)	(8,699)
Shareholders contribution	**21**	1,051	-
Interest payments		(409)	(482)
Net cash used in financing activities		**(18,600)**	**(22,453)**
Effect of exchange rate changes on the balance of cash held in foreign currencies		**417**	**338**
Net decrease in cash and cash equivalents		**(18,899)**	**(8,867)**
Cash and cash equivalents at beginning of the period	**8**	**28,208**	**32,117**
Cash and cash equivalents at end of the period	**8**	**9,309**	**23,250**

NOTE 1. GENERAL INFORMATION

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

The Company was established as an open joint-stock company in August 1994 in accordance with the Decree of the Government of the Russian Federation № 305, issued April 8, 1994, the Decree of the Council of Ministers of the Republic of Belarus # 589-r, issued June 15, 1994 and the Charter agreement from June 27, 1994. Under the provisions of the decrees and the Charter agreement, the Russian Federation transferred to the Company 60.5% of voting shares of OAO Slavneft-Megionneftegaz, currently the principal oil producing subsidiary of the Group, and 50.7% of voting shares of OAO Megionneftegazgeologiya, 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 RR 0.001 per share. The carrying value of share capital as at 30 September 2014 and 31 December 2013 differs from its historic 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 OAO Siberian Oil Company (currently known as OAO Gazprom Neft) and TNK-BP (subsequently acquired by Rosneft Oil Company).

OAO Gazprom Neft and Rosneft Oil Company (the "Primary Shareholders") are the Primary shareholders and jointly control the Group. On March 21, 2013, Rosneft Oil Company completed the acquisition of an aggregate 100% interest in TNK-BP Group, one of the Primary Shareholders of Slavneft Group. As a result of this acquisition, Rosneft Oil Company obtained 49.9% interest in Slavneft Group.

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

The Company's registered address: 125047, Russian Federation, Moscow, 4, 4th Lesnoy side-street.

NOTE 2. BASIS OF PRESENTATION

Statement of compliance

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 International Financial Reporting Standards ("IFRS").

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 IFRS.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2013, such as significant accounting policies, significant estimates and judgement, financial risk disclosures 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 2013.

(in million of Russian Roubles, unless noted otherwise)

NOTE 2. BASIS OF PRESENTATION (CONTINUED)

The results reported in this Consolidated Interim Condensed Financial Information for the nine months ended 30 September 2014 and 30 September 2013 are not necessarily indicative of the results expected for the full year.

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 Group's functional currency is the Russian Rouble ("RR"), because it reflects the economic substance of the underlying events and circumstances of the Company and its subsidiaries. This Consolidated Interim Condensed Financial Information is presented in Russian Roubles, and all values are rounded to the nearest million, except when otherwise indicated.

Functional currency and foreign currency translation

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

The following exchange rates determined by the Central Bank of the Russian Federation have been applied at 30 September 2014 and 31 December 2013 and for nine months ended 30 September 2014 and 2013 (in RR):

	At 30 September	At 31 December	Average rates for the nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
For one currency unit to equivalent Russian Rouble				
US dollar ("USD")	39.3866	32.7292	35.3878	31.6170
Euro ("EUR")	49.9540	44.9699	47.9894	41.6507

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 manage the timing of settlement of transactions 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.

NOTE 2. BASIS OF PRESENTATION (CONTINUED)

Seasonality of operations

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

Changes in accounting policies, estimates and presentation

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 2013, except for the change in accounting policy and estimates as explained below and in Notes 3 and 11.

In the first quarter ended 31 March 2014 the Group examined the assumptions used by other companies in the industry and critically reviewed the inflation and discount rates applied for the purposes of the Group's decommissioning liabilities calculation. As a result of this review, the management of the Group concluded that revision of inflation and discount rates would increase the comparability of the Group's financial data with financial data of peer companies and would result in a more reliable estimation of decommissioning liabilities. The discount rate has been changed from 7.09% at 31 December 2013 to 5.3% at 30 September 2014. The expected useful life of fields has also been refined, in connection with which the discount period for the decommissioning and environmental liabilities calculation have been changed.

On 30 September 2014 the Group applied amended IAS 19 "Employee benefits" perspectively in the current period. The Group's management estimated that the impact of recognition of the provision for post-employment benefit obligations in the Consolidated Financial Statements in prior periods was insignificant, so as of 30 September 2014 the Group recognized the changes in accounting estimates in accordance with IFRS (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" prospectively. The disclosure about the nature and the impact of changes in accounting estimates have been provided in Note 11.

NOTE 3. APPLICATION OF NEW AND REVISED IFRS

In 2014 the Group has adopted all IFRS, amendments and interpretations to which are effective for the periods beginning on or after 1 January 2014 and which are relevant to its operations.

- **Amended IAS 19 "Employee Benefits"** (issued in September 2011, effective for periods beginning on or after 1 January 2013), which makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted.

- **IFRS 9 "Financial Instruments Part 1: Classification and Measurement".** IFRS 9, issued in July 2014, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Application of IFRS 9 is mandatory for the periods beginning on or after 1 January 2015, earlier adoption is permitted. The Group does not plan to adopt the standard before 2015 and is currently assessing the impact of the new standard on its Consolidated Financial Statements.

- **"Disclosures – Offsetting Financial Assets and Financial Liabilities" – Amendments to IAS 32** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014), which clarifies the meaning of 'currently has a legally enforceable right of set-off'.

