



OIL TRANSPORTING  
JOINT STOCK COMPANY  
"TRANSNEFT"

**CONSOLIDATED INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 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 June 2015 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and six month periods then ended and the related consolidated interim condensed statements of changes in equity and cash flows for the six-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 June 2015 and for the three- and six-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"

27 August 2015

Moscow, Russian Federation



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

<b>ASSETS</b>			
<b>Non-current assets</b>	<b>Notes</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Intangible assets		4,512	4,535
Property, plant and equipment	5	1,779,500	1,706,368
Available-for-sale financial assets		232	231
Investments in associates and jointly controlled entities		21,864	19,517
Receivables and prepayments and VAT assets	9	1,622	2,974
Other financial assets	7	12,714	43,209
<b>Total non-current assets</b>		<b>1,820,444</b>	<b>1,776,834</b>
<b>Current assets</b>			
Inventories	8	34,439	29,973
Receivables and prepayments	9	42,862	43,131
VAT assets	9	56,649	55,147
Current income tax prepayments		1,221	14,467
Financial assets at fair value through profit and loss, including derivatives	6	30,934	33,482
Other financial assets	7	392,058	408,234
Cash and cash equivalents	10	129,363	113,060
<b>Total current assets</b>		<b>687,526</b>	<b>697,494</b>
<b>Total assets</b>		<b>2,507,970</b>	<b>2,474,328</b>

**EQUITY AND LIABILITIES**

<b>Equity</b>			
Share capital		308	308
Share premium reserve		52,553	52,553
Merger reserve		(13,080)	(13,080)
Retained earnings		1,425,616	1,302,605
<b>Attributable to the shareholders of OAO AK Transneft</b>		<b>1,465,397</b>	<b>1,342,386</b>
Non-controlling interests	12	1,796	26,477
<b>Total equity</b>		<b>1,467,193</b>	<b>1,368,863</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	536,424	577,272
Deferred income tax liabilities	14	41,935	55,252
Provisions for liabilities and charges	15	85,378	75,522
Trade and other payables, including derivatives	16	12,849	13,700
<b>Total non-current liabilities</b>		<b>676,586</b>	<b>721,746</b>
<b>Current liabilities</b>			
Trade and other payables, including derivatives	16	185,470	201,349
Current income tax payable		4,405	450
Loans and borrowings	13	174,316	181,920
<b>Total current liabilities</b>		<b>364,191</b>	<b>383,719</b>
<b>Total liabilities</b>		<b>1,040,777</b>	<b>1,105,465</b>
<b>Total equity and liabilities</b>		<b>2,507,970</b>	<b>2,474,328</b>

Approved on 27 August 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 SIX MONTHS ENDED**  
**30 JUNE 2015**

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

	Notes	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Revenue	17	205,567	407,044	189,799	377,913
Operating expenses	18	(142,180)	(271,606)	(130,491)	(253,788)
<b>Operating profit</b>		<b>63,387</b>	<b>135,438</b>	<b>59,308</b>	<b>124,125</b>
Finance income		121,940	366,233	33,415	73,832
Finance costs		(116,442)	(357,663)	(31,280)	(84,553)
<b>Net finance income/ (costs)</b>	19	<b>5,498</b>	<b>8,570</b>	<b>2,135</b>	<b>(10,721)</b>
Share of profit from associates and jointly controlled entities		1,916	3,359	2,427	2,019
<b>Profit before income tax</b>		<b>70,801</b>	<b>147,367</b>	<b>63,870</b>	<b>115,423</b>
Income tax expense		(14,414)	(27,592)	(12,529)	(23,445)
<b>Profit for the period</b>		<b>56,387</b>	<b>119,775</b>	<b>51,341</b>	<b>91,978</b>
<b>Other comprehensive income net of tax</b>					
<i>Items that may be reclassified to profit and loss</i>					
Currency translation differences, net of tax		(235)	(383)	(46)	(96)
<i>Total items that may be reclassified to profit and loss, net of tax</i>		(235)	(383)	(46)	(96)
<i>Items that will not be reclassified to profit and loss</i>					
Remeasurement of net defined benefit plan obligation	15	(1,590)	(2,216)	(327)	329
<i>Total items that will not be reclassified to profit and loss, net of tax</i>		(1,590)	(2,216)	(327)	329
<b>Total other comprehensive (loss)/ income for the period, net of tax</b>		<b>(1,825)</b>	<b>(2,599)</b>	<b>(373)</b>	<b>233</b>
<b>Total comprehensive income for the period</b>		<b>54,562</b>	<b>117,176</b>	<b>50,968</b>	<b>92,211</b>
<b>Profit attributable to:</b>					
Shareholders of OAO AK Transneft		56,379	119,635	50,825	91,037
Non-controlling interests		8	140	516	941
<b>Total comprehensive income attributable to:</b>					
Shareholders of OAO AK Transneft		54,554	117,036	50,452	91,257
Non-controlling interests		8	140	516	954

