



OIL TRANSPORTING
JOINT STOCK COMPANY
"TRANSNEFT"

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2013**



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

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

Board of Directors

ОАО АК Транснефт

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of ОАО «АК «Транснефт» (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2013, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the interim 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: ОАО АК Транснефт

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: ZAO KPMG, a company incorporated under the
Laws of the Russian Federation, a part of the KPMG Europe LLP group,
and 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 31 March 2013 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Shvetsov A.V.

Director (power of attorney dated 23 November 2011 No. 78/11)

ZAO KPMG

5 June 2013

Moscow, Russian Federation



OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2013
(in millions of Russian roubles, if not stated otherwise)

ASSETS

Non-current assets	Notes	31 March 2013	31 December 2012
Intangible assets		2,257	2,101
Property, plant and equipment	5	1,467,997	1,454,147
Available-for-sale financial assets		204	241
Investments in associates and jointly controlled entities	6	39,157	38,622
VAT assets	9	35	35
Receivables and prepayments	9	658	877
Other financial assets	7	44,519	39,307
Total non-current assets		1,554,827	1,535,330
Current assets			
Inventories	8	26,670	25,623
Receivables and prepayments	9	39,312	39,808
VAT assets	9	79,300	84,059
Current income tax prepayments		9,717	14,181
Other financial assets, including derivatives	7	242,659	213,481
Cash and cash equivalents	10	99,097	84,517
Total current assets		496,755	461,669
Total assets		2,051,582	1,996,999

EQUITY AND LIABILITIES

Equity

Share capital		308	308
Share premium reserve		52,553	52,553
Merger reserve		(13,080)	(13,080)
Retained earnings		1,141,571	1,096,088
Attributable to the shareholders of OAO AK Transneft		1,181,352	1,135,869
Non-controlling interests		38,512	37,186
Total equity		1,219,864	1,173,055

Non-current liabilities

Loans and borrowings	12	512,472	544,103
Deferred income tax liabilities	13	41,280	39,300
Provisions for liabilities and charges	14	85,479	88,419
Total non-current liabilities		639,231	671,822

Current liabilities

Trade and other payables	15	123,150	126,440
Current income tax payable		531	151
Loans and borrowings	12	68,806	25,531
Total current liabilities		192,487	152,122
Total liabilities		831,718	823,944
Total equity and liabilities		2,051,582	1,996,999

Approved on 5 June 2013 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 THREE MONTHS ENDED 31 MARCH
2013

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

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue	16	183,871	181,350
Operating expenses	17	(118,119)	(117,595)
Operating profit		65,752	63,755
Financial items:			
Exchange gain		14,360	50,124
Exchange loss		(16,630)	(32,819)
Interest income	18	2,926	1,630
Interest expense	18	(9,422)	(6,607)
Net change in fair value of derivatives	7	203	584
Total financial items		(8,563)	12,912
Share of profit from associates and jointly controlled entities	6	538	1,950
Profit before income tax		57,727	78,617
Income tax expense	13	(11,203)	(18,775)
Profit for the period		46,524	59,842
Other comprehensive income after tax			
<i>Items that may be reclassified to profit and loss</i>			
Currency translation differences, net of tax		-	(69)
Fair value losses on available-for-sale financial assets, net of tax		-	(20)
<i>Total items that may be reclassified to profit and loss</i>		<i>-</i>	<i>(89)</i>
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurement of defined benefit plan obligation		285	-
<i>Total items that will not be reclassified to profit and loss</i>		<i>285</i>	<i>-</i>
Total comprehensive income after tax		46,809	59,753
Profit attributable to:			
Shareholders of OAO AK Transneft		45,198	58,712
Non-controlling interests		1,326	1,130
Total comprehensive income attributable to:			
Shareholders of OAO AK Transneft		45,483	58,623
Non-controlling interests		1,326	1,130

Approved on 5 June 2013 by

N.P. Tokarev

President

M.V. Russkikh

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the accounting function for OAO AK Transneft

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OAO AK TRANSNEFT
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) FOR
THE THREE MONTHS ENDED 31 MARCH 2013
(in millions of Russian roubles, if not stated otherwise)

