



OIL TRANSPORTING
JOINT STOCK COMPANY
"TRANSNEFT"

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**



**WE TRANSPORT OIL,
SO IT SETS THE WORLD IN MOTION**

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors OAO AK Transneft

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO AK Transneft (the "Company") and its subsidiaries (the "Group") as at 30 September 2015 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine month periods then ended and the related consolidated interim condensed statements of changes in equity and cash flows for the nine month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information 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 consolidated interim condensed 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.

Audited entity: OAO AK Transneft

Registered by Moscow Registration Chamber on 26 August 1993,
Registration No. 026.800

Registered in the Unified State Register of Legal Entities/Entered in
the Unified State Register of Legal Entities on 24 July 2002 by
Department of Ministry of Taxes and Duties, Registration No.
1027700049486, Certificate series 77 No. 007893052.

119180, Moscow, ul. Bolshaya Polyanka, 57

Independent auditor: JSC "KPMG", a company incorporated under the
Laws of the Russian Federation, a member firm of the KPMG network
of independent member firms affiliated with KPMG International
Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992,
Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August
2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the
Ministry for Taxes and Duties of the Russian Federation, Registration
No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of
Russia". The Principal Registration Number of the Entry in the State
Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2015 and for the three- and nine-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Kim A.A.

Director, (power of attorney dated 16 March 2015 No. 11/15)

JSC "KPMG"

30 November 2015

Moscow, Russian Federation





OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2015
(in millions of Russian roubles, if not stated otherwise)

	Notes	30 September 2015	31 December 2014
ASSETS			
Non-current assets			
Intangible assets		7,525	4,535
Property, plant and equipment	5	1,834,925	1,706,368
Available-for-sale financial assets		256	231
Investments in associates and jointly controlled entities		19,833	19,517
Receivables and prepayments and VAT assets	9	1,318	1,669
Other financial assets	7	40,786	44,514
Total non-current assets		1,904,643	1,776,834
Current assets			
Inventories	8	36,791	29,973
Receivables and prepayments	9	38,244	43,131
VAT assets	9	54,727	55,147
Current income tax prepayments		11,050	14,467
Financial assets at fair value through profit and loss, including derivatives	6	31,833	33,482
Other financial assets	7	357,809	408,234
Cash and cash equivalents	10	144,543	113,060
Total current assets		674,997	697,494
Total assets		2,579,640	2,474,328
EQUITY AND LIABILITIES			
Equity			
Share capital		308	308
Share premium reserve		52,553	52,553
Merger reserve		(13,080)	(13,080)
Retained earnings		1,440,463	1,302,605
Attributable to the shareholders of OAO AK Transneft		1,480,244	1,342,386
Non-controlling interests	12	1,836	26,477
Total equity		1,482,080	1,368,863
Non-current liabilities			
Loans and borrowings	13	697,556	577,272
Deferred income tax liabilities	14	45,205	55,252
Provisions for liabilities and charges	15	88,715	75,522
Trade and other payables, including derivatives	16	10,748	13,700
Total non-current liabilities		842,224	721,746
Current liabilities			
Trade and other payables, including derivatives	16	143,223	201,349
Current income tax payable		608	450
Loans and borrowings	13	111,505	181,920
Total current liabilities		255,336	383,719
Total liabilities		1,097,560	1,105,465
Total equity and liabilities		2,579,640	2,474,328

Approved on 30 November 2015 by:

N.P. Tokarev

President

M.V. Russkikh

General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft

The accompanying notes set out on pages 9 to 22 are an integral part of these consolidated interim condensed financial statements



OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2015

(in millions of Russian roubles, if not stated otherwise)

	Notes	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Revenue	17	202,972	610,016	196,022	573,935
Operating expenses	18	(139,493)	(411,099)	(135,564)	(389,352)
Operating profit		63,479	198,917	60,458	184,583
Finance income		101,062	451,129	57,818	131,231
Finance costs		(146,108)	(487,605)	(83,759)	(167,893)
Net finance costs	19	(45,046)	(36,476)	(25,941)	(36,662)
Share of (loss)/profit from associates and jointly controlled entities		(1,740)	1,619	(1,970)	49
Profit before income tax		16,693	164,060	32,547	147,970
Income tax expense		(2,005)	(29,597)	(6,547)	(29,992)
Profit for the period		14,688	134,463	26,000	117,978
Other comprehensive income net of tax					
<i>Items that may be reclassified to profit and loss</i>					
Currency translation differences, net of tax		82	(301)	62	(34)
<i>Total items that may be reclassified to profit and loss, net of tax</i>		<i>82</i>	<i>(301)</i>	<i>62</i>	<i>(34)</i>
<i>Items that will not be reclassified to profit and loss</i>					
Remeasurement of net defined benefit plan obligation	15	117	(2,099)	511	840
<i>Total items that will not be reclassified to profit and loss, net of tax</i>		<i>117</i>	<i>(2,099)</i>	<i>511</i>	<i>840</i>
Total other comprehensive (loss)/ income for the period, net of tax		199	(2,400)	573	806
Total comprehensive income for the period		14,887	132,063	26,573	118,784
Profit attributable to:					
Shareholders of OAO AK Transneft		14,648	134,283	25,522	116,559
Non-controlling interests		40	180	478	1,419
Total comprehensive income attributable to:					
Shareholders of OAO AK Transneft		14,847	131,883	26,095	117,352
Non-controlling interests		40	180	478	1,432

