Tatneft Group

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016

Contents

Contents

Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC Tatneft

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Tatneft and its subsidiaries (the "Group") as of 30 June 2016 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

25 August 2016
Moscow, Russian Federation

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Consolidated Interim Condensed Statement of Financial Position (Unaudited)
(In millions of Russian Roubles)

	Note	30 June 2016	31 December 2015
Assets			
Cash and cash equivalents	4	39,742	24,600
Restricted cash		334	318
Accounts receivable, net	5	58,759	60,151
Short-term financial assets	6	12,239	13,055
Inventories	7	31,500	32,042
Prepaid expenses and other current assets	8	23,896	48,033
Prepaid income tax		721	1,030
Total current assets		**167,191**	**179,229**
Long-term accounts receivable, net	5	3,058	2,248
Long-term financial assets	9	40,735	48,469
Investments in associates and joint ventures	10	31,866	5,632
Property, plant and equipment, net		552,855	557,778
Deferred income tax assets		2,035	2,535
Other long-term assets		2,538	2,800
Total non-current assets		**633,087**	**619,462**
Total assets		**800,278**	**798,691**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	11	4,611	5,281
Accounts payable and accrued liabilities	12	37,302	43,355
Dividends payable		25,016	133
Taxes payable	14	20,123	18,202
Income tax payable		2,129	1,940
Total current liabilities		**89,181**	**68,911**
Long-term debt, net of current portion	11	9,981	12,880
Other long-term liabilities	13	3,650	4,119
Decommissioning provision, net of current portion		34,981	33,352
Deferred income tax liability		19,401	21,771
Total non-current liabilities		**68,013**	**72,122**
Total liabilities		**157,194**	**141,033**
Shareholders' equity			
Preferred shares (authorized and issued at 30 June 2016 and 31 December 2015– 147,508,500 shares; nominal value at 30 June 2016 and 31 December 2015 – RR1.00)		746	746
Common shares (authorized and issued at 30 June 2016 and 31 December 2015– 2,178,690,700 shares; nominal value at 30 June 2016 and 31 December 2015 – RR1.00)		11,021	11,021
Additional paid-in capital		85,461	85,170
Accumulated other comprehensive income		725	1,639
Retained earnings		556,448	532,821
Less: Common shares held in treasury, at cost (75,687,000 shares and 55,491,000 shares at 30 June 2016 and 31 December 2015, respectively)		(10,297)	(3,083)
Total Group shareholders' equity		**644,104**	**628,314**
Non-controlling interest		(1,020)	29,344
Total shareholders' equity		**643,084**	**657,658**
Total liabilities and equity		**800,278**	**798,691**

Approved for issue and signed on behalf of the Board of Directors on 24.08 2016.

Voskoboinikov V.A.
Director of International Reporting

The accompanying notes are an integral part of these consolidated interim condensed financial statements.

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

(In millions of Russian Roubles)

	Note	Three months ended 30 June: 2016	Three months ended 30 June: 2015	Six months ended 30 June: 2016	Six months ended 30 June: 2015
Sales and other operating revenues, net	16	**146,863**	**144,450**	**267,844**	**279,511**
Costs and other deductions					
Operating		(27,699)	(23,887)	(55,715)	(45,907)
Purchased oil and refined products		(20,712)	(15,099)	(33,573)	(27,206)
Exploration		(263)	(420)	(717)	(922)
Transportation		(7,530)	(7,148)	(14,759)	(15,605)
Selling, general and administrative		(11,312)	(12,543)	(21,110)	(23,029)
Depreciation, depletion and amortization		(5,700)	(5,822)	(11,033)	(11,531)
Loss on disposals and impairments of property, plant and equipment, investments, subsidiaries and other assets	18	(39)	(83)	(8,489)	(159)
Taxes other than income taxes	14	(32,883)	(38,227)	(55,371)	(74,050)
Maintenance of social infrastructure and transfer of social assets		(1,122)	(1,220)	(2,203)	(2,341)
Total costs and other deductions		**(107,260)**	**(104,449)**	**(202,970)**	**(200,750)**
Other income/(expenses)					
Foreign exchange loss, net		(1,487)	(183)	(2,037)	(2,777)
Interest income		1,851	3,491	3,096	6,425
Interest expense, net of amounts capitalized		(965)	(1,608)	(1,945)	(3,301)
Earnings/(losses) from equity investments	10	1,432	(376)	1,179	(662)
Other expenses, net		(175)	(481)	(600)	(606)
Total other income/(expenses)		**656**	**843**	**(307)**	**(921)**
Profit before income tax		**40,259**	**40,844**	**64,567**	**77,840**
Income tax					
Current income tax expense		(7,515)	(7,806)	(13,796)	(18,615)
Deferred income tax (expense)/benefit		(1,850)	(1,611)	(2,295)	303
Total income tax expense	14	**(9,365)**	**(9,417)**	**(16,091)**	**(18,312)**
Profit for the period		**30,894**	**31,427**	**48,476**	**59,528**
Other comprehensive (expenses)/income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		(198)	(112)	(747)	(15)
Unrealized holding gains on available-for-sale securities		21	101	74	214
Items that will not be reclassified to profit or loss:					
Actuarial loss on employee benefit plans		(241)	(505)	(241)	(505)
Other comprehensive loss		**(418)**	**(516)**	**(914)**	**(306)**
Total comprehensive income for the period		**30,476**	**30,911**	**47,562**	**59,222**
Profit/(loss) attributable to:					
- Group shareholders		30,893	29,462	48,514	56,031
- Non-controlling interest		1	1,965	(38)	3,497
		30,894	**31,427**	**48,476**	**59,528**
Total comprehensive income/(loss) is attributable to:					
- Group shareholders		30,475	28,946	47,600	55,725
- Non-controlling interest		1	1,965	(38)	3,497
		30,476	**30,911**	**47,562**	**59,222**
Basic and diluted net earnings per share (RR)					
Common		13.67	12.97	21.46	24.67
Preferred		13.58	12.94	21.38	24.64
Weighted average shares outstanding (millions of shares)					
Common		2,113	2,123	2,113	2,123
Preferred		148	148	148	148

