TATNEFT

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2008

TATNEFT
Consolidated Interim Condensed Balance Sheets (Unaudited)
(in millions of Russian Roubles)

	Notes	At March 31, 2008	At December 31, 2007
Assets			
Cash and cash equivalents		15,291	13,010
Restricted cash		5,822	3,996
Accounts receivable, net	4	39,927	44,193
Due from related parties	10	15,806	19,732
Short-term investments		12,482	12,977
Current portion of loans receivable		6,907	3,796
Inventories	5	12,339	10,923
Prepaid expenses and other current assets		25,121	17,968
Total current assets		**133,695**	**126,595**
Long-term loans receivable, net		4,750	4,842
Due from related parties	10	4,668	6,546
Long-term investments		33,871	32,310
Property, plant and equipment, net		192,591	187,795
Other long-term assets		12,873	12,131
Total assets		**382,448**	**370,219**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	6	3,893	4,332
Trade accounts payable		8,651	5,647
Due to related parties	10	311	1,387
Other accounts payable and accrued liabilities		18,188	16,820
Capital lease obligations		565	575
Taxes payable		11,901	9,667
Total current liabilities		**43,509**	**38,428**
Long-term debt, net of current portion	6	8,928	9,177
Due to related parties	10	9	5
Other long-term liabilities		1,692	2,134
Asset retirement obligations, net of current portion		32,736	31,937
Deferred tax liability	7	19,620	19,738
Capital lease obligations, net of current portion		232	242
Total liabilities		**106,726**	**101,661**
Minority interest		**4,947**	**4,499**
Shareholders' equity			
Preferred shares (authorized and issued at March 31, 2008 and December 31, 2007 - 147,508,500 shares; nominal value at March 31, 2008 and December 31, 2007 - RR1.00)		148	148
Common shares (authorized and issued at March 31, 2008 and December 31, 2007 - 2,178,690,700 shares; nominal value at March 31, 2008 and December 31, 2007 - RR1.00)		2,179	2,179
Additional paid-in capital		95,275	95,274
Accumulated other comprehensive loss		(86)	(461)
Retained earnings		176,056	169,721
Less: Common shares held in treasury, at cost (101,009,000 shares and 101,057,000 shares at March 31, 2008 and December 31, 2007, respectively)		(2,797)	(2,802)
Total shareholders' equity		**270,775**	**264,059**
Total liabilities and shareholders' equity		**382,448**	**370,219**

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

(in millions of Russian Roubles)

	Notes	Three months ended March 31, 2008
Sales and other operating revenues	9	**109,052**
Costs and other deductions		
Operating		13,383
Purchased oil and refined products		15,053
Exploration		3,053
Transportation		2,781
Selling, general and administrative		10,576
Depreciation, depletion and amortization		2,518
Loss on disposals of property, plant and equipment and investments and impairments		790
Taxes other than income taxes	7	50,000
Maintenance of social infrastructure and transfer of social assets		451
Total costs and other deductions		**98,605**
Other income (expenses)		
Earnings from equity investments		266
Foreign exchange loss		(1,691)
Interest income		831
Interest expense, net of amounts capitalized		(63)
Other expenses, net		(375)
Total other expenses		**(1,032)**
Income before income taxes and minority interest		**9,415**
Income taxes		
Current income tax expense		(3,486)
Deferred income tax benefit		747
Total income tax expense	7	**(2,739)**
Income before minority interest		**6,676**
Minority interest		(341)
Net income		**6,335**
Foreign currency translation adjustments		375
Comprehensive income		**6,710**
Basic and diluted net income per share (RR)	8	
Common		2.85
Preferred		2.85
Weighted average shares outstanding (millions of shares)	8	
Common		2,078
Preferred		148

(in millions of Russian Roubles)