Approved on 30 November 2015 by

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OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian roubles, if not stated otherwise)

	Notes	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Cash flows from operating activities			
Cash receipts from customers		635,754	608,055
Cash paid to suppliers and employees, and taxes other than income tax		(418,950)	(413,792)
Interest paid		(33,926)	(25,059)
Income tax paid		(36,981)	(41,929)
Income tax refund		1,085	520
VAT and other taxes refund		67,753	62,473
Other cash flows used in operating activities		(3,215)	(1,157)
Net cash from operating activities		211,520	189,111
Cash flows from investing activities			
Purchase of property, plant and equipment		(206,432)	(195,998)
Proceeds from sales of property, plant and equipment		505	478
Interest and dividends received		26,727	11,028
Purchase of notes and placement of funds on deposit accounts		(484,693)	(265,224)
Proceeds from sale of notes and close of deposit accounts		594,460	296,164
Proceeds from disposal of subsidiaries		-	3,007
Granting of loans		(1,031)	(11)
Other cash flows from / (used in) investing activities		867	(42)
Net cash used in investing activities		(69,597)	(150,598)
Cash flows from financing activities			
Repayment of loans and borrowings		(61,712)	(55,009)
Proceeds from loans and borrowings		10,005	-
Dividends repaid		(2,941)	(7,897)
Acquisition of non-controlling interest	12	(11,731)	-
Other cash flows from / (used in) financing activities		(68,238)	18
Net cash used in financing activities		(134,617)	(62,888)
Effects of exchange rate changes on cash and cash equivalents		24,177	11,074
Net increase / (decrease) in cash and cash equivalents		31,483	(13,301)
Cash and cash equivalents at the beginning of the period	10	113,060	104,742
Cash and cash equivalents at the end of the period	10	144,543	91,441

Approved on 30 November 2015 by:

N.P. Tokarev

President

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General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft



The accompanying notes set out on pages 9 to 22 are an integral part of these consolidated interim condensed financial statements



OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian roubles, if not stated otherwise)

	Attributable to the owners of OAO AK Transneft					Non-controlling interests	Total equity
	Share capital	Share premium reserve	Merger reserve	Retained earnings	Total		
Balance at 1 January 2014	308	52,553	(13,080)	1,249,863	1,289,644	25,395	1,315,039
Profit for the period	-	-	-	116,559	116,559	1,419	117,978
Defined benefit plan actuarial gains	-	-	-	827	827	13	840
Currency translation differences, net of tax	-	-	-	(34)	(34)	-	(34)
Total comprehensive income for the period	-	-	-	117,352	117,352	1,432	118,784
Dividends (Note 11)							
- ordinary shares	-	-	-	(6,775)	(6,775)	-	(6,775)
- preferred shares	-	-	-	(1,126)	(1,126)	-	(1,126)
Balance at 30 September 2014	308	52,553	(13,080)	1,359,314	1,399,095	26,827	1,425,922
Balance at 1 January 2015	308	52,553	(13,080)	1,302,605	1,342,386	26,477	1,368,863
Profit for the period	-	-	-	134,283	134,283	180	134,463
Defined benefit plan actuarial gains	-	-	-	(2,099)	(2,099)	-	(2,099)
Currency translation differences, net of tax	-	-	-	(301)	(301)	-	(301)
Total comprehensive income for the period	-	-	-	131,883	131,883	180	132,063
Changes in the Group	-	-	-	-	-	(294)	(294)
Purchase of non-controlling interests (Note 12)	-	-	-	8,921	8,921	(24,527)	(15,606)
Dividends (Note 11)							
- ordinary shares	-	-	-	(1,768)	(1,768)	-	(1,768)
- preferred shares	-	-	-	(1,178)	(1,178)	-	(1,178)
Balance at 30 September 2015	308	52,553	(13,080)	1,440,463	1,480,244	1,836	1,482,080

Approved on 30 November 2015 by:

N.P. Tokarev

President

M.V. Russikh

General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft





1 NATURE OF OPERATIONS

OAO AK Transneft (hereinafter OAO AK Transneft or the "Company") was incorporated on 14 August 1993 by the Russian Government Resolution No. 810 under Presidential Decree No. 1403 dated 17 November 1992. The Company's registered office is at 119180 Moscow, ul. Bolshaya Polyanka, 57, Russian Federation.

