

Slavneft Group

IFRS Consolidated Interim Condensed
Financial Information (Unaudited)

as of and for the three and the nine months ended 30 September 2016

Slavneft Group
Consolidated Interim Condensed Financial Information
(Unaudited)

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Report on review of consolidated interim condensed financial information

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

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of Open Joint Stock Company NGK Slavneft and its subsidiaries, comprising the consolidated interim statement of financial position as at 30 September 2016, the related consolidated interim statements of profit or loss and other comprehensive income for the three and nine-month periods, and the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

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

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


Ernst & Young LLC

31 October 2016

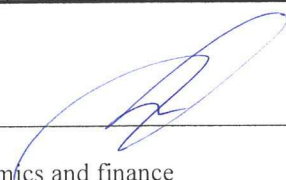
Moscow, Russia

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

	Notes	30 September 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	4	291,725	275,868
Investments		73	313
Deferred income tax assets		7,927	8,096
Other non-current assets	5	3,560	3,800
Total non-current assets		303,285	288,077
Current assets			
Inventories	6	7,400	6,602
Accounts receivable and prepayments	7	11,608	8,062
Income tax receivables		287	1,135
Cash and cash equivalents	8	11,931	8,078
Other current assets		31	31
Total current assets		31,257	23,908
Total assets		334,542	311,985
Equity			
Ordinary share capital		70	70
Retained earnings		38,015	24,347
Other reserves		(60)	62
Additional paid-in capital		54,812	54,812
Total equity attributable to OJSC NGK Slavneft's shareholders		92,837	79,291
Non-controlling interest	23	89,677	80,056
Total equity		182,514	159,347
Liabilities			
Non-current liabilities			
Non-current debt	9	62,575	54,562
Deferred income tax liabilities		15,868	14,287
Decommissioning and environmental liabilities	10	13,905	13,521
Other non-current liabilities		2,382	2,226
Total non-current liabilities		94,730	84,596
Current liabilities			
Current debt and current portion of non-current debt	9	11,480	26,986
Accounts payable	11	21,465	22,699
Advances received		295	1,324
Dividends payable	22	64	63
Taxes payable	12	21,626	14,932
Other current liabilities	13	2,368	2,038
Total current liabilities		57,298	68,042
Total liabilities		152,028	152,638
Total equity and liabilities		334,542	311,985


 Osipov M.L.
 President
 OJSC NGK Slavneft

31 October 2016


 Karabadzha K.S.
 Vice-president on economics and finance
 OJSC NGK Slavneft

Slavneft Group
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(in millions of Russian Roubles)

		Three months ended 30 September Notes 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Revenue	15	53,734	158,234	53,918	173,509
Production expenses		(11,040)	(33,453)	(10,605)	(31,738)
Selling, general and administrative expenses		(1,557)	(4,488)	(1,188)	(4,339)
Cost of other sales		(1,093)	(3,402)	(762)	(2,987)
Taxes other than income tax	16	(23,320)	(63,597)	(24,776)	(79,584)
Depreciation, depletion and amortization	4, 5	(8,529)	(24,123)	(8,289)	(23,833)
Exploration expenses		(105)	(386)	(154)	(467)
Impairment and gain/(loss) on disposal of assets		127	172	(3)	(24)
Total operating expenses and costs		(45,517)	(129,277)	(45,777)	(142,972)
Other operating income		118	406	142	484
Operating profit		8,335	29,363	8,283	31,021
Finance income	17	421	1,281	479	1,584
Finance expenses	17	(1,365)	(5,065)	(1,377)	(3,900)
Foreign exchange gain/(loss)		334	3,599	(6,020)	(5,799)
Profit before income tax		7,725	29,178	1,365	22,906
Income tax expense	14	(1,671)	(6,022)	(380)	(4,936)
Profit for the period attributable to:		6,054	23,156	985	17,970
– OJSC NGK Slavneft shareholders		3,341	13,532	(238)	10,359
– Non-controlling interest	23	2,713	9,624	1,223	7,611
Other comprehensive income/(loss)		17	(122)	18	(80)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		17	(122)	18	(80)
Total comprehensive income attributable		6,071	23,034	1,003	17,890
– OJSC NGK Slavneft shareholders		3,358	13,410	(220)	10,279
– Non-controlling interest	23	2,713	9,624	1,223	7,611