	Three months ended March 31, 2008
Operating activities	
Net income	6,335
Adjustments:	
Minority interest	341
Depreciation, depletion and amortization	2,518
Deferred income tax benefit	(747)
Loss on disposals of property, plant and equipment and investments and impairments	790
Effects of foreign exchange	(513)
Equity earnings net of dividends received	(266)
Accretion of asset retirement obligation	801
Change in fair value of trading securities	(180)
Other	275
Changes in operational working capital, excluding cash:	
Accounts receivable	4,494
Inventories	1,331
Prepaid expenses and other current assets	(5,822)
Trading securities	124
Related parties	(974)
Trade accounts payable	2,572
Other accounts payable and accrued liabilities	641
Taxes payable	2,237
Notes payable	12
Other non-current assets	(340)
Net cash provided by operating activities	**13,629**
Investing activities	
Additions to property, plant and equipment	(8,177)
Proceeds from disposals of property, plant and equipment	94
Proceeds from disposal of investments	(46)
Purchase of investments	(97)
Certificates of deposit	2,321
Loans and notes receivable	(3,247)
Change in restricted cash	(1,826)
Net cash used in investing activities	**(10,978)**
Financing activities	
Proceeds from issuance of debt	6,382
Repayment of debt	(6,602)
Repayment of capital lease obligations	(148)
Dividends paid to shareholders	(3)
Dividends paid to minority shareholders	(4)
Purchase of treasury shares	(10)
Proceeds from sale of treasury shares	15
Proceeds from issuance of shares by subsidiaries	-
Net cash used in financing activities	**(370)**
Net change in cash and cash equivalents	**2,281**
Cash and cash equivalents at beginning of period	13,010
Cash and cash equivalents at end of period	**15,291**

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

	2008	
	Shares	**Amount**
Preferred shares:		
Balance at January 1 and March 31 (shares in thousands)	147,509	148
Common shares:		
Balance at January 1 and March 31 (shares in thousands)	2,178,691	2,179
Treasury shares, at cost:		
Balance at January 1	101,057	(2,802)
Purchases	61	(10)
Sales	(109)	15
Balance at March 31 (shares in thousands)	101,009	(2,797)
Additional paid-in capital		
Balance at January 1		95,274
Treasury share transactions		1
Balance at March 31		95,275
Accumulated other comprehensive (loss) / income		
Balance at January 1		(461)
Foreign currency translation adjustments		375
Balance at March 31		(86)
Retained earnings		
Balance at January 1		169,721
Net income		6,335
Balance at March 31		176,056
Total shareholders' equity at March 31		**270,775**

Note 1: Organization

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 9).

The Company was incorporated as an open joint stock company effective January 1, 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.

At March 31, 2008, the Government, through its wholly owned company, OAO Svyazinvestneftekhim, held 36% of the common shares of the Company. The Government owns a "Golden Share" which carries the right to, *inter alia*, veto certain decisions taken at meetings of the shareholders and the Board of Directors. The Government of Tatarstan is able to exercise significant influence through its ownership interest in the Company, its legislative, taxation and regulatory powers, its representation on the Board of Directors and informal influence. The Government has used its influence in the past to facilitate actions that may not maximize shareholder value, such as maintaining employment levels, increasing expenditure on social assets, selling oil to certain customers, transferring exploration or production licenses to small Tatarstan oil companies (including companies not affiliated with the Group), acquiring specified companies or taking actions to raise funds for the benefit of Tatarstan (see Note 10).

The Government of Tatarstan controls or exercises significant influence over a number of the Group's suppliers, such as OAO Tatenergo, a major supplier of electricity to the Group, and a number of the Group's ultimate customers including OAO TAIF. Consequently, the Group may be subject to pressures to enter into transactions that the Group might not otherwise contemplate with suppliers and contractors controlled or significantly influenced by the Government. Related party transactions are further disclosed in Note 10.

Note 2: Basis of Presentation

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 financial statements have been prepared from these accounting records and adjusted as necessary to comply with accounting principles generally accepted in the United States of America ("US GAAP").

The unaudited consolidated interim condensed financial statements have been prepared in accordance with US GAAP for interim financial reporting of public companies (primarily Accounting Principles Board Opinion 28 ("APB 28") "Interim Financial Reporting" and do not include all disclosures necessary required by US GAAP. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2007 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 interim consolidated financial statements are read in conjunction with the Company's 2007 audited consolidated financial statements and the notes related thereto. In the opinion of the Company'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 Company's financial position, results of operations and cash flows for the interim periods.

The results for the three-month period ended March 31, 2008 are not necessarily indicative of the results expected for the full year.

Note 2: Basis of Presentation (continued)

Use of estimates in the preparation of financial statements. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. While management uses its best estimates and judgments, actual results could differ from those estimates and assumptions used. Among the estimates made by the management are: in-process inventories, assets valuation allowances, depreciable lives, oil and gas reserves, dismantling costs and income taxes.

