Tatneft Group

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF AND FOR THE THREE MONTHS ENDED 31 MARCH 2015

Contents

Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of OAO Tatneft

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO Tatneft and its subsidiaries (the "Group") as of 31 March 2015 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three month period then ended, and changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

11 June 2015
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, 10 Butyrsky Val, Moscow, Russian Federation, 125047
T: +7 495 967 6000, F: +7 495 967 6001, www.pwc.ru

(In millions of Russian Roubles)

	Note	31 March 2015	31 December 2014
Assets			
Cash and cash equivalents	4	19,863	41,548
Restricted cash		1,703	1,635
Accounts receivable, net	5	67,616	46,059
Short-term financial assets	6	50,776	25,323
Inventories	7	35,589	32,462
Prepaid expenses and other current assets	8	23,698	31,157
Prepaid income tax		1,269	2,418
Total current assets		**200,514**	**180,602**
Long-term accounts receivable, net	5	1,546	1,364
Long-term financial assets	9	30,068	29,893
Investments in associates and joint ventures	10	7,282	7,212
Property, plant and equipment, net		516,929	507,586
Deferred income tax assets		1,963	2,982
Other long-term assets		3,012	3,295
Total non-current assets		**560,800**	**552,332**
Total assets		**761,314**	**732,934**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	11	12,689	15,859
Accounts payable and accrued liabilities	12	35,737	37,999
Taxes payable	14	19,830	14,440
Income tax payable		2,157	166
Total current liabilities		**70,413**	**68,464**
Long-term debt, net of current portion	11	13,001	12,888
Other long-term liabilities	13	2,968	2,960
Decommissioning provision, net of current portion		46,002	44,779
Deferred income tax liability		18,652	21,599
Total non-current liabilities		**80,623**	**82,226**
Total liabilities		**151,036**	**150,690**
Shareholders' equity			
Preferred shares (authorized and issued at 31 March 2015 and 31 December 2014 – 147,508,500 shares; nominal value at 31 March 2015 and 31 December 2014 – RR1.00)		746	746
Common shares (authorized and issued at 31 March 2015 and 31 December 2014 – 2,178,690,700 shares; nominal value at 31 March 2015 and 31 December 2014 – RR1.00)		11,021	11,021
Additional paid-in capital		87,482	87,482
Accumulated other comprehensive income		2,098	1,888
Retained earnings		484,484	457,915
Less: Common shares held in treasury, at cost (55,512,000 shares and 55,514,000 shares at 31 March 2015 and 31 December 2014, respectively)		(3,087)	(3,087)
Total Group shareholders' equity		**582,744**	**555,965**
Non-controlling interest		**27,534**	**26,279**
Total shareholders' equity		**610,278**	**582,244**
Total liabilities and equity		**761,314**	**732,934**

TATNEFT
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(In millions of Russian Roubles)

	Note	Three months ended 31 March 2015	Three months ended 31 March 2014
Sales and other operating revenues, net	16	**135,061**	**116,740**
Costs and other deductions			
Operating		(22,020)	(19,662)
Purchased oil and refined products		(12,107)	(10,784)
Exploration		(502)	(391)
Transportation		(8,457)	(6,243)
Selling, general and administrative		(10,486)	(9,249)
Depreciation, depletion and amortization		(5,709)	(4,943)
Loss on disposals of property, plant and equipment, investments and impairments		(76)	(217)
Taxes other than income taxes	14	(35,823)	(31,353)
Maintenance of social infrastructure and transfer of social assets		(1,121)	(907)
Total costs and other deductions		**(96,301)**	**(83,749)**
Other income/(expenses)			
Foreign exchange loss		(2,594)	(1,206)
Interest income		2,934	1,360
Interest expense, net of amounts capitalized		(1,693)	(1,451)
Losses from equity investments	10	(286)	(163)
Other expenses, net		(125)	(515)
Total other expenses		**(1,764)**	**(1,975)**
Profit before income taxes		**36,996**	**31,016**
Income taxes			
Current income tax expense		(10,809)	(7,501)
Deferred income tax benefit		1,914	1,979
Total income tax expense	14	**(8,895)**	**(5,522)**
Profit for the period		**28,101**	**25,494**
Other comprehensive income:			
Items to be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		97	238
Unrealized holding gains/(losses) on available-for-sale securities, including share of associates, net of tax		113	(73)
Other comprehensive income		**210**	**165**
Total comprehensive income for the period		**28,311**	**25,659**
Profit attributable to:			
- Group shareholders		26,569	24,391
- Non-controlling interest		1,532	1,103
		28,101	**25,494**
Total comprehensive income is attributable to:			
- Group shareholders		26,779	24,556
- Non-controlling interest		1,532	1,103
		28,311	**25,659**
Basic and diluted net earnings per share (RR)			
Common		11.70	10.74
Preferred		11.70	10.74
Weighted average shares outstanding (millions of shares)			
Common		2,123	2,123
Preferred		148	148