The Company and its subsidiaries (the "Group") operate the oil pipeline system in the Russian Federation totalling 53,265 km at 30 September 2015 and the oil products pipeline system in the Russian Federation and in the Republics of Belarus, Ukraine and Kazakhstan totalling 18,860 km as at 30 September 2015. Its associate OOO LatRosTrans operates an interconnected system in the Latvian Republic.

During the nine months ended 30 September 2015, the Group transported 360.6 million tonnes of crude oil to domestic and export markets (nine months ended 30 September 2014 – 359.6 million tonnes), which represents a substantial majority of the crude oil produced in the territory of the Russian Federation during that period, and 24.0 million tonnes of oil products (24.0 million tonnes for nine months ended 30 September 2014).

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The ongoing conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities including the Company by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions are difficult to determine.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

3 BASIS OF PRESENTATION

The consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and should be read together with the consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative amounts have been corrected to confirm with the current year's presentation.

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its principal subsidiaries including UP Zapad-Transnefteproduct and DP Prikarpatzapadtrans, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Rouble ("RUB"). The official US dollar ("USD") to Russian Rouble ("RUB") exchange rates as determined by the Central Bank of the Russian Federation ("CBR") was 66.2367 and 56.2584 as at 30 September 2015 and 31 December 2014, respectively. The official euro ("EUR") to Russian Rouble ("RUB") exchange rates as determined by the Central Bank of the Russian Federation was 74.5825 and 68.3427 as at 30 September 2015 and 31 December 2014, respectively.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014 except for amendments relating to implementation of new standards and interpretations which have become effective after 1 January 2015. The adoption of these standards did not influence the consolidated financial position as well as results of the Group.

The Group has not earlier adopted new standards and interpretations which have been published but have not yet become effective.

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Linefill	Assets under construction including prepayments	Total
At 1 January 2015						
Cost	159,668	1,077,408	820,986	111,806	363,430	2,533,298
Accumulated depreciation and impairment	(43,457)	(394,951)	(388,522)	-	-	(826,930)
Net book value at 1 January 2015	116,211	682,457	432,464	111,806	363,430	1,706,368
Depreciation	(3,862)	(36,413)	(54,999)	-	-	(95,274)
Additions (including prepayments)	-	-	-	3,164	221,982	225,146
Transfers from assets under construction	4,269	30,984	29,274	-	(64,527)	-
Disposals at cost	(42)	(17)	(377)	(1,214)	-	(1,650)
Accumulated depreciation on disposals and impairment	22	10	303	-	-	335
Net book value at 30 September 2015	116,598	677,021	406,665	113,756	520,885	1,834,925
At 30 September 2015						
Cost	163,895	1,108,375	849,883	113,756	520,885	2,756,794
Accumulated depreciation and impairment	(47,297)	(431,354)	(443,218)	-	-	(921,869)
Net book value at 30 September 2015	116,598	677,021	406,665	113,756	520,885	1,834,925



5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Linefill	Assets under construction including prepayments	Total
At 1 January 2014						
Cost	148,479	1,038,640	725,591	102,262	230,474	2,245,446
Accumulated depreciation and impairment	(38,966)	(353,232)	(325,528)	-	-	(717,726)
Net book value at 1 January 2014	109,513	685,408	400,063	102,262	230,474	1,527,720
Depreciation	(3,665)	(33,843)	(48,996)	-	-	(86,504)
Additions (including prepayments)	-	248	-	7,764	208,011	216,023
Transfers from assets under construction	3,132	15,432	27,585	-	(46,149)	-
Change in impairment provision	-	(14)	-	-	-	(14)
Net change in dismantlement provision	-	(11,460)	-	-	89	(11,371)
Disposals at cost	(313)	(712)	(2,475)	(523)	-	(4,023)
Accumulated depreciation on disposals and impairment	188	693	2,444	-	-	3,325
Net book value at 30 September 2014	108,855	655,752	378,621	109,503	392,425	1,645,156
At 30 September 2014						
Cost	151,298	1,042,134	750,701	109,503	392,425	2,446,061
Accumulated depreciation and impairment	(42,443)	(386,382)	(372,080)	-	-	(800,905)
Net book value at 30 September 2014	108,855	655,752	378,621	109,503	392,425	1,645,156

Linefill represents RUB 95,133 of crude oil and RUB 18,623 of oil products as at 30 September 2015 (as at 31 December 2014 – RUB 95,847 of crude oil and RUB 15,959 of oil products).

During the nine months ended 30 September 2015 borrowing costs in the amount of RUB 3,056 were capitalised as part of cost of assets under construction (for the nine months ended 30 September 2014 – RUB 1,135) including interest to be capitalised in the amount of RUB 1,770 less amount to be excluded from capitalised borrowing costs in the amount of RUB 425 as disclosed in Note 19.



