

**OAO AK TRANSNEFT
IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

CONTENTS

	Page
Independent Auditors' Report on Review	3
IFRS Consolidated Interim Condensed Statement of Financial Position	4
IFRS Consolidated Interim Condensed Statement of Comprehensive Income	5
IFRS Consolidated Interim Condensed Statement of Cash Flows	6
IFRS Consolidated Interim Condensed Statement of Changes in Equity	7
Notes to the IFRS Consolidated Interim Condensed Financial Statements	8



ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report on Review

Board of Directors

ОАО АК Транснефт

Introduction

We have reviewed the accompanying IFRS consolidated interim condensed statement of financial position of ОАО АК Транснефт (the "Company") and its subsidiaries (the "Group") as at 30 September 2011, and the related consolidated interim condensed statements of comprehensive income for the three- and nine-month periods ended 30 September 2011 and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes (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 the 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.

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 2011 and for the three-and nine-month periods then ended is not prepared, in all material aspects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 were audited by other auditors whose report dated 31 May 2011 expressed an unmodified opinion on those statements.

ZAO KPMG

ZAO KPMG
16 December 2011

ОАО АК ТРАНСНЕФТ
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) AS AT 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

	Notes	30 September 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets		1,341	1,539
Property, plant and equipment	5	1,319,772	1,214,355
Available-for-sale financial assets		322	336
Investments in associates and jointly controlled entities	6	34,364	4,835
VAT assets	9	28,647	14,888
Receivables and prepayments	9	754	534
Other financial assets	7	6,549	-
Total non-current assets		1,391,749	1,236,487
Current assets			
Inventories	8	21,227	17,272
Receivables and prepayments	9	35,201	26,508
VAT assets	9	42,635	33,412
Prepaid income tax		8,604	3,242
Other financial assets	7	161,228	51,061
Cash and cash equivalents	10	138,023	283,653
Total current assets		406,918	415,148
Total assets		1,798,667	1,651,635
EQUITY AND LIABILITIES			
Equity			
Share capital		308	308
Share premium reserve		52,553	52,553
Merger reserve		(13,080)	(13,080)
Retained earnings		884,622	732,864
Attributable to the shareholders of OAO AK Transneft		924,403	772,645
Non-controlling interests		36,393	33,792
Total equity		960,796	806,437
Non-current liabilities			
Borrowings	12	547,783	573,148
Deferred tax liabilities	13	35,687	37,303
Provisions for liabilities and charges	14	105,540	123,579
Total non-current liabilities		689,010	734,030
Current liabilities			
Trade and other payables	15	92,938	97,966
Current income tax payable		3,430	2,547
Borrowings	12	52,493	10,655
Total current liabilities		148,861	111,168
Total liabilities		837,871	845,198
Total equity and liabilities		1,798,667	1,651,635

Approved on 16 December 2011 by:

N.P. Tokarev

M.V. Russkikh



President

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 8 to 20 are an integral part of these IFRS consolidated interim condensed financial statements

OAO AK TRANSNEFT
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

	Notes	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Sales	16	148,681	445,159	113,609	321,830
Operating expenses	17	(91,009)	(281,201)	(71,528)	(203,029)
Operating profit		57,672	163,958	42,081	118,801
Financial items:					
Exchange gains		35,975	82,323	16,283	46,003
Exchange loss		(56,570)	(79,578)	(16,556)	(46,559)
Interest income	18	1,545	7,854	1,090	4,407
Interest expense	18	(5,599)	(16,431)	(5,709)	(13,912)
Total financial items		(24,649)	(5,832)	(4,892)	(10,061)
Share of profit / (loss) from associates and jointly controlled entities	6	(529)	30,731	3,025	3,739
Profit before income tax		32,494	188,857	40,214	112,479
Income tax expense	13	(7,541)	(33,392)	(7,370)	(24,319)
Profit for the period		24,953	155,465	32,844	88,160
Other comprehensive income after tax					
Currency translation differences		(306)	41	24	(13)
Fair value (losses) / gains on available- for-sale financial assets, net of tax		(15)	(75)	13	25
Total comprehensive income		24,632	155,431	32,881	88,172
Profit attributable to:					
Shareholders of OAO AK Transneft		23,079	153,015	31,650	83,548
Non-controlling interests		1,874	2,450	1,194	4,612
Total comprehensive income attributable to:					
Shareholders of OAO AK Transneft		22,758	152,981	31,687	83,560
Non-controlling interests		1,874	2,450	1,194	4,612