TATNEFT
Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
(In millions of Russian Roubles)

	Attributable to Group shareholders									Non-con-trolling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Unrealized holding gain on available-for-sale securities	Retained earnings	Total shareholders' equity		
At 1 January 2015	**2,270,685**	**11,767**	**87,482**	**(3,087)**	**(198)**	**1,933**	**153**	**457,915**	**555,965**	**26,279**	**582,244**
Profit for the six months	-	-	-	-	-	-	-	56,031	56,031	3,497	59,528
Other comprehensive (loss)/income for the six months	-	-	-	-	(505)	(15)	214	-	(306)	-	(306)
Total comprehensive (loss)/income for the six months	**-**	**-**	**-**	**-**	**(505)**	**(15)**	**214**	**56,031**	**55,725**	**3,497**	**59,222**
Treasury shares:	23	-	-	4	-	-	-	-	4	-	4
- Acquisitions	(21)	-	-	(5)	-	-	-	-	(5)	-	(5)
- Disposals	44	-	-	9	-	-	-	-	9	-	9
Acquisition of non-controlling interest in subsidiaries	-	-	(326)	-	-	-	-	-	(326)	(723)	(1,049)
Dividends declared	-	-	-	-	-	-	-	(24,024)	(24,024)	(671)	(24,695)
Balance at 30 June 2015	**2,270,708**	**11,767**	**87,156**	**(3,083)**	**(703)**	**1,918**	**367**	**489,922**	**587,344**	**28,382**	**615,726**
At 1 January 2016	**2,270,708**	**11,767**	**85,170**	**(3,083)**	**(987)**	**2,251**	**375**	**532,821**	**628,314**	**29,344**	**657,658**
Profit/(loss) for the six months	-	-	-	-	-	-	-	48,514	48,514	(38)	48,476
Other comprehensive (loss)/income for the six months	-	-	-	-	(241)	(747)	74	-	(914)	-	(914)
Total comprehensive (loss)/income for the six months	**-**	**-**	**-**	**-**	**(241)**	**(747)**	**74**	**48,514**	**47,600**	**(38)**	**47,562**
Treasury shares:	(20,196)	-	-	(7,214)	-	-	-	-	(7,214)	-	(7,214)
- Acquisitions	(20,196)	-	-	(7,214)	-	-	-	-	(7,214)	-	(7,214)
Acquisition of non-controlling interest in subsidiaries	-	-	291	-	-	-	-	-	291	(446)	(155)
Disposal of subsidiaries (Note 18)	-	-	-	-	-	-	-	-	-	(29,878)	(29,878)
Dividends declared	-	-	-	-	-	-	-	(24,887)	(24,887)	(2)	(24,889)
Balance at 30 June 2016	**2,250,512**	**11,767**	**85,461**	**(10,297)**	**(1,228)**	**1,504**	**449**	**556,448**	**644,104**	**(1,020)**	**643,084**

(In millions of Russian Roubles)

	Note	Six months ended 30 June 2016	Six months ended 30 June 2015
Operating activities			
Profit for the period		48,476	59,528
Adjustments:			
Depreciation, depletion and amortization		11,033	11,531
Income tax expense		16,091	18,312
Loss on disposals and impairments of property, plant and equipment, investments, subsidiaries and other assets	18	8,489	159
Transfer of social assets		1	50
Effects of foreign exchange		(833)	(246)
(Earnings)/losses from equity investments		(1,179)	662
Change in provision for impairment of financial assets		533	468
Interest income		(3,096)	(6,425)
Interest expense		1,945	3,301
Other		201	(265)
Changes in operational working capital, excluding cash:			
Accounts receivable		(2,550)	(15,474)
Inventories		(1,118)	(3,246)
Prepaid expenses and other current assets		2,815	10,802
Trading securities		25	430
Accounts payable and accrued liabilities		(182)	136
Taxes payable		3,738	6,480
Other non-current assets		(18)	232
Net cash provided by operating activities before income tax and interest		**84,371**	**86,435**
Income taxes paid		(13,298)	(14,654)
Interest paid		(399)	(572)
Interest received		2,904	5,141
Net cash provided by operating activities		**73,578**	**76,350**
Investing activities			
Additions to property, plant and equipment		(47,356)	(34,183)
Proceeds from disposal of property, plant and equipment		431	379
Cash outflow from disposal of subsidiaries	18	(1,568)	-
Purchase of investments		(7,050)	(1,098)
Dividends received	10	1,521	-
Proceeds from/(placement of) bank deposits, net	6,9	3,947	(51,717)
Proceeds from loans and notes receivable, net	6,9	2,182	1,830
Change in restricted cash		(16)	639
Net cash used in investing activities		**(47,909)**	**(84,150)**
Financing activities			
Proceeds from issuance of debt		676	6,453
Repayment of debt		(2,994)	(15,784)
Dividends paid to shareholders		(5)	(2)
Dividends paid to non-controlling shareholders		(2)	(671)
Purchase of treasury shares	17	(7,168)	(5)
Proceeds from sale of treasury shares		-	5
Net cash used in financing activities		**(9,493)**	**(10,004)**
Net change in cash and cash equivalents		**16,176**	**(17,804)**
Effect of foreign exchange on cash and cash equivalents		(1,034)	(49)
Cash and cash equivalents at the beginning of the period		24,600	41,548
Cash and cash equivalents at the end of the period		**39,742**	**23,695**