Approved on 27 August 2015 by:

N.P. Tokarev

President

M.V. Buskikh

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 CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**  
(in millions of Russian roubles, if not stated otherwise)

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		418,781	398,182
Cash paid to suppliers and employees, and taxes other than income tax		(276,494)	(272,295)
Interest paid		(17,599)	(13,857)
Income tax paid		(24,109)	(30,782)
Income tax refund		491	506
VAT and other taxes refund		43,858	41,510
Other cash flows used in operating activities		(2,806)	(1,261)
<b>Net cash from operating activities</b>		<b>142,122</b>	<b>122,003</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(130,636)	(127,589)
Proceeds from sales of property, plant and equipment		299	354
Interest and dividends received		15,351	7,653
Purchase of notes and placement of funds on deposit accounts		(284,286)	(178,362)
Proceeds from sale of notes and deposit accounts		325,605	183,049
Proceeds from disposal of subsidiaries		-	3,007
Other cash flows from / (used in) investing activities		773	(41)
<b>Net cash used in investing activities</b>		<b>(72,894)</b>	<b>(111,929)</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term and short-term loans and borrowings		(44,537)	(48,928)
Acquisition of non-controlling interest	12	(7,856)	-
<b>Net cash used in financing activities</b>		<b>(52,393)</b>	<b>(48,928)</b>
Effects of exchange rate changes on cash and cash equivalents		(532)	4,085
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>16,303</b>	<b>(34,769)</b>
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	129,363	69,973

Approved on 27 August 2015 by:

N.P. Tokarev

President

M.V. Rusakova

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 SIX MONTHS ENDED 30 JUNE 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		
<b>Balance at 1 January 2014</b>	<b>308</b>	<b>52,553</b>	<b>(13,080)</b>	<b>1,249,863</b>	<b>1,289,644</b>	<b>25,395</b>	<b>1,315,039</b>
Profit for the period	-	-	-	91,037	91,037	941	91,978
Defined benefit plan actuarial gains	-	-	-	316	316	13	329
Currency translation differences, net of tax	-	-	-	(96)	(96)	-	(96)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,257</b>	<b>91,257</b>	<b>954</b>	<b>92,211</b>
Dividends (Note 11)	-	-	-	-	-	-	-
- ordinary shares	-	-	-	(6,775)	(6,775)	-	(6,775)
- preferred shares	-	-	-	(1,126)	(1,126)	-	(1,126)
<b>Balance at 30 June 2014</b>	<b>308</b>	<b>52,553</b>	<b>(13,080)</b>	<b>1,333,219</b>	<b>1,373,000</b>	<b>26,349</b>	<b>1,399,349</b>
<b>Balance at 1 January 2015</b>	<b>308</b>	<b>52,553</b>	<b>(13,080)</b>	<b>1,302,605</b>	<b>1,342,386</b>	<b>26,477</b>	<b>1,368,863</b>
Profit for the period	-	-	-	119,635	119,635	140	119,775
Defined benefit plan actuarial gains	-	-	-	(2,216)	(2,216)	-	(2,216)
Currency translation differences, net of tax	-	-	-	(383)	(383)	-	(383)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,036</b>	<b>117,036</b>	<b>140</b>	<b>117,176</b>
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)
<b>Balance at 30 June 2015</b>	<b>308</b>	<b>52,553</b>	<b>(13,080)</b>	<b>1,425,616</b>	<b>1,465,397</b>	<b>1,796</b>	<b>1,467,193</b>

