

**OAO NGK SLAVNEFT AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

## Report of Independent Auditors

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareholders' capital and cash flows present fairly, in all material respects, the financial position of OAO Neftegazovaya Kompania Slavneft and its subsidiaries ("OAO NGK Slavneft" or the "Company") at December 31, 2009 and December 31, 2008, 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards 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 audits provide a reasonable basis for our opinion.


ZAO PricewaterhouseCoopers Audit

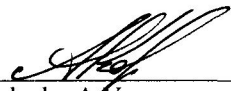
February 27, 2010

**Consolidated Balance Sheets**

(All amounts in thousands of USD, except share data)

	Notes	December 31, 2009	December 31, 2008
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	272 146	307 856
Accounts receivable, net	4	231 385	233 307
Inventories	5	201 617	202 386
Deferred income tax assets	13	14 703	23 324
Assets held for sale	6	145 662	-
Other current assets	7	145 581	235 134
<b>Total current assets</b>		<b>1 011 094</b>	<b>1 002 007</b>
Investments	8	14 526	16 269
Property, plant and equipment	9	6 391 206	6 311 916
Deferred income tax assets	13	49 994	52 323
Other non-current assets	10	52 029	72 769
<b>Total assets</b>		<b>7 518 849</b>	<b>7 455 284</b>
<b>LIABILITIES AND SHAREHOLDERS' CAPITAL</b>			
<b>Current liabilities</b>			
Accounts payable		232 877	293 774
Short-term debt and current portion of long-term debt	11	29 446	462 329
Taxes payable	13	391 173	228 334
Dividends payable		5 753	203 577
Liabilities associated with assets held for sale	6	2 850	-
Other current liabilities	14	58 324	60 932
<b>Total current liabilities</b>		<b>720 423</b>	<b>1 248 946</b>
Long-term debt	12	635 344	235 539
Asset retirement obligations		169 332	153 271
Deferred income tax liabilities	13	366 543	407 125
Other non-current liabilities		9 248	6 204
<b>Total liabilities</b>		<b>1 900 890</b>	<b>2 051 085</b>
<b>Shareholders' capital</b>			
Common shares (0.001 Russian Ruble par value, 4,754,238,000 shares authorized and issued)		2 201	2 201
Additional paid in capital		1 717 621	1 717 621
Retained earnings		1 859 723	1 772 179
<b>Total Group shareholders' capital</b>		<b>3 579 545</b>	<b>3 492 001</b>
Noncontrolling interest	15	2 038 414	1 912 198
<b>Total shareholders' capital</b>		<b>5 617 959</b>	<b>5 404 199</b>
<b>Total liabilities and shareholders' capital</b>		<b>7 518 849</b>	<b>7 455 284</b>

  
Sukhanov Yu.E.  
President  
ОАО НКГК Славнефть

  
Kovalenko A.V.  
Vice-president on economics and finance  
ОАО НКГК Славнефть

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

	Notes	Year ended December 31, 2009	Year ended December 31, 2008
<b>Revenues</b>			
Sales		3 578 052	5 717 238
Other		249 376	247 666
<b>Net revenues</b>		<b>3 827 428</b>	<b>5 964 904</b>
<b>Costs and other deductions</b>			
Operating expenses		(958 042)	(1 239 698)
Selling, general and administrative expenses		(150 049)	(211 446)
Cost of other sales		(240 994)	(234 040)
Taxes other than income taxes	13	(1 524 040)	(2 855 469)
Depreciation, depletion and amortization		(460 806)	(426 945)
Exploration expenses		(36 317)	(65 839)
Loss on sale of assets, net		(26 651)	(33 508)
<b>Income from operating activities</b>		<b>430 529</b>	<b>897 959</b>
Interest expense		(68 425)	(22 084)
Interest income		18 373	18 863
Foreign currency loss		(36 333)	(36 977)
Other non-operating gain, net		12 258	13 774
<b>Income before income taxes</b>		<b>356 402</b>	<b>871 535</b>
Current income tax expense		(119 299)	(242 959)
Deferred income tax benefit		41 774	66 986
<b>Total income tax expense</b>	13	<b>(77 525)</b>	<b>(175 973)</b>
<b>Net income from continuing operations</b>		<b>278 877</b>	<b>695 562</b>
Less: net income attributable to non-controlling interest	15	(140 826)	(275 623)
<b>Net income from continuing operations attributable to Group shareholders</b>		<b>138 051</b>	<b>419 939</b>
<b>Net (loss) income from discontinued operations</b>	6	<b>(22 447)</b>	<b>63 621</b>
<b>Net income attributable to Group shareholders</b>		<b>115 604</b>	<b>483 560</b>