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
Cash flows from operating activities			
Cash receipts from customers		185,344	184,830
Cash paid to suppliers and employees, and taxes other than profit tax		(111,454)	(125,463)
Interest paid		(6,126)	(5,975)
Income tax paid		(4,722)	(11,108)
Income tax refunds		283	850
VAT and other taxes refunds		20,888	15,579
Other cash used in operating activities		(308)	(681)
Net cash from operating activities		83,905	58,032
Cash flows used in investing activities			
Purchase of property, plant and equipment		(45,600)	(33,772)
Proceeds from sales of property, plant and equipment		42	255
Interest and dividends received		1,874	2,084
Loans issued / repayment of loans issued		-	(200)
Purchase of notes		(57,613)	(30,612)
Sale of notes		32,172	4,262
Other cash used in investing activities		(1,076)	(2,901)
Net cash used in investing activities		(70,201)	(60,884)
Cash flows used in financing activities			
Other cash proceeded in financing activities		-	(11)
Net cash used in financing activities		-	(11)
Change in cash due to deviation of currency exchange rate		876	(7,524)
Net increase / (decrease) in cash and cash equivalents		14,580	(10,387)
Cash and cash equivalents at the beginning of the period	10	84,517	145,546
Cash and cash equivalents at the end of the period	10	99,097	135,159

Approved on 29 June 2013 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

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OAO AK TRANSNEFT
 CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 FOR THE THREE MONTHS ENDED 31 MARCH 2013
 (in millions of Russian roubles, if not stated otherwise)

	Attributable to the shareholders of OAO AK Transneft					Non-controlling interests	Total equity
	Share capital	Share premium reserve	Merger reserve	Retained earnings	Total		
Balance at 1 January 2012	308	52,553	(13,080)	919,690	959,471	37,056	996,527
Profit for the period	-	-	-	58,712	58,712	1,130	59,842
Fair value loss on available-for sale financial assets, net of tax	-	-	-	(20)	(20)	-	(20)
Currency translation differences, net of tax	-	-	-	(69)	(69)	-	(69)
Total comprehensive income for the period	-	-	-	58,623	58,623	1,130	59,753
Balance at 31 March 2012	308	52,553	(13,080)	978,313	1,018,094	38,186	1,056,280
Balance at 1 January 2013	308	52,553	(13,080)	1,096,088	1,135,869	37,186	1,173,055
Profit for the period	-	-	-	45,198	45,198	1,326	46,524
Defined benefit plan actuarial gains	-	-	-	285	285	-	285
Total comprehensive income for the period	-	-	-	45,483	45,483	1,326	46,809
Balance at 31 March 2013	308	52,553	(13,080)	1,141,571	1,181,352	38,512	1,219,864

Approved on 5 June 2013 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



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 53,559 km at 31 March 2013 and the oil products pipeline system in the Russian Federation and in the Republics of Belarus and Ukraine totalling 19,064 km as at 31 March 2013. Its associate OOO LatRosTrans operates an interconnected system in the Latvian Republic.

During the three months ended 31 March 2013, the Group transported 118.0 million tonnes of crude oil to domestic and export markets (three months ended 31 March 2012 – 118.8 million tonnes), which represents a substantial majority of the crude oil produced in the territory of the Russian Federation during that period, and 8.0 million tonnes of oil products (6.8 million tonnes for the three months ended 31 March 2012).

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 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 2012 prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative amounts have been corrected to conform with the current period presentation.

The official US dollar ("USD") to Russian Rouble ("RUB") exchange rate as determined by the Central Bank of the Russian Federation was 31.0834 and 30.3727 as at 31 March 2013 and 31 December 2012, respectively. The official Euro ("EURO") to Russian Rouble ("RUB") exchange rate as determined by the Central Bank of the Russian Federation was 39.8023 and 40.2286 as at 31 March 2013 and 31 December 2012, respectively.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATIONS MADE

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 2012 except for amendments relating to implementation of new standards and interpretations which have become effective after 1 January 2013.

Changes in accounting policies

The Group has adopted certain standards and amendments requiring remeasurement of financial statements for prior periods. These standards and amendments include IFRS 13 Fair Value Measurement, as well as amendments to IAS 1 Presentation of financial statements. In accordance with IAS 34 the description of the nature and effect of these changes is presented below.