Approved on 27 August 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







## **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 53,190 km at 30 June 2015 and the oil products pipeline system in the Russian Federation and in the Republics of Belarus, Ukraine and Kazakhstan totalling 18,606 km as at 30 June 2015. Its associate OOO LatRosTrans operates an interconnected system in the Latvian Republic.

During the six months ended 30 June 2015, the Group transported 239.5 million tonnes of crude oil to domestic and export markets (six months ended 30 June 2014 – 237.9 million tonnes), which represents a substantial majority of the crude oil produced in the territory of the Russian Federation during that period, and 16.1 million tonnes of oil products (15.7 million tonnes for six months ended 30 June 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 reclassified to conform 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 55.5240 and 56.2584 as at 30 June 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 61.5206 and 68.3427 as at 30 June 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 early 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
<b>At 1 January 2015</b>						
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)
<b>Net book value at 1 January 2015</b>	<b>116,211</b>	<b>682,457</b>	<b>432,464</b>	<b>111,806</b>	<b>363,430</b>	<b>1,706,368</b>
Depreciation	(2,656)	(22,904)	(35,551)	-	-	(61,111)
Additions (including prepayments)	-	-	-	1,793	133,728	135,521
Transfers from assets under construction	2,703	12,900	19,215	-	(34,818)	-
Change in impairment provision	-	9	-	-	-	9
Disposals at cost	(172)	(253)	(1,089)	(1,100)	-	(2,614)
Accumulated depreciation on disposals and impairment	79	199	1,049	-	-	1,327
<b>Net book value at 30 June 2015</b>	<b>116,165</b>	<b>672,408</b>	<b>416,088</b>	<b>112,499</b>	<b>462,340</b>	<b>1,779,500</b>
<b>At 30 June 2015</b>						
Cost	162,199	1,090,064	839,112	112,499	462,340	2,666,214
Accumulated depreciation and impairment	(46,034)	(417,656)	(423,024)	-	-	(886,714)
<b>Net book value at 30 June 2015</b>	<b>116,165</b>	<b>672,408</b>	<b>416,088</b>	<b>112,499</b>	<b>462,340</b>	<b>1,779,500</b>



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

**5 PROPERTY, PLANT AND EQUIPMENT (continued)**

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Linefill	Assets under construction including prepayments	Total
<b>At 1 January 2014</b>						
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)
<b>Net book value at 1 January 2014</b>	<b>109,513</b>	<b>685,408</b>	<b>400,063</b>	<b>102,262</b>	<b>230,474</b>	<b>1,527,720</b>
Depreciation	(2,455)	(22,735)	(32,188)	-	-	(57,378)
Additions (including prepayments)	-	248	-	5,628	131,244	137,120
Transfers from assets under construction	458	3,115	8,308	-	(11,881)	-
Change in impairment provision	-	(10)	-	-	-	(10)
Net change in dismantlement provision	-	(7,999)	-	-	75	(7,924)
Disposals at cost	(173)	(650)	(1,584)	(269)	-	(2,676)
Accumulated depreciation on disposals and impairment	94	640	1,479	-	-	2,213
<b>Net book value at 30 June 2014</b>	<b>107,437</b>	<b>658,017</b>	<b>376,078</b>	<b>107,621</b>	<b>349,912</b>	<b>1,599,065</b>
<b>At 30 June 2014</b>						
Cost	148,764	1,033,344	732,315	107,621	349,912	2,371,956
Accumulated depreciation and impairment	(41,327)	(375,327)	(356,237)	-	-	(772,891)
<b>Net book value at 30 June 2014</b>	<b>107,437</b>	<b>658,017</b>	<b>376,078</b>	<b>107,621</b>	<b>349,912</b>	<b>1,599,065</b>

Linefill represents RUB 95,113 of crude oil and RUB 17,386 of oil products as at 30 June 2015 (as at 31 December 2014 – RUB 95,847 of crude oil and RUB 15,959 of oil products).