Approved on 16 December 2011 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



ОАО АК ТРАНСНЕФТ
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Cash flows from operating activities		
Cash receipts from customers	515,437	356,370
Cash paid to suppliers and employees, and taxes other than profit tax	(375,617)	(227,840)
Interest paid	(28,435)	(30,608)
Income tax paid	(38,970)	(18,771)
Tax refunds	37,240	65,829
Other cash used in operating activities	(420)	(7,037)
Net cash from operating activities	109,235	137,943
Cash flows used in investing activities		
Purchase of property, plant and equipment	(166,133)	(160,982)
Proceeds from sales of property, plant and equipment	711	1,248
Interest and dividends received	11,679	10,610
Loans issued	(5,731)	-
Purchase of notes	(124,607)	(22,095)
Sales notes	30,655	-
Other cash used in investing activities	(2,838)	(1,754)
Net cash used in investing activities	(256,264)	(172,973)
Cash flows used in financing activities		
Repayment of long and short-term borrowings	(218)	-
Dividend paid	(1,166)	-
Payment of finance lease obligations	(17)	(1,636)
Other cash proceeded in financing activities	93	-
Net cash used in financing activities	(1,308)	(1,636)
Cash increase / (decrease) due to deviation of currency exchange rate	2,707	(2,208)
Net decrease in cash and cash equivalents	(145,630)	(38,874)
Cash and cash equivalents at the beginning of the period	10 283,653	283,658
Cash and cash equivalents at the end of the period	10 138,023	244,784

Approved on 16 December 2011 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 8 to 20 are an integral part of these IFRS consolidated interim condensed financial statements

OAO AK TRANSNEFT
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

	Attributable to the shareholders of OAO AK Transneft						Total equity
	Share capital	Share premium reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2010	308	52,553	(13,080)	615,171	654,952	26,444	681,396
Profit for the period	-	-	-	83,548	83,548	4,612	88,160
Fair value gain on available-for-sale financial assets, net of tax	-	-	-	25	25	-	25
Currency translation differences, net of tax	-	-	-	(13)	(13)	-	(13)
Total comprehensive income for the period	-	-	-	83,560	83,560	4,612	88,172
Additional shares issue of subsidiary	-	-	-	-	-	1,593	1,593
Dividends							
- ordinary shares	-	-	-	(584)	(584)	-	(584)
- preference shares	-	-	-	(389)	(389)	-	(389)
Balance at 30 September 2010	308	52,553	(13,080)	697,758	737,539	32,649	770,188
Balance at 1 January 2011	308	52,553	(13,080)	732,864	772,645	33,792	806,437
Profit for the period	-	-	-	153,015	153,015	2,450	155,465
Fair value loss on available-for-sale financial assets, net of tax	-	-	-	(75)	(75)	-	(75)
Currency translation differences, net of tax	-	-	-	41	41	-	41
Total comprehensive income for the period	-	-	-	152,981	152,981	2,450	155,431
Additional emission of shares by a subsidiary	-	-	-	-	-	151	151
Dividends							
- ordinary shares	-	-	-	(734)	(734)	-	(734)
- preference shares	-	-	-	(489)	(489)	-	(489)
Balance at 30 September 2011	308	52,553	(13,080)	884,622	924,403	36,393	960,796

Approved on 7 December 2011 by:

N.P. Tokarev

M.V. Russkikh



President

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 8 to 20 are an integral part of these IFRS consolidated interim condensed financial statements

OAo AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

1 NATURE OF OPERATIONS

OAo AK Transneft (the "Company") was established as an open joint stock company and 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 49 992 km at 30 September 2011 and the oil products pipeline system in the Russian Federation and in the Republics of Belarus and Ukraine totalling 18 930 km as at 30 September 2011. Its associate OOO LatRosTrans operates an interconnected system in the Latvian Republic.