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

(In millions of Russian Roubles)

	Attributable to Group shareholders									Non-con-trolling interest	Total equity
	Number of shares (thousands)	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Actuarial loss on employee benefit plans**	**Foreign currency translation adjustments**	**Unrealized holding gain/(losses) on available-for-sale securities, including share of associates, net of tax**	**Retained earnings**	**Total shareholders' equity**		
At 1 January 2014	**2,270,607**	**11,767**	**87,482**	**(3,102)**	**(818)**	**1,284**	**423**	**384,376**	**481,412**	**22,570**	**503,982**
Profit for the three months	-	-	-	-	-	-	-	24,391	24,391	1,103	25,494
Other comprehensive income/(loss) for the three months	-	-	-	-	-	238	(73)	-	165	-	165
Total comprehensive income/(loss) for the three months	**-**	**-**	**-**	**-**	**-**	**238**	**(73)**	**24,391**	**24,556**	**1,103**	**25,659**
Treasury shares:	18	-	-	2	-	-	-	-	2	-	2
- Acquisitions	(82)	-	-	(15)	-	-	-	-	(15)	-	(15)
- Disposals	100	-	-	17	-	-	-	-	17	-	17
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	194	194
Dividends declared	-	-	-	-	-	-	-	-	-	(149)	(149)
Balance at 31 March 2014	**2,270,625**	**11,767**	**87,482**	**(3,100)**	**(818)**	**1,522**	**350**	**408,767**	**505,970**	**23,718**	**529,688**
At 1 January 2015	**2,270,685**	**11,767**	**87,482**	**(3,087)**	**(198)**	**1,933**	**153**	**457,915**	**555,965**	**26,279**	**582,244**
Profit for the three months	-	-	-	-	-	-	-	26,569	26,569	1,532	28,101
Other comprehensive income/(loss) for the three months	-	-	-	-	-	97	113	-	210	-	210
Total comprehensive income/(loss) for the three months	**-**	**-**	**-**	**-**	**-**	**97**	**113**	**26,569**	**26,779**	**1,532**	**28,311**
Treasury shares:	2	-	-	-	-	-	-	-	-	-	-
- Acquisitions	(21)	-	-	(5)	-	-	-	-	(5)	-	(5)
- Disposals	23	-	-	5	-	-	-	-	5	-	5
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	64	64
Dividends declared	-	-	-	-	-	-	-	-	-	(341)	(341)
Balance at 31 March 2015	**2,270,687**	**11,767**	**87,482**	**(3,087)**	**(198)**	**2,030**	**266**	**484,484**	**582,744**	**27,534**	**610,278**

(In millions of Russian Roubles)

