

**OAO NGK SLAVNEFT AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2011 AND 31 DECEMBER 2010
AND FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2011 AND 2010
(UNAUDITED)**



Report of Independent Accountants

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

We have reviewed the accompanying consolidated balance sheet of OAO Neftegazovaya Kompania Slavneft ("OAO NGK Slavneft" or the "Company") and its subsidiaries as of 30 September 2011, and the related consolidated statements of income, changes in shareholders' capital and of cash flows for the nine month periods ended 30 September 2011 and 30 September 2010. This condensed interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.


Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.


We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of OAO NGK Slavneft and its subsidiaries as of December 31, 2010, and the related consolidated statements of income, changes in shareholders' capital and cash flows for the year then ended (not presented herein), and in our report dated February 11, 2011, we expressed an unqualified opinion on those consolidated financial statements.

ZAO PricewaterhouseCoopers Audit

3 November 2011

	Notes	September 30, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	3	566,248	124,707
Accounts receivable, net	4	204,392	194,864
Inventories	5	162,920	163,020
Deferred income tax assets	13	30,297	26,295
Assets held for sale	6	304,305	366,091
Other current assets	7	161,199	283,394
Total current assets		1,429,361	1,158,371
Investments	8	11,222	12,935
Property, plant and equipment	9	6,967,319	6,700,207
Deferred income tax assets	13	82,844	66,066
Other non-current assets	10	75,609	27,686
Total assets		8,566,355	7,965,265
LIABILITIES AND SHAREHOLDERS' CAPITAL			
Current liabilities			
Accounts payable		289,472	308,739
Short-term debt and current portion of long-term debt	11	347,507	252,806
Taxes payable	13	469,577	391,998
Dividends payable		304,627	238,333
Liabilities associated with assets held for sale	6	43,889	65,918
Other current liabilities	14	69,435	58,101
Total current liabilities		1,524,507	1,315,895
Long-term debt	12	1,297,077	749,979
Asset retirement obligations	9	219,890	187,679
Deferred income tax liabilities	13	298,959	326,715
Other non-current liabilities		30,539	8,977
Total liabilities		3,370,972	2,589,245
Shareholders' capital			
Common shares (0.001 Russian Ruble par value, 4,754,238,000 shares authorized and issued)		2,201	2,201
Additional paid in capital		1,801,333	1,758,518
Retained earnings		1,143,596	1,451,723
Total Group shareholders' capital		2,947,130	3,212,442
Non-controlling interest	15	2,248,253	2,163,578
Total shareholders' capital		5,195,383	5,376,020
Total liabilities and shareholders' capital		8,566,355	7,965,265


 Sukhanov Yu.E.
 President
 OAO NGK Slavneft


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

	Notes	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues			
Sales		3,905,624	2,939,784
Other		214,766	224,397
Net revenues		4,120,390	3,164,181
Costs and other deductions			
Operating expenses		(926,802)	(804,362)
Selling, general and administrative expenses		(129,487)	(125,365)
Cost of other sales		(199,908)	(216,400)
Taxes other than income taxes	13	(2,158,749)	(1,434,465)
Depreciation, depletion and amortization		(614,966)	(346,366)
Exploration expenses		(27,720)	(27,781)
Gain / (loss) on disposal of assets, net		26,250	(54,454)
Income from operating activities		89,008	154,988
Interest expense		(32,212)	(36,063)
Interest income		6,118	5,429
Foreign currency gain / (loss)		50,983	(17,615)
Other non-operating gain, net		6,094	9,690
Income before income taxes		119,991	116,429
Current income tax expense		(28,056)	(22,185)
Deferred income tax benefit		37,352	62,307
Total income tax benefit	13	9,296	40,122
Net income from continuing operations		129,287	156,551
Net (loss) / gain from discontinued operations	6	(7,235)	14,690
Net Income		122,052	171,241
Less: net income attributable to non-controlling interest	15	(84,675)	(98,369)
Net income attributable to Group shareholders		37,377	72,872

Consolidated Statements of Changes in Shareholders' Capital (unaudited)

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

	Number of ordinary shares (thousands)	Com- mon shares	Additional paid in capital	Retained earnings	Total Group sharehold- ers' capital	Non controlling interest	Total sharehold- ers' capital
Balance as of January 1, 2010	4,754,238	2,201	1,717,621	1,859,723	3,579,545	2,038,414	5,617,959
Net income	-	-	-	72,872	72,872	98,369	171,241
Loans issued to companies affiliated with Primary Shareholders (Note 18)	-	-	-	(69,902)	(69,902)	-	(69,902)
Dividends declared	-	-	-	(174,091)	(174,091)	-	(174,091)
Balance as of September 30, 2010	4,754,238	2,201	1,717,621	1,688,602	3,408,424	2,136,783	5,545,207