During the six months ended 30 June 2015, borrowing costs in the amount of RUB 881 were capitalised as part of cost of assets under construction (for the six months ended 30 June 2014 – RUB 1,135) including interests to be capitalised in the amount of RUB 1,042 less amount to be excluded from capitalised borrowing costs in the amount of RUB 161 as disclosed in Note 19.



6 FINANCIAL ASSETS THROUGH PROFIT AND LOSS, INCLUDING DERIVATIVES

	30 June 2015	31 December 2014
Corporate bonds	20,598	26,204
Municipal bonds	3,531	5,956
Government bonds (OFZ)	5,727	567
Corporate Eurobonds	515	186
Securities	-	6
Derivatives	563	563
	<b>30,934</b>	<b>33,482</b>

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
<b>30 June 2015</b>			
Corporate bonds	20,598	-	-
Municipal bonds	3,531	-	-
Government bonds (OFZ)	5,727	-	-
Corporate Eurobonds	290	225	-
Derivatives	-	563	-
	<b>30,146</b>	<b>788</b>	-
<b>31 December 2014</b>			
Corporate bonds	26,204	-	-
Municipal bonds	5,956	-	-
Government bonds (OFZ)	567	-	-
Corporate Eurobonds	-	186	-
Securities	6	-	-
Derivatives	-	-	563
	<b>32,733</b>	<b>186</b>	<b>563</b>



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

**7 OTHER FINANCIAL ASSETS**

As at 30 June 2015:

Type of asset	Maturity	Currency	Amount at the issue (purchase) date	Carrying amount
<b>Long-term financial assets</b>				
Bonds	May 2016 – May 2018	USD	3,183	4,964
	October 2016 – November 2016	USD	5,428	5,754
Deposits	August 2016 – December 2016	RUB	1,915	1,993
Other financial assets	-	RUB	3	3
			<b>10,529</b>	<b>12,714</b>
<b>Short-term financial assets</b>				
Loan to Omirico Ltd*	January 2016	USD	5,221	9,633
Discounted promissory notes (on demand)	July 2015	USD	20,295	33,059
Interest-bearing notes	August 2015 – June 2016	USD	16,086	19,292
Bonds	During the year after the reporting date	USD	389	596
		USD	273,527	291,739
	During the year after the reporting date	RUB	33,254	37,679
Deposits		Other	47	47
Other financial assets	-	RUB	13	13
			<b>348,832</b>	<b>392,058</b>

As at 31 December 2014:

Type of asset	Maturity	Currency	Amount at the issue (purchase) date	Carrying amount
<b>Long-term financial assets</b>				
Loan to Omirico Ltd*	January 2016	USD	5,221	9,764
Bonds	May 2016 – May 2018	USD	3,338	4,672
	October, November 2016, December 2017	USD	17,854	25,763
Deposits	January 2016 – December 2016	RUB	2,998	3,008
Other financial assets	-	USD	2	2
			<b>29,413</b>	<b>43,209</b>
<b>Short-term financial assets</b>				
Discounted promissory notes (on demand)	January 2015 – July 2015	USD	101,304	166,276
	April 2015 – September 2015	USD	12,581	20,084
Interest-bearing notes	May 2015	RUB	2,500	2,667
Bonds	During the year after the reporting date	USD	234	365
		USD	148,672	180,365
	During the year after the reporting date	RUB	36,349	38,414
Deposits		Other	50	50
Other financial assets	-	RUB	13	13
			<b>301,703</b>	<b>408,234</b>

\*Loan with an 5.27% interest rate is repayable in 5 years. The amount of the loan and interest are repayable at the repayment date.