6 FINANCIAL ASSETS THROUGH PROFIT AND LOSS, INCLUDING DERIVATIVES

	30 September 2015	31 December 2014
Corporate bonds	20,338	26,204
Municipal bonds	2,979	5,956
Government bonds (OFZ)	8,267	567
Corporate Eurobonds	249	186
Securities	-	6
Derivatives	-	563
	31,833	33,482

Financial assets at fair value through profit or loss are financial instruments assigned for trading.

Financial assets at fair value through profit or loss are neither overdue nor impaired.

The Group classified these financial assets as current assets due to its ability to sell the assets before maturity dates.

The fair value hierarchy of the financial assets at fair value through profit or loss is presented below:

Financial instrument	Level 1	Level 2	Level 3
30 September 2015			
Corporate bonds	20,338	-	-
Municipal bonds	2,979	-	-
Government bonds (OFZ)	8,267	-	-
Corporate Eurobonds	72	177	-
	31,656	177	-
31 December 2014			
Corporate bonds	26,204	-	-
Municipal bonds	5,956	-	-
Government bonds (OFZ)	567	-	-
Corporate Eurobonds	-	186	-
Securities	6	-	-
Derivatives	-	-	563
	32,733	186	563



OAO AK TRANSNEFT
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian roubles, if not stated otherwise)

7 OTHER FINANCIAL ASSETS

As at 30 September 2015:

Type of asset	Maturity	Currency	Amount at the issue (purchase) date	Carrying amount
Long-term financial assets				
Loan to Omirico Ltd*	During 2018	USD	5,221	11,492
Bonds	February 2017 – May 2018	USD	3,183	5,928
Deposits	October 2016 – December 2017	USD	19,685	21,343
	During 2016	RUB	986	986
Loan granted to related party	December 2021	RUB	1,034	1,034
Other financial assets	-	RUB	3	3
			30,112	40,786
Short-term financial assets				
Loan to Omirico Ltd*	During the year after the reporting date	USD	-	1,996
Interest-bearing notes	October 2015 – June 2016	USD	18,874	23,070
Bonds	During the year after the reporting date	USD	389	655
Deposits	During the year after the reporting date	USD	260,825	301,433
		RUB	30,556	30,556
		Other	87	87
Other financial assets	-	RUB	10	12
			310,741	357,809

As at 31 December 2014:

Type of asset	Maturity	Currency	Amount at the issue (purchase) date	Carrying amount
Long-term financial assets				
Loan to Omirico Ltd*	January 2016	USD	5,221	11,069
Bonds	May 2016 – May 2018	USD	3,338	4,672
Deposits	October, November 2016, December 2017	USD	17,854	25,762
	January 2016 – December 2016	RUB	2,998	3,009
Other financial assets	-	USD	2	2
			29,413	44,514
Short-term financial assets				
Discounted promissory notes (on demand)	January 2015 – July 2015	USD	101,304	166,276
Interest-bearing notes	April 2015 – September 2015	USD	12,581	20,084
	May 2015	RUB	2,500	2,667
Bonds	During the year after the reporting date	USD	234	365
Deposits	During the year after the reporting date	USD	148,672	180,365
		RUB	36,349	38,414
		Other	50	50
Other financial assets	-	RUB	13	13
			301,703	408,234

*Loan with an 5.27% interest rate is repayable in 3 years. The amount of the loan and interest are repayable before or at the loan repayment date.



7 OTHER FINANCIAL ASSETS (CONTINUED)

As at 30 September 2015 and 31 December 2014 the significant amount of deposits (76% and 62% respectively) were placed in banks which are under control or significant influence of the state.

The issuers of afore-mentioned notes and bonds as at 30 September 2015 and 31 December 2014 in significant part were organisations which are under control or significant influence of the state (13% and 34% respectively).

According to IAS 39 Financial Instruments: Recognition and Measurement these notes were classified as loans and receivables and bonds as investments held till maturity and the Group does not intend to dispose these notes prior to the maturity date.

8 INVENTORIES

	30 September 2015	31 December 2014
Materials and supplies	26,993	22,688
Sundry goods for resale	9,798	7,285
	36,791	29,973

Materials and supplies are presented net of provisions for obsolescence which amounted RUB 17 as at 30 September 2015 (as at 31 December 2014 – RUB 135). Materials are primarily used for repairment and maintenance of pipeline equipment.