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

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

	Equity attributable to Group shareholders				Total	Non-controlling interest	Total equity
	Ordinary share capital	Additional paid-in capital	Other reserves	Retained earnings			
At 1 January 2015	70	54,812	112	14,305	69,299	71,004	140,303
Profit for the period	–	–	–	10,359	10,359	7,611	17,970
Other comprehensive loss							
Currency translation differences	–	–	(80)	–	(80)	–	(80)
Total comprehensive income/(loss)	–	–	(80)	10,359	10,279	7,611	17,890
Dividends	–	–	–	–	–	(10)	(10)
At 30 September 2015	70	54,812	32	24,664	79,578	78,605	158,183
At 1 January 2016	70	54,812	62	24,347	79,291	80,056	159,347
Profit for the period	–	–	–	13,532	13,532	9,624	23,156
Other comprehensive loss							
Currency translation differences	–	–	(122)	–	(122)	–	(122)
Total comprehensive income/(loss)	–	–	(122)	13,532	13,410	9,624	23,034
Dividends	–	–	–	–	–	(3)	(3)
Other	–	–	–	136	136	–	136
At 30 September 2016	70	54,812	(60)	38,015	92,837	89,677	182,514

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

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

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Cash flows from operating activities			
Profit for the period		23,156	17,970
Adjustments to reconcile profit for the period to net cash provided by operating activities			
Depreciation, depletion and amortization	4, 5	24,123	23,833
Impairment and loss/(gain) on disposal of assets		(172)	24
Finance income	17	(1,281)	(1,584)
Finance expenses	17	5,065	3,900
Foreign exchange loss/(gain)		(3,599)	5,799
Income tax expense	14	6,022	4,936
Change in provisions		274	288
Other		82	81
Cash flows from operating activities before working capital changes		53,670	55,247
Changes in working capital			
Increase in accounts receivable and prepayments		(5,709)	(5,693)
Increase in inventories		(735)	(1,521)
Decrease/(increase) in other current and non-current assets		257	(175)
Increase/(decrease) in accounts payable		147	(4,178)
Increase/(decrease) in other current liabilities		50	(45)
Increase in other non-current liabilities		-	7
Increase in taxes payable		5,774	5,261
Income tax paid		(2,503)	(2,260)
Net cash from operating activities		50,951	46,643
Cash flows from investing activities			
Dividends received		15	20
Proceeds from sale of property, plant and equipment		270	207
Purchases of property, plant and equipment		(40,770)	(35,048)
Interest received		1,250	1,432
Changes in long-term investments		(10)	-
Net cash used in investing activities		(39,245)	(33,389)
Cash flows from financing activities			
Proceeds from short-term loans and borrowings		-	250
Proceeds from long-term loans and borrowings		44,180	21,850
Repayments of short-term loans and borrowings		(250)	(11,755)
Repayments of long-term loans and borrowings		(47,804)	(25,175)
Dividends paid		(2)	(17)
Interest paid		(3,874)	(3,315)
Net cash from/(used in) financing activities		(7,750)	(18,162)
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies			
		(103)	122
Net increase/(decrease) in cash and cash equivalents		3,853	(4,786)
Cash and cash equivalents at the beginning of the period	8	8,078	13,709
Cash and cash equivalents at the end of the period	8	11,931	8,923

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

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in millions of Russian Roubles, unless noted otherwise)

NOTE 1. GENERAL INFORMATION

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

The Company was established as an open joint-stock company in August 1994 in accordance with the Decree of the Government of the Russian Federation № 305, issued 8 April 1994, the Decree of the Council of Ministers of the Republic of Belarus № 589-r, issued 15 June 1994 and the Charter agreement from 27 June 1994. Under the provisions of the decrees and the Charter agreement, the Russian Federation transferred to the Company 60.5% of voting shares of OJSC Slavneft-Megionneftegaz, currently the principal oil producing subsidiary of the Group, and 50.7% of voting shares of OJSC Megionneftegazgeologiya. The Republic of Belarus transferred to the Company 17.6% of voting shares of OJSC Mozyrsky NPZ and another 15% of voting shares of OJSC Mozyrsky NPZ was transferred to the Company by a number of individuals in exchange for the Company’s shares. Upon formation of the Company, 86.3% of its share capital was owned by the Russian Federation, 7.2% by the Republic of Belarus and 6.5% by a number of individuals.