Note 1: Organisation

PJSC Tatneft (the "Company") and its subsidiaries (jointly referred to as "the Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining and marketing of crude oil and refined products as well as production and marketing of petrochemicals (see Note 16).

The Company was incorporated as an open joint stock company effective 1 January 1994 (the "privatization date") pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan (the "Government"). All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Russian Federation Presidential Decree No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Group does not have an ultimate controlling party.

As of 30 June 2016 and 31 December 2015 the government of Tatarstan controls approximately 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group's suppliers and contractors.

The Company is domiciled in the Russian Federation. The address of its registered office is Lenina St., 75, Almetyevsk, Republic of Tatarstan, Russian Federation.

Note 2: Basis of presentation

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs.

These consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2015 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the disclosures are adequate to make the information presented not misleading if these consolidated interim condensed financial statements are read in conjunction with the Group's 2015 audited consolidated financial statements and the notes related thereto. In the opinion of the Group's management, the unaudited consolidated interim condensed financial statements and notes thereto reflect the known adjustments, all of which are of a normal and recurring nature, necessary to fairly state the Group's financial position, results of operations and cash flows for the interim periods.

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). The accompanying consolidated interim condensed financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS.

The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) share based payment; (7) accounting for oil and gas properties; (8) recognition and disclosure of guarantees, contingencies and commitments; (9) accounting for decommissioning provision; (10) pensions and other post retirement benefits and (11) business combinations and goodwill.

(in millions of Russian Roubles)

Note 2: Basis of presentation (continued)

The accounting policies adopted are consistent with those of the previous financial year.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss before income tax.

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

Decommissioning provisions. Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future decommissioning provisions is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Sensitivity analysis for changes in rates:

		Impact on decommissioning provision	
	Change in	**At 30 June 2016**	**At 31 December 2015**
Discount rate	+1%	(8,149)	(7,892)
	-1%	10,827	10,534

Functional and Presentation Currency. The presentation currency of the Group is the Russian Rouble.

Management has determined the functional currency for each consolidated subsidiary of the Group, except for major subsidiaries located outside of the Russian Federation, is the Russian Rouble because the majority of its revenues, costs, property and equipment acquired, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Roubles. Accordingly, transactions and balances not already measured in Russian Roubles (primarily US Dollars) have been re-measured into Russian Roubles in accordance with the relevant provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

For operations of major subsidiaries located outside of the Russian Federation, that primarily use US Dollar as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Roubles are recorded in a separate component of shareholders' equity entitled foreign currency translation adjustments. Revenues, expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rate of exchange, as published by the Central Bank of Russia ("CBR"), of the Russian Rouble ("RR") to the US Dollar ("US $") at 30 June 2016 and 31 December 2015 was RR 64.26 and RR 72.88 to US $, respectively. Average rate of exchange for the six months ended 30 June 2016 and 30 June 2015 was RR 70.26 and RR 57.40 per US $, respectively.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

Associates and joint ventures. Associates and joint ventures are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

(in millions of Russian Roubles)

Note 3: Adoption of new or revised standards and interpretations

A number of amendments to current IFRS and annual improvements became effective for the periods beginning on or after 1 January 2016 but did not have any significant impact on the Group's consolidated interim condensed financial statements:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Group has not early adopted. The full list of such standards, interpretations and amendments to standards was disclosed in the consolidated financial statements as of and for the year ended 31 December 2015. No additional new standards, amendments and interpretations to existing standards were issued in 2016 except for amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2016	At 31 December 2015
Cash on hand and in banks	12,658	12,273
Term deposits with original maturity of less than three months	27,084	12,327
Total cash and cash equivalents	**39,742**	**24,600**

As of 30 June 2016 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Ak Bars Bank, Otkritie Financial Corporation Bank, Promsvyazbank, Svyaz-bank and Credit Bank of Moscow. As of 31 December 2015 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Sberbank, Svyaz-bank and The Ural Bank for Reconstruction and Development. Bank deposits represent deposits with original maturities of less than three months. The fair value of cash and term deposits approximates their carrying value.

(in millions of Russian Roubles)

Note 5: Accounts receivable

Short-term and long-term accounts receivable comprise the following:

	At 30 June 2016	At 31 December 2015
Short-term accounts receivable:		
Trade receivables	58,078	58,170
Other financial receivables	3,135	3,891
Less provision for impairment	(2,454)	(1,910)
Total short-term accounts receivable	**58,759**	**60,151**
Long-term accounts receivable:		
Trade receivables	1,890	1,512
Other financial receivables	1,216	794
Less provision for impairment	(48)	(58)
Total long-term accounts receivable	**3,058**	**2,248**
Total financial assets within trade and other receivables	**61,817**	**62,399**

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value.