Balance as of January 1, 2011	4,754,238	2,201	1,758,518	1,451,723	3,212,442	2,163,578	5,376,020
Net income	-	-	-	37,377	37,377	84,675	122,052
Primary Shareholders' contribution to additional capital	-	-	42,815	-	42,815	-	42,815
Dividends declared	-	-	-	(345,504)	(345,504)	-	(345,504)
Balance as of September 30, 2011	4,754,238	2,201	1,801,333	1,143,596	2,947,130	2,248,253	5,195,383

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash flows from operating activities		
Net income	122,052	171,241
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) / loss on sale of assets, net	(24,543)	58,357
Depreciation, depletion and amortization	614,966	352,445
Deferred income taxes	(40,234)	(70,786)
Foreign currency (gain) / loss	(45,529)	15,020
Increase / (decrease) in accounts receivable and other non-current assets	(33,416)	(14,791)
Increase / (decrease) in inventories and other assets	206,675	(3,705)
(Decrease) / increase in accounts payable	(25,628)	58,961
Increase / (decrease) in taxes payable	102,766	(9,075)
Increase / (decrease) in other current liabilities	14,162	(3,624)
Change in provisions	39,155	(9,369)
Other	(3,920)	1,059
Net cash provided by operating activities	926,506	545,733
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and long-term investments	112,774	87,545
Purchases of property, plant and equipment and other non-current assets	(952,883)	(813,937)
Net cash used in investing activities	(840,109)	(726,392)
Cash flows from financing activities		
Proceeds from issuance of short-term debt	185,000	-
Repayments of short-term debt	(190,000)	(12,793)
Dividends paid	(252,228)	(156,762)
Proceeds from issuance of long-term debt	740,000	482,501
Repayments of long-term debt	(104,450)	(250,004)
Net cash provided by financing activities	378,322	62,942
Effect of exchange rate changes on cash and cash equivalents	(23,178)	(2,275)
Net increase / (decrease) in cash and cash equivalents	441,541	(119,992)
Cash and cash equivalents at beginning of period	124,707	272,146
Cash and cash equivalents at end of period	566,248	152,154
Supplemental disclosures of cash flow information		
Interest paid	29,154	31,429
Income taxes paid	85,840	47,983

Note 1. General information and basis of presentation and specific risk factors

Nature of operations

OAo NGK Slavneft (the “Company”) and its subsidiaries (jointly referred to as “the Group”) are engaged in exploration, development, production, refining and marketing 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 Byelorussia # 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, Byelorussia 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 Byelorussia and 6.5% by a number of individuals.

In a series of transactions through January 2003, including participation in privatization auctions in the Russian Federation and Byelorussia, 99% of the Company’s shares were ultimately acquired together by OAo Siberian Oil Company (currently known as OAo Gazprom Neft) and TNK-BP (the “Primary Shareholders”).

Interim Condensed Consolidated Financial Statements

The unaudited interim condensed consolidated financial statements of the Group presented herein do not include all the information required by accounting principles generally accepted in the United States of America (US GAAP). These unaudited interim condensed consolidated financial statements should be read in conjunction with the Slavneft consolidated financial statements as of and for the year ended 31 December 2010. In the opinion of the Company’s management, the accompanying unaudited interim condensed consolidated financial statements include all adjustments (all of which are of normal recurring nature) necessary to state fairly the Group’s financial position as of September 30, 2011 and the results of its operations and its cash flows for the nine months period then ended, in conformity with US GAAP.

The financial results of the nine months ended September 30, 2011 are not necessarily indicative of future financial results.

Basis of presentation

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The Company and its subsidiaries maintain their accounting records in accordance with the Regulations on Accounting and Reporting in the Russian Federation. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with US GAAP.

Comprehensive income

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 220 *Comprehensive Income* requires disclosure of all changes in equity during a period except those resulting from investments by and distributions to the Company’s shareholders. There is no difference between the Company’s net income and comprehensive income for all periods presented.

Functional and reporting currency

The Group's functional and reporting currency is the US dollar ("USD").

Monetary assets and liabilities denominated in currencies other than the USD have been remeasured into USD at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities acquired or assumed in currencies other than the USD have been remeasured into USD at historical rates. Revenues, expenses and cash flows not already measured in USD have been remeasured into USD at the average exchange rates for the period. Differences resulting from the remeasurement are included in the consolidated statement of income.

As of 30 September 2011 and 31 December 2010, exchange rates were 31.88 and 30.48 Russian Rubles to the USD, respectively. Average exchange rates for nine months 2011 and 2010 were 28.77 and 30.25 Russian Rubles to the USD, respectively.

Any remeasurement of Russian Rouble amounts to US dollars should not be construed as a representation that such Russian Rouble amounts have been, could be, or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate.

Use of estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, valuation of accounts receivable and inventory and asset retirement obligations. Actual results could materially differ from those estimates.

Russian Federation

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and a volatile economic environment. Management is unable to predict all developments which could have an impact on the oil and gas industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Volatility in global and Russian oil prices

Crude oil prices are subject to external factors over which the company has no control, including product demand connected with global economic conditions, industry inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries (OPEC), weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty.