The nature and effect of each standard and amendment is as follows:

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income

The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income.

The amendment only concerns presentation and does not affect the Group's consolidated financial performance or its results.

IFRS 13 Fair Value Measurement presents the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. Comparative disclosure information is not required for periods before the date of initial application.

The adoption of IFRS 13 has not significantly influenced the fair value measurement calculated by the Group.

IFRS 13 requires specific disclosures to be made relating to the fair value, some of them have replaced current requirements contained in other IFRSs including IFRS 7 Financial instruments: Disclosure. IAS 34.16 A (j) requires specific disclosures in relation to the consolidated interim condensed financial statements. The Group has disclosed these requirements in Note 12.

Certain new standards and interpretations have been published which have not yet become effective.

A number of new standards and amendments including IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements have been applied in 2013 for the first time. Besides, the adoption of IFRS 12 *Disclosure of Interests in Other Entities* will require additional disclosures in the annual consolidated financial statements. The adoption of these standards did not significantly influenced the consolidated financial performance as well as results of the Group.



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 2013						
Cost	157,566	1,037,518	654,543	100,647	124,206	2,074,480
Accumulated depreciation and impairment	(40,355)	(313,166)	(266,812)	-	-	(620,333)
Net book value at 1 January 2013	117,211	724,352	387,731	100,647	124,206	1,454,147
Depreciation	(1,318)	(10,934)	(14,311)	-	-	(26,563)
Additions (including prepayments)	-	-	-	464	44,536	45,000
Transfers from assets under construction	661	1,244	1,679	-	(3,584)	-
Net change in dismantlement provision	-	(4,162)	-	-	68	(4,094)
Disposals/retirements at cost	(115)	(501)	(538)	(214)	-	(1,368)
Accumulated depreciation and impairment on disposals/retirements	69	367	439	-	-	875
Net book value at 31 March 2013	116,508	710,366	375,000	100,897	165,226	1,467,997
At 31 March 2013						
Cost	158,112	1,034,099	655,684	100,897	165,226	2,114,018
Accumulated depreciation and impairment	(41,604)	(323,733)	(280,684)	-	-	(646,021)
Net book value at 31 March 2013	116,508	710,366	375,000	100,897	165,226	1,467,997



5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Line fill	Assets under construction including prepayments	Total
At 1 January 2012						
Cost	130,793	807,460	499,225	84,502	358,831	1,880,811
Accumulated depreciation and impairment	(36,019)	(278,766)	(222,525)	-	-	(537,310)
Net book value at 1 January 2012	94,774	528,694	276,700	84,502	358,831	1,343,501
Depreciation	(1,050)	(9,313)	(10,823)	-	-	(21,186)
Additions (including prepayments)	-	-	-	484	37,186	37,670
Transfers from assets under construction	584	29,873	9,921	-	(40,378)	-
Net change in dism antlement provision	-	(2,005)	-	-	383	(1,622)
Disposals/retirements at cost	(163)	(148)	(257)	(54)	-	(622)
Accumulated depreciation and impairment on disposals/retirements	128	101	211	-	-	440
Net book value at 31 March 2012	94,273	547,202	275,752	84,932	356,022	1,358,181
At 31 March 2012						
Cost	131,214	835,180	508,889	84,932	356,022	1,916,237
Accumulated depreciation and impairment	(36,941)	(287,978)	(233,137)	-	-	(558,056)
Net book value at 31 March 2012	94,273	547,202	275,752	84,932	356,022	1,358,181

In value terms line fill represents RUB 93,640 of crude oil and RUB 7,257 of oil products as at 31 March 2013 (as at 31 December 2012 – RUB 93,431 of crude oil and RUB 7,216 of oil products).

During the three months ended 31 March 2013, borrowing costs in the amount of RUB 449 were capitalised as part of cost of assets under construction (for the three months ended 31 March 2012 – RUB 2,011) including interests to be capitalised in the amount of RUB 886 less interest income on the temporary investment of borrowings in the amount of RUB 709 as disclosed in Note 18.

