OAO AK TRANSNEFT
IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2009

CONTENTS

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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of OAO AK Transneft

Introduction
We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO AK Transneft (the "Company") and its subsidiaries (the "Group") as of 30 June 2009, and the related consolidated interim condensed statements of comprehensive income for the three and six months then ended, and related consolidated condensed interim statements of cash flows and changes in equity for the six months then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial information set out on pages 4 to 21 in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim 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 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Moscow, Russian Federation
14 October 2009

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

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Intangible assets		1,235	1,281
Property, plant and equipment	5	879,590	809,130
Available-for-sale financial assets		969	962
Investment in associates		1,666	1,062
VAT assets	7	999	10,281
Other financial assets		1	1,505
Total non-current assets		**884,460**	**824,221**
Current assets			
Inventories	6	14,194	8,904
Receivables and prepayments	7	17,160	19,082
Available-for-sale financial assets		109	-
VAT assets	7	57,504	46,710
Prepaid income tax		2,437	3,647
Cash and cash equivalents	8	242,591	60,565
Total current assets		**333,995**	**138,908**
Total assets		**1,218,455**	**963,129**
EQUITY AND LIABILITIES			
Equity			
Share capital		308	308
Share premium reserve		52,553	52,553
Merger reserve		(13,080)	(13,080)
Retained earnings		548,391	495,081
Attributable to the owners of OAO AK Transneft		**588,172**	**534,862**
Minority interest		26,025	25,035
Total equity		**614,197**	**559,897**
Non-current liabilities			
Borrowings and finance lease obligations	10	407,363	191,597
Deferred income tax liabilities	11	28,306	24,582
Provisions for liabilities and charges	12	74,838	75,005
Total non-current liabilities		**510,507**	**291,184**
Current liabilities			
Trade and other payables	13	54,669	46,633
Current income tax payable		1,884	1,275
Borrowings and finance lease obligations	10	37,198	64,140
Total current liabilities		**93,751**	**112,048**
Total liabilities		**604,258**	**403,232**
Total equity and liabilities		**1,218,455**	**963,129**

Approved on 14 October 2009 by:

N.P. Tokarev	President
S.N. Suvorova	General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft

	Notes	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Sales	14	81,548	166,738	66,350	129,973
Operating expenses	15	(45,197)	(85,598)	(38,134)	(73,781)
Net other operating income	15	957	1,761	4,213	6,237
Operating profit		**37,308**	**82,901**	**32,429**	**62,429**
Financial items:					
Exchange gains		14,206	29,186	405	2,807
Exchange loss		(3,223)	(36,375)	(104)	(1,045)
Interest income		1,852	2,718	377	651
Interest expense		(4,503)	(8,707)	(2,369)	(2,945)
Other financial items		-	-	432	432
Total financial items		**8,332**	**(13,178)**	**(1,259)**	**(100)**
Share of gain /(loss) from investments in associates		308	413	(36)	(51)
Profit before income tax		**45,948**	**70,136**	**31,134**	**62,278**
Income tax expense	11	(10,486)	(15,513)	(9,956)	(17,923)
Profit for the period		**35,462**	**54,623**	**21,178**	**44,355**
Other comprehensive income after tax					
Currency translation differences		(9)	27	-	-
Fair value gains / (losses) on available-for-sale financial assets, net of tax		7	18	(421)	(421)
Total comprehensive income		**35,460**	**54,668**	**20,757**	**43,934**
Profit attributable to:					
Attributable to:					
Shareholders of OAO AK Transneft		34,990	53,633	20,411	42,965
Minority interest		472	990	767	1,390
Total comprehensive income attributable to:					
Shareholders of OAO AK Transneft		34,988	53,678	20,003	42,557
Minority interest		472	990	754	1,377

Approved on 14 October 2009 by:

N.P. Tokarev — President

S.N. Suvorova — General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft

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

	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
Cash flows from operating activities			
Cash receipts from customers		181,933	145,265
Cash paid to suppliers and employees, and taxes other than profit tax		(112,502)	(74,397)
Interest paid		(14,143)	(6,653)
Income tax paid		(9,746)	(17,899)
Tax refunds		25,214	12,601
Other cash used in operating activities		(1,636)	(336)
Net cash from operating activities		**69,120**	**58,581**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(71,402)	(49,799)
Proceeds from sales of property, plant and equipment		172	147
Cash on balance sheet of acquired businesses		-	2,826
Interest and dividends received		3,111	577
Other cash proceeded from/(used in) investing activities		1,420	(1,812)
Net cash used in investing activities		**(66,699)**	**(48,061)**
Cash flows from financing activities			
Proceeds from long and short-term Borrowings		226,998	22,159
Repayment of long and short-term Borrowings		(46,382)	(19,315)
Payment of finance lease obligations		(1,856)	(2,764)
Net cash proceeds from financing activities		**178,760**	**80**
Effects of exchange rate changes on cash and cash equivalents		**845**	**(59)**
Net increase in cash and cash equivalents		**182,026**	**10,541**
Cash and cash equivalents at the beginning of the period	8	60,565	23,498
Cash and cash equivalents at the end of the period	8	**242,591**	**34,039**

Approved on 14 October 2009 by:

N.P. Tokarev	President
S.N. Suvorova	General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft

	Attributable to the owners of OAO AK Transneft						
	Share capital	**Share premium**	**Merger reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2008	**307**	**-**	**-**	**426,185**	**426,492**	**22,447**	**448,939**
Profit for the period	-	-	-	42,965	42,965	1,390	44,355
Fair value gain on available-for sale financial assets, net of tax	-	-	-	6	6	-	6
Disposal of available-for-sale financial assets	-	-	-	(427)	(427)	-	(427)
Total comprehensive income for the period	**-**	**-**	**-**	**42,544**	**42,544**	**1,390**	**43,934**
Business combination	1	52,553	(13,080)	-	39,474	569	40,043
Balance at 30 June 2008	**308**	**52,553**	**(13,080)**	**468,729**	**508,510**	**24,406**	**532,916**
Balance at 1 January 2009	**308**	**52,553**	**(13,080)**	**495,081**	**534,862**	**25,035**	**559,897**
Profit for the period	-	-	-	53,633	53,633	990	54,623
Fair value gain on available-for-sale financial assets, net of tax	-	-	-	18	18	-	18
Currency translation differences, net of tax	-	-	-	27	27	-	27
Total comprehensive income for the period	**-**	**-**	**-**	**53,678**	**53,678**	**990**	**54,668**
Dividends							
- preference shares	-	-	-	(368)	(368)	-	(368)
Balance at 30 June 2009	**308**	**52,553**	**(13,080)**	**548,391**	**588,172**	**26,025**	**614,197**

Approved on 14 October 2009 by:

N.P. Tokarev — President

S.N. Suvorova — General director of OOO Transneft Finance, a specialized organization, which performs the accounting function for OAO AK Transneft

1 NATURE OF OPERATIONS

OAO AK Transneft (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") operates the largest crude oil pipeline system in the world totalling 48,505 km. During the six months ended 30 June 2009, the Group transported 226.4 million tonnes of crude oil to domestic and export markets (six months ended 30 June 2008 – 228.8 million tonnes), which represents a substantial majority of the crude oil produced in the territory of the Russian Federation during that period.

In January 2008, OAO AK Transnefteproduct (“Transnefteproduct”) became a wholly owned subsidiary of the Company. Transnefteproduct and its subsidiaries (“Group Transnefteproduct”) operates a large oil products pipeline system in the Russian Federation and in the Republics of Belarus and Ukraine totalling 18,769 km. Its associate OOO LatRosTrans operates an interconnected system in the Latvian Republic.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

Recent global economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector and higher interbank lending rates. The crisis has also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia.

Related to this crisis, there has been a significant deterioration in the performance of the Russian economy since mid 2008. In addition, since September 2008, there has been increased volatility in currency markets and the Russian Rouble (RR) has depreciated significantly against some major currencies. The official US dollar (“USD”) exchange rate of the Central Bank of the Russian Federation (“CBR”) increased from RR 25.3718 at 1 October 2008 to RR 31.2904 at 30 June 2009. The spot Free On Board price per barrel of Urals oil decreased from USD 91.15 as at 29 September 2008 to USD 68.63 as at 30 June 2009.