Management is unable to reliably estimate the effects on the Group's financial position of any further increased volatility in oil prices. These circumstances may also necessitate a reassessment of the viability / timeline of ongoing projects in the near term. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Reclassifications

Certain reclassifications have been made to previously reported balances to conform to the current period's presentation; such reclassifications had no effect on net income or shareholders' capital.

Note 2. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Accounts receivable

Accounts receivable are recorded at the invoiced amount less allowances for doubtful accounts.

Inventories

Inventories primarily consist of crude oil, petroleum products, materials and supplies. Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined using a weighted average cost method.

Investments

Investments in equity securities

The equity method of accounting is used to account for the Group's share of total recognized earnings or losses in investments where the Group has a significant influence but not control.

As of September 30, 2011 and December 31, 2010 the Group accounted for its investment in OAo Mozyrsky NPZ on a cost basis as, due to political and other macroeconomic considerations, it does not exercise significant influence on these Byelorussia based investments.

Investments in non-marketable securities where the Group does not exercise control or significant influence over the investment are carried at cost less allowance for any permanent diminution in value.

Property, plant and equipment

The Group follows the successful efforts method of accounting for its oil and gas properties, whereby property acquisitions, successful exploratory wells, all development costs (including developmental dry holes) and support equipment and facilities are capitalized. Unsuccessful exploratory wells are charged to expense at the time the wells or other exploration activities are determined to be non-productive. The Group carries as an asset exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expense. Acquisition costs of unproved properties are evaluated periodically and any impairment assessed is charged to expense.

Proved oil and gas properties and other long-lived assets are assessed for possible impairment in accordance with ASC 360 *Property, Plant and Equipment* which requires long-lived assets with recorded values that are not expected to be recovered through future cash flows to be written down to current fair value. Fair value is generally determined by estimating non discounted future net cash flows to be generated by the assets.

Depreciation, depletion and amortization of capitalized costs of proved oil and gas properties and equipment is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs. In both cases the proved reserves data used is estimated on a “life of field” basis as management believes it will continue to be successful in the renewal of its oil and gas licenses.

Property, plant and equipment which is not associated with exploration and production activities are carried at cost less accumulated depreciation. Depreciation of these assets is calculated on a straight-line method basis as follows:

Capitalized costs of plant and equipment not directly associated with oil production are depreciated on a straight-line method over the following estimated useful lives of such assets:

Buildings and constructions	30 years
Machinery and equipment	10-25 years
Motor vehicles and other equipment	5 years

Maintenance and repairs and minor renewals are expensed as incurred. Major renewals and improvements which extend the useful lives of the assets are capitalized.

Gains or losses from retirements or sales are included in the determination of net income.

Impairment of long-lived assets

Long-lived assets, such as oil and gas properties and other property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future net cash flows expected to be generated by that group. If the carrying amount of an asset group exceeds its estimated future net cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset group exceeds the fair value.

Asset retirement obligations

The Group incurs asset retirement obligations primarily for its upstream assets. The Group records the fair value of liabilities related to its legal obligations to abandon, dismantle or otherwise retire tangible long-lived assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related long-lived asset is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated over its estimated useful life. Some of our assets, primarily related to our downstream operations, do have contractual or regulatory obligations to perform remediation and, in some instances, dismantlement and removal activities when the assets are abandoned. Our refineries have been in existence for many years and with regular maintenance will continue to be in service for many years to come. Also, it is not possible to predict when demand for petroleum products will cease and we do not believe that such demand will cease for the foreseeable future. Accordingly, the Group believes the date when these assets will be abandoned is indeterminate. With no reasonably determinable abandonment date, we cannot reasonably estimate the fair value of the associated asset retirement obligations. We will record asset retirement obligations for these assets in the period in which sufficient information becomes available for us to reasonably determine the settlement dates.

Income taxes

Deferred income tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, in accordance with ASC 740 *Income Taxes*.

Deferred income tax assets and liabilities are measured using enacted tax rates in the years in which these temporary differences are expected to reverse. Included in this calculation are deferred income taxes for

unremitted earnings of equity affiliates and subsidiaries on basis differences between the relevant parent company financial statement carrying amounts and the respective tax basis of its investments in subsidiaries and equity affiliates. Management periodically assesses possible methods of remitting the earnings to the parent and adjusts the liability to the amount calculated at enacted rates corresponding to the expected method of distribution. Valuation allowances are provided for deferred income tax assets when management believes it is more likely than not that the assets will not be realised.

The Group uses a two-step approach for recognizing and measuring uncertainties in income tax positions. The first step is recognition: the Group recognizes a threshold and a measurement attribute for the financial statement recognition. The second step is measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognised, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset or an increase in a deferred tax liability.

Interest costs and penalties related to unrecognized tax benefits are classified as “Income tax expense” in the consolidated statements.

Commitments and contingencies, including environmental liabilities

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Environmental remediation liabilities are not discounted for the time value of future expected payments.

Revenue Recognition

Revenues from the production and sale of crude oil and petroleum products are recognised when deliveries to customers are made, title has transferred and collectability is reasonably assured. Revenues from processing are recognised when processing services to customers are rendered and collectability is reasonably assured.