The authorized capital of the Company is 4,754,238,000 common shares with a par value of RR 0.001 per share. The carrying value of share capital as at 30 September 2016 and 31 December 2015 differs from its nominal value due to the effect of hyperinflation in the Russian Federation till 31 December 2002.

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

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

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

NOTE 2. BASIS OF PREPARATION

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

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

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

The results reported in this Consolidated Interim Condensed Financial Information for the nine months ended 30 September 2016 and 30 September 2015 are not necessarily indicative of the results expected for the full year.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in millions of Russian Roubles, unless noted otherwise)

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

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

Functional and presentation currency

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

Foreign currency translation

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

The following exchange rates determined by the CBR were applied at 30 September 2016 and 31 December 2015 and for the nine months ended 30 September 2016 and 30 September 2015 (in RR):

	At 30 September 2016	At 31 December 2015	Average rates for the nine months ended 30 September	
			2016	2015
For one currency unit to equivalent Russian Rouble				
– US dollar ("USD")	63.1581	72.8827	68.3667	59.2777
– Euro ("EUR")	70.8823	79.6972	76.2805	66.2618

Going concern

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

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

Seasonality of operations

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

Changes in accounting policies, estimates and judgements

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

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

(in millions of Russian Roubles, unless noted otherwise)

NOTE 3. APPLICATION OF NEW AND REVISED IFRS AND ACCOUNTING PRONOUNCEMENTS

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

Standards	Effective for annual periods beginning on or after
IAS 1 (Amended) <i>Presentation of Financial Statements</i>	1 January 2016
IAS 16 (Amended) <i>Property, Plant and Equipment</i>	1 January 2016
IAS 19 (Amended) <i>Employee Benefits</i>	1 January 2016
IAS 34 (Amended) <i>Interim Financial Reporting</i>	1 January 2016
IAS 38 (Amended) <i>Intangible Assets</i>	1 January 2016
IFRS 7 (Amended) <i>Financial Instruments: Disclosure</i>	1 January 2016
IFRS 10 (Amended) <i>Consolidated Financial Statements</i>	1 January 2016
IFRS 11 (Amended) <i>Joint Arrangements</i>	1 January 2016
IFRS 12 (Amended) <i>Disclosure of Interests in Other Entities</i>	1 January 2016

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

A number of new standards and amendments to standards were not yet effective as of 30 September 2016, and have not been applied in this Consolidated Interim Condensed Financial Information.

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

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

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

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in millions of Russian Roubles, unless noted otherwise)

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Machinery and equipment	Construction in progress	Total
Cost				
As of 1 January 2016	337,876	103,956	35,637	477,469
Additions	398	–	40,701	41,099
Transfers	28,864	3,975	(32,839)	–
Change in decommissioning liabilities	(710)	–	–	(710)
Disposals	(2,608)	(651)	(142)	(3,401)
Other movements	–	249	–	249
As of 30 September 2016	363,820	107,529	43,357	514,706
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2016	(163,097)	(37,602)	(902)	(201,601)
Depreciation, depletion and amortization	(19,723)	(4,365)	–	(24,088)
Impairment	(27)	–	(87)	(114)
Impairment recovery	54	1	8	63
Disposals	2,422	504	–	2,926
Other movements	–	(167)	–	(167)
As of 30 September 2016	(180,371)	(41,629)	(981)	(222,981)
Net book value as of 1 January 2016	174,779	66,354	34,735	275,868
Net book value as of 30 September 2016	183,449	65,900	42,376	291,725
Cost				
As of 1 January 2015	300,666	98,909	32,598	432,173
Additions	329	–	34,964	35,293
Transfers	22,597	1,296	(23,893)	–
Change in decommissioning liabilities	(231)	–	–	(231)
Disposals	(2,443)	(487)	(1,431)	(4,361)
As of 30 September 2015	320,918	99,718	42,238	462,874
Accumulated depreciation, depletion, amortization and impairment				
As of 1 January 2015	(139,557)	(32,803)	(1,865)	(174,225)
Depreciation, depletion and amortization	(19,872)	(3,961)	–	(23,833)
Impairment	(57)	–	(131)	(188)
Impairment recovery	52	–	1,094	1,146
Change in decommissioning liabilities	200	–	–	200
Disposals	2,167	348	–	2,515
As of 30 September 2015	(157,067)	(36,416)	(902)	(194,385)
Net book value as of 1 January 2015	161,109	66,106	30,733	257,948
Net book value as of 30 September 2015	163,851	63,302	41,336	268,489