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 Group believes that the impact of the current 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 information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) and should be read together with the consolidated financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The official US dollar (“USD”) to Russian Rouble (“RR”) exchange rates as determined by the Central Bank of the Russian Federation was 31.2904 and 29.3804 as at 30 June 2009 and 31 December 2008, respectively. The official euro (“EUR”) to Russian Rouble (“RR”) exchange rates as determined by the Central Bank of the Russian Federation was 43.8191 and 41.4411 as at 30 June 2009 and 31 December 2008, respectively.

3 BASIS OF PRESENTATION (continued)

Adoption of IFRS 8

Effective 1 January 2009, the Group adopted IFRS 8, Operating Segments ("IFRS 8"), which replaced ISA 14, Segment reporting. IFRS 8 introduces new requirements and guidelines regarding the disclosures of operating segments.

Operating segments are defined as components of the Group which earn revenues and incur expenses, for which separate financial information is available and reported regularly to the chief operating decision maker represented by the Management of the Group. Based on this information Management of the Group makes decisions on how to allocate resources and assesses operational and financial performance of the components.

Management of the Group performs analysis by entities, business activities of which are consolidated through two principal reportable segments "Crude oil transportation" and "Oil product transportation".

Revenue of each reportable segment is generated based on transportation tariffs which are set by the Russian Federation, through the Federal Tariff Agency (FTA):

- in the Oil Transportation segment tariffs are set by the FTA in an amount sufficient to cover costs, taxes and duties in accordance with tax legislation and to generate net profit to be used to finance pipeline construction, infrastructure modernization and reconstruction, and to pay dividends;
- pricing in the Oil Product Transportation segment is regulated via the FTA's setting of the tariff ceiling, including the marginal ratio of oil product pipeline transportation cost to alternative transportation cost. The actual tariffs are approved by Transnefteproduct's Management Board within the limits set out by FTA; the tariffs are calculated in the amount required to cover reasonable expenses and ensure adequate margin to fund economically feasible investments aimed at constructing new major fixed assets and updating the existing ones.

For each segment economic feasibility of costs is determined by budgeting its income and expenses. Management of the Group approves target figures of the budgets and subsequently analyzes actual information against plans on a regular basis. Management of the Group analyzes business segment results by types of income and expenses that form pre-tax profit.

Reportable segments' assets include all assets recognized under the Russian statutory accounting rules (hereinafter "RAR"). Reportable segments' assets reviewed by Management of the Group on a regular basis include fixed assets, construction in progress, trade accounts receivable and advances originated. Reportable segments' liabilities include all liabilities recognized under RAR. Reportable segments' liabilities reviewed by Management of the Group on a regular basis include accounts payable and advances received as well as long-term and short-term borrowings. Other assets and liabilities of the reportable segments can be reviewed as part of the Group's analysis of reportable segments depending on the materiality.

Management of the Group regularly reviews income and expenses included as separate items in the statement of comprehensive income. When reviewing reportable segments Management of the Group also considers amounts of segments' capital expenditures and their fulfillment of capital repairs and maintenance programs.

Adoption of Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1") is effective for reporting periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The consolidated interim condensed financial statements have been prepared under the revised presentation requirements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2008.

New accounting developments

In 2009 the Group has adopted all standards, amendments and interpretations which were effective for the accounting periods beginning 1 January 2009 and which are relevant to its operations.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning after 1 January 2009 and which the Group has not early adopted:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (also referred to as "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed.

Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Group is currently assessing the impact of the IFRIC 18 on its consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

IFRS for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the required disclosures have been simplified and significantly reduced. IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. IFRS for Small and Medium-sized Entities is not relevant to the Group's operations because the Group is not considered as small or medium-sized entity.

Amendments to IFRS 2 ("Share-based payment – Group cash-settled share-based payment transactions"), which are effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. They incorporate IFRIC 8 and IFRIC 11 into the standard and expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendment also clarifies the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial statements.

Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards". The amendments address the retrospective application of IFRSs to particular situations and aims to ensure that entities applying IFRSs will not face undue cost or effort in the transition process. The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and it also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease' when the application of their national accounting requirements produced the same result. The amendments are effective for accounting periods beginning on or after 1 January 2010. The amendments will not have any impact on the Group's financial statements.