During the nine months ended 30 September 2011, the Group transported 351.9 million tonnes of crude oil to domestic and export markets (nine months ended 30 September 2010 – 347.1 million tonnes), which represents a substantial majority of the crude oil produced in the territory of the Russian Federation during that period, and 23.3 million tonnes of oil products (22.9 million tonnes for nine months ended 30 September 2010).

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. There can be different developments in the economic environment which can have a varying impact on the Group's operations and management is unable to predict their potential effect on the financial position of the Group. The impact of recent economic crisis on the Group's operations is limited due to the fact that prices for its services are regulated by the Government. Furthermore, the Group's monopoly position on the Russian oil and oil product pipeline transportation market ensures sustainable demand for the Group's services. Group management believes that cash flows from ongoing operations are sufficient to finance the Group's current operations and to service its debt obligations.

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

3 BASIS OF PRESENTATION

The consolidated interim condensed financial statements is 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 2010 prepared in accordance with International Financial Reporting Standards ("IFRS").

The official US dollar ("USD") to Russian Rouble ("RUB") exchange rate as determined by the Central Bank of the Russian Federation was 31.8751 and 30.4769 as at 30 September 2011 and 31 December 2010, respectively. The official Euro ("EURO") to Russian Rouble ("RUB") exchange rate as determined by the Central Bank of the Russian Federation was 43.3979 and 40.3331 as at 30 September 2011 and 31 December 2010, respectively.

New standards and interpretations

Implementation of the new standards and interpretations that are mandatory for the Group's accounting periods beginning on 1 January 2011 has not significantly impacted the Group's consolidated interim condensed financial statements.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning after 1 January 2012 and which the Group has not early adopted. Information concerning the most significant standards and interpretations is disclosed in the consolidated financial statements for the year ended 31 December 2010.

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 2010.

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Line fill	Assets under construction including prepayments	Total
At 1 January 2011						
Cost	121,198	748,012	451,762	77,131	277,001	1,675,104
Accumulated depreciation and impairment	(32,307)	(244,510)	(183,932)	-	-	(460,749)
Net book value at 1 January 2011	88,891	503,502	267,830	77,131	277,001	1,214,355
Depreciation	(2,976)	(25,701)	(30,929)	-	-	(59,606)
Additions (including prepayments)	-	-	-	5,606	185,192	190,798
Transfers from assets under construction	2,557	12,221	12,024	-	(26,802)	-
Net change in dismantlement provision	-	(24,872)	-	-	369	(24,503)
Disposals/retirements at cost	(390)	(916)	(2,289)	(459)	-	(4,054)
Accumulated depreciation and impairment on disposals/retirements	199	801	1,782	-	-	2,782
Net book value at 30 September 2011	88,281	465,035	248,418	82,278	435,760	1,319,772
At 30 September 2011						
Cost	123,365	734,445	461,497	82,278	435,760	1,837,345
Accumulated depreciation and impairment	(35,084)	(269,410)	(213,079)	-	-	(517,573)
Net book value at 30 September 2011	88,281	465,035	248,418	82,278	435,760	1,319,772

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(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	Line fill	Assets under construction including prepayment s	Total
At 1 January 2010						
Cost	109,575	691,560	397,385	76,372	115,261	1,390,153
Accumulated depreciation and impairment	(28,891)	(215,519)	(148,343)	-	-	(392,753)
Net book value at 1 January 2010	80,684	476,041	249,042	76,372	115,261	997,400
Depreciation	(2,466)	(20,332)	(27,613)	-	-	(50,411)
Additions (including prepayments)	-	-	-	1,017	194,979	195,996
Transfers from assets under construction	4,134	7,589	31,900	-	(43,623)	-
Net change in dismantlement provision	-	14,287	-	-	1,709	15,996
Disposals/retirements at cost	(215)	(346)	(4,055)	(343)	-	(4,959)
Accumulated depreciation and impairment on disposals/retirements	78	250	3,105	-	-	3,433
Net book value at 30 September 2010	82,215	477,489	252,379	77,046	268,326	1,157,455
At 30 September 2010						
Cost	113,494	713,090	425,230	77,046	268,326	1,597,186
Accumulated depreciation and impairment	(31,279)	(235,601)	(172,851)	-	-	(439,731)
Net book value at 30 September 2010	82,215	477,489	252,379	77,046	268,326	1,157,455

Line fill represents RUB 75,411 of crude oil and RUB 6,867 of oil products as at 30 September 2011 (as at 31 December 2010 – RUB 70,050 of crude oil and RUB 7,081 of oil products).