- **IFRIC Interpretation 21 "Levies"** (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014), which clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

- **Amendments to IFRS 10, IFRS 12 and IAS 27** – **Investment entities** (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014), which introduced a definition of an investment entity which will be required to carry its investee subsidiaries at fair value through profit or loss.

- **Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets"** (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

- **Amendments to IAS 19 – "Defined benefit plans: Employee contributions"** (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

NOTE 3. APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

- **IFRS 15 “Revenue from Contracts with Customers”** (issued in May 2014 and effective for annual periods beginning on or after 1 January 2017, earlier application is permitted). IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on Revenue recognition. The Group is currently assessing the impact of the standard on its Consolidated Financial Statements.

- **Amendment to IFRS 11 - “Accounting for Acquisitions of Interests in Joint Operations”** (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016, earlier application is permitted). The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires application of IFRS 3 Business Combinations, for such acquisitions. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

- **Amendments to IAS 16 and IAS 38 - “Clarification of Acceptable Methods of Depreciation and Amortization”** (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016, earlier application is permitted). Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect the amendments to have a material impact on the Consolidated Financial Statements.

- **Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).** The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitutes continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

(in million of Russian Roubles, unless noted otherwise)

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Plant and equipment	Construction in progress	Total
Cost				
As of 1 January 2014	**253,933**	**84,497**	**36,124**	**374,554**
Additions	-	-	43,604	43,604
Transfers	32,057	8,969	(41,026)	-
Change in decommissioning liabilities	(4,787)	-	-	(4,787)
Disposals	(1,966)	(444)	(1,103)	(3,513)
As of 30 September 2014	**279,237**	**93,022**	**37,599**	**409,858**
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2014	**(116,130)**	**(28,135)**	**(2,075)**	**(146,340)**
Depreciation, depletion and amortization	(19,019)	(3,486)	-	(22,505)
Impairment	-	-	(365)	(365)
Impairment disposal	-	-	626	626
Disposals	1,958	254	-	2,212
As of 30 September 2014	**(133,191)**	**(31,367)**	**(1,814)**	**(166,372)**
Net book value as of 1 January 2014	**137,803**	**56,362**	**34,049**	**228,214**
Net book value as of 30 September 2014	**146,046**	**61,655**	**35,785**	**243,486**
Cost				
As of 1 January 2013	**227,126**	**73,848**	**34,953**	**335,927**
Additions	1,438	-	31,909	33,347
Transfers	17,639	7,270	(24,909)	-
Disposals	(2,254)	(403)	(1,246)	(3,903)
As of 30 September 2013	**243,949**	**80,715**	**40,707**	**365,371**
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2013	**(97,090)**	**(24,290)**	**(2,057)**	**(123,437)**
Depreciation, depletion and amortization	(16,036)	(3,063)	-	(19,099)
Impairment	-	(84)	(366)	(450)
Impairment disposal	-	-	242	242
Disposals	2,077	206	-	2,283
As of 30 September 2013	**(111,049)**	**(27,231)**	**(2,181)**	**(140,461)**
Net book value as of 1 January 2013	**130,036**	**49,558**	**32,896**	**212,490**
Net book value as of 30 September 2013	**132,900**	**53,484**	**38,526**	**224,910**

As at 30 September 2014 the Company recognised impairment of certain of the Group's upstream assets. The impairment recognised was based on the difference between the net book value of the assets and their recoverable amount at 30 September 2014. During the nine months ended 30 September 2014, impairment loss in the amount of RR 365 million was recognised in line “Impairment and loss on disposal of assets” in the Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income (during the nine months ended 30 September 2013 – RR 450 million).

As at 30 September 2014 the Group assets include advances issued for capital expenditures of RR 149 million (at 31 December 2013 – RR 851 million).

During the nine months ended 30 September 2014, borrowing costs of RR 813 million were capitalized into Group assets (during the nine months ended 30 September 2013 – RR 785 million). During the nine months ended 30 September 2014 the borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.32% (during the nine months ended 30 September 2013 – 3.13%).

(in million of Russian Roubles, unless noted otherwise)

NOTE 5. OTHER NON-CURRENT ASSETS

	30 September 2014	31 December 2013
Catalysts	2,673	1,935
Other intangible assets	671	710
Other	480	282
Allowance for impairment of non-current assets	(4)	-
Total other non-current assets	**3,820**	**2,927**

NOTE 6. INVENTORIES

	30 September 2014	31 December 2013
Crude oil	3,792	3,053
Materials and supplies	2,407	2,443
Petroleum products	633	446
Other	478	510
Allowance for inventory impairment	(480)	(426)
Total inventories	**6,830**	**6,026**

(in million of Russian Roubles, unless noted otherwise)

NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2014	31 December 2013
Trade receivables (net of provision for impairment of RR 631 million and RR 618 million at 30 September 2014 and 31 December 2013)	6,008	7,130
Other accounts receivable (net of provision for impairment of RR 5 million and RR 4 million at 30 September 2014 and 31 December 2013)	372	407
Trade and other financial receivables, net	**6,380**	**7,537**
Advances to suppliers and prepayments	2,504	3,023
VAT recoverable	852	658
Tax prepayments and advances issued	**3,356**	**3,681**
Total trade and other receivables, net	**9,736**	**11,218**

The provision for impairment of trade and other receivables has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows. The Group believes that the Group's subsidiaries will be able to realize the net receivable amount through direct collections and other non-cash settlements, and the recorded value approximates their fair value.