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

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Linefill	Assets under construction including prepayments	Total
At 1 January 2009						
Cost	91,434	503,016	273,675	65,533	225,467	1,159,125
Accumulated depreciation and impairment	(26,427)	(191,886)	(131,682)	-	-	(349,995)
Net book value at 1 January 2009	**65,007**	**311,130**	**141,993**	**65,533**	**225,467**	**809,130**
Depreciation	(1,511)	(8,640)	(11,883)	-	-	(22,034)
Additions (including prepayments)	-	-	78	2,052	93,380	95,510
Transfers from assets under construction	1,831	1,284	15,522	-	(18,637)	-
Net change in dismantlement provision	-	(2,888)	-	-	266	(2,622)
Disposals/retirements at cost	(98)	(4)	(838)	(155)	-	(1,095)
Accumulated depreciation and impairment on disposals/retirements	17	2	682	-	-	701
Net book value at 30 June 2009	**65,246**	**300,884**	**145,554**	**67,430**	**300,476**	**879,590**
At 30 June 2009						
Cost	93,167	501,408	288,437	67,430	300,476	1,250,918
Accumulated depreciation and impairment	(27,921)	(200,524)	(142,883)	-	-	(371,328)
Net book value at 30 June 2009	**65,246**	**300,884**	**145,554**	**67,430**	**300,476**	**879,590**

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

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and facilities	Pipelines and tanks	Other plant and equipment	Linefill	Assets under construction including prepayments	Total
At 1 January 2008						
Cost	63,553	378,633	217,909	51,271	215,959	927,325
Accumulated depreciation and impairment	(19,366)	(166,309)	(108,090)	-	-	(293,765)
Net book value at 1 January 2008	**44,187**	**212,324**	**109,819**	**51,271**	**215,959**	**633,560**
Depreciation	(855)	(6,512)	(9,421)	-	-	(16,788)
Additions (including prepayments)	-	-	-	2,557	48,570	51,127
Transfers from assets under construction	6,468	2,950	12,257	-	(21,675)	-
Net change in dismantlement provision	-	5,059	-	-	(820)	4,239
Disposals/retirements at cost	(183)	(114)	(763)	(397)	-	(1,457)
Accumulated depreciation and impairment on disposals/retirements	40	95	639	-	-	774
Cost acquisition through business combinations	13,017	25,252	9,784	7,653	23,270	78,976
Accumulated depreciation and impairment through business combination	(4,965)	(12,507)	(5,935)	-	-	(23,407)
Net book value at 30 June 2008	**57,709**	**226,547**	**116,380**	**61,084**	**265,304**	**727,024**
At 30 June 2008						
Cost	82,855	411,780	239,187	61,084	265,304	1,060,210
Accumulated depreciation and impairment	(25,146)	(185,233)	(122,807)	-	-	(333,186)
Net book value at 30 June 2008	**57,709**	**226,547**	**116,380**	**61,084**	**265,304**	**727,024**

Linefill represents 27,903 thousand tonnes of crude oil and 1,223 thousand tonnes of oil products as at 30 June 2009 (as at 31 December 2008 – 27,656 thousand tonnes of crude oil and 1,237 thousand tonnes of oil products).

During the six months ended 30 June 2009, borrowing costs in the amount of RR 10,269 were capitalised as part of cost of assets under construction (for the six months ended 30 June 2008 – RR 5,455).

6 INVENTORIES

	30 June 2009	31 December 2008
Materials and supplies	8,543	6,600
Sundry goods for resale	5,550	2,262
Other items	101	42
	14,194	**8,904**

Sundry goods for resale, including oil and oil products, are presented net of impairment provision of RR 394 as at 30 June 2009 (as at 31 December 2008 – RR 2,725).