9 RECEIVABLES AND PREPAYMENTS, VAT ASSETS

Receivables and prepayments

	30 September 2015	31 December 2014
Financial assets		
Other long-term receivables	1,270	1,621
Non-financial assets		
Long-term VAT	48	48
Total long-term receivables	1,318	1,669

	30 September 2015	31 December 2014
Financial assets		
Trade receivables	22,448	24,030
Other receivables	6,049	6,809
less: provision for impairment	(1,815)	(1,760)
Total financial assets in short-term receivables	26,682	29,079
Non-financial assets		
Prepayments and advances and other non-financial receivables	11,562	14,052
Total short-term receivables	38,244	43,131

VAT assets

	30 September 2015	31 December 2014
Recoverable VAT related to construction projects	1,251	5,741
Recoverable VAT related to ordinary activity	53,524	49,454
Total VAT assets	54,775	55,195
Less: short-term VAT	(54,727)	(55,147)
Long-term VAT	48	48

10 CASH AND CASH EQUIVALENTS

	30 September 2015	31 December 2014
Balances in Russian roubles	35,173	47,306
Balances in US dollars	108,336	64,785
Balances in Euro	777	892
Balances in other currencies	257	77
	144,543	113,060

The Group selects financial institutions for financial services in accordance with the Russian legislation, which includes tender process with the criteria requirements set by the legislation, procurement from a single supplier or other procurement procedures. As at 30 September 2015 and 31 December 2014, a significant portion of cash was placed with banks, which are under control or significant influence of the state (62% and 49% correspondingly).



11 DIVIDENDS

In June 2015 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2014 in the amount of RUB 2,946 (preferred shares RUB 1,178, ordinary shares RUB 1,768). Dividends were paid out in August 2015.

In June 2014 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2013 in the amount of RUB 7,901 (preferred shares RUB 1,126, ordinary shares RUB 6,775). Dividends were paid out in July-August 2014.

12 NON-CONTROLLING INTERESTS

In January 2015 the Group acquired from OAO Svyazinvestneftekhim and ZAO Rosnefteflot non-controlling interests of 36% (251,956 ordinary shares with par value at RUB 1) in OAO SZMN and 25% of interest in OOO Transneft-Terminal. As a result, the Group's controlling share increased from 64% and 75% to 100%, respectively. As at 30 September 2015 an account payable in the amount of RUB 3,875 due for the shares is presented as other payables. The carrying value of net assets in the consolidated interim condensed financial statements of the Group at the date of acquisition amounted to RUB 79,401. The Group recognised decrease of non-controlling interests amounting to RUB 24,527 and net increase of retained earnings in the amount of RUB 8,921.

13 LOANS AND BORROWINGS

	30 September 2015	31 December 2014
Total loans and borrowings	809,061	759,192
Less: current loans and borrowings and current portion of non-current loans and borrowings	(111,505)	(181,920)
	697,556	577,272
Maturity of non-current loans and borrowings		
Between one and five years	314,855	224,094
After five years	382,701	353,178
	697,556	577,272

The amount of short-term loans and borrowings contains RUB 60,427 non-convertible interest-bearing documentary bonds with maturities in May and October 2019, and in October 2024, but with an option for earlier redemption at the request of bond-holders or at the discretion of the issuer in October 2015 and in April and May 2016.

Fair value of loan from China Development Bank Corporation (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing arrangements. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar maturities, repayment schedules and similar other main terms.

The fair value of bonds (Level 1) was determined based on market quotations as at 30 September 2015 and 31 December 2014, respectively. The fair value of loan and bonds is presented in the following table:

Type of bonds	Interest rate	Currency	Carrying amounts		Fair value	
			30 September 2015	31 December 2014	30 September 2015	31 December 2014
Non-convertible interest-bearing documentary	Fixed	RUB	58,720	45	58,778	45
Non-convertible interest-bearing documentary	Floating	RUB	70,427	150,000	70,376	150,480
Eurobonds	Fixed	USD	69,549	59,071	67,087	61,152
Loan agreement with China Development Bank Corporation	Floating according with LIBOR	USD	603,490	540,706	606,924	542,391



14 DEFERRED TAX LIABILITIES AND INCOME TAX EXPENSE

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. In the consolidated interim condensed financial statements income tax expense is recognised based on the best estimation of the average annual income tax rate expected for the financial year. Accrued income tax expense recognised in an interim period is adjusted in subsequent interim period of the same financial year in a case the estimation of annual effective income tax rate is changed.

During the nine months ended 30 September 2015 the Group recognised deferred tax asset amounting to RUB 12 000 that was not recognised as at 31 December 2014.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	30 September 2015	31 December 2014
Pension provision	83,727	71,131
Other provisions	4,988	4,391
	88,715	75,522

Provision in accordance with IAS 19

In addition to contributions to State pension fund, the Group sponsors defined benefit plans for the majority of its employees which assume a regular pension payments upon retirement for employees who have worked for more than five years based on years of service, salary and received awards during working. Under collective agreements with Group's employees, an amount ranging from one to five months final salary is payable upon retirement to those who have worked for the Group for more than three years, recovers funeral costs and payments for anniversaries and significant holidays.