	Three months ended 31 March 2015	Three months ended 31 March 2014
Operating activities		
Profit for the period	28,101	25,494
Adjustments:		
Depreciation, depletion and amortization	5,709	4,943
Income tax expense	8,895	5,522
Loss on disposals of property, plant and equipment, investments and impairments	76	217
Transfer of social assets	9	1
Effects of foreign exchange	1,175	3,902
Equity investments losses net of dividends received	286	163
Change in provision for impairment of financial assets	241	(163)
Change in fair value of trading securities	(15)	(85)
Interest income	(2,934)	(1,360)
Interest expense	1,693	1,451
Other	(31)	484
Changes in operational working capital, excluding cash:		
Accounts receivable	(21,469)	(3,119)
Inventories	(3,127)	(2,806)
Prepaid expenses and other current assets	7,457	544
Trading securities	(85)	120
Accounts payable and accrued liabilities	(4,245)	3,780
Taxes payable	5,390	7,377
Notes payable	-	27
Other non-current assets	117	(24)
Net cash provided by operating activities before income tax and interest	**27,243**	**46,468**
Income taxes paid	(7,669)	(6,255)
Interest paid	(228)	(511)
Interest received	2,489	1,360
Net cash provided by operating activities	**21,835**	**41,062**
Investing activities		
Additions to property, plant and equipment	(13,246)	(9,662)
Proceeds from disposal of property, plant and equipment	144	224
Purchase of investments	(266)	(128)
Purchase of certificates of deposit, net	(26,516)	(33,401)
Proceeds/(issuance) from loans and notes receivable, net	1,081	(1,782)
Change in restricted cash	(68)	97
Net cash used in investing activities	**(38,871)**	**(44,652)**
Financing activities		
Proceeds from issuance of debt	3,095	3,090
Repayment of debt	(7,533)	(5,680)
Dividends paid to shareholders	(2)	(1)
Dividends paid to non-controlling shareholders	(341)	(149)
Purchase of treasury shares	(5)	(3)
Proceeds from sale of treasury shares	-	3
Proceeds from issuance of shares by subsidiaries	-	43
Net cash used in financing activities	**(4,786)**	**(2,697)**
Net change in cash and cash equivalents	**(21,822)**	**(6,287)**
Effect of foreign exchange on cash and cash equivalents	137	302
Cash and cash equivalents at the beginning of the period	41,548	29,535
Cash and cash equivalents at the end of the period	**19,863**	**23,550**

Note 1: Organisation

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

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

The Group does not have an ultimate controlling party.

As of 31 March 2015 and 31 December 2014 the government of Tatarstan, including through its wholly owned company Svyazinvestnefteknim, controls approximately 36% of the Company's voting stock. These shares were contributed to OAO Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government, including through OAO Svyazinvestneftekhim, also controls or exercises significant influence over a number of the Company's suppliers and contractors.

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

Note 2: Basis of presentation

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs.

These consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2014 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the disclosures are adequate to make the information presented not misleading if these consolidated interim condensed financial statements are read in conjunction with the Group's 2014 audited consolidated financial statements and the notes related thereto. In the opinion of the Group's management, the unaudited consolidated interim condensed financial statements and notes thereto reflect all known adjustments, all of which are of a normal and recurring nature, necessary to fairly state the Group's financial position, results of operations and cash flows for the interim periods.

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

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

(in millions of Russian Roubles)

Note 2: Basis of presentation (continued)

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

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

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

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

Sensitivity analysis for changes in rates, and other estimates:

		Impact on decommissioning provision	
	Change in	**At 31 March 2015**	**At 31 December 2014**
Discount rate	+1%	(10,089)	(9,890)
	-1%	13,338	13,103

Functional and presentation currency. The presentation currency of the Group is the Russian rouble.

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

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

The official rate of exchange, as published by the Central Bank of Russia ("CBR"), of the Russian Rouble ("RR") to the US Dollar ("US $") at 31 March 2015 and 31 December 2014 was RR 58.46 and RR 56.26 to US $, respectively. Average rate of exchange for the three months ended 31 March 2015 and 31 March 2014 was RR 62.19 and RR 34.96 per US $, respectively.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

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

(in millions of Russian Roubles)

Note 3: Adoption of new or revised standards and interpretations

A number of amendments to current IFRS and annual improvements became effective for the periods beginning on or after 1 January 2015 but did not have any significant impact on the Group's consolidated interim condensed financial statements:

- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014 (except for IFRS 2 that is effective for transactions for which the grant date is on or after 1 July 2014, and IFRS 3 that is effective for business combinations with acquisition date on or after 1 July 2014)).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted. The full list of such standards, interpretations and amendments to standards was disclosed in the consolidated financial statements as of and for the year ended 31 December 2014. No new standards, amendments and interpretations to existing standards were issued during the three months ended 31 March 2015.