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

7 RECEIVABLES AND PREPAYMENTS AND VAT ASSETS

Receivables and prepayments

	30 June 2009	31 December 2008
Trade receivables	2,074	1,662
Prepayments and advances	10,417	11,422
Other receivables	4,669	5,998
	17,160	**19,082**

VAT assets

	30 June 2009	31 December 2008
Recoverable VAT related to construction projects	36,360	41,898
Recoverable VAT related to ordinary activity	22,143	15,093
	58,503	56,991
Less: short-term VAT	(57,504)	(46,710)
Long-term VAT	**999**	**10,281**

8 CASH AND CASH EQUIVALENTS

	30 June 2009	31 December 2008
Balances denominated in Russian roubles	68,440	41,562
Balances denominated in US dollars	148,671	12,899
Balances denominated in Euro	25,473	6,094
Balances denominated in other currency	7	10
	242,591	**60,565**

9 DIVIDENDS

In June 2009, the shareholders of the Company approved the payment of dividends for 2008 in the amount of RR 368 (preferred shares – RR 368) at the annual general meeting of shareholders. The whole amount of dividends is expected to be paid before 31 December 2009.

10 BORROWINGS AND FINANCE LEASE OBLIGATIONS

	30 June 2009	31 December 2008
Borrowings and loans	442,966	253,104
Finance lease obligations	1,595	2,633
Total borrowings and loans	444,561	255,737
Less: current borrowings and loans and current portion of non-current borrowings and loans and finance lease obligations	(37,198)	(64,140)
	407,363	**191,597**
Maturity of non-current borrowings and loans and finance lease obligations		
Due for repayment:		
Between one and five years	183,056	122,551
After five years	224,307	69,046
	407,363	**191,597**

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

10 BORROWINGS AND FINANCE LEASE OBLIGATIONS (continued)

In February 2009, the Group signed a facility agreement with China Development Bank Corporation for USD 10 billion, at a floating LIBOR-based rate, due in 20 years and repayable by equal installments, starting from the fifth year after the date of the first drawdown. Interest on the credit agreement is payable once every six months until 1 January 2011 and on a monthly basis after 1 January 2011. In June 2009, the Group received USD 5.0 billion (RR 156,452 at the CBR exchange rate as at 30 June 2009) under the facility agreement; the remaining loan portion will be drawn down over the period 2009-2010. The proceeds will be used for the construction of crude oil pipeline infrastructure, including construction of the crude oil pipeline from Russia to the border of the People's Republic of China and general corporate purposes.

Since 1 January 2011 as a collateral of the agreement above in February 2009 the Company signed a contract for the term of 20 years for the annual supply of 6 mln tons of crude oil to the People's Republic of China starting from 1 January 2011 for the fulfillment of the obligations, a contract was signed with OAO NK Rosneft in April 2009 for the supply of corresponding volumes of crude oil to the Company.

In June 2009, the Company placed nonconvertible interest bearing documentary bonds payable to bearer (series 01) in totalling RR 35,000 with a nominal value of one thousand roubles each, due in 10 years. There is an option to redeem the bonds earlier at the request of the bearer and at the discretion of the issuer, but not earlier than 6 years after the placement. The proceeds are used for general corporate purposes including financing current activities of the Group for replenishment of working capital and financing investment programs. The bonds have 10 coupon periods of 364 days each. The coupon yield for the first period is set at 13.75% per annum. The coupon yield for the second - sixth coupon periods will be determined as a fixed direct REPO rate of the Central Bank of Russian Federation for the term of one year and effective as at the 3-rd day before the beginning of the respective coupon period plus 2% per annum. The coupon yield for the seventh - tenth periods will be determined by the issuer.

All borrowings and loans of the Group are unsecured as at 30 June 2009 and 31 December 2008.

11 DEFERRED TAX LIABILITIES AND INCOME TAX EXPENSE

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. In November 2008 the Federal Law on changes in Russian Tax Code relating to the decrease in corporate profit tax rate in Russia from 24% to 20% was adopted, effective from 1 January 2009. 20% tax rate was applied to determine the deferred tax liabilities as of 30 June 2009 and 31 December 2008. Income tax expense in the consolidated interim financial statements are accrued based on full-year effective rate applied to the pre-tax income of the interim period.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	30 June 2009	31 December 2008
Dismantlement provision	69,816	69,233
Pension provision	5,022	5,772
	74,838	**75,005**

Dismantlement provision

The provision is established for the expected cost of dismantling parts of the existing pipeline network based on the average current cost per kilometre of removal according to an estimated plan of replacement over the long term. The provision calculation is based on the assumption that dismantlement activities are expected to cover the same number of kilometres each year over the useful life of the network. The cost of dismantlement is added to the cost of property, plant and equipment and depreciated over the useful economic life of the pipeline network. Additional provisions are made when the total length of the network increases and reductions occur when sections of the pipeline are decommissioned. Other changes are made when the expected pattern or unit cost of dismantlement is changed.