6 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

	31 March 2013	31 December 2012
Assets	245,713	242,944
Liabilities	(96,582)	(97,495)
	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue	18,333	18,303
Profit for the period	1,920	8,560



7 OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES

During the three months ended 31 March 2013 following long-term financial assets were purchased by the Group:

- interest notes which are subject to repayment in January 2014 – March 2014. The notes were purchased for a consideration of USD 146 million (RUB 4,501 at the CBR exchange rate effective at the purchase date), have a carrying value of RUB 4,532 (at the CBR exchange rate effective as at 31 March 2013).

During the three months ended 31 March 2013 following short-term financial assets were purchased by the Group:

- zero-coupon notes which are subject to repayment on demand but not earlier than May 2013 – March 2014. The notes were purchased for a consideration of USD 1,617 million (RUB 48,864 at the CBR exchange rate effective at the purchase date), have a nominal value of USD 1,683 million and carrying value of RUB 50,406 (at the CBR exchange rate effective as at 31 March 2013);
- interest notes which are subject to repayment in January 2014 - March 2014. The notes were purchased for a consideration of USD 140 million (RUB 4,248 at the CBR exchange rate effective at the purchase date), have a carrying value of RUB 4,352 (at the CBR exchange rate effective as at 31 March 2013).

These notes were purchased from entities, which are under common control or significant influence of the state.

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

Derivatives

In March 2013 in order to reduce the adverse effects associated with decreasing of exchange rate of the US dollar the Group the Group has simultaneously purchased put options and sold written call options for the amount of 1,400 million US dollars with the exercise dates during May 2013 – March 2014 period and the carrying amount of RUB 203 as at 31 March 2013. The Group qualifies these contracts as financial instruments at fair value through profit and loss.

Fair value measurement is based on Black-Scholes model, the inputs for which are observable in the market and the Group classified them to Level 2 in accordance with the hierarchy of fair value.

8 INVENTORIES

	31 March 2013	31 December 2012
Materials and supplies	19,174	19,104
Sundry goods for resale	7,483	6,503
Other items	13	16
	26,670	25,623

Materials and supplies are presented net of provisions for obsolescence of RUB 211 as at 31 March 2013 (as at 31 December 2012 – RUB 138).

9 RECEIVABLES AND PREPAYMENTS AND VAT ASSETS

Receivables and prepayments

	31 March 2013	31 December 2012
Financial assets		
Other long-term receivables	658	877
Total long-term receivables	658	877

	31 March 2013	31 December 2012
Short-term receivables		
Financial assets		
Trade receivables	19,859	22,084
Other receivables	10,463	9,366
less: provision for doubtful debts	(3,059)	(3,130)
Total financial assets	27,263	28,320
Non-financial assets		
Prepayments and advances and other non-financial assets	12,049	11,488
Total receivables	39,312	39,808



9 RECEIVABLES AND PREPAYMENTS AND VAT ASSETS (CONTINUED)

VAT assets

	31 March 2013	31 December 2012
Recoverable VAT related to construction projects	32,514	40,747
Recoverable VAT related to ordinary activity	46,821	43,347
Total VAT assets	79,335	84,094
Less: short-term VAT	(79,300)	(84,059)
Long-term VAT	35	35

10 CASH AND CASH EQUIVALENTS

	31 March 2013	31 December 2012
Balances denominated in Russian roubles	44,323	38,461
Balances denominated in US dollars	53,527	44,405
Balances denominated in Euro	1,133	1,596
Balances denominated in other currency	114	55
	99,097	84,517

11 DIVIDENDS

In June 2012 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2011 in the amount of RUB 2,785 (preference shares – RUB 1,113, ordinary shares – RUB 1,671). Dividends were paid out in August 2012.

At the General meeting held by subsidiary of the Group payment of dividends in the amount of RUB 122 to the non-controlling shareholders for the year ended 31 December 2011 was approved.

12 LOANS AND BORROWINGS

	31 March 2013	31 December 2012
Loans and borrowings	581,278	569,634
Less: current loans and borrowings, current portion of long-term loans and borrowings	(68,806)	(25,531)
	512,472	544,103
Maturity of non-current loans and borrowings		
Between one and five years	248,435	281,042
After five years	264,037	263,061
	512,472	544,103

The non-convertible interest-bearing documentary bonds amounting to RUB 135,000 which mature in 2019 with a possibility of earlier repayment required by bond-holders or by intention of the issuer in 2015 are included in non-current borrowings and loans with maturity ranging between one and five years.