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 March 2015	At 31 December 2014
Cash on hand and in banks	13,712	8,077
Term deposits with original maturity of less than three months	6,151	33,471
Total cash and cash equivalents	**19,863**	**41,548**

As of 31 March 2015 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Sberbank, Raiffeisenbank and Ak Bars Bank. As of 31 December 2014 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Sberbank, Raiffeisenbank, VTB and Ak Bars Bank. Bank deposits represent deposits with original maturities of less than three months. The fair value of cash and term deposits approximates their carrying value.

Note 5: Accounts receivable

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

	At 31 March 2015	At 31 December 2014
Short-term accounts receivable:		
Trade receivables	83,522	61,591
Other financial receivables	5,321	4,748
Less provision for impairment	(21,227)	(20,280)
Total short-term accounts receivable	**67,616**	**46,059**
Long-term accounts receivable:		
Trade receivables	692	650
Other financial receivables	933	761
Less provision for impairment	(79)	(47)
Total long-term accounts receivable	**1,546**	**1,364**
Total financial assets within trade and other receivables	**69,162**	**47,423**

(in millions of Russian Roubles)

Note 5: Accounts receivable (continued)

In accordance with the Group's policies for recorded provision for impairment the Group fully provided for receivables from ChMPKP Avto of US $334 million as of 31 March 2015 and 31 December 2014, relating to the sale of crude oil to Ukraine (Kremenchug refinery) (Note 18).

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

Note 6: Short-term financial assets

Short-term financial assets comprise the following:

	At 31 March 2015	At 31 December 2014
Loans and receivables:		
Notes receivable	3,605	3,536
Other loans (net of provision for impairment of RR 23 million and RR 50 million as of 31 March 2015 and 31 December 2014)	2,043	3,156
Certificates of deposit	42,508	16,111
Financial assets at fair value through profit or loss:		
Held-for-trading	2,620	2,520
Total short-term financial assets	**50,776**	**25,323**

During the three months ended 31 March 2015 purchases of certificates of deposit and cash proceeds from certificates of deposit were RR 36,185 million and RR 9,788 million, respectively.

During the three months ended 31 March 2014 purchases of certificates of deposit and cash proceeds from certificates of deposit were RR 33,578 million and RR 330 million, respectively.

During the three months ended 31 March 2015 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 579 million and RR 2,345 million, respectively.

During the three months ended 31 March 2014 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 1,866 million and RR 717 million, respectively.

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

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

	At 31 March 2015	At 31 December 2014
Held-for-trading:		
Equity securities	862	663
Corporate debt securities	1,758	1,705
Russian government debt securities	-	152
Total financial assets at fair value through profit and loss	**2,620**	**2,520**

Note 7: Inventories

	At 31 March 2015	At 31 December 2014
Materials and supplies	12,319	10,924
Crude oil	7,866	8,799
Refined oil products	8,757	7,634
Petrochemical supplies and finished goods	6,647	5,105
Total inventories	**35,589**	**32,462**

(in millions of Russian Roubles)

Note 8: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 31 March 2015	At 31 December 2014
Prepaid export duties	9,626	14,177
VAT recoverable	5,880	5,788
Advances	5,754	7,289
Prepaid transportation expenses	795	1,621
Other	1,643	2,282
Prepaid expenses and other current assets	**23,698**	**31,157**

Note 9: Long-term financial assets

Long-term financial assets comprise the following:

	At 31 March 2015	At 31 December 2014
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 31 March 2015 and 31 December 2014)	3,717	3,571
Loans to employees	2,455	2,636
Other loans	2,444	2,353
Certificates of deposit	16,700	16,581
Available-for-sale investments	4,752	4,752
Total long-term financial assets	**30,068**	**29,893**

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

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

	Carrying amounts		Fair values	
	At 31 March 2015	At 31 December 2014	At 31 March 2015	At 31 December 2014
Notes receivable	3,717	3,571	3,427	3,292
Loans to employees	2,455	2,636	2,455	2,636
Other loans	2,444	2,353	1,924	1,852
Certificates of deposit	16,700	16,581	12,888	11,578
Total long-term financial assets	**25,316**	**25,141**	**20,694**	**19,358**

During the three months ended 31 March 2015 purchases of long-term certificates of deposit were RR 119 million.