Note 6: Short-term financial assets

Short-term financial assets comprise the following:

	At 30 June 2016	At 31 December 2015
Loans and receivables:		
Notes receivable	6,183	5,596
Other loans (net of provision for impairment of RR 5 million as of 30 June 2016 and RR 23 million as of 31 December 2015)	1,798	3,617
Bank deposits	3,211	2,594
Financial assets at fair value through profit or loss:		
Held-for-trading	1,047	1,248
Total short-term financial assets	**12,239**	**13,055**

During the six months ended 30 June 2016 placement of bank deposits by and repayment to the Group of bank deposits were RR 2,828 million and RR 1,842 million, respectively.

During the six months ended 30 June 2015 placement of bank deposits by and repayment to the Group of bank deposits were RR 83,401 million and RR 34,654 million, respectively.

During the six months ended 30 June 2016 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 1,109 million and RR 3,909 million, respectively.

During the six months ended 30 June 2015 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 747 million and RR 3,841 million, respectively.

The estimated fair value of loans and receivables approximates their carrying value.

Financial assets at fair value through profit and loss comprise the following:

	At 30 June 2016	At 31 December 2015
Held-for-trading:		
Equity securities	437	601
Corporate debt securities	400	562
Russian government debt securities	210	85
Total financial assets at fair value through profit and loss	**1,047**	**1,248**

(in millions of Russian Roubles)

Note 7: Inventories

	At 30 June 2016	At 31 December 2015
Materials and supplies	11,381	11,861
Crude oil	6,072	6,436
Refined oil products	8,517	7,586
Petrochemical supplies and other finished goods	5,530	6,159
Total inventories	**31,500**	**32,042**

Note 8: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 30 June 2016	At 31 December 2015
Prepaid export duties	3,504	6,678
VAT recoverable	7,065	9,473
Advances	10,969	28,985
Prepaid transportation expenses	895	1,192
Other	1,463	1,705
Prepaid expenses and other current assets	**23,896**	**48,033**

Note 9: Long-term financial assets

Long-term financial assets comprise the following:

	At 30 June 2016	At 31 December 2015
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 30 June 2016 and 31 December 2015)	1,597	4,181
Loans to employees (net of provision for impairment of RR 1,402 million as of 30 June 2016 and RR 1,414 million as of 31 December 2015)	1,038	1,262
Other loans	2,023	1,963
Bank deposits	12,916	17,774
Available-for-sale investments (Note 15)	23,161	23,289
Total long-term financial assets	**40,735**	**48,469**

The carrying amounts and fair values of long-term financial assets except for available-for-sale investments are as follows:

	Carrying amounts		Fair values	
	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015
Notes receivable	1,597	4,181	1,479	3,872
Loans to employees	1,038	1,262	1,038	1,262
Other loans	2,023	1,963	1,921	1,545
Bank deposits	12,916	17,774	15,001	17,567
Total long-term financial assets except for available-for-sale investments	**17,574**	**25,180**	**19,439**	**24,246**

The fair value of long-term financial assets is estimated by discounting the future contractual cash inflows at the market interest rate available to the Group at the end of the reporting period.

During the six months ended 30 June 2016 repayment of bank deposits was RR 4,933 million.

(in millions of Russian Roubles)

Note 9: Long-term financial assets (continued)

During the six months ended 30 June 2015 placement of long-term bank deposits by the Group was RR 2,970 million.

During the six months ended 30 June 2016 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 742 million and RR 124 million, respectively.

During the six months ended 30 June 2015 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 1,608 million and RR 344 million, respectively.

Note 10: Investments in associates and joint ventures

Investments in associates and joint ventures comprise the following:

Name of an investee	Ownership percentage at		Net book value at		Group's share of profit/(loss) for the six months ended 30 June	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	2016	2015
Associates and joint ventures:						
Nizhnekamskneftekhim	25	-	20,258	-	1,929	-
Bank Zenit	49	25	11,055	5,246	(919)	(833)
Other	20-75	20-75	553	386	169	171
Total			**31,866**	**5,632**	**1,179**	**(662)**

On 17 March 2016 the Group acquired a 25% minus 1 share voting interest in PJSC Nizhnekamskneftekhim for total cash consideration of RR 19,850 million which was paid in December 2015. In accordance with IAS 28, Investments in Associates and Joint Ventures, the Group is assessing the fair values of the identified assets and liabilities of PJSC Nizhnekamskneftekhim at the acquisition date and plans to finalize the fair value determination within 12 months from the date of acquisition.

During the three months ended 30 June 2016 the Group received dividends from PJSC Nizhnekamskneftekhim in the amount of RR 1,521 million.

In June 2016, the Group increased its equity share in Bank ZENIT through a subscription to the bank's additional share emission for a cash consideration of RR 6,700 million. As a result of the transaction the Group increased its share in Bank ZENIT from 24.56% to 48.79%. After the transaction, the Group continues to account its share in the bank under the equity method. In accordance with IAS 28, Investments in Associates and Joint Ventures, the Group is assessing the fair values of the identified assets and liabilities of Bank ZENIT at the acquisition date and plans to finalize the fair value determination within 12 months from the date of acquisition.

In accordance with the Federal Law "On Joint Stock Companies" in the period until 4 October 2016 the Group shall participate in the mandatory offer procedure at RR 1 per 1 share of the bank, which may eventually result in the stake of the Group in the share capital of Bank ZENIT to increase further and constitute more than 50%.