Pension provision in the consolidated interim condensed statement of financial position are as follows:

	30 September 2015	31 December 2014
Pension provision for defined benefit plan recognised in provisions for liabilities and charges	26,962	23,154

Pension liabilities through NPF Transneft's activity

Pension liabilities through NPF Transneft's activity include liabilities under insurance contracts (compulsory pension insurance and non-state pension provision) and under investment contracts.

Liabilities under insurance contracts are calculated by discounting future pension payments. The amount of future pension is the amount guaranteed under insurance contract, pension indexed from agreement date to the reporting date, as well as pension indexation forecast.

Liabilities under investment contracts are the balance of participants' accounts as at the reporting date which is the amount of accumulated contributions, returns from investment of pension reserves less amount of benefits paid to the date.

	30 September 2015	31 December 2014
Pension liabilities – insurance contracts	37,167	29,138
Pension liabilities – investment contracts	19,598	18,839
	56,765	47,977

16 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	30 September 2015	31 December 2014
Trade payables	56,537	44,950
Other payables	25,199	85,339
Total financial payables	81,736	130,289
Long-term portion of derivatives	(10,748)	(13,700)
Total short-term financial payables	70,988	116,589
Advances received for oil and oil product transportation services	38,183	48,481
Accrued expenses	19,051	24,627
VAT payable	10,043	8,637
Other taxes payable	4,958	3,015
Total payables	143,223	201,349



16 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (CONTINUED)

Derivatives

In December 2013 the Group entered into the “barrier options” deal with the state-controlled bank. In September-October 2014 the Group and the afore-mentioned bank entered into interest rate swap agreement.

As at 30 September 2015 the liability from barrier options was settled. This amount has been repaid in full and has been presented as Other cash flows used in financing activities (the carrying value amounted to RUB 62,607 as at 31 December 2014).

As at 30 September 2015 the carrying value of interest rate swap liability amounted to RUB 10 784 (Level 2) (RUB 13 779 as at 31 December 2014) and was included in other payables.

17 REVENUE

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Revenues from crude oil transportation services:				
Domestic tariff	60,795	174,224	57,488	167,326
Export tariff	79,416	241,222	69,871	209,417
Total revenues from crude oil transportation services	140,211	415,446	127,359	376,743
Revenues from crude oil sales	43,362	131,545	50,846	143,235
Revenues from oil products transportation services	13,707	42,525	11,831	36,194
Other revenues	5,692	20,500	5,986	17,763
	202,972	610,016	196,022	573,935

Revenues from crude oil sales for the nine months ended 30 September 2015 mainly include revenues from supplying of oil according to the agreement signed by the Company in February 2009. According to the agreement crude oil will be supplied to China during 20 years since 1 January 2011 amounting to 6 million tons of oil per annum. The Group purchases crude oil under the contract signed in April 2009 with OAO NK Rosneft (see Note 21).

18 OPERATING EXPENSES

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Amortisation and depreciation	29,035	88,188	27,709	81,872
Salaries	26,684	75,547	24,461	68,077
Social funds contributions	6,054	19,070	4,972	16,106
Social expenses	1,900	3,198	1,211	2,511
Cost of crude oil sold	30,148	92,383	28,837	80,189
Export custom duties	11,292	33,595	20,391	59,669
Energy	8,260	25,560	7,808	24,226
Materials	6,082	15,179	5,737	15,750
Trunkpipeline repairs and maintenance services	3,911	8,852	4,430	9,748
Property tax and taxes other than income tax	4,191	12,676	2,940	9,144
Pension expenses	3,125	9,292	638	2,277
Other expenses	8,811	27,559	6,430	19,783
	139,493	411,099	135,564	389,352



19 NET FINANCE COSTS

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Interest income on cash and cash equivalents	1,559	6,319	940	2,923
Interest income from other financial assets	6,936	21,447	2,902	9,029
Other interest income	157	425	122	287
Total interest income	8,652	28,191	3,964	12,239
less interest income on the temporary investment of borrowings	(264)	(425)	(199)	(758)
Total interest income recognised in the consolidated interim condensed statement of profit or loss and other comprehensive income	8,388	27,766	3,765	11,481
Foreign exchange gains	92,347	422,342	54,053	119,750
Net income from operations with financial instruments through profit or loss	327	1,021	-	-
Total finance income	101,062	451,129	57,818	131,231
Interest expense on loans and borrowings	(11,513)	(32,081)	(8,082)	(24,193)
Dismantlement provision: unwinding of the present value discount	-	-	(583)	(1,744)
Other interest expenses	(714)	(2,555)	(454)	(1,107)
Total interest expenses	(12,227)	(34,636)	(9,119)	(27,044)
Less capitalised finance costs	728	1,770	513	1,579
Total interest expenses recognised in the consolidated interim condensed statement of profit or loss and other comprehensive income	(11,499)	(32,866)	(8,606)	(25,465)
Foreign exchange loss	(115,270)	(451,566)	(63,406)	(131,100)
Net loss from operations with derivatives	(19,339)	(3,173)	(11,747)	(11,328)
Total finance costs	(146,108)	(487,605)	(83,759)	(167,893)
Net finance costs	(45,046)	(36,476)	(25,941)	(36,662)

20 CONTINGENT LIABILITIES AND OTHER RISKS

Legal proceedings

During the nine months ended 30 September 2015 the Group was involved in a number of court proceedings arising in the ordinary course of business. In the opinion of the Group's management, there were no current legal proceedings or claims outstanding at 30 September 2015, which could have a material adverse effect on the results of operations or financial position of the Group.