Type of bonds	Interest rate	Currency	Carrying amounts		Fair value	
			31 March 2013	31 December 2012	31 March 2013	31 December 2012
Non-convertible interest-bearing documentary	Floating	RUB	135,000	135,000	142,604	142,713
Non-convertible interest-bearing documentary	Fixed	RUB	34,000	34,000	34,068	34,136
Eurobonds	Fixed	USD	91,696	89,600	102,802	101,661

Fair values of current loans and borrowings did not differ significantly from their carrying amounts as at 31 March 2013 and 31 December 2012. Fair values of loans and borrowings with floating interest rate did not differ materially from their carrying amounts as at 31 March 2013 and 31 December 2012.

**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

	31 March 2013	31 December 2012
Dismantlement provision	75,573	78,266
Pension provision	9,906	10,153
	85,479	88,419

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 calculation of oil pipeline provision 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 calculation of oil products pipeline provision is based on the assumption of accomplishment of approved long-term programs for capital repair of oil products pipeline and that dismantlement activity which 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 7.73 % per annum (31 December 2012 – 7,34 % per annum).

Should the nominal average rate increase/(decrease) by 1%, dismantlement provision would (decrease)/increase by RUB (8,684)/11,778 as at 31 March 2013 accordingly (RUB (9,631)/11,720 as at 31 December 2012 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 amounting to RUB 90 and RUB 75 for the three months ended 31 March 2013 and 2012, respectively, are included in staff costs in the consolidated interim condensed statement of profit and loss and other comprehensive income, interest expense in the amount of RUB 177 and RUB 154 for the three months ended 31 March 2013 and 2012, respectively, are included in interest expenses.

Actuarial gains amounting to RUB 285 for the three months ended 31 March 2013 are included in other comprehensive income and total actuarial losses amounted to RUB 1,006 as at 31 March 2013 (RUB 1,291 as at 31 December 2012). Actuarial losses amounting to RUB 212 for the three months ended 31 March 2012 were included in staff costs in the consolidated interim condensed statement of profit and loss and other comprehensive income.



15 TRADE AND OTHER PAYABLES

	31 March 2013	31 December 2012
Trade payables	24,833	30,459
Other payables	12,283	9,192
Total financial payables	37,116	39,651
Advances received for oil and oil product transportation services	30,546	40,161
Accruals	39,973	35,535
VAT output tax payable	12,095	9,334
Other taxes payable	3,420	1,759
Total payables	123,150	126,440

16 SALES

	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenues from crude oil transportation services		
Domestic tariff	52,134	52,007
Export tariff	71,840	69,560
Total revenues from crude oil transportation services	123,974	121,567
Revenues from crude oil sales	40,814	42,800
Revenues from oil products transportation services	11,247	8,202
Other revenues	7,836	8,781
	183,871	181,350

Revenues from crude oil sales for the three months ended 31 March 2013 include, 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 oil from OAO NK Rosneft under the contract signed in April 2009 (refer to Note 20).

17 OPERATING EXPENSES

	Three months ended 31 March 2013	Three months ended 31 March 2012
Depreciation	25,992	20,611
Staff costs:		
Salaries and pension expense	20,811	19,671
Social Funds contributions	5,553	5,254
Social expenses	515	589
Cost of oil sold	21,940	24,680
Export custom duties	18,748	18,915
Energy	8,363	8,654
Materials	4,063	3,804
Repairs services and maintenance of relevant technical condition of pipeline	2,101	1,821
Transportation of oil using railways and related services	1,575	8,091
Other	8,458	5,505
	118,119	117,595



18 INTEREST INCOME AND INTEREST EXPENSE

Interest income	Three months ended 31 March 2013	Three months ended 31 March 2012
Interest income on cash and cash equivalents	1,565	1,754
Interest income from other financial assets	2,070	1,094
Other interest income	-	84
Total interest income	3,635	2,932
Less interest income on the temporary investment of borrowings	(709)	(1,302)
Total interest income recognised in the statement of profit and loss and other comprehensive income	2,926	1,630

Interest expense	Three months ended 31 March 2013	Three months ended 31 March 2012
Interest expense on borrowing cost	8,495	7,959
Provisions for asset retirement obligations: unwinding of the present value discount	1,441	1,807
Other interest expenses	372	154
Total interest expense	10,308	9,920
Less interest expense to be capitalised	(886)	(3,313)
Total interest expense recognised in the statement of profit and loss and other comprehensive income	9,422	6,607

19 CONTINGENT LIABILITIES AND OTHER RISKS

Legal proceedings

The Group is involved in a number of court proceedings arising in the ordinary course of business. In the opinion of the Group's management, there are no current legal proceedings or claims not presented in these financial statements as at 31 March 2013, which could have a material adverse effect on the results of operations or financial position of the Group.