The country of incorporation or registration of associates and joint ventures is also their principal place of business. For all major associates and joint ventures the country of incorporation is the Russian Federation.

(in millions of Russian Roubles)

Note 11: Debt

	At 30 June 2016	At 31 December 2015
Short-term debt		
Foreign currency denominated debt		
Current portion of long-term debt	3,642	3,937
Other foreign currency denominated debt	263	299
Rouble denominated debt		
Current portion of long-term debt	31	31
Other rouble denominated debt	675	1,014
Total short-term debt	**4,611**	**5,281**
Long-term debt		
Foreign currency denominated debt		
US $2.0 bln 2010 credit facility	1,805	3,144
US $75 mln 2011 credit facility	2,350	2,952
US $144.5 mln 2011 credit facility	4,067	4,921
EUR 55 mln 2013 credit facility	3,330	4,038
Other foreign currency denominated debt	888	1,069
Rouble denominated debt		
Other rouble denominated debt	1,214	724
Total long-term debt	**13,654**	**16,848**
Less: current portion of long-term debt	(3,673)	(3,968)
Total long-term debt, net of current portion	**9,981**	**12,880**

Foreign currency debts are primarily denominated in US Dollars.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Short-term Russian Rouble denominated debt. Russian Rouble denominated short-term debt is primarily comprised of loans from Russian companies and banks. Short-term Rouble denominated loans of RR 675 million and RR 1,014 million bear contractual interest rates of 12.5% to 15% per annum as of 30 June 2016 and 12.5% to 13.7% per annum as of 31 December 2015.

Long-term foreign currency denominated debt. In June 2010, the Company entered into a triple (3, 5 and 7 year) tranches secured credit facility for up to US $2 billion arranged by Barclays Bank PLC, BNP Paribas (Suisse) SA, Bank of Moscow (currently VTB Bank, reorganised in May 2016), Bank of Tokyo-Mitsubishi UFJ LTD, Citibank N.A., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis SA, Nordea Bank, The Royal Bank of Scotland N.V., Sberbank, Société Générale, Sumitomo Mitsui Finance Dublin LTD, Unicredit Bank AG, VTB Bank and WestLB AG. The loan is collateralized with the contractual rights and receivables under an export contract between Tatneft and Tatneft Europe AG under which Tatneft supplies no less than 750,000 metric tons of oil in a calendar quarter. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The 7-year tranche bears the interest of LIBOR plus 5%. The 3-year and 5-year tranches were fully repaid.

In November 2011, TANECO entered into a US $75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US $144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May, 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

(in millions of Russian Roubles)

Note 11: Debt (continued)

In May 2013, TANECO entered into a EUR 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

Management believes that for the periods ended 30 June 2016 and 31 December 2015 the Group was in compliance with all covenants required by the above loan agreements.

The carrying amounts and fair-values of long-term debt are as follows:

	Carrying amounts		**Fair values**	
	At 30 June 2016	**At 31 December 2015**	**At 30 June 2016**	**At 31 December 2015**
US$ denominated fixed rate	888	1,069	888	1,069
US$ denominated floating rate	8,222	11,017	8,376	10,383
EUR denominated floating rate	3,330	4,038	2,963	3,361
RR denominated fixed rate	1,214	724	1,214	724
Total long-term debt	**13,654**	**16,848**	**13,441**	**15,537**

The fair value of long-term debts was determined based on future cash flows discounted at the market interest rate available to the Group at the end of the reporting period.

Note 12: Accounts payable and accrued liabilities

	At 30 June 2016	**At 31 December 2015**
Trade payables	22,011	27,816
Other payables	497	580
Total financial liabilities within trade and other payables	**22,508**	**28,396**
Salaries and wages payable	3,984	4,746
Advances received from customers	6,272	2,847
Current portion of decommissioning provisions	65	65
Other accounts payable and accrued liabilities	4,473	7,301
Total non-financial liabilities	**14,794**	**14,959**
Accounts payable and accrued liabilities	**37,302**	**43,355**

The fair value of each class of financial liabilities included in short-term trade and other payables at 30 June 2016 and 31 December 2015 approximates their carrying value.

Note 13: Other long-term liabilities

Other long-term liabilities are as follows:

	At 30 June 2016	**At 31 December 2015**
Pension liability	3,426	3,871
Other long-term liabilities	224	248
Total other long-term liabilities	**3,650**	**4,119**

(in millions of Russian Roubles)

Note 14: Taxes

Income tax expense comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Current income tax expense	(7,515)	(7,806)	(13,796)	(18,615)
Deferred income tax (expense)/benefit	(1,850)	(1,611)	(2,295)	303
Income tax expense for the period	**(9,365)**	**(9,417)**	**(16,091)**	**(18,312)**

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% to profit before income taxes:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Profit before income tax and non-controlling interest	40,259	40,844	64,567	77,840
Theoretical income tax expense at statutory rate	(8,051)	(8,169)	(12,913)	(15,568)
Increase due to:				
Non-deductible expenses, net	(1,314)	(1,260)	(3,178)	(1,899)
Other	-	12	-	(845)
Income tax expense	**(9,365)**	**(9,417)**	**(16,091)**	**(18,312)**

The Group is subject to a number of taxes other than income taxes, which are detailed as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Mineral extraction tax	31,081	36,286	51,801	70,172
Property tax	1,428	1,483	2,821	2,971
Other	374	458	749	907
Total taxes other than income taxes	**32,883**	**38,227**	**55,371**	**74,050**

At 30 June 2016 and 31 December 2015 taxes payable were as follows:

	At 30 June 2016	**At 31 December 2015**
Mineral extraction tax	11,460	7,401
Value Added Tax on goods sold	2,232	3,909
Export duties	2,389	2,534
Property tax	1,360	1,360
Other	2,682	2,998
Total taxes payable	**20,123**	**18,202**

(in millions of Russian Roubles)

Note 15: Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes.