During the nine months ended 30 September 2011, borrowing costs in the amount of RUB 17,735 were capitalised as part of cost of assets under construction (for the nine months ended 30 September 2010 – RUB 11,972) including interests to be capitalised in the amount of RUB 14,921 less interest income on the temporary investment of borrowings in the amount of RUB 4,455 as disclosed in Note 18.

6 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

In January 2011 the Group's jointly controlled entity Omirico Ltd sold 100% of OOO Primorsk Trade Port ("PTP") to OAO Novorossiysk Commercial Sea Port ("NCSP") for US Dollars 2,153 million (RUB 64,406 at the CBR exchange rate at the date of transaction). As a result of this transaction Group recognized a gain on disposal of PTP in the amount of RUB 29,034 which is presented in the statement of comprehensive income as Share of profit from investments in associates and jointly controlled entities.

At the same time Omirico Ltd indirectly acquired a controlling interest (50.1%) in NCSP. As a result of this transaction Group obtained the effective interest of 25.05% in NCSP. As of 30 September 2011 the carrying value of Group's investment in NCSP is 32,836 million. The principal activities of NCSP and its subsidiaries are stevedoring and additional port services, and tug and towing services and bunkering.

OA O AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

6 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

Summarised financial information of associates and jointly controlled entities was as follows:

	30 September 2011	31 December 2010
Assets	257,997	27,647
Liabilities	(104,578)	(16,463)
	Nine months ended	Nine months ended
	30 September 2011	30 September 2010
Revenue	115,844	35,202
Profit for the period	64,141	5,703

7 OTHER FINANCIAL ASSETS

During the nine months ended 30 September 2011 following other long-term financial assets were purchased:

- zero-coupon note which are subject to repayment on demand but not earlier than October 2012. The note was purchased for a consideration of RUB 1,000, has a nominal value and carrying value of RUB 1,095 and RUB 1,019 as at 30 September 2011 respectively;
- loan to Omirico Ltd was issued. Loan amounts to USD 173.5 million (RUB 5,221 at the CBR exchange rate effective at the issuance date), carrying value of RUB 5,530 (at the CBR exchange rate as at 30 September 2011). Interest rate is 5.27% per annum. The loan is due in 5 years. The loan and interest accrued should be paid at the date of repayment.

During the nine months ended 30 September 2011 following short-term financial assets were purchased:

- zero-coupon notes which are subject to repayment on demand but not earlier than October – November 2011. The notes were purchased for a consideration of RUB 15,443, have a nominal value and carrying value of RUB 16,116 and RUB 15,669 as at 30 September 2011 respectively;
- zero-coupon notes which are subject to repayment on demand but not earlier than October 2011 – September 2012. The notes were purchased for a consideration of USD 3,287 millions (RUB 98,203 at the CBR exchange rate effective at the purchase date), have a nominal value of USD 3,550 million and carrying value of RUB 109,897 (at the CBR exchange rate effective as at 30 September 2011);
- zero-coupon notes which are subject to repayment on demand but not earlier than June 2012. The notes were purchased for a consideration of EUR 96 millions (RUB 3,810 at the CBR exchange rate effective at the purchase date), have a nominal value of EUR 99 million and carrying value of RUB 4,150 (at the CBR exchange rate effective as at 30 September 2011).

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

8 INVENTORIES

	30 September 2011	31 December 2010
Materials and supplies	14,240	10,012
Sundry goods for resale	6,963	7,042
Other items	24	218
	21,227	17,272

Materials and supplies are presented net of provisions for obsolescence of RUB 365 as at 30 September 2011 (as at 31 December 2010 – RUB 364).

Sundry goods for resale, including oil and oil products, are presented net of impairment provision of RUB 42 thousand as at 30 September 2011 (as at 31 December 2010 – RUB 1).