Movements in the provision for impairment of trade and other receivables are as follows:

	Nine months ended 30 September 2014		Nine months ended 30 September 2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Opening balance	**618**	**4**	**63**	**70**
Charge for the nine months	19	3	545	2
Transfers	-	-	60	(63)
Reversal of impairment	(4)	(2)	(44)	-
Trade receivables written-off as uncollectable	(2)	-	(1)	-
Closing balance	**631**	**5**	**623**	**9**

(in million of Russian Roubles, unless noted otherwise)

NOTE 8. CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash held in banks – Russian Roubles	131	109
Cash held in banks – other currencies	1,000	178
Short-term deposits – Russian Roubles	7,331	19,608
Short-term deposits – other currencies	847	8,313
Total cash and cash equivalents	**9,309**	**28,208**

NOTE 9. NON-CURRENT DEBT

	Currency	30 September 2014	31 December 2013
CJSC ING Bank London branch	USD	22,727	33,021
CJSC UniCreditbank	USD	8,472	9,285
CJSC Raiffeisenbank	USD	5,912	4,910
OJSC Gazprombank	RR	4,000	-
CJSC BNP Paribas bank	USD	2,573	2,138
OJSC Rosbank (ex. BSGV)	USD	2,363	2,456
CJSC Natixis bank	USD	2,363	1,964
CJSC Commerzbank (Eurasija)	USD	985	818
CJSC Vnesheconombank	JPY	865	1,107
CJSC Absolutbank	USD	-	329
Less current portion		(23,242)	(22,757)
Total non-current debt		**27,018**	**33,271**

The interest rate for these borrowings vary from floating rate LIBOR +2.0% to LIBOR +3.25%. The interest rate of loans received in Japanese Yen is 4.9%. The interest rate of loans received in Russian Rouble is 12.5%.

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

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

Current debt and current portion of non-current debt

	30 September 2014	31 December 2013
Current loans in foreign currencies	9,313	1,253
Current portion of non-current loans in foreign currencies	23,242	22,757
Total current debt and current portion of non-current debt	**32,555**	**24,010**

(in million of Russian Roubles, unless noted otherwise)

NOTE 10. DECOMMISSIONING AND ENVIRONMENTAL LIABILITIES

Decommissioning liabilities

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2063. These provisions have been created based on Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

The expected amount of decommissioning cost is discounted to their present values using a market risk adjusted discount rate 5.3% as of 30 September 2014 (31 December 2013: 7.09%). The impact of inflation is estimated yearly while determining of estimates of decommissioning cost. At the end of each reporting year, the Group revises its estimate of the inflation and discount rates.

As of 30 September 2014 and 31 December 2013 the Group has recorded decommissioning liabilities in the amount of RR 6,326 million and RR 11,322 million, respectively.

Environmental liabilities

The Group's estimated environmental liability was RR 2,438 million and RR 2,986 million as of 30 September 2014 and 31 December 2013 respectively. The estimates used by management include uncertainties about a number of factors including the extent of necessary remediation, the technology to be used for remediation, and the standards that will constitute an acceptable remediation. As additional information becomes available, management will continue to adjust its estimated provision to an appropriate level.

The table below presents movement of decommissioning and environmental provisions (including current part of environmental liability: RR 922 million and RR 1,486 million as of 30 September 2014 and 30 September 2013 respectively).

	Three months ended 30 September 2014	**Nine months ended 30 September 2014**	**Three months ended 30 September 2013**	**Nine months ended 30 September 2013**
Decommissioning and environmental provisions, opening balance (including current portion)	**8,959**	**14,309**	**17,765**	**16,316**
Additions	105	386	(11)	1,429
Disposal	(401)	(738)	365	-
Change of the discount rate and the period	-	(5,359)	-	-
Unwinding of the present value discount	101	166	171	545
Decommissioning and environmental provisions, closing balance	**8,764**	**8,764**	**18,290**	**18,290**
Less current portion	(922)	(922)	(1,486)	(1,486)
Decommissioning and environmental provisions, non-current portion, closing balance	**7,842**	**7,842**	**16,804**	**16,804**

(in million of Russian Roubles, unless noted otherwise)

NOTE 11. OTHER NON-CURRENT LIABILITIES

	30 September 2014	31 December 2013
Provision for post-employment benefit obligations	1,828	-
Other non-current liabilities	200	547
Total other non-current liabilities	**2,028**	**547**

The Group operates post-employment benefits, which are recorded in the Consolidated Interim Condensed Financial Information under IAS 19 (Revised). Defined benefit plan covers the majority of employees of the Group. The retirement benefit plan includes benefits of the following types: pension benefits paid to former employees through the non-state pension fund “Mega” (“NPF”), lump sum payment upon retirement, financial aid provided to pensioners, and compensation in connection with the retirement of employees when they reach pension age.

The amount of benefits depends on the period of the employees' service (years of service), salary level at retirement, predetermined fixed amount or a combination of these factors.