The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

Fair value hierarchy

Fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Group has the ability to assess at the measurement date. For the Group, Level 1 inputs include held-for-trading financial assets that are actively traded on markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For the Group, Level 2 inputs include observable market value measures applied to available for sale securities.

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

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised as follows:

				At 30 June 2016				**At 31 December 2015**
	Level 1	Level 2	Level 3	**Total carrying value**	Level 1	Level 2	Level 3	**Total carrying value**
Held-for-trading investments	710	-	337	**1,047**	803	-	445	**1,248**
Available-for-sale investments	-	3,376	19,785	**23,161**	-	3,504	19,785	**23,289**
Total	**710**	**3,376**	**20,122**	**24,208**	**803**	**3,504**	**20,230**	**24,537**

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 30 June 2016 and 31 December 2015:

	At 30 June 2016	**At 31 December 2015**	**Valuation technique**	**Inputs used**
Available-for-sale investments	23,161	23,289	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach	Publicly available information, comparable market prices
Total	**23,161**	**23,289**		

(in millions of Russian Roubles)

Note 15: Fair values (continued)

Available-for-sale financial assets as of 30 June 2016 and 31 December 2015 are comprised of RR 2,300 million (8.6%) of investments in AK Bars Bank shares which are not quoted in any stock exchange and the fair value of which are measured by the Group based on AK Bars Bank IFRS Financial Statements (net assets value) and other publicly available information. Available-for-sale financial assets as at 30 June 2016 and 31 December 2015 also include RR 19,785 million in Closed Mutual Investment Fund "AK-BARS – Gorizont" which holds investments in land in Tatarstan. The Group does not exercise significant influence over this investment and therefore accounts for it as an available-for-sale investment.

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the six months ended 30 June 2016 and the year ended 31 December 2015.

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	At 30 June 2016				At 31 December 2015			
	Level 1	Level 2	Level 3	**Total carrying value**	Level 1	Level 2	Level 3	**Total carrying value**
Assets								
Cash and cash equivalents	39,742	-	-	**39,742**	24,600	-	-	**24,600**
Restricted cash	334	-	-	**334**	318	-	-	**318**
Accounts receivable	-	-	61,817	**61,817**	-	-	62,399	**62,399**
Financial assets	-	-	30,631	**28,766**	-	-	36,103	**36,987**
Total assets	**40,076**	**-**	**92,448**	**130,659**	**24,918**	**-**	**98,502**	**124,304**
Liabilities								
Debt	-	-	(14,379)	**(14,592)**	-	-	(16,850)	**(18,161)**
Trade and other payable	-	-	(47,524)	**(47,524)**	-	-	(28,529)	**(28,529)**
Total liabilities	**-**	**-**	**(61,903)**	**(62,116)**	**-**	**-**	**(45,379)**	**(46,690)**

The fair values in Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed and floating interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Note 16: Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors and the Management Committee and for which discrete financial information is available.

Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

The Group's business activities are conducted predominantly through three main operating segments:

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments,
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations,
- Petrochemical products include production and sales of tires and petrochemical raw materials and refined products, which are used in production of tires.

Other sales include revenues from ancillary services provided by the specialized subdivisions and subsidiaries of the Group, such as sales of oilfield equipment and drilling services provided to other companies in Tatarstan, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income taxes and non-controlling interest not including interest income, expense, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the three months ended 30 June 2016, revenues of RR 23,922 million or 16% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2016, revenue of RR 40,971 million or 15% of the Group's total sales and operating revenues are derived from one external customer.

For the three months ended 30 June 2015, revenues of RR 20,898 million or 14% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2015, revenue of RR 38,897 million or 14% of the Group's total sales and operating revenues are derived from one external customer.

These revenues represent sales of crude oil and refined products and are attributable to the exploration and production segment and refining and marketing segment.

Management does not believe the Group is dependent on any particular customer.

(in millions of Russian Roubles)

Note 16: Segment information (continued)