9 RECEIVABLES AND PREPAYMENTS AND VAT ASSETS

Receivables and prepayments

	30 September 2011	31 December 2010
Non-financial assets		
Other long-term receivables	754	534
Total long-term receivables	754	534

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

9 RECEIVABLES AND PREPAYMENTS AND VAT ASSETS (continued)

	30 September 2011	31 December 2010
Short-term receivables		
Financial assets		
Trade receivables	15,989	1,811
Other receivables	10,119	11,210
less: provision for doubtful debts	(3,107)	(3,265)
Total financial assets	23,001	9,756
Non-financial assets		
Prepayments and advances and other non-financial assets	12,200	16,752
Total receivables	35,201	26,508
VAT assets		
	30 September 2011	31 December 2010
Recoverable VAT related to construction projects	31,555	17,893
Recoverable VAT related to ordinary activity	39,727	30,407
Total VAT assets	71,282	48,300
Less: short-term VAT	(42,635)	(33,412)
Long-term VAT	28,647	14,888

10 CASH AND CASH EQUIVALENTS

	30 September 2011	31 December 2010
Balances denominated in Russian roubles	58,187	199,701
Balances denominated in US dollars	69,368	75,700
Balances denominated in Euro	10,381	8,157
Balances denominated in other currency	87	95
	138,023	283,653

11 DIVIDENDS

In June 2011 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2010 in the amount of RUB 1,223 (preferred shares – RUB 489, ordinary shares – RUB 734) at the annual general meeting of shareholders. The whole amount of dividends was paid in August 2011.

In June 2010 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2009 in the amount of RUB 973 (preferred shares – RUB 389, ordinary shares – RUB 584). The whole amount of dividends was paid in December 2010.

12 BORROWINGS

	30 September 2011	31 December 2010
Borrowings and loans	600,276	583,803
Less: current borrowings and loans	(52,493)	(10,655)
	547,783	573,148
Maturity of non-current borrowings and loans		
Due for repayment:		
Between one and five years	195,563	236,378
After five years	352,220	336,770
	547,783	573,148

OA O AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

13 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. Income tax expense in the consolidated interim condensed financial statements is accrued based on full-year effective rate applied to the pre-tax income of the interim period.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	30 September 2011	31 December 2010
Dismantlement provision	98,256	116,202
Pension provision	7,284	7,377
	105,540	123,579

Dismantlement provision

The provision is established for the expected cost of dismantling parts of the existing pipeline network based on the average current cost per kilometre of removal according to an estimated plan of replacement over the long term. The provision calculation is based on the assumption that dismantlement activities are expected to cover the same number of kilometres each year over the useful life of the network. The cost of dismantlement is added to the cost of property, plant and equipment and depreciated over the useful economic life of the pipeline network. Additional provisions are made when the total length of the network increases and reductions occur when sections of the pipeline are decommissioned. Other changes are made when the expected pattern or unit cost of dismantlement is changed. The expected costs at the dates of dismantlement have been discounted to net present value using a nominal average rate of 7.90% per annum (31 December 2010 – 7.52% per annum).

Should the nominal average rate increase/(decrease) by 1%, dismantlement provision would (decrease)/increase by RUB (12,240)/15,089 as at 30 September 2011 accordingly (RUB (14,794)/18,230 as at 31 December 2010 accordingly).

Pension provision

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. Also under collective agreements with the employees the Group provides regular payments to those retired employees who have not entered in an agreement with the Non-state pension fund of the Group, and an amount ranging from one to five months minimal salary is payable to retired employees for anniversary milestones and to cover funeral costs. Management has assessed the net present value of these obligations, following the guidelines set out in IAS 19 *Employee Benefits*. For the calculation of obligations the projected unit method was applied.

Service cost, past service cost and actuarial (profit) / loss amounting to RUB 82 and RUB 759 for the Nine months ended 30 September 2011 and 2010, respectively, are included in staff costs in the consolidated interim condensed statement of comprehensive income.