During the three months ended 31 March 2014 purchases of long-term certificates of deposit were RR 153 million.

During the three months ended 31 March 2015 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 867 million and RR 182 million, respectively.

During the three months ended 31 March 2014 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 903 million and RR 270 million, respectively.

(in millions of Russian Roubles)

Note 10: Investments in associates and joint ventures

Investments in associates and joint ventures comprise the following:

Name of an investee	Ownership percentage at		Net book value at		Group's share of (loss)/profit for the three months ended 31 March	
	31 March	31 December	31 March	31 December		
	2015	2014	2015	2014	2015	2014
Associates and joint ventures:						
Bank Zenit	25	25	6,829	7,131	(419)	(56)
Other	20-75	20-75	453	81	133	(107)
Total			**7,282**	**7,212**	**(286)**	**(163)**

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

Note 11: Debt

	At 31 March 2015	At 31 December 2014
Short-term debt		
Foreign currency denominated debt		
Current portion of long-term debt	8,787	11,887
Other foreign currency denominated debt	582	382
Rouble denominated debt		
Current portion of long-term debt	-	75
Other rouble denominated debt	3,320	3,515
Total short-term debt	**12,689**	**15,859**
Long-term debt		
Foreign currency denominated debt		
US $2.0 bln 2010 credit facility	7,241	10,779
US $75 mln 2011 credit facility	2,702	2,573
US $144.5 mln 2011 credit facility	4,441	4,273
EUR 55 mln 2013 credit facility	3,659	3,521
Other foreign currency denominated debt	3,057	2,830
Rouble denominated debt		
Other rouble denominated debt	688	874
Total long-term debt	**21,788**	**24,850**
Less: current portion of long-term debt	(8,787)	(11,962)
Total long-term debt, net of current portion	**13,001**	**12,888**

Foreign currency debts are primarily denominated in US Dollars.

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

Short-term Russian Rouble denominated debt. Russian Rouble denominated short-term debt is primarily comprised of loans with Russian companies and banks. Short-term Rouble denominated loans of RR 3,320 million and RR 3,515 million bear contractual interest rates of 8% to 14.85% per annum as of 31 March 2015 and 31 December 2014.

(in millions of Russian Roubles)

Note 11: Debt (continued)

Long-term foreign currency denominated debt

In June 2010, the Company entered into a triple (3, 5 and 7 year) tranches secured credit facility for up to US $2 billion arranged by Barclays Bank PLS, BNP Paribas (Suisse) SA, Bank of Moscow, Bank of Tokyo-Mitsubishi UFJ LTD Citibank N.A., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis SA, Nordea Bank, The Royal Bank of Scotland N.V., Sberbank, Société Générale, Sumitomo Mitsui Finance Dublin LTD, Unicredit Bank AG, VTB Bank and WestLB AG. The loan is collateralized with the contractual rights and receivables under an export contract between Tatneft and Tatneft Europe AG under which Tatneft supplies no less than 750,000 metric tons of oil in a calendar quarter. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The 3-year tranche was fully repaid. The 5-year tranche has the margin of LIBOR plus 3.40%, while the 7-year tranche bears the interest of LIBOR plus 5%.

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

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

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

Management believes that for the periods ended 31 March 2015 and 31 December 2014 the Group was in compliance with all covenants required by the above loan agreements.