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

12 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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 eight 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". Under this method, a provision has been established having regard to employee life expectancy.

13 TRADE AND OTHER PAYABLES

	30 June 2009	31 December 2008
Trade payables	22,811	14,057
Advances received for oil and oil product transportation services	11,423	17,584
VAT output tax payable	8,820	4,910
Other taxes payable	1,494	755
Dividends payable	368	-
Other payables and accruals	9,753	9,327
	54,669	**46,633**

14 SALES

	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Revenues from crude oil transportation services				
Domestic tariff	30,858	62,281	24,210	49,560
Export tariff	43,123	85,008	34,650	67,295
Total revenues from crude oil transportation services	**73,981**	**147,289**	**58,860**	**116,855**
Revenues from oil products transportation services	5,002	11,759	4,251	7,277
Other revenues	2,565	7,690	3,239	5,841
	81,548	**166,738**	**66,350**	**129,973**

15 OPERATING EXPENSES AND NET OTHER OPERATING INCOME

	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Depreciation	9,861	20,418	8,230	16,148
Staff costs:				
Salaries and pension expense	14,896	25,441	11,349	19,744
Unified Social Fund contributions	2,094	4,166	2,103	3,714
Social expenses	751	1,226	822	1,302
Energy	6,859	13,639	5,760	11,698
Materials	2,957	5,724	3,010	5,813
Repairs and maintenance services	2,217	3,693	1,362	2,204
Other	5,562	11,291	5,498	13,158
	45,197	**85,598**	**38,134**	**73,781**

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

15 OPERATING EXPENSES AND NET OTHER OPERATING INCOME (continued)

The following amounts are included in the net other operating income:

	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Oil surplus	2,454	3,524	3,230	5,508
Charitable contribution	(1,560)	(1,697)	82	(247)
Other income / (expenses)	63	(66)	901	976
	957	**1,761**	**4,213**	**6,237**

16 CONTINGENT LIABILITIES, COMMITMENTS 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 outstanding at 30 June 2009, which could have a material adverse effect on the results of operations or financial position of the Group.

As of the date of issuing these consolidated interim condensed financial statements, the courts of the first to third instances confirmed the right of certain entities of the Group (the Company and Transnefteproduct) to claim RR 6,482 of VAT paid during the period January 2004 – October 2007 at a rate of 18% to their transportation subsidiaries for oil transportation services and oil products transportation services. Due to the tax authority's contestation of judicial acts favorable for the Company and OAO AK Transnefteproduct within the period from February to June 2009, judicial acts favorable for OAO AK Transnefteproduct for the total amount of RR 285 were transferred for a new trial to the court of first instance or cancelled.The Arbitration Court of Moscow satisfied claims of OAO AK Transnefteproduct on VAT recovery in the course of the second trial of cases related to the abandonment of VAT recovery in the amount of RR 215 of the total above amount (RR 285). As related to the abandonment of VAT recovery in the amount of RR 70 the case of OAO AK Transnefteproduct is currently being reconsidered by the Arbitration Court of Moscow. In May 2009, the Moscow regional court invalidated the decisions of the lower courts with regard to certain claims amounting to RR 1,397 and transferred a part of the claim (RR 701) to the court of the first instance. In September 2009 the Arbitration Court of Moscow took decision in favor of the Company.

17 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 Ministry of Energy, other Federal bodies, and independent directors. The Government also appoints the members of the Federal Tariff Agency which sets the tariff rates.

The Company holds in trust on behalf of the Russian Government 24% of the shares of the Caspian Pipeline Consortium-R, 24% of the shares of the Caspian Pipeline Consortium – K as at 30 June 2009 and 31 December 2008. These interests are not recognised in these consolidated financial statements as the Company is acting as an agent on behalf of the Russian Government.

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: transportation of oil and oil products and transactions with banks.