Starting from 2010 the results of operations of the Group’s Belgian subsidiary are recognized on a net basis, as the basis for gross presentation was not met. For comparability purposes the net presentation has been made to previously reported balances to conform to the current period’s presentation. Such netting has no effect on net income or shareholders’ capital.

New accounting standards adopted

In August 2009, ASU No. 2009-5, *Measuring Liabilities at Fair Value*, was issued and became effective for the Group on 1 January 2010. This ASU amends ASC 820, *Fair Value Measurements and Disclosures*, and provides additional guidance on how companies should measure liabilities at fair value. While reaffirming the existing definition of fair value, this ASU reintroduces the concept of entry value into the determination of fair value. Entry value is the amount an entity would receive to enter into an identical liability. Under the new guidance, the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. The adoption of this ASU had no material effect on the Group’s results of operations, financial position or liquidity.

In January 2010, ASU No. 2010-6, *Fair Value Measurements and Disclosures*, was issued. The ASU amends ASC 820, *Fair Value Measurements and Disclosures*, and requires separate disclosures of transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers. Also the ASU requires disclosure of activity in Level 3 fair value measurements on a gross basis rather than as one net number. The guidance requires the Group to provide fair value measurement disclosure for each class of assets and liabilities as well as disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall either in Level 2 or Level 3. The provisions of this ASU became effective for the Group on 1 January 2010 and provisions of disclosure of activity in Level 3 fair value measurements became effective for the Group on 1 January 2011.

In February 2010, ASU No. 2010-9, *Amendments to Certain Recognition and Disclosure Requirements*, was issued and became effective for the Group upon issuance. This ASU amends ASC 855, *Subsequent Events*, and requires an entity which is either a Securities and Exchange Commission filer or a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date that the financial statements are issued. An entity that meets neither of those criteria is required to evaluate subsequent events through the date the financial statements are available to be issued. Pursuant to the requirements of this ASU, the Group evaluates subsequent events through the date the financial statements are available to be issued.

In December 2010 ASU No. 2010-29 *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* was issued by FASB. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity as defined by Topic 805, *Business Combinations*, that enters into business combinations that are material on an individual or aggregate basis. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The provisions of this ASU became effective for the Group on 1 January 2011 and later. The adoption of this Statement does not have material effect on the Group's results of operations, financial position or liquidity.

In January 2011 the FASB issued ASU 2011-01 *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, which temporarily defers the effective date in ASU 2010-20 for disclosures about troubled debt restructurings ("TDRs") by creditors until the FASB finalizes its project on determining what constitutes a TDR for a creditor. The ASU requires non-public (private) entities to apply the TDR disclosure requirements in ASU 2010-20 for periods ending on or after December 15, 2011. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

Recent accounting pronouncements

In July 2010, ASU No. 2010-20 *Receivables (Topic 310). Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, was issued. This ASU requires providing information for both the financing receivables and the related allowance for credit losses at disaggregated levels. This ASU introduces two new defined terms that will govern the level of disaggregation: a portfolio segment and a class of financing receivables. The portfolio segment is defined as the level at which an entity determines its allowance for credit losses. The class of financing receivable is defined as a group of financing receivables determined on the basis of their initial measurement attribute. As the Group is non-public company, the extensive new disclosures requirements in respect of information as of the end of a reporting period will become effective for the Group starting the annual reporting period ending on 31 December 2011. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

On April 5, 2011, the FASB issued ASU No 2011-02 *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, which amends the content in ASC 310 related to identifying TDRs and effectively nullifies ASU 2011-01. This ASU removes the deferral of the TDR disclosure requirements of ASU 2010-20 for public entities and thus establishes the effective date for those disclosures. For non-public Entities the amendments in this Update are effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

On May 12, 2011, 2011 ASU No 2011-04—*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* was issued by FASB. This ASU supersedes most of the guidance in Accounting Standards Codification Topic 820 (formerly FASB Statement no. 157), although many of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. It also reflects FASB's consideration of the different characteristics of public and non-public entities and the needs of users of their financial statements. For non-public Entities the amendments in this Update are effective for annual periods beginning after December 15, 2011. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

In June 2011 the FASB issued ASU 2011-05 *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which improves the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. For non-public entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

In September 2011 the FASB issued ASU 2011-08 *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which simplifies how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The amendments are effective for fiscal years ending after December 15, 2011, and interim and annual periods thereafter. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

In September 2011 the FASB issued ASU 2011-09 *Compensation – Retirement benefits – Multiemployer plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*, which addresses concerns of financial statements on the lack of transparency about an employer's participation in a multiemployer pension plan. For non-public entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The amendments should be applied retrospectively for all prior periods presented. The adoption of this Statement will not have material effect on the Group's results of operations, financial position or liquidity.