21 RELATED PARTIES

The Federal Agency for State Property Management on behalf of the Russian Federation owns 100% of the ordinary shares of the Company conducting the control via the Board of Directors that as at the September 30, 2015 comprise of the State representatives (professional attorneys) and Independent Directors. The Government of the RF shall appoint the members of the Federal Antimonopoly Service to make decisions of tariff and rates structure.

As at 30 September 2015 and 31 December 2014 the Company holds in trust on behalf of the Russian Government 100% of the shares of the CPC Investments Company, 100% of the shares of the CPC Company, 7% of the shares of the Caspian Pipeline Consortium-R and 7% of the shares of Caspian Pipeline Consortium-K and also 24% of the shares of the Caspian Pipeline Consortium-R and 24% of the shares of Caspian Pipeline Consortium-K. These interests are not recognised in these consolidated interim condensed financial statements as the Company is acting as an agent in shares of the above companies.



21 RELATED PARTIES (CONTINUED)

The Group's transactions with other state-controlled entities occur in the normal course of business and include, but are not limited to the following: purchase of electricity for production needs, transportation of oil produced by state-owned entities, and transactions with banks, which are under common control or significant influence of the state.

The Group had the following significant transactions with entities, which are under common control or significant influence of the state:

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Revenue from oil transportation services	69,888	200,447	63,468	186,516
OAO NK Rosneft and its subsidiaries	62,734	179,005	56,390	165,579
PAO Gazprom and its subsidiaries	7,031	21,056	6,960	20,591
Others	123	386	118	346
Revenue from oil products transportation services	4,258	16,057	5,320	16,310
OAO NK Rosneft and its subsidiaries	1,696	7,244	2,289	6,434
PAO Gazprom and its subsidiaries	2,562	8,813	3,031	9,876
Purchases of oil (OAO NK Rosneft)	23,147	74,698	21,629	64,372
Transportation of oil using railways and related services (OAO RZD and its subsidiaries)	742	2,225	656	1,955
Electricity expenses	236	403	129	284
Interest income from other financial assets	3,118	9,816	989	3,449
Transportation expenses	358	996	120	553

During the nine months ended 30 September 2015 and 30 September 2014, Group had following transactions with associates and jointly controlled entities:

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Revenue	579	2,139	608	1,675
Purchases of goods and services	7,444	22,875	7,519	22,854

At the 30 September 2015 and 31 December 2014 the Group had following accounts with related parties and associates:

	30 September 2015	31 December 2014
Trade and other receivables	383	2,523
Trade and other payables	650	378
Loans issued	14,524	9,764
Loan received	-	1,158

Key management personnel compensation

Key management personnel (the members of the Board of Directors and Management Committee of the Company and general directors of subsidiaries) receive short-term compensations, including salary, bonuses, other payments and long-term and short-term interest-free loans. Short-term compensations payable to the key management personnel of the Company and subsidiaries consists of contractual remuneration for their services in full time executive positions. The remunerations for the members of the Boards of Directors of Company are subject to approval by the General Meeting of Shareholders. According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel. Key management personnel also participate in certain post-retirement compensation programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Transneft, and one-time payments at the retirement date.



22 SEGMENT INFORMATION

Generally, Management of the Group analyses information by separate legal entities. These legal entities are further aggregated into three reportable segments: Oil transportation, Oil product transportation and Trading operations for sale of oil and oil products. Adjusting entries used to reconcile this information with information in the consolidated financial statements primarily include adjustments and reclassifications resulting from differences between RAP and IFRS.

Segment information for the three and nine months ended 30 September 2015 and 30 September 2014 was as follows:

Three months ended 30 September 2015	Oil transporta- tion services	Oil products transporta- tion services	Trading operations for sale of oil and oil products	Adjust- ments	Total IFRS
Revenue from sales to third parties	144,459	14,590	43,694	229	202,972
Operating expenses including amortisation and depreciation	(97,730)	(10,095)	(43,329)	11,661	(139,493)
Operating profit	46,729	4,495	365	11,890	63,479
Finance income	-	-	-	-	101,062
Finance costs	-	-	-	-	(146,108)
Share of loss from associates and jointly controlled entities	-	-	-	-	(1,740)
Profit before income tax	-	-	-	-	16,693
Income tax expense	-	-	-	-	(2,005)
Profit for the reporting period	-	-	-	-	14,688