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

17 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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

	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Revenue from oil transportation services	21,136	41,635	19,925	36,561
Revenue from oil products transportation	1,584	3,745	1,407	2,493
Electricity expenses	67	157	357	753
Interest expenses	4,857	8,294	2,038	3,852

	30 June 2009	31 December 2008
Receivables and prepayments	1,315	770
Cash	195,454	29,083
Advances received for oil transportation services	2,493	4,083
Advances received for oil product transportation services	844	1,044
Non-current and current borrowings	106,687	118,111

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

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 interest-free loans. Short-term compensations payable to the key management personnel of the Company and subsidiaries consists of contractual remuneration for their services in full time executive positions. The remunerations for the members of the Boards of Directors of Company are subject to approval by the General Meeting of Shareholders. Key management personnel compensation and loans issued to key management personnel are not disclosed in consolidated interim condensed financial statements due to their immateriality. 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.

18 SEGMENT INFORMATION

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

Adjusting entries reconciling this information with these consolidated interim condensed financial statements indicators primarily include adjustments and reclassifications resulting from differences between RAR and IFRS.

The Group has no material transactions between operating segments.

Segment information for the six months ended 30 June 2009 is as follows:

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

18 SEGMENT INFORMATION (continued)

	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
External revenue	**147,902**	**11,751**	**7,085**	**166,738**
Operating expenses	(76,234)	(6,657)	(2,707)	(85,598)
Depreciation and amortisation	(20,486)	(1,420)	1,488	(20,418)
Interest income	2,470	183	65	2,718
Interest expenses	(2,892)	(1,267)	(4,548)	(8,707)
Share of profit/(loss) from associates	460	15	(62)	413
Profit before income tax	**66,635**	**2,708**	**793**	**70,136**
Income tax expense	(16,201)	(611)	1,299	(15,513)
Profit for the year	**50,434**	**2,097**	**2,092**	**54,623**
Investments in associates	1,160	36	470	1,666
Total segment assets	**1,223,963**	**63,151**	**(68,659)**	**1,218,455**
Trade payables and advances received	33,043	1,800	(609)	34,234
Non-current borrowings	385,000	22,154	(102)	407,052
Current borrowings	32,924	2,993	(3)	35,914
Total segment liabilities	**495,109**	**28,184**	**80,965**	**604,258**
Other segment disclosures				
Additions to non-current assets (other than financial instruments and deferred tax assets)	91,365	1,057	3,053	95,475

Segment information for the six months ended 30 June 2008 is as follows:

	Oil transportation services	Oil products transportation services	Adjustments	Total IFRS
External revenue	**117,711**	**7,215**	**5,047**	**129,973**
Operating expenses	(53,230)	(4,753)	(15,798)	(73,781)
Depreciation and amortisation	(12,259)	(839)	(3,050)	(16,148)
Interest income	627	21	3	651
Interest expenses	(12)	(827)	(2,106)	(2,945)
Share of profit/(loss) from associates	-	13	(64)	(51)
Profit/(loss) before income tax	**72,007**	**2,349**	**(12,078)**	**62,278**
Income tax (expense)/credit	(19,208)	(678)	1,963	(17,923)
Profit/(loss) for the year	**52,799**	**1,671**	**(10,115)**	**44,355**
Investments in associates	3	36	551	590
Total segment assets	**749,147**	**58,316**	**54,428**	**861,891**
Trade payables and advances received	25,359	1,810	2,285	29,454
Non-current borrowings	86,399	17,732	(170)	103,961
Current borrowings	72,104	2,833	-	74,937
Total segment liabilities	**213,199**	**23,437**	**92,339**	**328,975**
Other segment disclosures:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	48,143	1,865	11,820	61,828

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

18 SEGMENT INFORMATION (continued)

Adjustments to income and expenses that form profit before tax are mainly represented by IFRS adjustments to record minority interest, to recognise fixed assets and process oil revaluation results, to accrue provision for dismantling and removing of fixed assets, to decapitalise interest costs capitalised earlier under RAR and for IFRS purposes.