Note 3. Cash and cash equivalents

Cash and cash equivalents include the following:

	September 30, 2011	December 31, 2010
Cash held in banks – Russian Rubles	27,136	5,341
Cash held in banks – other currencies	11,251	4,520
Short-term deposits	527,861	114,846
	566,248	124,707

Note 4. Accounts receivable, net

Accounts receivable include the following:

	September 30, 2011	December 31, 2010
Trade accounts receivable	165,872	131,412
VAT receivable	27,887	33,222
Other accounts receivable	11,439	34,822
	205,198	199,456
Allowance for doubtful accounts	(806)	(4,592)
	204,392	194,864

Note 5. Inventories

Inventories include the following:

	September 30, 2011	December 31, 2010
Petroleum products	6,266	10,014
Materials and supplies	59,309	80,925
Crude oil	88,009	65,613
Other	9,336	6,468
	162,920	163,020

As of September 30, 2011 and December 31, 2010, inventories are presented net of allowance of USD 2,157 and USD 6,019 respectively, which relates to slow-moving and obsolete materials and supplies.

Note 6. Assets held for sale and discontinued operations

Assets held for sale and associated liabilities include the following:

	September 30, 2011	December 31, 2010
Assets held for sale:		
OAO Messoyahaneftgaz	-	81,703
ZAO "SP MeCaMineft"	-	34,158
OOO "Megion service"	-	29,109
OOO "MUBR"	83,490	87,300
OOO "BNGRE"	103,242	107,359
OOO "Megion geology"	59,099	41,540
OOO "Ob' geology"	61,935	30,037
ZAO "Upravlenie Otgruzok"	38,860	-
Other fixed assets (oil tank farm)	2,794	-
less impairment	(45,115)	(45,115)
	304,305	366,091
Liabilities associated with assets held for sale:		
ZAO "SP MeCaMineft"	-	5,800
OOO "Megion service"	-	15,586
OOO "MUBR"	16,390	29,009
OOO "BNGRE"	10,197	15,523
OOO "Megion geology"	7,589	-
OOO "Ob' geology"	9,521	-
ZAO "Upravlenie Otgruzok"	192	-
	43,889	65,918

Disposal of core service subsidiaries of the Group

In September 2009, the Group's Board of Directors took the decision to dispose certain core service and other subsidiaries and certain fixed assets associated with the service subsidiaries' business. As of September 30, 2011 the criteria for recognition of these assets as held for sale have been met for certain core service subsidiaries of the Group: OOO "BNGRE", OOO "Ob' geology", OOO "Megion geology" and OOO "MUBR". The Group recognized the impairment loss in respect of these entities in total amount of USD 45,115, which represents the excess of the carrying value of the assets to be disposed of over the Management best estimate of the expected selling price based on existing negotiation. Management of the Group expects that these assets will be sold during the end of 2011 – beginning of 2012 year. Management believes that respective asset balances will be fully recovered through the intended sale.

In April 2011 and August 2011 the Group completed the sale of ZAO "SP MeCaMineft" and OOO "Megion service" to third parties for USD 34,447 and USD 45,000 respectively.

The net loss associated with core services operations is as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net revenues	40,385	54,503
Costs and other deductions	(30,982)	(42,402)
Income from operating activities	9,403	12,101
Other non-operating (loss) / income	(6,624)	2,084
Income tax (expense) / benefit	(13,138)	4,688
Net loss from discontinuing operations	(10,359)	18,873

Disposal of other fixed assets

In August 2009, the Group completed the sale of Yaroslavl retail operations to the Group's Primary Shareholders. Further to this transaction in May 2011 the Group took a decision to sell other fixed assets of ОАО "Славнефть-Ярославнефтепродукт" not associated with retail operations (oil tank farm). Management of the Group expects that these assets will be sold in the fourth quarter of 2011 year. As a result, the Group has classified these assets in the amount of USD 2,794 as held for sale as at September 30, 2011. Management believes that the asset balances held for sale will be fully recovered through the intended sale.

In November 2010, the Group's Board of Directors took a decision to separate and subsequently sell business activities and fixed assets (rail cars) engaged in oil products transportation services. For this purpose the Group established ЗАО "Управление отгрузок" ("Department of shipments"). In May 2011 the Group's management took a decision to sell these fixed assets. For nine months ended 30 September 2010 the amount of net gain from this discontinued operation is USD 3,124. Management of the Group expects that these assets will be sold in the fourth quarter of 2011. Management believes that the asset balances held for sale will be fully recovered through the intended sale.

Disposal of ОАО Мессояханефтегаз

In September 2009, the Group's Board of Directors took a decision to sell ЗАО "Мессояханефтегаз" to the Group's Primary Shareholders.

In December 2010, the Group completed the sale of ЗАО Мессояханефтегаз's 50% equity share to ОАО "ТНК-БП Holding" for USD 19,195. In February 2011 the Group completed the sale of ЗАО Мессояханефтегаз's 50% equity share to ООО "Газпромнефть-Инвест" company affiliated with the Primary Shareholder - ОАО "Газпром Нефть" for USD 19,275.

For nine months ended 30 September 2010 the amount of net loss from this discontinued operation is USD 3,298.