Segment sales and other operating revenues. Reportable operating segment sales and other operating revenues are stated in the following table:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Exploration and production				
Domestic own crude oil	24,965	22,212	42,960	40,844
CIS own crude oil	5,840	5,091	10,305	10,247
Non – CIS own crude oil	44,717	39,175	76,535	78,541
Other	1,335	1,129	2,649	2,182
Intersegment sales	23,860	31,241	43,651	60,163
Total exploration and production	**100,717**	**98,848**	**176,100**	**191,977**
Refining and marketing				
Domestic sales				
Crude oil purchased for resale	1,823	4,560	5,289	6,105
Refined products	28,711	32,312	55,092	56,755
Total Domestic sales	30,534	36,872	60,381	62,860
CIS sales				
Refined products	1,200	2,923	2,805	6,415
Total CIS sales[1]	1,200	2,923	2,805	6,415
Non – CIS sales				
Crude oil purchased for resale	1,719	2,202	3,575	6,307
Refined products	21,167	20,978	39,943	44,972
Total Non – CIS sales[2]	22,886	23,180	43,518	51,279
Other	1,904	1,309	3,428	2,477
Intersegment sales	694	690	1,821	1,555
Total refining and marketing	**57,218**	**64,974**	**111,953**	**124,586**
Petrochemicals				
Tires - domestic sales	8,377	6,327	13,917	12,119
Tires - CIS sales	2,083	1,689	3,434	2,844
Tires - non-CIS sales	400	382	778	810
Petrochemical products and other	743	559	1,281	1,166
Intersegment sales	216	217	453	534
Total petrochemicals	**11,819**	**9,174**	**19,863**	**17,473**
Total segment sales	**169,754**	**172,996**	**307,916**	**334,036**
Corporate and other sales	1,879	3,602	5,853	7,727
Elimination of intersegment sales	(24,770)	(32,148)	(45,925)	(62,252)
Total sales and other operating revenues	**146,863**	**144,450**	**267,844**	**279,511**

[1] - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).
[2] - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, the Netherlands and the United Kingdom based traders and Poland based refineries.

(in millions of Russian Roubles)

Note 16: Segment information (continued)

Segment earnings

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Segment earnings				
Exploration and production	42,654	37,393	71,691	72,646
Refining and marketing	(766)	4,996	7,016	9,563
Petrochemicals	537	410	659	429
Total segment earnings	**42,425**	**42,799**	**79,366**	**82,638**
Corporate and other	(2,822)	(2,798)	(14,492)	(3,877)
Other income/(expenses), net	656	843	(307)	(921)
Profit before income tax	**40,259**	**40,844**	**64,567**	**77,840**

For the six months ended 30 June 2016 and 2015, corporate and other loss includes loss on disposal and impairments of property, plant and equipment, investments, subsidiaries and other assets in amount of RR 8,489 million and RR 159 million, respectively.

Segment assets

	At 30 June 2016	At 31 December 2015
Assets		
Exploration and production	293,107	297,517
Refining and marketing	338,318	338,852
Petrochemicals	31,552	31,674
Corporate and other	137,301	130,648
Total assets	**800,278**	**798,691**

As of 30 June 2016 and 31 December 2015 corporate and other assets comprised RR 31,866 million and RR 5,632 million, respectively, of investments in associates and joint ventures.

The Group's assets and operations are primarily located and conducted in the Russian Federation.

Segment depreciation, depletion and amortisation and additions to property, plant and equipment

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Depreciation, depletion and amortization				
Exploration and production	3,280	3,263	6,293	6,468
Refining and marketing	1,814	1,546	3,556	2,995
Petrochemicals	458	444	914	894
Corporate and other	148	569	270	1,174
Total segment depreciation, depletion and amortization	**5,700**	**5,822**	**11,033**	**11,531**
Additions to property, plant and equipment				
Exploration and production	17,561	11,458	28,024	16,388
Refining and marketing	5,097	9,464	13,719	18,606
Petrochemicals	152	14	407	26
Corporate and other	1,184	681	1,927	1,610
Total additions to property, plant and equipment	**23,994**	**21,617**	**44,077**	**36,630**

(in millions of Russian Roubles)

Note 17: Related party transactions

Transactions are entered into in the normal course of business with associates, joint ventures, government related companies, key management personnel and other related parties.

These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions.

Associates, joint ventures and other related parties

The amounts of transactions for each period with associates, joint ventures and other related parties are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	**2015**	**2016**	**2015**
Revenues and income				
Sales of refined products	149	4	473	8
Other sales	275	150	588	287
Interest income	943	905	1,578	1,701
Costs and expenses				
Purchases of crude oil	-	29	-	72
Other services	307	542	694	655
Other purchases	1,468	3	2,447	366

For the six months ended 30 June 2016 and 2015, the Group sold crude oil on a commission basis from related parties for RR 0 million and RR 72 million, respectively.

At 30 June 2016 and 31 December 2015 the outstanding balances with associates, joint ventures and other related parties were as follows:

	At 30 June 2016	**At 31 December 2015**
Assets		
Cash and cash equivalents	11,232	9,392
Restricted cash	334	211
Accounts receivable	392	373
Notes receivable	5,658	5,085
Short-term bank deposits	298	-
Trading securities	87	7
Loans receivable	948	428
Prepaid expenses and other current assets	617	325
Due from related parties short-term	**19,566**	**15,821**
Long-term accounts receivable	6	14
Long-term bank deposits	12,031	17,199
Long-term notes receivable	1,358	4,156
Long-term loans receivable	1,749	1,715
Due from related parties long-term	**15,144**	**23,084**
Liabilities		
Accounts payable and accrued liabilities	(596)	(42)
Short-term debt	(268)	(814)
Due to related parties short-term	**(864)**	**(856)**

As of 30 June 2016 and 31 December 2015, the Group had RR 7,916 million and RR 10,142 million, respectively, in loans and notes receivable due from Bank ZENIT or its wholly-owned subsidiary Bank Devon Credit. These loans and notes mature between 2016 and 2022, bearing interest between 1.5% and 9.99% per annum. As of 30 June 2016 and 31 December 2015, the Group has short and long-term bank deposits of RR 12,329 million and RR 17,199 million, respectively, held with Bank ZENIT or its wholly-owned subsidiary Bank Devon Credit.