Foreign currency transactions and translation. Management has determined the functional currency of the Group, except for 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 US Statement of Financial Accounting Standards ("SFAS") No. 52, *"Foreign Currency Translation"*.

Under SFAS No. 52, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Exchange gains and losses arising from re-measurement of monetary assets and liabilities that are not denominated in Russian Roubles are credited or charged to operations.

For operations of subsidiaries located outside of the Russian Federation, that primarily use US Dollars 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 accumulated other comprehensive loss. Gains or losses resulting from transactions in other than the functional currency are reflected in net income.

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 March 31, 2008 and December 31, 2007 was RR 23.52 and RR 24.55 to US Dollar, respectively. Average rate of exchange for the three months ended March 31, 2008 was RR 24.26 per US Dollar.

Reclassifications. Certain reclassifications have been made to previously reported balances to conform to the current year's presentation; such reclassifications have no effect on net income or shareholders' equity.

Principles of consolidation and long-term investments. The accompanying consolidated financial statements include the operations of all majority-owned, controlled subsidiaries and VIEs, where the Group is the primary beneficiary. In 2006 the Company determined that, despite a 40% direct ownership interest, OAO TANECO ("TANECO"), formerly ZAO Nizhnekamsk oil refinery, was a variable interest entity and that the Group was its primary beneficiary. Accordingly, the financial position, results of operation and cash flows of TANECO have been included in the consolidated interim condensed financial statements as of and for the three months ended March 31, 2008. Joint ventures and affiliates in which the Group has significant influence but not control are accounted for using the equity method. Intercompany transactions and accounts are eliminated on consolidation. Other long-term investments are carried at cost and adjusted for estimated impairment. The Group reviews equity method investments for impairment on an annual basis, and records an impairment when circumstances indicate that an other-than-temporary decline in value has occurred. The amount of the impairment is based on quoted market prices, where available, or other valuation techniques, including discounted cash flows. Equity investments and investments in other companies are included in "Long-term investments" in the consolidated balance sheet.

Note 2: Basis of Presentation (continued)

Income taxes. Deferred income tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, except for deferred taxes on income considered to be permanently reinvested in foreign subsidiaries. Deferred tax assets and liabilities are measured using enacted tax rates in the periods in which these temporary differences are expected to reverse. Valuation allowances are provided for deferred income tax assets when management believes that it is more likely than not that such assets will not be realized.

Starting from January 1, 2007 the Company accounts for uncertain tax positions in accordance with Financial Accounting Standard Board ("FASB") issued Interpretation No. 48 ("FIN") *Accounting for Uncertainty in Income Taxes*. Liabilities for unrecognized income tax benefits under the provisions of FIN 48 together with corresponding interest and penalties are recorded in the consolidated statement of income as income tax expense. The adoption of FIN 48 did not have a material impact on the Group's financial position or results of operation.

Recent accounting pronouncements:

Presentation of taxes collected from customers. In June 2006, the FASB ratified the earlier EITF consensus on Issue 06-3, *"How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation),"* which became effective for the Group on January 1, 2007. The new accounting standard requires that a company discloses its policy for recording taxes assessed by a governmental authority on a revenue-producing transaction between a seller and a customer. The Group adopted the provisions of EITF Issue 06-3 on January 1, 2007. The Group reports sales gross of export duties and excise taxes and net of VAT. Sales and other operating revenues and taxes other than income taxes in the consolidated statement of operations and comprehensive income include export duties and excise taxes of RR 30,013 million at March 31, 2008.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. The standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this standard does not require any new fair value measurements. In February 2008, the FASB issued a FASB Staff Position (FSP) on SFAS 157 that permits a one-year delay of the effective date for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Group adopted this standard effective January 1, 2008, with the exceptions allowed under the FSP SFAS 157 described above.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Group applied this standard for financial statements issued for fiscal year beginning from January 1, 2008.