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

	Carrying amounts		**Fair values**	
	At 31 March 2015	**At 31 December 2014**	**At 31 March 2015**	**At 31 December 2014**
US$ denominated fixed rate	3,057	2,830	3,057	2,830
US$ denominated floating rate	14,384	17,625	13,873	16,815
EUR denominated floating rate	3,659	3,521	2,933	2,691
RR denominated fixed rate	688	874	688	874
Total long-term debt	**21,788**	**24,850**	**20,551**	**23,210**

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

(in millions of Russian Roubles)

Note 12: Accounts payable and accrued liabilities

	At 31 March 2015	At 31 December 2014
Trade payables	20,000	17,269
Dividends payable	115	117
Other payables	1,480	1,347
Total financial liabilities within trade and other payables	**21,595**	**18,733**
Salaries and wages payable	3,867	4,187
Advances received from customers	2,092	6,883
Current portion of decommissioning provisions	1,071	959
Other accounts payable and accrued liabilities	7,112	7,237
Total non-financial liabilities	**14,142**	**19,266**
Accounts payable and accrued liabilities	**35,737**	**37,999**

The fair value of each class of financial liabilities included in short-term trade and other payables at 31 March 2015 and 31 December 2014 approximates their carrying value.

Note 13: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 March 2015	At 31 December 2014
Pension liability	2,748	2,749
Other long-term liabilities	220	211
Total other long-term liabilities	**2,968**	**2,960**

Note 14: Taxes

Income tax expense comprises the following:

	Three months ended 31 March 2015	Three months ended 31 March 2014
Current income tax expense	(10,809)	(7,501)
Deferred income tax benefit	1,914	1,979
Income tax expense for the period	**(8,895)**	**(5,522)**

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

	Three months ended 31 March 2015	Three months ended 31 March 2014
Profit before income taxes and non-controlling interest	36,996	31,016
Theoretical income tax expense at statutory rate	(7,399)	(6,203)
Increase due to:		
Non-deductible expenses, net	(639)	(363)
Other	(857)	1,044
Income tax expense	**(8,895)**	**(5,522)**

(in millions of Russian Roubles)

Note 14: Taxes (continued)

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

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Mineral extraction tax	33,886	29,820
Property tax	1,488	1,240
Penalties and interest	57	7
Other	392	286
Total taxes other than income taxes	**35,823**	**31,353**

At 31 March 2015 and 31 December 2014 taxes payable were as follows:

	At 31 March 2015	**At 31 December 2014**
Mineral extraction tax	11,400	7,300
Value Added Tax on goods sold	2,696	2,694
Export duties	1,447	596
Property tax	2,400	1,419
Other	1,887	2,431
Total taxes payable	**19,830**	**14,440**

Note 15: Fair values

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

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

Fair value hierarchy

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

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

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

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

(in millions of Russian Roubles)

Note 15: Fair values (continued)

Recurring fair value measurements

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

	At 31 March 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	**Total carrying value**	Level 1	Level 2	Level 3	**Total carrying value**
Held-for-trading investments	1,243	-	1,377	**2,620**	1,160	-	1,360	**2,520**
Available-for-sale investments	-	4,752	-	**4,752**	-	4,752	-	**4,752**
Total	**1,243**	**4,752**	**1,377**	**7,372**	**1,160**	**4,752**	**1,360**	**7,272**

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 measurements at 31 March 2015:

	Fair value	Valuation technique	Inputs used
Available-for-sale investments	4,752	Quoted prices for similar investments in active markets, net assets valuation	Publicly available information
Total	**4,752**		

Available-for-sale financial assets, comprise of RR 3,585 million (11.7%) Ak Bars Bank shares which are not quoted in any Stock Exchange and the fair value are measured on Ak Bars Bank Group per IFRS Financial Statements (Net assets value) and other publicly available information.

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the three months ended 31 March 2015 and the year ended 31 December 2014.