20 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 31 March 2013. The Government also appoints the members of the Federal Tariff Agency which sets the tariff rates.

As at 31 March 2013 and 31 December 2012 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 (owns 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 produced by state-owned entities and transactions with state-controlled banks.



20 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue from oil transportation services	43,169	41,993
OAO NK Rosneft and its subsidiaries	36,591	35,689
OAO Gazprom and its subsidiaries	6,444	6,139
Others	134	165
Revenue from oil products transportation services	3,907	2,810
OAO NK Rosneft and its subsidiaries	1,282	689
OAO Gazprom and its subsidiaries	2,625	2,121
Purchases of oil (OAO NK Rosneft)	19,230	22,555
Transportation of oil using railways and related services (OAO RZD and its subsidiaries)	1,775	7,006
Electricity expenses	119	82
Interest income from other financial assets	1,895	1,088

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

During the three months ended 31 March 2013 and 31 March 2012, Group had following transactions with associates and jointly controlled entities:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue	570	522
Purchases of goods and services	7,887	7,912

As at 31 March 2013 and 31 December 2012, the Group had the following balances with related parties and associates:

	31 March 2013	31 December 2012
Trade and other receivables	1,166	1,560
Trade and other payable	352	113
Loan issued	5,393	5,270

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 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.



21 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 and Oil product transportation and Sales oil to the People's Republic of China (China). 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 three months ended 31 March 2013 and at 31 December 2012 is as follows:

Three months ended 31 March 2013	Oil transportation services	Oil products transportation services	Oil sales to China	Adjustments	Total IFRS
Sales					
Sales to third parties	133,244	12,596	38,090	(59)	183,871
Inter-segment sales	848	17	-	(865)	-
Total sales	134,092	12,613	38,090	(924)	183,871
Operating expenses	(80,593)	(6,754)	(37,642)	6,870	(118,113)
including amortisation and depreciation	(29,516)	(915)	-	4,439	(25,992)
Interest income	2,835	19	-	72	2,926
Interest expenses	(8,252)	(89)	-	(1,081)	(9,422)
Exchange gains/(loss)	(2,481)	(143)	62	292	(2,270)
Net change in fair value of derivatives	203	-	-	-	203
Other income/(expenses)	3,564	(26)	-	(3,538)	-
Share of profit from associates and jointly controlled entities	-	-	-	538	538
Profit/(loss) before income tax	49,368	5,620	510	2,229	57,727
Income tax expense	-	-	-	-	(11,203)
Profit for the period	-	-	-	-	46,524
Other segment disclosures					
Additions to non-current assets (other than financial instruments and deferred tax assets)	41,414	1,597	-	1,989	45,000



21 SEGMENT INFORMATION (CONTINUED)

Three months ended 31 March 2012	Oil transportation services	Oil products transportation services	Oil sales to China	Adjustments	Total IFRS
Sales					
Sales to third parties	131,737	9,217	40,377	19	181,350
Inter-segment sales	816	14	-	(830)	-
Total sales	132,553	9,231	40,377	(811)	181,350
Operating expenses	(74,386)	(5,545)	(41,462)	3,798	(117,595)
Including depreciation and amortisation	(23,464)	(791)	-	3,644	(20,611)
Interest income	2,880	25	-	(1,275)	1,630
Interest expenses	(6,024)	(99)	-	(484)	(6,607)
Exchange gains/(loss)	16,639	622	183	(139)	17,305
Net change in fair value of derivatives	-	-	-	584	584
Other income/(expenses)	4,459	(50)	-	(4,409)	-
Share of profit from associates and jointly controlled entities	-	-	-	1,950	1,950
Profit before income tax	76,121	4,184	(902)	(786)	78,617
Income tax expense	-	-	-	-	(18,775)
Profit for the period	-	-	-	-	59,842

