

OA O NGK SLAVNEFT AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

Report of Independent Accountants

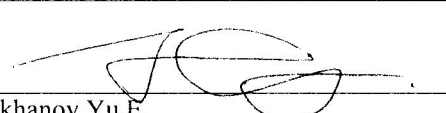
To the Board of Directors and Shareholders
of OAO Neftegazovaya Kompania Slavneft:

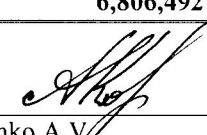
In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, changes in shareholders' capital and of cash flows present fairly, in all material respects, the financial position of OAO Neftegazovaya Kompania Slavneft ("OAO NGK Slavneft" or the "Company") and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

ZAO PricewaterhouseCoopers Audit

ZAO PricewaterhouseCoopers Audit
31 March 2008

	Note	December 31, 2007	December 31, 2006
ASSETS			
Current assets			
Cash and cash equivalents	3	130,904	129,086
Accounts receivable, net	4	461,440	395,808
Inventories	5	264,410	213,883
Deferred income tax assets	12	35,709	31,479
Other current assets	6	470,662	212,367
Total current assets		1,363,125	982,623
Investments	7	26,947	28,196
Property, plant and equipment	8	5,280,164	4,572,702
Deferred income tax assets	12	29,970	33,548
Other non-current assets	9	106,286	77,716
Total assets		6,806,492	5,694,785
LIABILITIES AND SHAREHOLDERS' CAPITAL			
Current liabilities			
Accounts payable		259,915	160,469
Short-term debt and current portion of long-term debt	10	259,737	71,438
Taxes payable	12	386,553	240,402
Dividends payable		185,493	56,446
Other current liabilities	13	100,967	92,317
Total current liabilities		1,192,665	621,072
Long-term debt	11	136,472	148,926
Asset retirement obligations	8	104,883	85,714
Deferred income tax liabilities	12	449,342	452,737
Other non-current liabilities		14,039	13,216
Total liabilities		1,897,401	1,321,665
Minority interest	14	1,651,572	1,358,380
Shareholders' capital			
Common shares (0.001 Russian ruble par value, 4,754,238,000 shares authorized and issued)		2,201	2,201
Treasury stock, at cost		-	-
Additional paid in capital		1,717,621	1,717,621
Retained earnings		1,537,697	1,294,918
Total shareholders' capital		3,257,519	3,014,740
Total liabilities and shareholders' capital		6,806,492	5,694,785


 Sukhanov Yu.E.
 President
 OAO NGK Slavneft


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

OAO NGK Slavneft
 Consolidated Statements of Income
 (All amounts in thousands of USD, except for share data)

	Note	Year ended December 31, 2007	Year ended December 31, 2006
Revenues			
Sales (including excise and export duties)		6,138,297	6,568,893
Less: export duties		(108,867)	(7,798)
Less: excise taxes		(92,366)	(212,904)
Other		302,300	236,260
Total revenues		6,239,364	6,584,451
Costs and other deductions			
Operating expenses		(2,073,176)	(2,166,167)
Selling, general and administrative expenses		(212,601)	(236,060)
Cost of other sales		(212,879)	(205,568)
Taxes other than income taxes	12	(2,188,538)	(2,054,914)
Depreciation, depletion and amortization		(359,804)	(322,026)
Exploration expenses		(57,405)	(32,842)
(Loss) on sale of assets, net		(14,359)	(39,992)
Income from operating activities		1,120,602	1,526,882
Interest expense		(13,687)	(15,279)
Currency translation gain (loss)		16,970	(28,648)
Other non-operating gain, net		6,082	21,096
Minority interest	14	(293,192)	(351,382)
Income before income taxes		836,775	1,152,669
Current income taxes		(310,176)	(480,619)
Deferred income taxes		6,102	32,713
Total income tax expense	12	(304,074)	(447,906)
Net income		532,701	704,763

OAO NGK Slavneft
Consolidated Statements of Changes in Shareholders' Capital
(All amounts in thousands of USD, except share data)

	Number of ordinary shares (thousands)	Common shares	Treasury stock	Additional paid in capital	Retained earnings	Total shareholders' capital
Balance as of January 1, 2006	4,754,238	2,201	-	1,717,621	1,082,731	2,802,553
Net income		-	-	-	704,763	704,763
Dividends declared		-	-	-	(492,576)	(492,576)
Balance as of December 31, 2006	4,754,238	2,201	-	1,717,621	1,294,918	3,014,740
Net income		-	-	-	532,701	532,701
Dividends declared		-	-	-	(289,922)	(289,922)
Balance as of December 31, 2007	4,754,238	2,201	-	1,717,621	1,537,697	3,257,519

OAO NGK Slavneft
 Consolidated Statements of Cash Flows
 (All amounts in thousands of USD, except share data)

	Year ended December 31, 2007	Year ended December 31, 2006
Cash flows from operating activities		
Net income	532,701	704,763
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of assets, net	14,359	39,992
Depreciation, depletion and amortization	359,804	322,026
Deferred income taxes	(6,102)	(32,713)
Minority interest	293,192	351,382
(Increase) decrease in accounts receivable	(63,836)	293,637
(Increase) in inventories and other assets	(187,119)	(10,765)
Increase in accounts payable	108,514	58,996
Increase (decrease) in taxes payable	146,152	(174,229)
(Decrease) in other current liabilities	(6,092)	(3,016)
(Increase) decrease in other non-current assets	(657)	130,844
Other	1,720	(34,034)
Net cash provided by operating activities	1,192,636	1,646,883
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and long-term investments	20,599	42,465
Purchases of property, plant and equipment and other non-current assets	(1,137,055)	(871,977)
Loan to affiliated companies	(96,746)	-
Change in long-term investments	1,249	(7,124)
Net cash used in investing activities	(1,211,953)	(836,636)
Cash flows from financing activities		
Net change in short-term debt	188,299	(155,107)
Repayments of long-term debt	(12,453)	(20,796)
Dividends paid	(160,875)	(587,645)
Net cash used in financing activities	14,971	(763,548)
Effect of exchange rate changes on cash and cash equivalents	6,164	5,952
Net decrease in cash and cash equivalents	1,818	52,651
Cash and cash equivalents at beginning of period	129,086	76,435
Cash and cash equivalents at end of period	130,904	129,086
Supplemental disclosures of cash flow information		
Interest paid	6,673	16,064
Income taxes paid	397,474	485,961