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

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

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

	At 31 March 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	**Total carrying value**	Level 1	Level 2	Level 3	**Total carrying value**
Assets								
Cash and cash equivalents	19,863	-	-	**19,863**	41,548	-	-	**41,548**
Restricted cash	1,703	-	-	**1,703**	1,635	-	-	**1,635**
Accounts receivable	-	-	69,162	**69,162**	-	-	47,423	**47,423**
Financial assets	-	-	68,850	**73,472**	-	-	42,162	**47,944**
Total assets	**21,566**	**-**	**138,012**	**164,200**	**43,183**	**-**	**89,585**	**138,550**
Liabilities								
Debt	-	-	(24,453)	**(25,690)**	-	-	(27,107)	**(28,747)**
Trade and other payable	-	-	(21,595)	**(21,595)**	-	-	(18,733)	**(18,733)**
Total liabilities	**-**	**-**	**(46,048)**	**(47,285)**	**-**	**-**	**(45,840)**	**(47,480)**

Note 15: Fair values (continued)

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

Note 16: Segment information

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

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

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

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

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

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

For the three months ended 31 March 2015, revenues of RR 17,999 million or 13%, RR 15,301 million or 11% and RR 14,710 million or 11% of the Group's total sales and operating revenues are derived from three external customers.

For the three months ended 31 March 2014, revenues of RR 16,412 million or 14% of the Group's total sales and operating revenues are derived from one external customer.

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

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

(in millions of Russian Roubles)

Note 16: Segment information (continued)

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

	Three months ended 31 March 2015	Three months ended 31 March 2014
Exploration and production		
Domestic own crude oil	18,632	20,751
CIS own crude oil	5,156	2,042
Non-CIS own crude oil	39,366	28,014
Other	1,053	1,065
Intersegment sales	28,657	25,956
Total exploration and production	**92,864**	**77,828**
Refining and marketing		
Domestic sales		
Crude oil purchased for resale	1,545	1,524
Refined products	24,443	24,337
Total Domestic sales	25,988	25,861
CIS sales		
Refined products	3,492	1,176
Total CIS sales[(1)]	3,492	1,176
Non-CIS sales		
Crude oil purchased for resale	4,105	3,287
Refined products	23,994	23,254
Total Non-CIS sales[(2)]	28,099	26,541
Other	1,168	1,010
Intersegment sales	865	904
Total refining and marketing	**59,612**	**55,492**
Petrochemicals		
Tires – domestic sales	5,792	4,195
Tires – CIS sales	1,155	1,067
Tires – non-CIS sales	428	278
Petrochemical products and other	607	600
Intersegment sales	317	178
Total petrochemicals	**8,299**	**6,318**
Total segment sales	**160,775**	**139,638**
Corporate and other sales	4,125	4,140
Elimination of intersegment sales	(29,839)	(27,038)
Total sales and other operating revenues	**135,061**	**116,740**

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

(in millions of Russian Roubles)

Note 16: Segment information (continued)

Segment earnings

	Three months ended 31 March 2015	Three months ended 31 March 2014
Segment earnings		
Exploration and production	34,292	26,360
Refining and marketing	5,528	7,674
Petrochemicals	19	14
Total segment earnings	**39,839**	**34,048**
Corporate and other	(1,079)	(1,057)
Other expenses	(1,764)	(1,975)
Profit before income tax	**36,996**	**31,016**

Segment assets

	At 31 March 2015	At 31 December 2014
Assets		
Exploration and production	295,544	280,081
Refining and marketing	301,704	294,658
Petrochemicals	32,630	30,094
Corporate and other	131,436	128,101
Total assets	**761,314**	**732,934**

As of 31 March 2015 and 31 December 2014 corporate and other segment comprised RR 7,282 million and RR 7,212 million, respectively, investments in associates and joint ventures.

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

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

	Three months ended 31 March 2015	Three months ended 31 March 2014
Depreciation, depletion and amortization		
Exploration and production	3,205	2,652
Refining and marketing	1,449	1,331
Petrochemicals	450	418
Corporate and other	605	542
Total segment depreciation, depletion and amortization	**5,709**	**4,943**
Additions to property, plant and equipment		
Exploration and production	4,930	3,505
Refining and marketing	9,142	5,813
Petrochemicals	12	769
Corporate and other	929	1,394
Total additions to property, plant and equipment	**15,013**	**11,481**

(in millions of Russian Roubles)

Note 17: Related party transactions

Transactions are entered into in the normal course of business with affiliates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions.