Other segment disclosures

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

33,150	1,448	-	3,072	37,670
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Segment information for the three months ended 31 March 2013 and at 31 December 2012 is as follows:

31 March 2013	Oil transportation services	Oil products transportation services	Oil sales to China	Adjustments	Total IFRS
Investments in associates and jointly controlled entities	-	-	-	39,157	39,157
Total segment assets	2,183,736	81,622	12,718	(226,494)	2,051,582
Trade payables and advances received	63,509	4,467	7,118	(19,715)	55,379
Non-current borrowings	512,790	5,231	-	(5,549)	512,472
Current borrowings	68,807	1,122	-	(1,123)	68,806
Total segment liabilities	774,367	17,123	7,118	33,110	831,718

31 December 2012	Oil transportation services	Oil products transportation services	Oil sales to China	Adjustments	Total IFRS
Investments in associates and jointly controlled entities	-	-	-	38,622	38,622
Total segment assets	2,124,889	75,304	12,882	(216,076)	1,996,999
Trade payables and advances received	80,845	3,955	-	(14,180)	70,620
Non-current borrowings	544,421	5,367	-	(5,685)	544,103
Current borrowings	25,531	1,101	-	(1,101)	25,531
Total segment liabilities	754,400	15,287	7,658	46,599	823,944



21 SEGMENT INFORMATION (CONTINUED)

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 -6,870 for the three months ended 31 March 2013 and RUB -3,798 for the three months ended 31 March 2012 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Dismantlement provision	255	718
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"	(5,168)	(4,799)
Financial leasing	-	(57)
Pension liabilities	(180)	82
Other operating expenses, net	(3,362)	(4,459)
Electricity	137	5,043
Intersegment operations	(515)	(479)
Others	1 963	153
Total adjusting items for segment's expenses	(6,870)	(3,798)

Adjusting items for segment's assets in the amount of RUB -226,494 as at 31 March 2013 and RUB -216,076 as at 31 December 2012 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	31 March 2013	31 December 2012
Increase in property plant and equipment for dismantlement provision	21,007	25,395
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"	(206,785)	(211,952)
Revaluation of linefill oil and oil products required under IAS 29 "Financial reporting in hyper-inflationary economies" and other adjustments	50,466	50,573
Business combination with Transneftproduct	(52,554)	(52,553)
Deferred tax assets	(29,143)	(24,855)
Intersegment assets	(26,180)	(20,953)
Exchange loss and interest expenses recognized in fixed assets and assets under construction	13,601	13,958
Others	3,094	4,311
Total adjusting items for segment's assets	(226,494)	(216,076)

Adjusting items for segment's liabilities in the amount of RUB 33,110 as at 31 March 2013 and RUB 46,599 as at 31 December 2012 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	31 March 2013	31 December 2012
Dismantlement provision	75,573	78,266
Pension liabilities	9,906	10,153
Deferred tax liabilities	(29,163)	(23,549)
Intersegment borrowings and interest expense	(26,180)	(20,953)
Others	2,974	2,682
Total adjusting items for segment's liabilities	33,110	46,599

**21 SEGMENT INFORMATION (CONTINUED)**

Geographical information. Most of the assets of the Group included in reportable segments, located on the territory of the Russian Federation, resulting in economic activity for each segment are primary operated 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 the Latvian Republic, Ukraine and the Republic of Belarus.

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

	Three months ended 31 March 2013	Three months ended 31 March 2012
Russian Federation	138,301	133,824
China	38,090	40,377
Other countries	7,480	7,149
	183,871	181,350

Revenue from external customers in other countries mainly includes revenue from services provided to customers in the Republic of Kazakhstan, Republic of 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.


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

	Three months ended 31 March 2013	Three months ended 30 September 2012
Companies under control of the Government of the		
Russian Federation	47,076	44,803
China National United Oil Corporation	38,090	40,377
OAO Surgutneftegaz	21,837	20,049
OAO Lukoil	17,778	18,341
OAO TNK-BP Holding	13,347	15,678
	138,128	139,248

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

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Директор ЗАО "КИМ"