The amounts associated with post-employment benefit obligations recognized in the Consolidated Interim Condensed Statement of Financial Position are as follows:

	30 September 2014	31 December 2013
Present value of benefit obligations	2,237	-
Fair value of plan assets	(409)	-
Net balance liability	**1,828**	**-**

The amounts recognized under the cost of the defined benefit pension plan in the Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income and the movement in the defined benefit obligation are as follows:

	Three months ended 30 September 2014	Nine months ended 30 September 2014
Production expenses	-	1,733
Finance costs	32	95
Total	**32**	**1,828**

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. The significant actuarial assumptions were as follows:

	30 September 2014
Discount rate	7.9%
Inflation rate	5.0%
Salary growth rate	7.0%
Expected pension age:	
for man	57.5 years
for woman	55.0 years

As a rule, the above benefits increase in line with inflation rate or salary growth for benefits that are fixed in monetary terms or depend on salary level respectively, excluding the retirement benefits payable through NPF. Increase in pensions, payable through NPF to current pensioners, depends on amount of investment return on plan assets. All retirement benefit plans of the Group are exposed to inflation risk. In addition to the inflation risk, the Group is exposed to mortality risk under life pension payable through NPF.

(in million of Russian Roubles, unless noted otherwise)

NOTE 11. OTHER NON-CURRENT LIABILITIES (CONTINUED)

The sensitivity of the defined obligation to changes in the weighted principal assumptions as at 30 September 2014 is:

	Change in assumption	Impact on defined benefit obligation
Discount rate	+/- 0.5%	-/+ 96
Inflation	+/- 0.5%	+/- 47
Salary growth rate	+/- 0.5%	+/- 75
Turnover	+/- 1.5%	-/+ 58

NOTE 12. TRADE PAYABLES

	30 September 2014	31 December 2013
Trade payables (to suppliers, contractors)	19,305	18,600
Payables for purchased non-current assets	563	674
Trade and other financial payables	**19,868**	**19,274**
Other	119	36
Non-financial payables	**119**	**36**
Total trade payables	**19,987**	**19,310**

NOTE 13. TAXES PAYABLE

	30 September 2014	31 December 2013
Mineral extraction tax	7,381	7,531
Value added tax	6,447	5,906
Excise	2,625	2,192
Property tax	878	849
Social payments	450	346
Income tax	198	163
Individual Income tax	67	57
Other	120	63
Total taxes paybles	**18,166**	**17,107**

Mineral extraction tax

Under the Tax Code of the Russian Federation, the rate of the mineral extraction tax for crude oil is calculated by reference to the average market price of the Urals blend and the average RUR/USD exchange rate over the relevant tax period. Average tax rates for the nine months ended 30 September 2014 and 30 September 2013 were RR 6,019 per ton and RR 5,282 per ton, respectively.

(in million of Russian Roubles, unless noted otherwise)

NOTE 14. OTHER CURRENT LIABILITIES

	30 September 2014	31 December 2013
Environmental liabilities (current portion)	922	1,293
Accrual for bonus payments	760	404
Accrual for vacation payments	425	414
Wages and salaries	399	355
Accrued liabilities	25	15
Other	190	180
Total other current liabilities	**2,721**	**2,661**

NOTE 15. INCOME TAX

The Group is taxable in various jurisdictions within the Russian Federation and the Republic of Belarus. The Group is subject to a statutory tax rate of 20% in Russian and 18% in Belarus jurisdictions.

In 2014 certain subsidiaries of the Group producing mineral resources, incurring exploration expenses and making capital investments in the territory of Khanty-Mansiysk Autonomous District applied up to 4% relief to their statutory corporate income tax rate as provided by the regional tax law. For the nine months ended 30 September 2014 the Group’s income tax expense includes a tax benefit relating to these tax incentives of RR 358 million (for the nine months ended 30 September 2013 – RR 519 million).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets relating to OOO Slavneft'-Krasnoyarskneftegaz of RR 194 million (31 December 2013: RR 211 million) in respect of losses amounting to RR 971 million (31 December 2013: RR 1,057 million) that cannot be carried forward against future taxable income. Losses amounting to RR 30 million and RR 48 million expire in 2014 and 2015 respectively.

The components of income taxes were as follows:

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Current income tax expense	346	2,591	1,856	3,607
Deferred income tax (benefit)/expense	(742)	(486)	549	-
Total income tax (benefit)/expense	**(396)**	**2,105**	**2,405**	**3,607**

As at 30 September 2014 the Group has not recognised the deferred tax liability in respect of RR 6,765 million (31 December 2013: RR 6,261 million) temporary difference associated in subsidiaries as the Group believes that 0% withholding taxes on dividend distribution will be applied when such dividends are distributed.

Effective rate of income tax for the nine months ended 30 September 2014 – 20.95%, and for the nine months ended 30 September 2013 – 20.52%.