Consolidated Statements of Changes in Shareholders' Capital

(All amounts in thousands of USD, except for share data)

	Number of ordinary shares (thousands)	Comm on shares	Addition al paid in capital	Retained earnings	Total Group shareholders ' capital	Non controlling interest	Total shareholde rs' capital
Balance as of January 1, 2008	4 754 238	2 201	1 717 621	1 537 697	3 257 519	1 651 572	4 909 091
Net income		-	-	483 560	483 560	275 623	759 183
Dividends declared		-	-	(249 078)	(249 078)	(14 997)	(264 075)
<b>Balance as of December 31, 2008</b>	<b>4 754 238</b>	<b>2 201</b>	<b>1 717 621</b>	<b>1 772 179</b>	<b>3 492 001</b>	<b>1 912 198</b>	<b>5 404 199</b>
<b>Balance as of January 1, 2009</b>	<b>4,754 238</b>	<b>2 201</b>	<b>1 717 621</b>	<b>1 772 179</b>	<b>3 492 001</b>	<b>1 912 198</b>	<b>5 404 199</b>
Net income		-	-	115 604	115 604	140 826	256 430
Non-controlling interest related to disposed subsidiaries		-	-	-	-	(14 610)	(14 610)
Loans issued to companies affiliated with Shareholders (Note 18)		-	-	(28 060)	(28 060)	-	(28 060)
<b>Balance as of December 31, 2009</b>	<b>4 754 238</b>	<b>2 201</b>	<b>1 717 621</b>	<b>1 859 723</b>	<b>3 579 545</b>	<b>2 038 414</b>	<b>5 617 959</b>

## Consolidated Statements of Cash Flow

(All amounts in thousands of USD, except for share data)

	Year ended December 31, 2009	Year ended December 31, 2008
<b>Cash flows from operating activities</b>		
Net income	256 430	759 183
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of assets, net	26 251	33 508
Depreciation, depletion and amortization	464 761	429 490
Deferred income taxes	(42 987)	(66 986)
Decrease in accounts receivable and other current assets	27 785	233 012
Decrease in inventories and other assets	50 030	168 404
(Decrease) / Increase in accounts payable	(31 614)	33 859
Increase / (Decrease) in taxes payable	201 508	(158 220)
Decrease in other current liabilities	(1 619)	(2 879)
Change in provisions	(13 564)	(9 030)
Accretion expense	24 728	12 175
Other	(4 408)	6 043
<b>Net cash provided by operating activities</b>	<b>957 301</b>	<b>1 438 559</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and long-term investments	103 857	17 714
Purchases of property, plant and equipment and other non-current assets	(845 929)	(1 452 059)
Loan to affiliated companies	4 087	(57 729)
Loan paid by affiliated companies	(1 722)	175 334
Change in short-term investments	(617)	33 239
<b>Net cash used in investing activities</b>	<b>(740 324)</b>	<b>(1 283 501)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term debt	419 302	2 337 230
Repayments of short-term debt	(841 735)	(2 134 373)
Dividends paid	(216 818)	(230 993)
Proceeds from issuance of long-term debt	428 500	132 081
Repayments of long-term debt	(25 820)	(33 014)
<b>Net cash provided financing activities</b>	<b>(236 571)</b>	<b>70 931</b>
Effect of exchange rate changes on cash and cash equivalents	(16 116)	(49 037)
<b>Net Increase in cash and cash equivalents</b>	<b>(35 710)</b>	<b>176 952</b>
Cash and cash equivalents at beginning of period	307 856	130 904
<b>Cash and cash equivalents at end of period</b>	<b>272 146</b>	<b>307 856</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	68 331	23 150
Income taxes paid	83 861	286 239