## 7 OTHER FINANCIAL ASSETS (CONTINUED)

As at 30 June 2015 and 31 December 2014 the significant amount of deposits (69% and 62% respectively) were placed in banks which are under control or significant influence of the Government.

The issuers of afore-mentioned notes and bonds as at 30 June 2015 and 31 December 2014 in significant part were organisations which are under control or significant influence of the Government (37% 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 June 2015	31 December 2014
Materials and supplies	25,399	22,688
Sundry goods for resale	9,040	7,285
	<b>34,439</b>	<b>29,973</b>

Materials and supplies are presented net of provisions for obsolescence which amounted RUB 17 as at 30 June 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 June 2015	31 December 2014
Financial assets		
Other long-term receivables	1,574	2,926
Non-financial assets		
Long-term VAT	48	48
<b>Total long-term receivables</b>	<b>1,622</b>	<b>2,974</b>

	30 June 2015	31 December 2014
Financial assets		
Trade receivables	24,212	24,030
Other receivables	8,919	6,809
less: provision for impairment	(1,824)	(1,760)
<b>Total financial assets in short-term receivables</b>	<b>31,307</b>	<b>29,079</b>
Non-financial assets		
Prepayments and advances and other non-financial receivables	11,555	14,052
<b>Total short-term receivables</b>	<b>42,862</b>	<b>43,131</b>

### VAT assets

	30 June 2015	31 December 2014
Recoverable VAT related to construction projects	1,239	5,741
Recoverable VAT related to ordinary activity	55,458	49,454
<b>Total VAT assets</b>	<b>56,697</b>	<b>55,195</b>
Less: short-term VAT	(56,649)	(55,147)
<b>Long-term VAT</b>	<b>48</b>	<b>48</b>

## 10 CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
Balances in Russian roubles	28,344	47,306
Balances in US dollars	99,974	64,785
Balances in Euro	825	892
Balances in other currencies	220	77
	<b>129,363</b>	<b>113,060</b>

The Group elects 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 June 2015 and 31 December 2014, a significant portion of cash was placed with banks, which are under common control or significant influence of the Government (69% 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 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 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 June 2015 an account payable in the amount of RUB 7,750 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 June 2015	31 December 2014
Total loans and borrowings	710,740	759,192
Less: current loans and borrowings and current portion of non-current loans and borrowings	(174,316)	(181,920)
	<b>536,424</b>	<b>577,272</b>
Maturity of non-current loans and borrowings		
Between one and five years	206,365	224,094
After five years	330,059	353,178
	<b>536,424</b>	<b>577,272</b>

The amount of short-term loans and borrowings contains RUB 110,427 non-convertible interest-bearing documentary bonds which maturing in 2019 but with an option for earlier redemption at the request of bond-holders or at the discretion of the issuer in September and October 2015 and in 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 June 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 June 2015	31 December 2014	30 June 2015	31 December 2014
Non-convertible interest-bearing documentary	Fixed	RUB	45	45	45	45
Non-convertible interest-bearing documentary	Fixed	RUB	15,000	15,000	14,940	14,552
Non-convertible interest-bearing documentary	Floating	RUB	110,427	135,000	110,296	135,928
Eurobonds	Fixed	USD	58,300	59,071	58,300	61,152
Loan agreement with China Development Bank Corporation	Floating according with LIBOR	USD	515,139	540,706	519,570	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.