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

	30 September 2016	31 December 2015
Catalysts	2,618	2,641
Other intangible assets*	888	1,033
Other	66	137
Allowance for impairment of non-current assets	(12)	(11)
Total other non-current assets	3,560	3,800

* Net of accumulated amortization. For the three and the nine months ended 30 September 2016, accumulated amortization accrued in the amount of RR 11 million and RR 35 million respectively.

NOTE 6. INVENTORIES

	30 September 2016	31 December 2015
Crude oil	3,482	3,046
Materials and supplies	2,521	2,379
Oil products	507	482
Other	1,175	724
Allowance for inventory impairment	(285)	(29)
Total inventories	7,400	6,602

NOTE 7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2016	31 December 2015
Trade receivables	9,304	5,592
Other receivables	357	443
Bad debt provision	(708)	(699)
Trade and other receivables, net	8,953	5,336
Advances to suppliers and prepayments	1,263	1,724
VAT recoverable	1,392	1,002
Tax prepayments and advances issued	2,655	2,726
Total trade and other receivables, net	11,608	8,062

NOTE 8. CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
Cash held in banks – Russian Roubles	80	62
Cash held in banks – other currencies	1,243	539
Deposits – Russian Roubles	10,608	6,743
Deposits – other currencies	–	734
Total cash and cash equivalents	11,931	8,078

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

	Currency	30 September 2016	31 December 2015
JSC Alfa-Bank	RR	14,333	14,314
OJSC Gazprombank	RR	11,855	8,000
PJSC VTB Bank	RR	8,028	–
PJSC CREDIT BANK OF MOSCOW	RR	7,009	7,713
PJSC Bank Sankt Petersburg	RR	6,858	7,228
AO Raiffeisenbank	USD	6,564	10,100
AO UniCredit Bank	USD	6,128	9,428
LLC Ekspobank	RR	5,500	5,500
PJSC Promsvyazbank	RR	4,200	–
AO COMMERZBANK (EURASIJA)	USD	1,580	1,823
PJSC Bank Otkritie Financial Corporation	RR	600	–
JSC BNP Paribas bank	USD	459	2,116
PJSC Rosbank	USD	421	1,944
JSC Natixis Bank	USD	421	1,944
JSC ING Bank London branch	USD	–	4,687
PJSC Absolut Bank	RR	–	3,041
PJSC Sviaz-Bank	RR	–	2,001
PJSC BANK URALSIB	RR	–	650
PJSC West Siberian Commercial Bank	RR	–	551
Other		1	–
Less current portion		(11,382)	(26,478)
Total non-current debt		62,575	54,562

The Group's non-current debt has restrictive covenants calculated based on the Consolidated Interim Condensed Financial Information on a quarter basis including, but not limited to, the requirement to maintain the following minimum ratios: Net debt/EBITDA, EBITDA/Interest expense.

The Group was in compliance with these covenants based on its Consolidated Interim Condensed Financial Information as of 30 September 2016.

Current debt and current portion of non-current debt

	30 September 2016	31 December 2015
Current debt – Russian Roubles	–	306
Current portion of non-current debt – Russian Roubles	2,852	7,442
Current debt – other currencies	98	202
Current portion of non-current debt – other currencies	8,530	19,036
Total current debt and current portion of non-current debt	11,480	26,986

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

The table below presents movement of decommissioning and environmental provisions:

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Decommissioning and environmental provisions, opening balance (including current portion)	14,104	13,895	13,456	13,488
Additions	73	318	82	268
Disposal	(180)	(331)	(118)	(459)
Change of the cost, discount rate and period	(201)	(810)	(61)	(291)
Unwinding of discount	369	1,093	198	551
Decommissioning and environmental provisions, closing balance	14,165	14,165	13,557	13,557
Less current portion	(260)	(260)	(675)	(675)
Decommissioning and environmental provisions, non-current portion, closing balance	13,905	13,905	12,882	12,882