15 TRADE AND OTHER PAYABLES

	30 September 2011	31 December 2010
Trade payables	34,017	32,447
Other payables	7,035	6,085
Total financial payables	41,052	38,532
Advances received for oil and oil product transportation services	22,712	28,948
Accruals	15,846	19,814
VAT output tax payable	11,762	9,049
Other taxes payable	1,566	1,623
Total payables	92,938	97,966

OA O AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

15 TRADE AND OTHER PAYABLES (continued)

In October 2010 the arbitrary court of Nijnii Novgorod region made a decision to reimburse to OOO Rybhoz Borok its losses in the amount of RUB 1,187 which were a result of severe damage to the oil product pipeline which took place in March 2007. In March 2011 the First arbitrary court changed the above decision of the arbitrary court of Nijnii Novgorod region and made a decision to fine the company of the Group and reimburse to OOO Rybhoz Borok its losses in the amount of RUB 992. Due to refusal of the Supreme Arbitration court of Russian Federation to revise these decisions in November 2011, the liability for reimbursement of losses to OOO Rybhoz Borok is recognized in these consolidated financial statements. The liability is included in other payables. Expenses for accrual the liability are included in other operating expenses for the period ended 30 September 2011 (see Note 17).

16 SALES

	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Revenues from crude oil transportation services				
Domestic tariff	52,052	148,343	41,784	117,553
Export tariff	61,841	186,063	56,505	163,478
Total revenues from crude oil transportation services	113,893	334,406	98,289	281,031
Revenues from crude oil sales	18,683	64,295	1,809	5,517
Revenues from oil products transportation services	7,590	24,028	7,948	22,761
Other revenues	8,515	22,430	5,563	12,521
	148,681	445,159	113,609	321,830

Revenues from crude oil sales for the nine months ended 30 September 2011 includes, mostly, revenues from supplying of oil according to the agreement signed by the Company in February 2009. According to the agreement the 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 the oil under the contract signed in April 2009 with OAO Rosneft (see Note 19).

17 OPERATING EXPENSES

	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Cost of oil sold	18,172	63,220	1,663	5,370
Depreciation	18,851	57,927	16,907	49,827
Staff costs:				
Salaries and pension expense	18,070	53,253	18,627	52,274
Social Funds contributions	2,502	10,173	1,765	7,020
Social expenses	1,141	2,375	1,200	2,615
Energy	7,677	25,726	8,394	23,956
Materials	3,868	12,008	4,368	11,634
Repairs services and maintenance of relevant technical condition of pipeline	3,614	8,478	2,283	8,099
Transportation of oil using railways and related services	8,271	22,352	7,831	22,099
Other	8,843	25,689	8,490	20,135
	91,009	281,201	71,528	203,029

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

18 INTEREST INCOME AND INTEREST EXPENSE

Interest income	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Interest income on cash and cash equivalents	2,048	9,869	2,332	9,704
Interest income from other investments	634	2,257	840	2,267
Other interest income	72	183	25	139
Total interest income	2,754	12,309	3,197	12,110
less interest income on the temporary investment of borrowings	(1,209)	(4,455)	(2,107)	(7,703)
Total interest income recognised in profit or loss	1,545	7,854	1,090	4,407

Interest expense	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Interest expense on borrowing cost	8,310	24,357	8,593	26,489
Provisions for asset retirement obligations: unwinding of the present value discount	2,186	6,556	1,834	5,130
Leasing unwinding of the present value discount	-	-	40	118
Other interest expenses	147	439	178	420
Total interest expenses	10,643	31,352	10,645	32,157
Less finance costs to be capitalised	(5,044)	(14,921)	(4,936)	(18,245)
Total interest expenses recognised in profit or loss	5,599	16,431	5,709	13,912

19 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL COMPENSATION

The Russian Federation, through the Federal Agency for the Management of Federal Property, owns 100% of the ordinary shares of the Company and controls its operations through Board of directors represented by the Federal bodies (professional agents) and independent directors as at 30 September 2011. The Government also appoints the members of the Federal Tariff Agency which sets the tariff rates.

As at 30 September 2011 and 31 December 2010 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 (holds 7% of the shares of the CPC-R and 7% of the shares of CPC-K), 24% of the shares of the CPC-R and 24% of the shares of CPC-K. These interests are not recognised in these consolidated interim condensed financial statements as the Company is acting as a trustee over the shares of the above entities.

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: purchases of electric energy, transportation of oil and oil products and transactions with banks.