(in million of Russian Roubles, unless noted otherwise)

NOTE 16. REVENUES

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Crude oil	41,667	133,642	47,166	126,210
Processing services	6,748	18,793	5,357	15,497
Other sales (mainly oilfield services)	908	3,512	819	2,911
Oil products and associated gas	118	364	72	225
Total revenue	**49,441**	**156,311**	**53,414**	**144,843**

NOTE 17. PRODUCTION EXPENSES

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Electricity, heating	3,064	9,193	3,091	8,820
Repairs and maintenance	2,953	6,961	2,071	6,333
Materials and supplies	1,505	4,963	1,229	3,853
Payroll expenses	855	2,517	734	2,146
Transportation expenses	584	1,792	501	1,765
Pension expenses	-	1,733	-	-
Security	163	492	153	448
Lease	129	357	111	375
Other	1,744	4,245	1,697	4,916
Total production expenses	**10,997**	**32,253**	**9,587**	**28,656**

Selling, general and administrative expenses also include:

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Payroll expenses	681	2,331	859	2,411
Consulting expenses	57	221	77	199
Lease	70	204	61	175
Transportation expenses	66	192	87	261
Charity expenses	87	186	58	196
Social payments	60	134	57	123
Electricity, heating	11	45	14	49
Other	264	873	345	1,126
Total selling, general and administrative expenses	**1,296**	**4,186**	**1,558**	**4,540**

Cost of other sales also include:

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Payroll expenses	142	425	251	702
Raw materials	-	236	36	397
Electricity, heating	9	48	11	53
Exploration expenses	326	1,164	-	-
Other	22	506	68	752
Total cost of other sales	**499**	**2,379**	**366**	**1,904**

(in million of Russian Roubles, unless noted otherwise)

NOTE 18. TAXES OTHER THAN INCOME TAX

Taxes other than income tax were as follows:

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Mineral extraction tax	23,166	71,119	23,062	64,962
Property tax	900	2,666	841	2,498
Social payments	512	1,780	477	1,519
Other	62	218	109	449
Total taxes other than income tax	**24,640**	**75,783**	**24,489**	**69,428**

NOTE 19. IMPAIRMENT AND LOSS ON DISPOSAL OF ASSETS

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Impairment of PPE	(285)	(365)	(18)	(449)
Loss on disposal of PPE	(60)	159	(88)	(204)
Other gain	4	53	41	47
Total impairment and loss on disposal of assets	**(341)**	**(153)**	**(65)**	**(606)**

NOTE 20. FINANCE INCOME/(COSTS), NET

	Three months ended 30 September 2014	Nine months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2013
Finance income	226	1,062	388	1,242
Foreign exchange gain	-	3,345	1 358	1,965
Foreign exchange loss	(7,617)	(12,606)	(859)	(4,764)
Interest expense	(94)	(362)	(152)	(488)
Unwinding of discount on decommissioning and environmental liabilities	(101)	(166)	(171)	(545)
Bank commissions and charges	(10)	(43)	16	-
Expenses on pension liabilities	(32)	(95)	-	-
Total finance income/(costs), net	**(7,628)**	**(8,865)**	**580**	**(2,590)**

(in million of Russian Roubles, unless noted otherwise)

NOTE 21. 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, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the nine months ended 30 September 2014 were the Primary Shareholders (Note 1) – Rosneft Oil Company and Gazprom Neft Group.

Remuneration of key management personnel of the Group (members of the Company's Board of Directors and the Group Management Board) was as follows:

	Three months ended 30 September 2014	**Nine months ended 30 September 2014**	**Three months ended 30 September 2013**	**Nine months ended 30 September 2013**
Short-term employee benefits	37	218	47	318
Long-term bonus scheme and other long-term employee benefits	-	80	3	143
Total	**37**	**298**	**50**	**461**

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

Customer	**Description**	**Three months ended 30 September 2014**	**Nine months ended 30 September 2014**	**Three months ended 30 September 2013**	**Nine months ended 30 September 2013**
Entities related to Rosneft Oil Company	Crude oil	20,828	66,706	23,580	62,970
Entities related to Gazprom Neft Group	Crude oil	20,828	66,706	23,580	62,970
Entities related to Rosneft Oil Company	Processing services	3,374	9,396	2,678	7,748
Entities related to Gazprom Neft Group	Processing services	3,374	9,396	2,678	7,748
Other	Oil products and other	768	2,286	575	1,493
Total		**49,172**	**154,490**	**53,091**	**142,929**

For the nine months ended 30 September 2014 the Group incurred operating expenses with related parties representing purchases in the amount of RR 255 million (for the nine months ended 30 September 2013 – RR 223 million).

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities being controlled by the Russian Government. In accordance with IAS 24 "Related Party Disclosures" and as the Primary Shareholders of the Company are effectively being controlled by the Russian Government, the following disclosure was made.

(in million of Russian Roubles, unless noted otherwise)

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group has applied the exemption as allowed by IAS 24 not to disclose all government related transactions, as the Primary shareholders are effectively being controlled by the Russian Government. In the normal course of business the Group enters into transactions with other entities under Government control. Prices of natural gas sales, gas transportation and electricity tariffs in Russia are regulated by the Federal Tariffs Service. Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable are related to major State controlled companies.

In the normal course of business the Group incurs electricity and heating expenses. A part of these expenses related to purchases from the entities under Government control. Due to specifics of the electricity market in the Russian Federation, these purchases cannot be accurately separated from the purchases from private companies.