#### 15 PROVISIONS FOR LIABILITIES AND CHARGES

	30 June 2015	31 December 2014
Pension provision	80,510	71,131
Other provisions	4,868	4,391
	<b>85,378</b>	<b>75,522</b>

##### 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 June 2015	31 December 2014
Pension provision for defined benefit plan recognised in provisions for liabilities and charges	26,013	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 is 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 June 2015	31 December 2014
Pension liabilities – insurance contracts	34,278	29,138
Pension liabilities – investment contracts	20,219	18,839
	<b>54,497</b>	<b>47,977</b>

#### 16 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	30 June 2015	31 December 2014
Trade payables	46,099	44,950
Other payables	80,851	85,339
<b>Total financial payables</b>	<b>126,950</b>	<b>130,289</b>
Long-term portion of derivatives	(12,849)	(13,700)
Dividends due	2,946	-
<b>Total short-term financial payables</b>	<b>117,047</b>	<b>116,589</b>
Advances received for oil and oil product transportation services	37,658	48,481
Accrued expenses	14,688	24,627
VAT payable	11,344	8,637
Other taxes payable	4,733	3,015
<b>Total payables</b>	<b>185,470</b>	<b>201,349</b>





## 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 June 2015 the carrying value of the liability from barrier options (Level 2) amounted to RUB 47,310 (RUB 62,607 as at 31 December 2014) and RUB 12,910 liability from interest rate swap (Level 2) (RUB 13,779 as at 31 December 2014). These amounts were recognised as other payables.

Implied volatility index which was used to estimate the fair value of the barrier options amounted to 21.3% as at 30 June 2015 (as at 31 December of 2014 - 45.2%).

Should the risk-free RUB-rate increase/(decrease) by 3% with other initial data left unchanged the fair value of the liability as at the reporting date would increase/(decrease) by RUB 422 and RUB 425 respectively.

Should the exchange rate of the US dollar using for settlements increase/(decrease) by 1 rouble while all other initial data remain constant the fair value of the liability at the reporting date would have increased/(decreased) by RUB 1,999 respectively.

## 17 REVENUE

	Three months ended 30 June 2015	Six months ended 30 June 2014	Three months ended 30 June 2015	Six months ended 30 June 2014
Revenues from crude oil transportation services:				
Domestic tariff	57,058	113,429	54,723	109,838
Export tariff	80,734	161,806	71,308	139,546
<b>Total revenues from crude oil transportation services</b>	<b>137,792</b>	<b>275,235</b>	<b>126,031</b>	<b>249,384</b>
Revenues from crude oil sales	45,085	88,182	46,090	92,389
Revenues from oil products transportation services	13,649	28,818	11,972	24,363
Other revenues	9,041	14,809	5,706	11,777
	<b>205,567</b>	<b>407,044</b>	<b>189,799</b>	<b>377,913</b>

Revenues from crude oil sales for the six months ended 30 June 2015 include, mostly, 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 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Amortisation and depreciation	29,553	59,153	26,934	54,163
Salaries	26,046	48,863	22,859	43,627
Social funds contributions	6,558	13,016	5,527	11,134
Social expenses	782	1,298	784	1,300
Cost of crude oil sold	32,973	62,235	26,405	51,352
Export custom duties	10,220	22,303	19,466	39,278
Energy	8,389	17,300	8,188	16,418
Materials	4,862	9,097	5,178	10,013
Repairs and maintenance services	3,026	4,941	3,407	5,318
Taxes	4,198	8,485	2,893	6,204
Pension expenses	3,495	6,167	668	1,628
Other expenses	12,078	18,748	8,182	13,353
	<b>142,180</b>	<b>271,606</b>	<b>130,491</b>	<b>253,788</b>