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

19 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The Group had the following significant transactions with state-controlled entities:

	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Revenue from oil transportation services	40,061	118,144	31,646	89,406
OAO Rosneft and its subsidiaries	33,915	100,080	26,070	73,207
OAO Gazprom and its subsidiaries	5,983	17,599	5,399	15,576
Others	163	465	177	623
Revenue from oil products transportation services	2,263	7,730	1,737	5,949
OAO Rosneft and its subsidiaries	276	1,369	504	1,646
OAO Gazprom and its subsidiaries	1,987	6,361	1,233	4,302
Purchases of oil (OAO Rosneft)	17,025	56,852	-	-
Transportation of oil using railways and related services (OAO RZD and its subsidiaries)	6,692	19,339	6,608	18,448
Electricity expenses	2,501	2,695	84	237
Interest income from other financial assets	479	2,108	797	2,224

Transactions with the state include taxes which are detailed in the consolidated interim condensed statement of financial position, and in profit and loss in the consolidated interim condensed statement of comprehensive income.

During the period ended 30 September 2011 and 30 September 2010, Group had following transactions with associates and jointly controlled entities:

	Three months ended 30 September 2011	Nine months ended 30 September 2011	Three months ended 30 September 2010	Nine months ended 30 September 2010
Revenue	484	1,419	361	592
Purchases of goods and services	7,035	25,353	7,983	23,222

At the 30 September, 2011 and 31 December 2010, Group had following accounts with related parties and associates:

	30 September 2011	31 December 2010
Trade and other receivables	577	1,456
Trade and other payable	215	465
Loan issued	6,080	-

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.

OA O AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

20 SEGMENT INFORMATION

Generally, Management of the Group analyses information by separate legal entities. These legal entities are further aggregated into two reportable segments: Oil transportation and Oil product transportation. Cost elements presented to Management of the Group are determined in accordance with the Russian Accounting Rules (RAR). Tables below present consolidated amounts analysed by Management of the Group. These amounts are calculated under RAR.

Adjusting entries to reconcile this information with information in the consolidated interim condensed financial statements primarily include adjustments and reclassifications resulting from differences between RAR and IFRS.

Segment information for the nine months ended 30 September 2011 and at 30 September 2010 is as follows:

Nine months ended 30 September 2011	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
Sales				
Sales to third parties	418,371	27,261	(473)	445,159
Inter-segment sales	1,709	2,720	(4,429)	-
Total sales	420,080	29,981	(4,902)	445,159
Operating expenses	(266,783)	(17,650)	3,232	(281,201)
Including depreciation and amortisation	(55,574)	(2,208)	(145)	(57,927)
Interest income	13,071	110	(5,327)	7,854
Interest expenses	(14,749)	(395)	(1,287)	(16,431)
Share of profit from associates and jointly controlled entities	-	-	30,731	30,731
Profit before income tax	146,332	8,890	33,635	188,857
Income tax expense	(34,594)	(2,100)	3,302	(33,392)
Profit for the period	111,738	6,790	36,937	155,465

Other segment disclosures

Additions to non-current assets (other than financial instruments and deferred tax assets)

146,472	1,962	42,364	190,798
---------	-------	--------	---------

Nine months ended 30 September 2010	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
Sales				
Sales to third parties	298,689	23,742	(601)	321,830
Inter-segment sales	1,198	431	(1,629)	-
Total sales	299,887	24,173	(2,230)	321,830
Operating expenses	(196,551)	(14,843)	8,365	(203,029)
Including depreciation and amortisation	(50,463)	(1,987)	2,623	(49,827)
Interest income	12,601	221	(8,415)	4,407
Interest expenses	(19,860)	(872)	6,820	(13,912)
Share of profit from associates	-	-	3,739	3,739
Profit before income tax	93,663	8,563	10,253	112,479
Income tax expense	(22,968)	(1,957)	606	(24,319)
Profit for the period	70,695	6,606	10,859	88,160

Other segment disclosures

Additions to non-current assets (other than financial instruments and deferred tax assets)

187,621	1,746	6,629	195,996
---------	-------	-------	---------

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

20 SEGMENT INFORMATION (continued)

Adjusting entries also relate to intersegment transactions, those which are material, are as follows: US Dollar denominated loan and interests granted in RUB which amounted to RUB 9,251 as at 30 September 2011, the loan interest payable of RUB - 395 and related exchange loss of RUB - 344 (as at 31 December 2010 US Dollar denominated loan granted in RUB including interest receivable which amounted to RUB 9,628, loan interest payable of RUB - 1,113 and related exchange difference of RUB - 21).