In June 2007, the American Institute of Certified Public Accountants ("the AICPA") issued Statement of Position No. 07-1, *"Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies"* ("SOP 07-1"). SOP 07-1 provides guidance for determining whether the accounting principles of the AICPA Audit and Accounting Guide "Investment Companies" (the "Guide") are required to be applied to an entity by clarifying the definition of an investment company and, whether investment company accounting should be retained by a parent company upon consolidation of an investment company subsidiary, or by an investor in the application of the equity method of accounting to an investment company investee. In February 2008, the FASB issued FSP SOP 07-1-1, Effective Date of AICPA Statement of Position 07-01, to indefinitely defer the effective date of SOP 07-01. The Group's equity investee International Petro-Chemical Growth Fund Limited ("IPCG Fund" - See Note 4 and Note 7) is an investment company, as currently defined in the Guide. The Company has applied the specialized accounting for IPCG Fund pursuant to EITF 85-12, *Retention of Specialized Accounting for Investments in Consolidation*. As such, investments held by IPCG Fund are recorded at fair value and the Group's share of equity earnings include gains and losses resulting from the change in fair value of IPCG Fund's investments. The Company will monitor future developments associated with this Statement in order to assess the impact, if any that may result on the Group's consolidated financial statements.

Note 2: Basis of Presentation (continued)

In December 2007, the FASB issued SFAS No. 141(R), *"Business Combinations."* SFAS No. 141(R) was issued in an effort to continue the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Certain of these changes will introduce more volatility into earnings. The acquirer must now record all assets and liabilities of the acquired business at fair value, and related transaction and restructuring costs will be expensed rather than the previous method of being capitalized as part of the acquisition. SFAS No. 141(R) also impacts the annual goodwill impairment test associated with acquisitions, including those that close before the effective date of SFAS No. 141(R). The definitions of a "business" and a "business combination" have been expanded, resulting in more transactions qualifying as business combinations. SFAS No. 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 31, 2008 and earlier adoption is prohibited.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interest in Consolidated Financial Statements, an amendment of Accounting Research Bulletin (ARB) No. 51."* SFAS No. 160 clarifies that a noncontrolling interest (previously commonly referred to as a minority interest) in a subsidiary is an ownership interest in the consolidated entity and should be reported as equity in the consolidated financial statements. The presentation of the consolidated income statement has been changed by SFAS No. 160, and consolidated net income attributable to both the parent and the noncontrolling interest is now required to be reported separately. Previously, net income attributable to the noncontrolling interest was typically reported as an expense or other deduction in arriving at consolidated net income and was often combined with other financial statement amounts. In addition, the ownership interests in subsidiaries held by parties other than the parent must be clearly identified, labeled, and presented in the equity in the consolidated financial statements separately from the parent's equity. Subsequent changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary should be accounted for consistently, and when a subsidiary is deconsolidated, any retained noncontrolling equity interest in the former subsidiary must be initially measured at fair value. Expanded disclosures, including a reconciliation of equity balances of the parent and noncontrolling interest are also required. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Prospective application is required. At this time, the Group does not have any material noncontrolling interests in consolidated subsidiaries. Therefore, it does not believe that the adoption of SFAS No. 160 will have a material impact on its financial position, results of operations or cash flows.

Note 3: Acquisitions and Divestitures

Ukrtatnafta

In December 2007, the Company acquired equity interests in AmRUZ Trading AG ("AmRUZ") and Seagroup International Inc. ("Seagroup"). These entities primary activities are ownership interests in Closed Joint Stock Company Ukrtatnafta ("Ukrtatnafta"), the owner of the Kremenchug refinery, which constitute 8.34% and 9.96% of the outstanding common shares in Ukrtatnafta, respectively. The Company acquired 49.6% of AmRUZ for US $23.9 million and 100% of Seagroup for US$ 57.1 million. The AmRUZ purchase agreement also contains an option allowing the Company to acquire an additional 49.1% in AmRUZ for US $23.7 million. As the exercise of the option is subject to certain contingencies, the acquisition of AmRUZ has been accounted for under the equity method. These acquisitions increased the Group's direct and indirect ownership in Ukrtatnafta. However, the Ukrtatnafta shares owned by AmRUZ and Seagroup have been under legal challenge since 2007 despite a number of court rulings in favour of AmRUZ and Seagroup taken in 2002, 2003 and 2006 (see Note 11).

As of March 31, 2008 the Group has RR 880 million in bearer promissory notes payable on demand, which were previously issued in June 1999 by Seagroup in exchange for ordinary shares in Ukrtatnafta. The Seagroup purchase price allocation was determined on a provisional basis and will be finalized within 12 months of the date of acquisition.