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

	30 September 2014	31 December 2013
Entities related to Gazprom Neft Group	771	49
Total	**771**	**49**

Borrowings from related parties were as follows:

	30 September 2014	31 December 2013
Entities related to Gazprom Neft Group	4,000	-
Total	**4,000**	**-**

Receivables from related parties were as follows:

	30 September 2014	31 December 2013
Entities related to Rosneft Oil Company	2,031	2,465
Entities related to Gazprom Neft Group	1,865	2,219
Other	86	52
Total	**3,982**	**4,736**

Accounts payable to related parties were as follows:

	30 September 2014	31 December 2013
Entities related to Gazprom Neft Group	1,690	2 606
Entities related to Rosneft Oil Company	545	1,063
Other	205	141
Total	**2,440**	**3,810**

Dividends payable to Shareholders were as follows:

	30 September 2014	31 December 2013
Entities related to Gazprom Neft Group	22.5	100
Entities related to Rosneft Oil Company	22.5	100
Total	**45**	**200**

(in million of Russian Roubles, unless noted otherwise)

NOTE 21. RELATED PARTY TRANSACTIONS (CONTINUED)

Shareholders contribution

During 2009-2010 ZAO Slavneft-Start issued loans in the amount of USD 100.3 million to entities affiliated with the Primary Shareholders of the Group. As a result of their terms (e.g. no interest rate), and lack of clarity as to whether or not they will be prolonged or repaid, these loans were accounted for as distributions in the consolidated financial statements of the Group.

At the present moment ZAO Slavneft-Start has no significant financial and economic activities, and Management plans liquidation of the company in 2014-2015. In this case these loans were repaid by entities affiliated with the Primary Shareholders of the Group in the third quarter 2014. ZAO Slavneft-Start will send sums of received loans on the distribution of the dividends to Company.

In this situation repayment of loans is not income from ordinary transactions of the company and essentially is a contribution of shareholders (owners) in cash in connection with the fact that the previously issued loans were recorded as a return of capital/dividends in Consolidated Financial Statements of the Group. According to IAS 1.106 (d) (iii), transactions with owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control, presents in Statement of Changes in Equity. Subsequently distribution of dividends according to IAS 1 will be presented as a part of retained earnings in the Statement of Financial Position and in the Statement of Changes in Equity.

NOTE 22. CONTINGENCIES AND COMMITMENTS

Capital expenditure commitments

The Company and its subsidiaries are engaged in ongoing capital projects for exploration and development of production facilities and modernization of refineries and its distribution network. The budgets for these projects are generally set on a 3-year basis. Depending on the current market situation, actual expenditures may vary from the budgeted amounts.

The Group has approved contractual capital expenditure commitments for construction and fixed assets acquisition as of 30 September 2014 in the amount of RR 11,582 million (31 December 2013 – RR 7,702 million). The increase of contractual capital expenditure commitments for construction is due to the development of oil fields.

Operating leases

The land in the Russian Federation on which the Group's production facilities are located is mostly owned by the State. The Group leases land through operating lease agreements with the State. Payments by the Group are based on the total area and location of the land occupied. Operating lease agreements expire in various years through to 2062. The decrease of minimum lease payments under non-cancellable operating leases was caused by the signing new lease agreements and the reduction of the lease on the previously signed agreements by OAO Slavneft- Yaroslavnefteorgsintez. Future minimum lease payments under non-cancellable operating leases are:

	30 September 2014	**31 December 2013**
Less than 1 year	583	568
Between 1 and 5 years	2,193	2,050
More than 5 years	8,597	9,740
Total	**11,373**	**12,358**

NOTE 22. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Social commitments

The Group contributes to mandatory and voluntary social programmes and maintains social sphere assets in the locations where it has its main operating facilities. The Group's social sphere assets, as well as local social programmes, benefit the community at large and are not normally restricted to the Group's employees. Contributions are expensed in the period during which they are incurred.

Insurance

The insurance industry in the Russian Federation is in the process of development, and many forms of insurance protection common in developed markets are not yet generally available.

The Group has limited coverage for its mining, processing and transportation for business interruption or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain operating assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group has a number of small claims and litigation relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

Russian tax 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 it 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. Management has implemented internal procedures to be in compliance with the new transfer pricing legislation. Management believes that its pricing methodology is in compliance with the transfer pricing legislation and applied intra-Group prices are arm's length.

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

NOTE 22. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions in which it operates. The Group's operations involve disturbance of land, discharge of materials and contaminants into the environment, potential impact to flora and fauna, and other environmental concerns.

The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates. However, environmental regulations are currently under consideration in the Russian Federation. The Group is continually evaluating its obligations relating to new and changing legislation. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology and incur future additional material costs to meet more stringent standards.

Operating environment

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, the current impact and ongoing threat of sanctions, uncertainty and volatility of the financial markets and other risks could have negative effects on the Russian financial and corporate sectors. The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment.

In September 2014 the U.S., the European Union (EU) and certain other countries and international organisations expanded additional sanctions on the Russian energy sector that partially apply to the Group. The new sanctions package prohibit the providing of debt financing for a number of Russian energy companies and banking institutions, including the primary shareholders of the Company (OAO Gazprom Neft and Rosneft Oil Company). As a result, foreign banks of countries that imposed sanctions on Russian individuals and businesses, stopped providing credit facilities to the Company and its subsidiaries. Currently the Company's management is considering various options for the arranging loans in Russian banks. In connection with the increasing amount of loans in Russian roubles management estimates the impact on the financial performance of the Company the increasing of interest rates.

Management believes it is taking all necessary measures to support the sustainability of development of the Group's business in the current business and economic environment.