Segment information as at 30 September 2011 and at 31 December 2010 is as follows:

30 September 2011	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
Investments in associates and jointly controlled entities	-	-	34,364	34,364
Total segment assets	1,793,153	65,846	(60,332)	1,798,667
Trade payables and advances received	63,200	2,213	(8,684)	56,729
Non-current borrowings	547,783	6,991	(6,991)	547,783
Current borrowings	53,428	2,260	(3,195)	52,493
Total segment liabilities	751,944	14,192	71,735	837,871

31 December 2010	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
Investments in associates	-	-	4,835	4,835
Total segment assets	1,620,060	62,123	(30,548)	1,651,635
Trade payables and advances received	57,369	3,027	999	61,395
Non-current borrowings	573,466	8,227	(8,545)	573,148
Current borrowings	11,269	1,450	(2,064)	10,655
Total segment liabilities	719,504	15,755	109,939	845,198

Adjustments to income and expenses that form profit before tax are mainly represented by IFRS adjustments to record non-controlling interest, to recognise fixed assets revaluation results required under IAS 29 *Financial reporting in hyper-inflationary economies* and elimination of fixed assets revaluation results performed under RAR, to accrue provision for dismantling and removing of fixed assets and to accrue deferred taxes for IFRS purposes.

Adjusting items for segment's expenses in the amount of RUB 3,232 for the nine months ended 30 September 2011 and RUB 8,365 for the nine months ended 30 September 2010 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Dismantlement provision	2,691	1,986
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"	(5,148)	(9,553)
Financial leasing	1,353	2,172
Pension liabilities	(532)	269
Accruals, net	(1,422)	(4,195)
Intersegment operations	(1,067)	(1,629)
Reserves for contingent liabilities	696	-
Others	197	2,585
Total reconciliation adjustments of segment expenses	(3,232)	(8,365)

OA O AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

20 SEGMENT INFORMATION (continued)

Adjusting items for segment's assets in the amount of RUB 60,332 as at 30 September 2011 and RUB 30,548 as at 31 December 2010 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	30 September 2011	31 December 2010
Property, plant and equipment dismantlement provision recognized in cost	56,568	83,760
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"	(88,439)	(93,639)
Revaluation of linefill oil and oil products required under IAS 29 "Financial reporting in hyper-inflationary economies"	50,651	50,716
Business combination with Transneftproduct	(52,554)	(52,554)
Deferred tax assets	(19,991)	(9,000)
Intersegment assets	(18,441)	(9,677)
Forex and interest expenses recognized in CIP	13,894	5,748
Others	(2,020)	(5,902)
Total reconciliation adjustments of segment assets	(60,332)	(30,548)

Adjusting items for segment's liabilities in the amount of RUB 71,735 as at 30 September 2011 and RUB 109,939 as at 31 December 2010 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	30 September 2011	31 December 2010
Dismantlement provision	98,256	116,202
Pension liabilities	7,284	7,377
Deferred tax liabilities	(18,036)	(1,037)
Intersegment liabilities	(18,441)	(9,677)
Others	2,672	(2,926)
Total reconciliation adjustments of segment liabilities	71,735	109,939

Geographical information. The Group's two segments primary operate on the territory of the Russian Federation. Revenue from external customers is presented based on the customers domicile (registered office) although 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 Latvia, Ukraine and Belarus.

Information on the geographical location of the Group's revenue is set out below:

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Russian Federation	368,509	304,896
China	57,163	-
Other countries	19,487	16,934
	445,159	321,830

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

OAO AK TRANSNEFT
NOTES TO IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(in millions of Russian roubles, if not stated otherwise)

20 SEGMENT INFORMATION (continued)

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

Revenues from customers which individually constitute 10 per cent or more of the Group's revenue are as follows:

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Companies under control of the Government of the Russian Federation	125,874	95,355
China National United Oil Corporation	57,163	-
OAO Surgutneftegaz	54,540	45,440
OAO Lukoil	48,672	43,513
OAO TNK-BP Holding	45,117	40,403
	331,366	224,711

Sales to the major customers are included in the results of the crude oil transportation and oil product transportation segments.