On October 23, 2006, the Group entered into a five-year agreement with the Tatarstan government for the fiduciary management of 28.78% ordinary shares of Ukrtatnafta held by the Tatarstan government. Under this agreement, the Group is entitled to exercise principle shareholder rights vested into these shares but may not manage them without prior approval of the Tatarstan government. The Group's investment of 18.6% in Ukrtatnafta (represented by those shares owned by the Company and its subsidiary SeaGroup directly) is accounted for under cost method in these consolidated financial statements as Management believes the Group does not currently have the ability to exercise significant influence over Ukrtatnafta, given the current corporate conflict and the Company's lack of effective influence through Ukrtatnafta's Board of directors.

Note 3: Acquisitions and Divestitures (continued)

International Petro-Chemical Growth Fund

In December 2005, Tatneft Oil AG, a subsidiary of the Company, acquired participation shares with a total value of US $394 million in the open-ended investment company IPCG Fund, incorporated in Jersey, Channel Islands, by contributing 116 million ordinary shares of Tatneft and US $1 million in cash into the fund. IPCG Fund invests in debt and equity securities of companies operating in the Russian Federation in general, and the Republic of Tatarstan in particular with priority given to those entities operating in the oil and chemicals industry and, to a lesser extent, the banking sector. IPCG Fund is managed by MARS Capital Management Limited, a company regulated by Jersey Financial Services Limited. The Fund is an indirect shareholder of TANECO and is expected to participate in the financing of the new refinery and petrochemical facility. At December 31, 2005, the Company owned approximately 93.81% of the total participation shares in IPCG Fund, and its equity investee Bank Zenit owned the remaining 6.19%. As a result, as of December 31, 2005 the 116 million ordinary shares contributed to IPCG Fund were accounted for as treasury shares of the Group.

In June 2006, additional investors contributed ownership interests in Bank Zenit to IPCG Fund in exchange for participation shares in the fund. As a result of these transactions, the Group’s ownership interest in IPCG Fund decreased to 44.88%. Therefore in June 2006, the Company deconsolidated IPCG Fund and began accounting for its investments into IPCG Fund under the equity method.

In December 2006, the Group contributed an additional 18.5 million of Tatneft ordinary shares to IPCG Fund in exchange for US $86.8 million in participation shares. In December 2006, the Group contributed all its shares (50% of all issued shares) of Tatoilgas AG, a Russian joint stock company with a net book value of RR 2,805 million, which were fair valued at US $30 million, into IPCG Fund in exchange for US $30 million in participation shares of the fund. As a result of this transaction, the Company recorded an impairment loss of RR 2,014 million. Subsequent to these transactions, the Company’s ownership interest in IPCG Fund was increased to 47.39%, which did not affect the accounting treatment of the Group’s investments into the fund. As a result of share redemptions by other participants during 2007, the Group's ownership in IPCG Fund was increased to 48.75%.

At March 31, 2008, IPCG Fund owned 142.2 million Tatneft ordinary shares, of which the Group’s share is accounted for as treasury shares. At March 31, 2008, IPCG Fund owned an indirect ownership interest in Bank Zenit of 41.81%.

Banking

In May 2006, the Group increased its shareholding in Bank Zenit from 25.95% to 39.73% as a result of acquiring 2,935.3 million newly issued shares of the bank at their par value for RR 2,935.3 million. In March 2007, the Group disposed of 1,138 million of Bank Zenit shares for RR 1,787 million, decreasing the Company's ownership in Bank Zenit to 28.35%. The Group recorded a gain of RR 195 million as a result of this transaction.

Also, in June 2007 Bank Zenit carried out a private placement of 1,545 million newly issued ordinary shares to a private investor unrelated to the Group, resulting in the dilution of the Group’s ownership in Bank Zenit to 24.56%.

(in millions of Russian Roubles)

Note 4: Accounts Receivable

Accounts receivable are as follows:

	At March 31, 2008			At December 31, 2007		
	Total accounts receivable	**Accounts receivable from related parties (Note 10)**	**Accounts receivable from third parties**	**Total accounts receivable**	**Accounts receivable from related parties (Note 10)**	**Accounts receivable from third parties**
Trade - domestic	8,917	897	8,020	7,880	544	7,336
Trade - export	28,910	-	28,910	34,464	-	34,464
Other receivables	3,193	196	2,997	2,900	507	2,393
Total accounts receivable, net	**41,020**	**1,093**	**39,927**	**45,244**	**1,051**	**44,193**

Export trade receivables consist of US $1,229 million and US $1,404 million at March 31, 2008 and December 31, 2007, respectively.