Adjusting items for segment's assets in the amount of RR 68,659 as at 30 June 2009 and RR 54,428 as at 30 June 2008 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	30 June 2009	**30 June 2008**
Property, plant and equipment dismantlement provision recognized in cost	48,159	50,700
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"	(103,929)	9,990
Revaluation of linefill	47,989	47,671
Assets received under finance lease	6,970	8,147
Business combination with Transnefteproduct	(52,554)	(52,554)
Deferred tax assets	(8,126)	(1,065)
Others	(7,168)	(8,461)
Total unallocated reconciliation adjustments of segment assets	**(68,659)**	**54,428**

Adjusting items for segment's liabilities in the amount of RR 80,965 as at 30 June 2009 and RR 92,339 as at 30 June 2008 include the following adjustments and reclassifications due to RAR and IFRS accounting differences:

	30 June 2009	**30 June 2008**
Dismantlement provision	67,106	60,081
Pension liabilities	5,022	5,131
Deferred tax liabilities	2,224	15,492
Lease liabilities	1,595	2,018
Others	5,018	9,617
Total unallocated reconciliation adjustments of segment liabilities	**80,965**	**92,339**

Geographical information. The Group's two segments primary operate on the territory of the Russian Federation. Revenue from external customers is presented based on the customers domicile (registered office) although the majority of revenues are generated by assets located in the Russian Federation. The oil product transportation segment has certain assets located on the territory of Latvia, Ukraine and Belarus. The carrying value of these assets is not significant.

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

	Three months ended 30 June 2009	**Six months ended 30 June 2009**	**Three months ended 30 June 2008**	**Six months ended 30 June 2008**
Russian Federation	73,918	156,574	62,089	124,061
Other countries	7,630	10,164	4,261	5,912
	81,548	**166,738**	**66,350**	**129,973**

Revenue from external customers in other countries mainly includes revenue from services provided to customers in Kazakhstan, Belorussia and 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 revenue are as follows:

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

18 SEGMENT INFORMATION (continued)

Company	Three months ended 30 June 2009	Six months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2008
Companies under control of the Government of the Russian Federation	22,720	45,380	21,138	39,054
OAO Lukoil	12,672	25,396	10,159	20,219
OAO Surgutneftegaz	12,352	24,735	10,094	20,194
OAO TNK-BP Holding	11,342	22,397	8,423	17,145
	59,086	**117,908**	**49,814**	**96,612**

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

19 EVENTS AFTER THE REPORTING PERIOD

In September 2009, the Group early redeemed the loan received by Transnefteproduct from Vneshtorgbank for Kstovo-Yaroslavl-Kirishi-Primorsk pipeline (‘Sever’ project) construction. As at 30 June 2009, the debt under the above loan reflected in the consolidated interim condensed financial statements is RR 22,154.

In September 2009, the Company placed nonconvertible interest bearing documentary bonds payable to bearer (series 03) in totalling RR 65,000 with a nominal value of one thousand roubles each, due in 10 years. There is an option to redeem the bonds earlier at the request of the bearer and at the discretion of the issuer, but not earlier than 6 years after the placement. The proceeds are used for general corporate purposes including financing current activities of the Group for replenishment of working capital and financing investment programs. The bonds have 10 coupon periods of 364 days each. The coupon yield for the first period is set at 12.15% per annum. The coupon yield for the second - sixth coupon periods will be determined as a fixed direct REPO rate of the Central Bank of Russian Federation for the term of one year and effective as at the 3-rd day before the beginning of the respective coupon period plus 2.4% per annum. The coupon yield for the seventh - tenth periods will be determined by the issuer.

In October 2009, the Company placed nonconvertible interest bearing documentary bonds payable to bearer (series 02) in totalling RR 35,000 with a nominal value of one thousand roubles each, due in 10 years. There is an option to redeem the bonds earlier at the request of the bearer and at the discretion of the issuer, but not earlier than 6 years after the placement. The proceeds are used for general corporate purposes including financing current activities of the Group for replenishment of working capital and financing investment programs. The bonds have 10 coupon periods of 364 days each. The coupon yield for the first period is set at 11.75% per annum. The coupon yield for the second - sixth coupon periods will be determined as a fixed direct REPO rate of the Central Bank of Russian Federation for the term of one year and effective as at the 3-rd day before the beginning of the respective coupon period plus 2% per annum. The coupon yield for the seventh - tenth periods will be determined by the issuer.