NOTE 11. ACCOUNTS PAYABLE

	30 September 2016	31 December 2015
Payables to suppliers and contractors	12,728	11,528
Payables for purchased non-current assets	8,737	11,171
Total accounts payable	21,465	22,699

NOTE 12. TAXES PAYABLE

	30 September 2016	31 December 2015
Value added tax	8,104	5,902
Mineral extraction tax	6,915	5,359
Excise	3,826	2,025
Income tax	1,057	132
Property tax	988	914
Social payments	622	482
Personal income tax	85	71
Other	29	47
Total taxes payable	21,626	14,932

NOTE 13. OTHER CURRENT LIABILITIES

	30 September 2016	31 December 2015
Accrual for bonus payments	839	492
Accrual for vacation payments	620	564
Wages and salaries	459	403
Environmental liabilities (current portion)	260	374
Accrued liabilities	21	21
Other	169	184
Total other current liabilities	2,368	2,038

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

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

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used for the nine months ended 30 September 2016 is 20.64% (the estimated tax rate for the nine months ended 30 September 2015 was 21.55%). Decrease in the estimated weighted average income tax rate was caused by the increase in the income tax relief related to the entities engaged in field exploration and capital investment activity in the Khanty-Mansiysk Autonomous district.

The components of income taxes were as follows:

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Current income tax expense	1,199	3,754	614	2,847
Deferred income tax expense/(benefit)	359	1,748	(167)	2,197
Income tax valuation allowance	110	676	15	28
Other deferred income tax expense/(benefit)	3	(156)	(82)	(136)
Total income tax expense	1,671	6,022	380	4,936

NOTE 15. REVENUE

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Crude oil	45,296	133,738	45,382	148,406
Processing services	6,986	19,616	7,507	20,918
Other sales (mainly oilfield services)	1,348	4,577	929	3,882
Associated gas	104	303	100	303
Total revenue	53,734	158,234	53,918	173,509

NOTE 16. TAXES OTHER THAN INCOME TAX

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Mineral extraction tax	21,600	58,241	23,196	74,409
Property tax	1,022	3,059	983	2,926
Social payments	674	2,208	552	1,969
Other	24	89	45	280
Total taxes other than income tax	23,320	63,597	24,776	79,584

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

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Interest income	413	1,250	457	1,432
Other income	8	31	22	152
Total finance income	421	1,281	479	1,584
Interest expense	(944)	(3,801)	(1,130)	(3,167)
Unwinding of discount on decommissioning and environmental liabilities	(369)	(1,093)	(198)	(551)
Expenses on pension liabilities	(46)	(139)	(33)	(100)
Bank commissions and charges	(3)	(23)	(17)	(82)
Other	(3)	(9)	1	–
Total finance expenses	(1,365)	(5,065)	(1,377)	(3,900)
Total finance expenses, net	(944)	(3,784)	(898)	(2,316)

NOTE 18. RELATED PARTY TRANSACTIONS

For the purposes of this Consolidated Interim Condensed Financial Information, parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. Related parties may enter into transactions which would have been impossible if the parties were not related. Transactions between related parties and transactions between unrelated parties may provide different terms, conditions and amounts.

The Group's principal related parties for the nine months ended 30 September 2016 were the Primary Shareholders (Note 1), and their group entities.

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

	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Short-term employee benefits	38	115	58	173
Long-term bonus scheme and other employee benefits	–	1	3	3
Total	38	116	61	176

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

Customer	Description	Three months ended 30 September 2016	Nine months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2015
Entities of Rosneft Group	Crude oil	22,644	66,723	22,688	74,114
Entities of Gazprom Neft Group	Crude oil	22,645	66,723	22,688	74,114
Entities of Rosneft Group	Processing services	3,493	9,808	3,753	10,459
Entities of Gazprom Neft Group	Processing services	3,493	9,808	3,753	10,459
Other	Other	1,185	3,535	795	2,774
Total		53,460	156,597	53,677	171,920

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

For the nine months ended 30 September 2016 the Group incurred operating expenses with related parties representing purchases in the amount of RR 281 million (for the nine months ended 30 September 2015 – RR 312 million).