At March 31, 2008, approximately 17% of export trade receivables are due from one new customer, ChMPKP "Avto", unrelated to the Group.

Accounts receivables are presented net of an allowance for doubtful accounts of RR 5,908 million and RR 375 million at March 31, 2008 and December 31, 2007, respectively.

Note 5: Inventories

Inventories are as follows:

	At March 31, 2008	**At December 31, 2007**
Materials and supplies	5,180	4,857
Crude oil	3,393	2,965
Refined oil products	1,619	1,952
Petrochemical supplies and finished goods	2,147	1,149
Total inventories	**12,339**	**10,923**

(in millions of Russian Roubles)

Note 6: Debt

	At March 31, 2008	At December 31, 2007
Short-term debt		
Foreign currency denominated debt		
Other foreign currency denominated debt	3,059	3,444
Rouble denominated debt		
Current portion of long-term debt	-	144
Other rouble denominated debt	1,007	838
Less: due to related parties (Note 10)	(173)	(94)
Total short-term debt	**3,893**	**4,332**
Long-term debt		
Foreign currency denominated debt		
BNP Paribas	8,230	8,591
Other foreign currency denominated debt	466	461
Rouble denominated debt	241	274
Total long-term debt	**8,937**	**9,326**
Less: due to related parties (Note 10)	(9)	(5)
Less: current portion	-	(144)
Total long-term debt, net of current portion	**8,928**	**9,177**

Foreign currency debts are primarily denominated in US Dollars.

Short-term foreign currency denominated debt. As of March 31, 2008 other short-term foreign currency denominated debt includes a loan from Credit Suisse Zurich and BNP Paribas.

In December 2003 the Group entered into a RR 1,034 million (US $35 million) one month revolving credit facility with Credit Suisse Zurich. The monthly revolving loan bears interest at 1 month LIBOR plus varying margin of about 1.8% per annum and is collateralized by crude oil sales. The amount of loan outstanding as of March 31, 2008 and December 31, 2007 was RR 465 million (US $19.8 million) and RR 508 million (US $20.7 million), respectively.

In November 2007 the Group entered into another RR 2,626 million (US $107 million) credit agreement with BNP Paribas (Suisse), Geneva. The loan bears interest at 6 month LIBOR plus varying margin of 1.25% per annum and is collateralized by crude oil sales in amount of 42.5 thousand tons per month. The amount of loan outstanding as of March 31, 2008 and December 31, 2007 was RR 2,516 million (US $107 million) and RR 2,626 million (US $107 million), respectively.

(in millions of Russian Roubles)

Note 6: Debt (continued)

Short-term Russian Rouble denominated debt. Russian Rouble denominated short-term debt is primarily comprised of loans with Russian banks. Short-term Rouble denominated loans of RR 1,006 million and RR 838 million bear contractual interest rates of 8% to 17% and 11% to 17% per annum for the three months ended March 31, 2008 and year ended December 31, 2007, respectively. The loans are collateralized by the assets of the Group.

Long-term foreign currency denominated debt. In November 2007, TANECO entered into a senior secured credit facility arranged by ABN AMRO, BNP Paribas (Suisse) SA, Citibank International PLC, Bayerische Hypo- und Vereinsbank AG, Sumitomo Mitsui Finance Dublin and WestLB AG, for US$ 2.0 billion to be used in the construction of TANECO's refinery and petrochemical complex. The amount outstanding under this loan as of March 31, 2008 and December 31, 2007 was US $350 million (RR 8,230 million) and US $350 million (RR 8,591 million), respectively. The loan bears interest at LIBOR plus 1.65% and matures in January 2010 (unless an optional six months extension is not exercised by TANECO).

The loan is fully guaranteed by both OAO Tatneft and IPCG Fund as major shareholders of TANECO. The Company's guarantee 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 three million metric tones of oil 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.