As a result of this deal, the Group recorded these transactions similar to transactions under common control and recognized total shareholders' contribution to additional paid-in capital in the amount of USD 83,712, which includes USD 40,897 contribution made during 2010 and USD 42,815 in the nine months ended 30 September 2011.

Disposal of noncore service subsidiaries of the Group

In April 2010, the Group's Board of Directors took a decision to sell noncore service subsidiary of the Group ЗАО "Строительная компания «Славнефтьстрой»" to a third party. As a result, the Group has classified these assets as held for sale and reported them as discontinued operations in the interim consolidated financial statements as at September 30, 2010. These assets were sold to third parties in the second and third quarters of 2010.

In February 2010, the Group's Board of Directors took a decision to sell certain noncore service subsidiaries of the Group: ООО "АвтоТрансСервис", ООО "НефтеСпецТранс" and ООО "НефтеСпецСтрой" to third parties through open tender. These assets were sold during the year ended December 31, 2010.

Net loss from these discontinued operations for nine months ended 30 September 2010 is USD 885.

Note 7. Other current assets

Other current assets include the following:

	September 30, 2011	December 31, 2010
Prepaid expenses	54,522	115,600
Tax prepayments	93,391	62,957
Loan issued to affiliated companies	12,017	101,832
Short-term investments	1,269	3,005
	161,199	283,394

Note 8. Investments

Investments include the following:

	September 30, 2011	December 31, 2010
Investments in related parties	10,973	12,635
Other long-term investments, at cost	249	300
	11,222	12,935

Note 9. Property, plant and equipment and asset retirement obligations

Property, plant and equipment

Property, plant and equipment include the following:

	September 30, 2011	December 31, 2010
Oil and gas properties	6,085,702	5,521,098
Plant and equipment	2,221,421	2,074,549
Construction in progress	1,340,913	1,315,179
	9,648,036	8,910,826
Less accumulated depreciation, depletion and amortization	(2,680,717)	(2,210,619)
	6,967,319	6,700,207

Asset retirement obligations

As of September 30, 2011 the asset retirement obligation amounted to USD 219,890. The changes in the asset retirement obligations during the nine months ended September 30, 2011 and the year ended December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Asset retirement obligations, beginning of the period	187,679	169,332
Accretion expense	14,624	16,001
Liabilities incurred	3,431	16,559
Liabilities settled	(923)	(1,305)
Changes in estimate and other	15,079	(12,908)
	219,890	187,679

Change in estimates relates to the increase of expected well abandonment costs.

Note 10. Other non-current assets

Other non-current assets include the following:

	September 30, 2011	December 31, 2010
Long-term trade accounts receivable	215	403
Catalysts	66,592	21,429
Other	8,802	5,854
	75,609	27,686

Note 11. Short-term debt and current portion of long-term debt

Short-term debt and current portion of long-term debt includes the following:

	September 30, 2011	December 31, 2010
Short-term debt	129,542	3,784
Current portion of long-term debt	217,965	249,022
	347,507	252,806

Note 12. Long-term debt

Long-term debt includes the following:

	September 30, 2011	December 31, 2010
ZAO Natixis bank	60,000	60,000
ZAO BNP Paribas bank	100,000	100,000
ZAO Raiffeisenbank	87,500	87,500
ZAO UniCreditbank	250,000	250,000
Vnesheconombank	123,206	129,892
OAO Sberbank	-	220,000
ING Bank N.V. (London branch)	650,000	-
ZAO ING Bank Eurasia	150,000	150,000
OAO Rosbank (ex. BSGV)	90,000	-
Other	4,336	1,609
	1,515,042	999,001
Less current portion	(217,965)	(249,022)
	1,297,077	749,979

In 1998 the Yaroslavl refinery (YANOS), a subsidiary of the Group, obtained a loan from the Ministry of Finance of the Russian Federation (with Vnesheconombank as its Agent) for the reconstruction of YANOS refining facilities. The loan is denominated in Japanese YEN and matures on March 31, 2015. Interest on the loan is 4.9% per annum.

As of 30 September 2011 the Group has USD 1,515,042 of long-term debt from a number of banks, nominated in USD (including USD 217,965 current portion). As of 31 December 2010 the Group had USD 999,001 of long-term debt from a number of banks, nominated in USD (including USD 249,022 current portion). The interest rate varies from floating rate LIBOR +1,75% to LIBOR +3,5%.

Debt repayment schedule

Contractual repayments of long-term debt outstanding at September 30, 2011 are as follows:

01.10.2011- 30.09.2012	01.10.2012- 30.09.2013	01.10.2013- 30.09.2014	01.10.2014- 30.09.2015	01.10.2015- 30.09.2016
217,965	588,073	432,595	190,882	85,527

Note 13. Taxes

Income taxes

The Group is taxable in various jurisdictions within the Russian Federation and Byelorussia. The Group is subject to a statutory tax rate of 20% in Russian and 24% in Byelorussian jurisdictions.