Associates, joint ventures and other related parties

The amounts of transactions for each period with affiliates and other related parties are as follows:

	Three months ended 31 March 2015	Three months ended 31 March 2014
Revenues and income		
Sales of refined products	4	4
Other sales	137	83
Costs and expenses		
Purchases of crude oil	43	54
Other services	113	146
Other purchases	363	400

For the three months ended 31 March 2015 and 2014, the Group sold crude oil on a commission basis from related parties for RR 43 million and RR 54 million, respectively.

At 31 March 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

	At 31 March 2015	At 31 December 2014
Assets		
Cash and cash equivalents	6,422	6,258
Restricted cash	1,314	1,554
Accounts receivable	644	421
Notes receivable	3,535	3,459
Short-term certificates of deposit	9,499	4,394
Trading securities	7	176
Loans receivable	519	515
Prepaid expenses and other current assets	668	189
Due from related parties short-term	**22,608**	**16,966**
Long-term accounts receivable	10	6
Long-term certificates of deposit	16,125	16,006
Long-term loans receivable	5,178	4,974
Due from related parties long-term	**21,313**	**20,986**
Liabilities		
Accounts payable and accrued liabilities	(67)	(45)
Short-term debt	(1,451)	(1,744)
Due to related parties short-term	**(1,518)**	**(1,789)**
Long-term debt	(116)	-
Due to related parties long-term	**(116)**	**-**

As of 31 March 2015 and 31 December 2014, the Group had RR 7,984 million and RR 7,719 million, respectively, in loans and notes receivable due from Bank Zenit or its wholly-owned subsidiary Bank Devon Credit. These loans and notes mature between 2015 and 2022, bearing interest between 2.48% and 8.5%. As of 31 March 2015 and 31 December 2014, the Group has short and long-term certificates of deposit of RR 25,623 million and RR 20,400 million, respectively, held with Bank Zenit or its wholly-owned subsidiary Bank Devon Credit.

(in millions of Russian Roubles)

Note 17: Related party transactions (continued)

In March 2009 the Group placed a long-term deposit with Bank Zenit for RR 2,140 million payable in 10 years bearing interest 10.85%. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years with a new interest rate of 9.35% per annum. The Group entered into a subordinated deposit agreement with Bank Zenit in January 2013 in the amount of RR 3,600 million payable in 10 years bearing interest of 9% per annum. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years without a change of interest rate.

Russian Government bodies and state organizations

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

	Three months ended 31 March 2015	Three months ended 31 March 2014
Sales of refined products	1,422	242
Other sales	106	101
Purchases of crude oil	841	-
Purchases of refined products	3,883	3,672
Purchases of electricity	2,877	2,817
Purchases of transportation services	4,735	3,653
Other services	959	792
Other purchases	36	75

Note 18: Contingencies and commitments

Operating environment of the Group

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

During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tensions.

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

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

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

Capital commitments. As of 31 March 2015 and 31 December 2014 the Group has outstanding capital commitments of approximately RR 53,824 million and RR 36,977 million, respectively, for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2015 and 2017.

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

Taxation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

Note 18: Contingencies and commitments (continued)

Tax authorities have completed the tax review of the Company's consolidated taxpayers group for the 2012. The results of this review did not have a material effect on the Group's results of operations or cash flows.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal processes to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

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

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

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

Guarantees. The Group has no outstanding guarantees at 31 March 2015 and 31 December 2014.

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

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

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

Note 18: Contingencies and commitments (continued)

As of 31 March 2015 the Group had approximately RR 5,731 million of assets associated with its Libyan operations of which RR 5,507 million is related to capitalized exploration costs, RR 210 million of inventories and RR 14 million of cash. As of 31 December 2014 the Group had approximately RR 5,731 million of assets associated with its Libyan operations of which RR 5,503 million is related to capitalized exploration costs, RR 210 million of inventories and RR 18 million of cash.