(in millions of Russian Roubles)

Note 17: Related party transactions (continued)

In March 2009 the Group placed a long-term deposit with Bank ZENIT for RR 2,140 million payable in 10 years bearing interest 10.85% per annum. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years with a new interest rate of 9.35% per annum. In June 2016 the deposit was redeemed. The Group entered into a subordinated deposit agreement with Bank ZENIT in January 2013 in the amount of RR 3,600 million payable in 10 years bearing interest of 9% per annum. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years and in October 2015 interest rate was increased to 15% per annum.

Russian Government bodies and state organizations

The amounts of transactions for each period with Government bodies and state organizations are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2016	2015	2016	2015
Sales of crude oil	-	-	567	-
Sales of refined products	1,694	963	3,782	2,385
Other sales	345	97	790	203
Interest income	283	123	396	657
Purchases of crude oil	-	-	-	841
Purchases of refined products	4,049	5,301	7,798	9,184
Purchases of electricity	3,511	2,661	6,149	5,538
Purchases of transportation services	5,469	4,340	10,478	9,075
Other services	887	1,010	1,854	1,969
Other purchases	147	589	219	625

In April 2016 the Group purchased 20 million treasury shares from the company related to Russian Government bodies and state organizations in the amount RR 7,168 million.

Note 18: Change in the Group structure

On 1 January 2016 several entities of the Group ceased to meet the power criteria for consolidation under IFRS 10 "Consolidated financial statements" and were deconsolidated as of that date. The Group did not have any direct or indirect ownership in the deconsolidated entities but exercised control over them in prior years. Deconsolidation resulted in one-off loss on disposal in amount of RR 8,745 million recorded within Loss on disposals and impairments of property, plant and equipment, investments, subsidiaries and other assets in the consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2016. Non-controlling interest in the consolidated interim condensed statement of financial position decreased by RR 29,878 million comparing to non-controlling interest as at 31 December 2015.

Note 19: Contingencies and commitments

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. Tax, currency and customs legislation is sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

In the recent years the Russian economy was negatively impacted by a decline in oil prices and ongoing geopolitical tensions.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined provisions for impairment by considering the economic situation and outlook at the end of the reporting period.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

Note 19: Contingencies and commitments (continued)

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, including through adaptations in the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Capital commitments. As of 30 June 2016 and 31 December 2015 the Group has outstanding capital commitments of approximately RR 59,808 million and RR 59,294 million, respectively, mainly for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2016 and 2019.

Management believes the Group's current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities. Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the TANECO refinery project, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities. The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

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, that such prices could be challenged. Management believes that its pricing policy is arm's length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group's tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group's policies. Changes to environmental laws and regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group.

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated interim condensed financial statements.

Social commitments. The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

Guarantees. The Group has no outstanding guarantees at 30 June 2016 and 31 December 2015.

Transportation of crude oil. The Group benefits from the blending of its crude oil in the Transneft pipeline system since the crude oil produced by the Group is generally of a lower quality than that produced by some other regions of the Russian Federation (mainly Western Siberia) which supply through the same pipeline system. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme is not determinable at present. However, if this practice were to change, the Group's business could be materially and adversely affected.

Note 19: Contingencies and commitments (continued)

Ukrtatnafta. In May 2008, Tatneft commenced international arbitration against Ukraine on the basis of the agreement between the Government of the Russian Federation and the Cabinet of Ministries of Ukraine on the Encouragement and Mutual Protection of Investments of November 27, 1998 ("Russia-Ukraine BIT") in connection with the forcible takeover of Ukrtatnafta and seizure of shares of the Group in Ukrtatnafta. In July 2014 the arbitral tribunal issued the award holding Ukraine liable for violation of the Russia-Ukraine BIT and required Ukraine to pay Tatneft US$ 112 million plus interest. Ukraine filed an appeal of award in Court of Appeals in Paris, France (seat of arbitration) which is scheduled to be heard in October 2016.

On 23 March 2016 Tatneft commenced court proceedings in England against Gennady Bogolyubov, Igor Kolomoisky, Alexander Yaroslavsky and Pavel Ovcharenko. Tatneft alleges that in 2009 those individuals fraudulently diverted to themselves sums owed to Tatneft for oil it had supplied to Kremenchug refinery (Ukrtatnafta). Tatneft claims damages of US$ 334.1 million plus interest.

Libya. As a result of the political situation in Libya, in February 2011 the Group had to entirely suspend its operations in that country and evacuate all its personnel. In February 2013 the Group started the process of resuming its activities in Libya, including the return of its personnel to a branch in Tripoli and recommencement of some exploration activities. Due to the deterioration of security situation in Libya in the second half of 2014 the Group had to suspend all of its operations and announced a force-majeure under the Exploration and Production Sharing Agreements, acknowledged by the National Oil Company, which is continuing as of the date of this report. The Group is constantly monitoring the security and political situation in Libya, and plans to resume its operations once the conditions permit to do so.

As of 30 June 2016 the Group had approximately RR 5,752 million of assets associated with its Libyan operations of which RR 5,534 million is related to capitalized exploration costs, RR 210 million of inventories and RR 8 million of cash. As of 31 December 2015 the Group had approximately RR 5,745 million of assets associated with its Libyan operations of which RR 5,524 million is related to capitalized exploration costs, RR 210 million of inventories and RR 11 million of cash.