Borrowings from related parties were as follows:

	30 September 2016	31 December 2015
OJSC Gazprombank	11,855	8,000
Total	11,855	8,000

Receivables from related parties were as follows:

	30 September 2016	31 December 2015
Entities of Rosneft Group	3,138	1,481
Entities of Gazprom Neft Group	2,818	1,330
Other	4	77
Total	5,960	2,888

Accounts payable to related parties were as follows:

	30 September 2016	31 December 2015
Entities of Gazprom Neft Group	2,544	2,228
Entities of Rosneft Group	786	1,703
Other	3	178
Total	3,333	4,109

Dividends payable to the Primary Shareholders were as follows:

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

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

The Group has approved contractual capital expenditure commitments for construction and fixed assets acquisition as of 30 September 2016 in the amount of RR 15,628 million (as of 31 December 2015 – RR 6,423 million).

Taxation contingencies in the Russian Federation

Russian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the tax authorities.

Currently, the Russian tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and fees may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

Note 19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation contingencies in the Russian Federation (continued)

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

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

Operating environment

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

During 2016 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to "below investment" grade. This operating environment has a significant impact on the Group's operations and financial position.

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

NOTE 20. FINANCIAL RISK MANAGEMENT

In the normal course of 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 monthly 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 rate risk.

Market risk

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

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

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

The Group has the following financial assets and liabilities:

	30 September 2016				Subtotal for foreign currency	Total
	RUR	USD	EUR	BYR		
Current assets						
Trade and other receivables	7,044	–	1,909	–	1,909	8,953
Cash and cash equivalents	10,688	916	100	227	1,243	11,931
Loans receivable	1	–	–	–	–	1
Non-current liabilities						
Non-current debt	(55,530)	(7,045)	–	–	(7,045)	(62,575)
Current liabilities						
Current debt	(2,852)	(8,530)	(98)	–	(8,628)	(11,480)
Accounts payable	(19,187)	(3)	(2,272)	(3)	(2,278)	(21,465)
Total	(59,836)	(14,662)	(361)	224	(14,799)	(74,635)

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

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

	Nine months ended 30 September 2016			Nine months ended 30 September 2015		
	USD	EUR	BYR	USD	EUR	BYR
Effect on pre-tax profit	+/- 2,932	+/- 72	+/- 45	+/- 6,626	+/- 66	+/- 138

Interest rate risk

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

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

NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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

	30 September 2016	31 December 2015
Bank deposits	10,608	7,477
Non-current debt	(21,768)	(17,372)
Current debt	(927)	(4,520)
Fixed rate financial instruments (net)	(12,087)	(14,415)
Non-current debt	(40,807)	(37,190)
Current debt	(10,388)	(22,110)
Floating rate financial instruments	(51,195)	(59,300)

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

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

	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Effect on pre-tax profit	2,209	2,769

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 Primary Shareholders. The Group's top trade debtors are entities associated with the Primary Shareholders. Therefore the credit quality of trade receivables not impaired at 30 September 2016 is not a significant risk as the debtors (Primary Shareholders and other parties) in the past, did not violate the terms of credit agreements. Disclosure regarding trade receivables that are either past due or impaired is presented in Note 7.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its financial liabilities as they fall due. During the nine months ended 30 September 2016, global and Russian capital markets experienced significant volatility, significant fluctuation of Russian Rouble against USD and Euro. Despite stabilization measures undertaken by governments of different countries, markets remain volatile. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

As of 30 September 2016 net current liability position of the Group was RR 26 041 million (as of 31 December 2015 – RR 44,134 million). Positive cash flow from operations for the nine months ended 30 September 2016 was RR 50,951 million (for the nine months ended 30 September 2015 – RR 46,643 million). As of 30 September 2016 the Group has an equity to total asset ratio of 55% (as of 31 December 2015 – 51%).

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 September 2016 was RR 12,895 million (as of 31 December 2015 – RR 4,495 million). The unused portion of uncommitted credit lines as of 30 September 2016 was RR 1,760 million (as of 31 December 2015 – RR 3,000 million). As of 30 September 2016 the Group's current debt and current portion of non-current debt totaled RR 11,480 million.

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

NOTE 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement

There were no transfers between the levels of the fair value hierarchy during the nine months ended 30 September 2016. There are no significant assets or liabilities measured at fair value categorised within Level 1 or Level 3 of the fair value hierarchy. Borrowings are within Level 2 of the fair value hierarchy.