Nine months ended 30 September 2015	Oil transporta- tion services	Oil products transporta- tion services	Trading operations for sale of oil and oil products	Adjust- ments	Total IFRS
Revenue from sales to third parties	431,918	47,335	132,779	(2,016)	610,016
Operating expenses including amortisation and depreciation	(278,485)	(27,538)	(127,334)	22,258	(411,099)
Operating profit	153,433	19,797	5,445	20,242	198,917
Finance income	-	-	-	-	451,129
Finance costs	-	-	-	-	(487,605)
Share of profit from associates and jointly controlled entities	-	-	-	-	1,619
Profit before income tax	-	-	-	-	164,060
Income tax expense	-	-	-	-	(29,597)
Profit for the reporting period	-	-	-	-	134,463



OAO AK TRANSNEFT
NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015
(in millions of Russian roubles, if not stated otherwise)

22 SEGMENT INFORMATION (CONTINUED)

Three months ended 30 September 2014	Oil transporta- tion services	Oil products transporta- tion services	Trading operations for sale of oil and oil products	Adjust- ments	Total IFRS
Revenue from sales to third parties	131,468	12,415	51,994	145	196,022
Operating expenses including amortisation and depreciation	(84,800)	(7,650)	(51,219)	8,105	(135,564)
	(32,844)	(1,239)	-	6,374	(27,709)
Operating profit	46,668	4,765	775	8,250	60,458
Finance income	-	-	-	-	57,818
Finance costs	-	-	-	-	(83,759)
Share of loss from associates and jointly controlled entities	-	-	-	-	(1,970)
Profit before income tax	-	-	-	-	32,547
Income tax expense	-	-	-	-	(6,547)
Profit for the reporting period	-	-	-	-	26,000

Nine months ended 30 September 2014	Oil transporta- tion services	Oil products transporta- tion services	Trading operations for sale of oil and oil products	Adjust- ments	Total IFRS
Revenue from sales to third parties	388,480	38,264	146,772	419	573,935
Operating expenses including amortisation and depreciation	(243,383)	(20,724)	(144,337)	19,092	(389,352)
	(97,856)	(3,684)	-	19,668	(81,872)
Operating profit	145,097	17,540	2,435	19,511	184,583
Finance income	-	-	-	-	131,231
Finance costs	-	-	-	-	(167,893)
Share of profit from associates and jointly controlled entities	-	-	-	-	49
Profit before income tax	-	-	-	-	147,970
Income tax expense	-	-	-	-	(29,992)
Profit for the reporting period	-	-	-	-	117,978

Adjusting items for segment's expenses in the amount of RUB 22,258 for the nine months ended 30 September 2015 and RUB 19,092 for the nine months ended 30 September 2014 include the following adjustments and reclassifications due to RAP and IFRS accounting differences:

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Dismantlement provision	-	-	(256)	(784)
Adjustment to property, plant and equipment to eliminate RAR revaluation effect and to record adjustment required under IAS 29 "Financial reporting in hyper-inflationary economies"	(8,961)	(27,747)	(5,382)	(16,002)
Pension provision	450	2,300	(237)	(507)
Deferred payment obligation	138	629	(397)	(667)
Other	(3,288)	2,560	(1,833)	(1,132)
Total adjusting items for segment's expenses	(11,661)	(22,258)	(8,105)	(19,092)



22 SEGMENT INFORMATION (CONTINUED)

Geographical information. The Group's most part of assets attributable to reporting segments is primary located in the territory of the Russian Federation which results in the operating activity by each segment being carried out in the territory of the Russian Federation. Geographical information on revenue from external customers is presented based on the customers' country of incorporation; the majority of revenues are generated by assets located in the Russian Federation. The oil product transportation segment has certain assets located on the territory of Belarus, Kazakhstan and Ukraine.

Information on revenue allocation by customers' country of incorporation is set out below:

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Russian Federation	162,084	483,546	147,511	430,986
China	35,570	109,824	43,352	125,944
Other countries	5,318	16,646	5,159	17,005
Total	202,972	610,016	196,022	573,935

Revenue from external customers in other countries mainly includes revenue from services provided to customers in Kazakhstan.

Major customers. The Group's major customers are oil production companies which produce oil and transport it for export domestic sale or refining.

The information about largest customers of the Group in Group's revenue is presented below:

	Three months ended 30 September 2015	Nine months ended 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2014
Companies under control of the Government	74,146	216,503	68,788	202,826
China National United Oil Corporation	35,570	109,824	43,352	125,944
OAO Surgutneftegaz	24,232	73,133	21,955	65,025
PAO Lukoil	19,812	61,788	18,132	53,607
Total	153,760	461,248	152,227	447,402

Sales to the major customers are included in the results of the Oil transportation, Oil products transportation and Trading operations for sale of oil and oil products segments.

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лист 2

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Директор АО «КПМГ»