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. FINANCIAL RISK MANAGEMENT

The accounting policies for financial instruments have been applied to these Financial Statements line items below:

	30 September 2014	31 December 2013
Financial assets		
Current		
Cash and cash equivalents (Note 8)	9,309	28,208
Trade and other financial receivables, net (Note 7)	6,380	7,537
Loans receivable	3	55
Total carrying amount	**15,692**	**35,800**
Financial liabilities		
Non-current		
Non-current debt (Note 9)	27,018	33,271
Current		
Trade and other financial payables (Note 12)	19,868	19,274
Current debt and current portion of non-current debt (Note 9)	32,555	24,010
Total carrying amount	**79,441**	**76,555**

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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

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

Market risk

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, gas condensate, foreign currency exchange rates, interest rates and other indices that could adversely 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.

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.

A significant portion of the Group’s revenues and costs are denominated in RR, whereas the majority of the Group’s finance liabilities are denominated in USD, accordingly, profit may be impacted by the changes of the RR against the USD.

In connection with the expansion by the US, the EU and other countries and international organisations of the new sanctions package against the individuals and businesses from Russia (Note 22) the Company's management believes that the currency risk to which the Company will gradually decline due to the process of substitution of credit in USD to loan funds in Russian roubles.

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	30 September 2014						
	RUR	**USD**	**EURO**	**JPY**	**BYR**	**Subtotal for foreign currency**	**Total**
Current assets							
Trade accounts receivable	5,283	-	1,096	-	1	**1,097**	**6,380**
Cash and cash equivalents	7,462	596	14	-	1,237	**1,847**	**9,309**
Loans receivable	3	-	-	-	-	**-**	**3**
Non-current liabilities							
Non-current debt	(4,000)	(23,018)	-	-	-	**(23,018)**	**(27,018)**
Current liabilities							
Current debt	-	(31,581)	(109)	(865)	-	**(32,555)**	**(32,555)**
Trade accounts payable and accruals	(18,470)	(70)	(1,327)	-	(1)	**(1,398)**	**(19,868)**
Net exposure	**(9,722)**	**(54,073)**	**(326)**	**(865)**	**(1,237)**	**(54,027)**	**(63,749)**

	31 December 2013						
	RUR	**USD**	**EURO**	**JPY**	**BYR**	**Subtotal for foreign currency**	**Total**
Current assets							
Trade accounts receivable	6,114	-	1,418	-	5	**1,423**	**7,537**
Cash and cash equivalents	19,717	8,324	65	-	102	**8,491**	**28,208**
Loans receivable	54	-	1	-	-	**1**	**55**
Non-current liabilities							
Non-current debt	-	(32,905)	-	(366)	-	**(33,271)**	**(33,271)**
Current liabilities							
Current debt	-	(23,167)	(102)	(741)	-	**(24,010)**	**(24,010)**
Trade accounts payable and accruals	(17,858)	(1)	(1,415)	-	-	**(1,416)**	**(19,274)**
Net exposure	**8,027**	**(47,749)**	**(33)**	**(1,107)**	**107**	**(48,782)**	**(40,755)**

A 10% change in foreign exchange rates at the reporting date would have following effect on pre-tax profit:

	Nine months ended 30 September 2014			**Nine months ended 30 September 2013**		
	USD	**JPY**	**BYR**	**USD**	**JPY**	**BYR**
Effect on pre-tax profit	(5 396)	(87)	124	(4 517)	(158)	10

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 positevly affect the Group’s results of operations. The Group sells substantionally all its crude oil and related products to the Primary Shareholders.

Interest rate risk

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

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	30 September 2014	31 December 2013
Fixed rate financial instruments (net)	**3,313**	**26,814**
Bank deposits	8,178	27,921
Non-current debt	(4,000)	(366)
Current debt	(865)	(741)
Variable rate financial instruments	**(54,708)**	**(56,174)**
Non-current debt	(23,018)	(32,905)
Current debt	(31,690)	(23,269)

At 30 September 2014 and 31 December 2013, the Group's risk policy does not provide for any interest risk hedging.

A 1% change in interest rates at the reporting date would have the following effect on pre-tax profit:

	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Effect on pre-tax profit	(456)	(345)

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 related to Primary Shareholders. The Group's top trade debtors are entities associated with the Primary Shareholders: Rosneft Oil Company and OAO Gazprom Neft. And so the credit quality of trade receivables not impaired at 30 September 2014 is not a significant risk as the debtors (Primary Shareholders and other than Primary Shareholders) have no history of defaults. Disclosure regarding trade receivables that are either past due or impaired is presented in Note 7.

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 nine months ended 30 September 2014 and 30 September 2013, global and Russian capital markets experienced significant volatility, significant fluctuation of Russian Rouble against USD and Euro and increase in interest rates. Despite stabilization measures undertaken by various governments, markets remain volatile.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group expects that cash generated from operations will be the major source of the Group's liquidity in 2014 and will be sufficient to cover the capital expenditures program of the Group. In addition, management believes that the Company will be able to attract additional sources of financing in order to re-finance the existing short-term facilities.

The central treasury department of the Group maintains flexibility in funding by maintaining availability of credit lines facilities. All commited credit lines at 30 September 2014 was totalled used (unused portion of uncommitted credit lines at 31 December 2013 – RR 6,546 million), but the unused portion of uncommitted credit lines at 30 September 2014 totalled RR 5,588 million.