## 19 NET FINANCE INCOME/ (COSTS)

	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Interest income on cash and cash equivalents	2,028	4,760	850	1,983
Interest income from other financial assets	6,908	14,511	2,702	6,127
Other interest income	124	268	84	165
<b>Total interest income</b>	<b>9,060</b>	<b>19,539</b>	<b>3,636</b>	<b>8,275</b>
less interest income on the temporary investment of borrowings	(111)	(161)	(275)	(559)
<b>Total interest income recognised in the consolidated interim condensed statement of profit or loss and other comprehensive income</b>	<b>8,949</b>	<b>19,378</b>	<b>3,361</b>	<b>7,716</b>
Foreign exchange gains	106,405	329,995	24,517	65,697
Net gain from operations with derivatives	5,820	16,166	5,537	419
Net income from financial instruments through profit or loss	766	694	-	-
<b>Total finance income</b>	<b>121,940</b>	<b>366,233</b>	<b>33,415</b>	<b>73,832</b>
Interest expense on loans and borrowings	9,490	20,568	7,794	16,111
Provisions for asset retirement obligations: unwinding of the present value discount	-	-	581	1,161
Other interest expenses	897	1,841	389	653
<b>Total interest expenses</b>	<b>10,387</b>	<b>22,409</b>	<b>8,764</b>	<b>17,925</b>
Less capitalised finance expenses	(548)	(1,042)	(338)	(1,066)
<b>Total interest expenses recognised in the consolidated interim condensed statement of profit or loss and other comprehensive income</b>	<b>9,839</b>	<b>21,367</b>	<b>8,426</b>	<b>16,859</b>
Foreign exchange losses	106,603	336,296	22,854	67,694
<b>Total finance costs</b>	<b>116,442</b>	<b>357,663</b>	<b>31,280</b>	<b>84,553</b>
<b>Net finance income/ (costs)</b>	<b>5,498</b>	<b>8,570</b>	<b>2,135</b>	<b>(10,721)</b>

## 20 CONTINGENT LIABILITIES AND OTHER RISKS

### Legal proceedings

During the six months ended 30 June 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 June 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 June 30, 2015 comprise of the State representatives (professional attorneys) and Independent Directors. The Government of the RF shall appoint the members of the Federal Tariff Service that among other duties is responsible for regular review of rates and tariff structure.

As at 30 June 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 Government.

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

	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Revenue from oil transportation services	66,287	130,559	62,641	123,048
OAO NK Rosneft and its subsidiaries	59,021	116,271	55,712	109,189
OAO Gazprom and its subsidiaries	7,131	14,025	6,808	13,631
Others	135	263	121	228
Revenue from oil products transportation services	5,190	11,798	4,876	10,990
OAO NK Rosneft and its subsidiaries	2,045	5,547	1,742	4,145
OAO Gazprom and its subsidiaries	3,145	6,251	3,134	6,845
Purchases of oil (OAO NK Rosneft)	26,228	51,551	20,866	42,743
Transportation of oil using railways and related services (OAO RZD and its subsidiaries)	740	1,483	614	1 300
Electricity expenses	67	167	68	154
Interest income from other financial assets	3,859	6,699	1,004	2,460
Transportation expenses	346	637	192	434

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

	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Revenue	821	1,560	508	1,066
Purchases of goods and services	7,633	15,431	7,685	15,335

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

	30 June 2015	31 December 2014
Trade and other receivables	726	2,523
Trade and other payables	603	378
Loans issued	9,635	9,764
Loans 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.



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

**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 six months ended 30 June 2015 and 30 June 2014 was as follows:

Three months ended 30 June 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	142,497	17,380	45,472	218	205,567
Operating expenses	(93,603)	(8,363)	(42,898)	2,684	(142,180)
including amortisation and depreciation	(37,505)	(2,263)	-	10,215	(29,553)
<b>Operating profit</b>	<b>48,894</b>	<b>9,017</b>	<b>2,574</b>	<b>2,902</b>	<b>63,387</b>
Finance income	-	-	-	-	121,940
Finance costs	-	-	-	-	(116,442)
Share of profit from associates and jointly controlled entities	-	-	-	-	1,916
<b>Profit before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,801</b>
Income tax expense	-	-	-	-	(14,414)
<b>Profit for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,387</b>