Cash and cash equivalents, short-term bank deposits, accounts receivable and accounts payable. The carrying amounts of these items are a reasonable approximation of their fair value.

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

The fair value of current and non-current debt differs from its carrying value and amount to RR 73,526 million as of 30 September 2016 (as of 31 December 2015 – RR 76,900 million).

NOTE 22. DIVIDENDS

The Company did not declare dividends during the nine months ended 30 September 2016 and 30 September 2015.

Slavneft Group

Notes to the Consolidated Interim Condensed Financial Information (Unaudited)

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. NON-CONTROLLING INTEREST

The table below presents information regarding non-controlling interest (“NCI”) as of 30 September 2016 and as of 31 December 2015, and for nine months ended 30 September 2016 and 30 September 2015.

Subsidiaries	Core activity	30 September 2016			Nine months ended
		NCI share, %	NCI in the net assets	NCI in the net profit	30 September 2016
					NCI in the net comprehensive (loss)/income
OJSC Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	55,990	5,580	5,580
OJSC Slavneft Yaroslavnefteorgsintez*	Petroleum refining	60.17%	30,029	3,372	3,372
OJSC Ob'neftegazgeologiya	Oil and gas development and production	19.76%	2,311	595	595
LLC MUBR	Field survey and exploration	43.58%	1,132	55	55
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	125	(47)	(47)
LLC MegionErgoNeft'	Field survey and exploration	43.58%	132	8	8
LLC Megion Geologiya	Field survey and exploration	11.87%	(62)	11	11
Other	–	–	20	50	50
Total			89,677	9,624	9,624

Subsidiaries	Core activity	31 December 2015			Nine months ended
		NCI share, %	NCI in the net assets	NCI in the net profit	30 September 2015
					NCI in the net comprehensive (loss)/income
OJSC Slavneft-Megionneftegaz	Oil and gas development and production	43.58%	50,411	4,063	4,063
OJSC Slavneft Yaroslavnefteorgsintez *	Petroleum refining	60.17%	26,660	1,984	1,984
OJSC Ob'neftegazgeologiya	Oil and gas development and production	19.76%	1,717	294	294
LLC MUBR	Field survey and exploration	43.58%	1,077	44	44
OJSC Slavneft-Megionneftegazgeologiya	Oil and gas development and production	5.28%	172	(22)	(22)
LLC MegionErgoNeft'	Field survey and exploration	43.58%	123	22	22
LLC Megion Geologiya	Field survey and exploration	11.87%	(73)	10	10
OJSC Sobol'	Oil and gas development and production	16.31%	(41)	(1)	(1)
Other	–	–	10	(6)	(6)
Total			80,056	6,388	6,388

* The voting rights of the Group comprise 39.83% as of 30 September 2016 and 31 December 2015. No dividends were declared by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez during the annual general meeting held on 18 June 2015. The similar decision was taken by the shareholders of OJSC Slavneft Yaroslavnefteorgsintez on 17 June 2016. In this case, the voting rights of the Group did not change and comprise 39.83% as of 30 September 2016. The management have concluded that the Group still controls OJSC Slavneft Yaroslavnefteorgsintez, even though it holds less than half of the ownership interest of this subsidiary. The Primary Shareholders who have the majority of the remaining share (together 54.97%) have confirmed to the Group that there has been no effective change, nor is one expected, in the ownership nor any change in how the subsidiary is controlled and operated.

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

(in million of Russian Roubles, unless noted otherwise)

NOTE 23. NON-CONTROLLING INTEREST (CONTINUED)

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

The share of the Primary Shareholders in non-controlling interest of the Group comprises the following amounts: non-controlling interest in the Consolidated Interim Financial Information as of 30 September 2016 and 31 December 2015 includes RR 81,645 million and RR 72,885 million respectively.

Consolidated Interim Condensed Statement of Comprehensive Income for the nine months ended 30 September 2016 and 30 September 2015 comprises RR 8,760 million and RR 6,961 million respectively as profit, attributable to the Primary Shareholders' interest.

NOTE 24. EVENTS AFTER THE REPORTING PERIOD

The shareholders of OJSC Slavneft Yaroslavnefteorgsintez approved dividends during the extraordinary general meeting held on 30 September 2016. In this case, the voting rights of the Group will increase and comprise up 51.46% during the fourth quarter of 2016.

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