In 2011 certain subsidiaries of the Group producing mineral resources, incurring exploration expenses and making capital investments in the territory of Khanty-Mansiysk Autonomous District applied a 4% relief to their statutory corporate income tax rate as provided by the regional tax law. For nine months ended September 30, 2011, the Group's income tax expense includes a tax benefit relating to these tax incentive of USD 8,862.

The components of income taxes were as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Current income tax expense	(28,056)	(22,185)
Deferred income tax expense	37,352	62,307
Total income tax benefit	9,296	40,122

The temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities primarily relate to property plant and equipment, inventory, accounts payable and undistributed earnings of subsidiaries.

Classification of deferred income tax assets and liabilities on the consolidated balance sheet are presented in the table below:

	September 30, 2011	December 31, 2010
Deferred income tax assets - current	30,297	26,295
Deferred income tax assets – non-current	113,782	89,320
Less valuation allowance	(30,938)	(23,254)
Total deferred income tax asset	113,141	92,361
Other liabilities - current	(7,088)	(664)
Deferred income tax liabilities – non-current	(298,959)	(326,715)
Net deferred income tax liability	(192,906)	(235,018)

The Group has not recognized the deferred income tax liability for the undistributed earnings of certain foreign operations that arose during nine months ended September 30, 2011 and prior years, as it does not plan to remit those earnings. As of September 30, 2011 the undistributed earnings of these subsidiaries totaled approximately USD 8,583. The Group will recognize a deferred tax liability as appropriate depending on decisions made with respect to remittance of earnings of these subsidiaries.

As of September 30, 2011 the Group had operating loss carryforwards of USD 251,298 attributable to Russian Group subsidiaries that expire up to 2021. For loss carryforward amounts related to exploration entities a valuation allowance has been established reflecting uncertainty as to the Group's ability to realize the related tax benefits. During the nine months ended September 30, 2011 the valuation allowance increased by USD 7,684 to USD 30,938 for subsidiaries of the Group which more likely than not could not realize their deferred tax asset.

Uncertain tax positions. The Group adopted accounting guidance on the accounting for uncertainty in income taxes.

The Group's management evaluates our tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

Taxes other than income taxes

Taxes other than income tax expense were as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Unified production tax	2,047,981	1,336,471
Property taxes and other	110,768	97,994
	2,158,749	1,434,465

Taxes payable

Taxes payable include the following:

	September 30, 2011	December 31, 2010
Unified production and subsoil use taxes	222,993	187,370
Value added tax	149,785	116,695
Excise tax	49,106	36,844
Income tax	13,469	16,385
Property tax	19,889	22,563
Other taxes	14,335	12,141
	469,577	391,998

Note 14. Other current liabilities

Accrued expenses and other liabilities include the following:

	September 30, 2011	December 31, 2010
Accrued charges	30,621	35,726
Salaries payable	9,172	9,169
Deferred income tax liabilities – current	7,088	664
Other	22,554	12,542
	69,435	58,101

Note 15. Non-controlling interest

The Group's Primary Shareholders hold financial interests in a number of the Group's subsidiaries. Non-controlling interest on the consolidated balance sheet as of September 30, 2011 and December 31, 2010 includes USD 1,963,662 and USD 1,885,902 respectively, attributable to the Primary Shareholders' interests.

Included in non-controlling interest on the consolidated statements of income for the nine months ended September 30, 2011 and September 30, 2010 is USD 77,760 and USD 62,447 respectively, attributable to the Primary Shareholders' interests in the Group's subsidiaries.

Note 16. Commitments and contingencies

Contingencies

Oil field licenses

The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses. Management of the Group correspond with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group.

Insurance

The Group, except for YANOS does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group is involved in various claims and legal actions arising in the normal course of business. It is the opinion of management that the ultimate disposition of these matters will not have a material adverse effect on the Group's consolidated financial position, results of operations, or liquidity.

Taxation

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this regard has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than

in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Environmental liabilities

Environmental regulations continue to be developed in the Russian Federation. The Group periodically evaluates its obligations related to environmental issues. When obligations are determined to exist they are recognized immediately, depending on their nature. Management believes there are no significant unrecorded liabilities under existing legislation, which could have a material adverse effect on the operating results or financial position of the Group.

On its interpretations of applicable Russian environmental legislation management has accrued in the balance sheet as at September 30, 2011 a provision in the amount of USD 44,461 (included USD 18,859 in Other current liabilities and USD 25,602 in Other non-current liabilities).

The likelihood and amount of liabilities relating to environmental obligations under proposed or future legislation cannot be reasonably estimated at present and could become material.