Six months ended 30 June 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	287,459	32,745	89,084	(2,244)	407,044
Operating expenses	(180,756)	(17,443)	(84,005)	10,598	(271,606)
including amortisation and depreciation	(74,699)	(4,405)	-	19,951	(59,153)
<b>Operating profit</b>	<b>106,703</b>	<b>15,302</b>	<b>5,079</b>	<b>8,354</b>	<b>135,438</b>
Finance income	-	-	-	-	366,233
Finance costs	-	-	-	-	(357,663)
Share of profit from associates and jointly controlled entities	-	-	-	-	3,359
<b>Profit before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,367</b>
Income tax expense	-	-	-	-	(27,592)
<b>Profit for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,775</b>



**OAO AK TRANSNEFT**  
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**(UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2015**  
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**22 SEGMENT INFORMATION (CONTINUED)**

Three months ended 30 June 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	129,040	13,090	47,367	302	189,799
Operating expenses including amortisation and depreciation	(81,037)	(7,260)	(47,211)	5,017	(130,491)
	(32,497)	(1,224)	-	6,787	(26,934)
<b>Operating profit</b>	<b>48,003</b>	<b>5,830</b>	<b>156</b>	<b>5,319</b>	<b>59,308</b>
Finance income	-	-	-	-	33,415
Finance costs	-	-	-	-	(31,280)
Share of loss from associates and jointly controlled entities	-	-	-	-	2,427
<b>Profit before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,870</b>
Income tax expense	-	-	-	-	(12,529)
<b>Profit for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,341</b>

Six months ended 30 June 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	257,012	25,849	94,778	274	377,913
Operating expenses including amortisation and depreciation	(158,583)	(13,073)	(93,118)	10,986	(253,788)
	(65,012)	(2,445)	-	13,294	(54,163)
<b>Operating profit</b>	<b>98,429</b>	<b>12,776</b>	<b>1,660</b>	<b>11,260</b>	<b>124,125</b>
Finance income	-	-	-	-	73,832
Finance costs	-	-	-	-	(84,553)
Share of loss from associates and jointly controlled entities	-	-	-	-	2,019
<b>Profit before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,423</b>
Income tax expense	-	-	-	-	(23,445)
<b>Profit for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,978</b>

Adjusting items for segment's expenses in the amount of RUB 10,598 for the six months ended 30 June 2015 and RUB 10,986 for the six months ended 30 June 2014 include the following adjustments and reclassifications due to RAP and IFRS accounting differences:

	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Dismantlement provision	-	-	(265)	(528)
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"	(9,899)	(18,786)	(5,299)	(10,620)
Pension provision	968	1,849	(435)	(270)
Deferred payment obligation	722	490	(286)	(270)
Other	5,525	5,849	1 267	702
<b>Total adjusting items for segment's expenses</b>	<b>(2,684)</b>	<b>(10,598)</b>	<b>(5,017)</b>	<b>(10,986)</b>



## 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 Kazakhstan, Latvia, Ukraine and Belarus.

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

	Three months ended 30 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Russian Federation	164,290	321,462	144,152	283,475
China	36,432	74,254	39,853	82,592
Other countries	4,845	11,328	5,794	11,846
<b>Total</b>	<b>205,567</b>	<b>407,044</b>	<b>189,799</b>	<b>377,913</b>

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

*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 June 2015	Six months ended 30 June 2015	Three months ended 30 June 2014	Six months ended 30 June 2014
Companies under control of the Government	71,477	142,357	67,516	134,038
China National United Oil Corporation	36,432	74,254	39,853	82,592
OA0 Surgutneftegaz	24,493	48,901	21,684	43,070
PAO Lukoil	21,122	41,976	17,902	35,475
<b>Total</b>	<b>153,524</b>	<b>307,488</b>	<b>146,955</b>	<b>295,175</b>

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.

## 23 EVENTS AFTER THE REPORTING DATE

In July 2015 OAO AK Transneft issued by means of the open subscription non-convertible interest-bearing documentary exchange-traded bonds with an option of early redemption at the request of the bond-holders in the amount of RUB 10 bln. at 11.50% coupon rate.

Пронумеровано, сброшюровано  
и скреплено печатью 22  
(двадцать два) листа.

  
Кирилл А.А.  
Директор АО «КПИМГ»