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's financial liabilities that include financial payables (e.g. trade payables, borrowings into relevant maturity groupings based on the contractual undiscounted cash flows to maturity), including interest payments.

	30 September 2014	31 December 2013
Not later than 1 year	52,424	43,284
Later than 1 year and not later than 5 years	27,017	33,271
Total	**79,441**	**76,555**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares. The Group's overall strategy for 2014 remained unchanged from prior years.

The Group has complied with all externally imposed capital requirements during the nine months ended 30 September 2014 and 30 September 2013. These are set out in the Group's loan agreements on various basis.

Consistent with others in industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as Net debt divided by the Total Group shareholders' equity plus Net debt. Net debt is calculated as total interest bearing loans and borrowings less cash and cash equivalents. Total capital is determined as Total Group shareholders' equity as shown in the Consolidated Interim Condensed Statement of Financial Position.

	30 September 2014	31 December 2013
Net debt	50,264	29,073
Total Group Shareholders'equity	158,183	160,796
Total Group Shareholders'equity and Net debt	208,447	189,869
Gearing ratio	**24.1%**	**15.3%**

(in million of Russian Roubles, unless noted otherwise)

NOTE 24. FAIR VALUE FOR FINANCIAL INSTRUMENTS

At 30 September 2014 and 31 December 2013 the fair values of financial instruments held by the Group did not materially differ from the carrying values.

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

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

NOTE 25. DIVIDENDS

The shareholders approved dividends of RR 2.49 per ordinary share in the amount of RR 11,838 million during the annual general meeting of Company's held on 30 June 2014 and RR 0.06 per ordinary share in the amount of RR 285 million during the annual general meeting of Company's held on 28 June 2013. The Company paid dividends during the nine months ended 30 September 2014 and 30 September 2013 in the amount of RR 11,907 million and RR 8,699 million respectively, or up to the date of issuance of this Consolidated Interim Condensed Financial Information.

NOTE 26. NON-CONTROLLING INTEREST

The table below presents information regarding subsidiaries that are not wholly owned by the Group (non-controlling interest – NCI) as at 30 September 2014.

		30 September 2014		**Nine months ended 30 September 2014**	**31 December 2013**		**Nine months ended 30 September 2013**
Subsidiaries	**Core activity**	**NCI share, %**	**NCI in the net assets**	**NCI in the net profit**	**NCI share, %**	**NCI in the net assets**	**NCI in the net profit**
OAO Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	48,424	1,667	43.58%	46,757	2,848
OAO Slavneft Yaroslavnefteorgsintez *	Petroleum refining	60.17%	21,856	2,508	60.17%	19,348	2,373
OAO Ob'Neftegazgeologiya	Oil and gas development and production	19.76%	2,556	29	19.76%	2,527	601
OOO MUBR	Field survey and exploration	43.58%	978	80	43.58%	899	18
OAO Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	249	(26)	5.28%	274	12
OOO MegionEnergoNeft'	Field survey and exploration	43.58%	130	14	43.58%	116	19
OOO Megion Geologiya	Field survey and exploration	11.87%	(63)	74	11.87%	(138)	(46)
OAO Sobol'	Oil and gas development and production	16.31%	(18)	(15)	16.31%	(3)	(20)
Other	-		27	(87)		115	24
Total		**-**	**74,139**	**4,244**	**-**	**69,895**	**5,829**

(in million of Russian Roubles, unless noted otherwise)

NOTE 26. NON-CONTROLLING INTEREST (CONTINUED)

* The voting rights of the Group comprise 39.83% as of 30 September 2014 and 51,46% as of 31 December 2013. The directors have concluded that the Group controls OAO Slavneft Yaroslavnefteorgsintez, even though it holds less than half of the ownership interest of this subsidiary. This judgement has been made as the reduction in the voting power was as a result of a technical change in voting rights that occurred in late June 2014. Such a change is expected to be temporary. 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.

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

Share of the Primary Shareholders in non-controlling interest of the Group comprises the following amounts: non-controlling interest in the Consolidated Interim Condensed Financial Information as of 30 September 2014 and 31 December 2013 includes RR 67,390 million and RR 63,492 million respectively, attributable to the Primary Shareholders’ interests.

Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income for the nine months ended 30 September 2014 and 2013 comprises RR 3,898 million and RR 5,353 million as profit respectively, attributable to the Primary Shareholders’ interest.

NOTE 27. PRINCIPAL SUBSIDIARIES

The Consolidated Interim Condensed Financial Information of the Group includes the following subsidiaries in addition to those, presented in Note 26:

Subsidiaries of the Company

		30 September 2014		**31 December 2013**	
Subsidiaries	**Core activity**	**Ownership**	**Voting rights**	**Ownership**	**Voting rights**
ZAO Ob'neftegeologiya	Oil and gas development and production	100%	100%	100%	100%
OOO Slavneft'-Nizhnevartovsk	Oil and gas development and production	100%	100%	100%	100%
OOO Slavneft'-Krasnoyarskneftegaz	Oil and gas development and production	100%	100%	100%	100%
OOO BNGRE	Field survey and exploration	100%	100%	100%	100%
OOO Slavneft Logistika	Transportation services	100%	100%	100%	100%

NOTE 28. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period have been evaluated through 7 November 2014, the date of issuance of this Consolidated Interim Condensed Financial Information. No other significant events were identified.