Note 17. Related party transactions

As of September 30, 2011 and December 31, 2010 and for nine months ended September 30, 2011 and 2010 the Group had the following balances and transactions with related parties:

Sales and other sales

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

Customer	Description	Nine months ended September 30, 2011	Nine months ended September 30, 2010
ОАО Gazprom Neft	Crude oil	1,742,374	1,270,769
ЗАО SL Trading	Crude oil	1,747,459	157,115
ЗАО TNK Trade	Crude oil	-	1,054,132
ОАО TNK-BP Holding	Processing services	201,893	192,401
ОАО Gazprom Neft	Processing services	201,893	192,438
Other	Oil products and other	66,079	74,038
		3,959,698	2,940,893

Operating expenses

Operating expenses incurred with related parties, representing purchases, were as follows:

Customer	Description	Nine months ended September 30, 2011	Nine months ended September 30, 2010
ЗАО Trade-Oil	Oil products	-	10,052
Other	Oil products and other	25,578	118,577
		25,578	128,629

Interest expenses

Interest expenses incurred with related parties were as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
OAo Gazprombank	-	9,050
	-	9,050

Cash and cash equivalents

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

	September 30, 2011	December 31, 2010
OAo Gazprombank	43	43
	43	43

Trade accounts and notes receivable

Receivables from related parties were as follows:

	September 30, 2011	December 31, 2010
OAo TNK-BP Holding	31,502	22,871
ZAO TNK Trade	-	11,351
OAo Gazprom Neft	50,899	45,453
OAo Gazpromneft NNG	-	1,443
ZAO SL Trading	18,720	7,752
Other	3,790	7,961
	104,911	96,831

Short-term receivables from related parties were as follows:

	September 30, 2011	December 31, 2010
ZAO Messoyahaneftgaz (included into "Other current assets")	9,852	101,832
ZAO Messoyahaneftgaz (included into "Assets held for sale")	-	101,832
	9,852	203,664

Accounts payable

Accounts payable to related parties were as follows:

	September 30, 2011	December 31, 2010
OAo Gazprom Neft	19,728	19,363
OAo TNK-BP Holding	16,186	25,438
Gazpromneft Marine Bunker Ltd.	33,082	-
Gazpromneft Lubricants S.p.a.	272	-
Other	4,943	16,320
	74,211	61,121

Dividends payable

Dividends payable to Shareholders were as follows:

	September 30, 2011	December 31, 2010
ОАО Газпром Нефть	150,339	117,975
ОАО ТНК-БП Holding	150,339	117,975
	300,678	235,950

Other current liabilities

Other current liabilities to related parties were as follows:

	September 30, 2011	December 31, 2010
ОАО Газпром Нефть	1,437	350
ОАО ТНК-БП Holding	539	495
ООО Газпром Нефть СМ	-	23
Other	7	7
	1,983	875

Gazprom Neft Trading GmbH, ОАО Газпром Нефть, ОАО ТНК-БП Holding, ЗАО ТНК-Trade, ООО ТНК-БП Запад, ООО Газпромнефть-Белнефтепродукт, ОАО Газпромбанк, ОАО Газпром Нефть Finance, ООО Газпром Нефть СМ, ОАО ТНК-Ярославль, ЗАО SL Trading, Газпромнефть Marine Bunker Ltd., Газпромнефть Lubrificants S.p.a. and BP Shipping Ltd. UK are entities associated with the Primary Shareholders.

Note 18. Dividends

Annual general meeting of Company's shareholders was held on June 29, 2011. The shareholders approved dividends of RUB 2.01 per ordinary share (approximately \$0.07 per ordinary share) for the fourth quarter of 2010. Total amount of dividends declared is USD 338,443.

Earlier Company has declared dividends of RUB 1.49 per ordinary share for the first nine months of 2010.

During 2009 and 2010, the Group issued loans and had accounts receivable from companies affiliated with the Primary Shareholders in connection with the disposal of the Group's Byelorussian retail operations to its Primary Shareholders. The loans and accounts receivable have been treated as a reduction of the shareholders' capital in the accompanying financial statements. As at December 31, 2010 the amount of loans issued was USD 100,148, however as at September 30, 2011 the amount of the loans issued decreased to USD 53,190 as a result of a decrease in the value of the Byelorussian Rouble relative to the United States dollar in 2011.

Note 19. Fair values

The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate. ASC 820, *Fair Value Measurements and Disclosures*, requires an entity to maximize its use of observable inputs when measuring fair value. In the absence of observable inputs, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realize or settle in a market transaction. Certain of these financial instruments are with major financial institutions and expose the Group to market and credit risk. The creditworthiness of these institutions is routinely reviewed and full performance is anticipated. The Group is also exposed to a credit risk in the event of non-payment by counterparties. The creditworthiness of customers and other counterparties is continually reviewed.

ASC 820, *Fair Value Measurements and Disclosures*, prioritises the inputs to valuation techniques into three levels as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The methods and assumptions used to estimate fair value of each class of financial instruments are summarized below.

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.

Short-term 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.

Long-term debt. Loans under bank arrangements have 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 20. Subsequent events

On October 20, 2011 the Group completed the sale of its 100% equity share of OOO Slavneft-Torg, a company affiliated with the OAO Slavneft-Megionneftegaz.

In October 2011 the Group obtained a bank loan in the amount of USD 16,900. The loan is denominated in USD and matures in October 2012.

Subsequent events have been evaluated through November 3, 2011, the date of issuance of these financial statements.