Note 7: Taxes

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following March 31, 2008 and December 31, 2007:

	At March 31, 2008	At December 31, 2007
Accounts receivable	83	-
Obligations under capital leases	191	196
Prepaid expenses and other current assets	820	317
Other	594	949
Deferred tax assets	**1,688**	**1,462**
Property, plant and equipment	(16,413)	(16,672)
Inventories	(9)	(688)
Accounts receivable	-	(58)
Long-term investments	(1,933)	(1,869)
Undistributed Earnings	(910)	(833)
Pension liabilities	(364)	(364)
Other liabilities	(220)	(205)
Deferred tax liabilities	**(19,849)**	**(20,689)**
Net deferred tax liability	**(18,161)**	**(19,227)**

At March 31, 2008 and December 31, 2007, deferred taxes were classified in the consolidated balance sheet as follows:

	At March 31, 2008	At December 31, 2007
Current deferred tax asset	1,268	315
Non-current deferred tax assets	191	196
Non-current deferred tax liability	(19,620)	(19,738)
Net deferred tax liability	**(18,161)**	**(19,227)**

(in millions of Russian Roubles)

Note 7: Taxes (continued)

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

	Three months ended March 31, 2008
Income before income taxes and minority interest	9,415
Theoretical income tax expense at statutory rate	2,260
Increase (reduction) due to:	
Non-deductible expenses, net	348
Other	131
Income tax expenses	**2,739**

No provision has been made for additional income taxes of RR 8,231 million on undistributed earnings of a foreign subsidiary. These earnings have been and will continue to be reinvested. These earnings could become subject to additional tax of approximately RR 1,235 million if they were remitted as dividends.

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

	Three months ended March 31, 2008
Export duties	30,013
Unified production tax	19,349
Property tax	362
Excise taxes	88
Penalties and interest	6
Other	182
Total taxes other than income taxes	**50,000**

Effective January 1, 2007, the base tax rate formula for unified production tax was modified to provide a benefit for fields whose depletion rate exceeds 80% of proved reserves as determined under Russian resource classification. Under the new rules, the Company receives a benefit of 3.5% per field for each percent of depletion in excess of the 80% threshold.

(in millions of Russian Roubles)

Note 8: Earnings per share

Under the two-class method of computing net income per share, net income is computed for common and preferred shares according to dividends declared and participation rights in undistributed earnings. Under this method, net income is reduced by the amount of dividends declared in the current period for each class of shares, and the remaining income is allocated to common and preferred shares to the extent that each class may share in income if all income for the period had been distributed.

	Three months ended March 31, 2008
Net income	6,335
Common share dividends	-
Preferred share dividends	-
Income available to common and preferred shareholders, net of dividends	**6,335**
Basic and diluted:	
Weighted average number of shares outstanding (millions of shares):	
Common	2,078
Preferred	148
Combined weighted average number of common and preferred shares outstanding	2,226
Basic and diluted net income per share (RR)	
Common	2.85
Preferred	2.85

Note 9: Segment Information

The Group's business activities are conducted predominantly through three business segments: exploration and production, refining and marketing and petrochemicals. The segments were determined according to how management recognizes the segments within the Group for making operating decisions and how they are evident from the Group structure.

Exploration and production segment activities consist of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of 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.

Sales of petrochemical products include 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 income or losses before income taxes and minority interest not including interest income, expense, earnings from equity investments, other income and monetary effects. Segment accounting policies are the same as those disclosed in Note 3. Intersegment sales are at prices that approximate market.

For the three months ended March 31, 2008, the Group had three customers which accounted for RR 60,572 million in crude oil sales, comprising 28%, 23% and 19% respectively of the total tons of crude oil sold by the Group during the three months. For the year ended December 31, 2007, the Group had four customers which accounted for RR 206,875 million in crude oil sales, comprising 26%, 24%, 15% and 9% respectively of the total tons of crude oil sold by the Group during the year. Management does not believe the Group is dependent on any particular customer.

(in millions of Russian Roubles)

Note 9: 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 March 31, 2008
Exploration and production	
Domestic own crude oil	13,100
CIS own crude oil	3,203
Non – CIS own crude oil	59,447
Other	716
Intersegment sales	4,222
Total exploration and production	**80,688**
Refining and marketing	
Crude oil purchased	4,644
Refined products	9,902
Domestic sales	14,546
Crude oil purchased	-
Refined products	178
CIS sales[1]	178
Crude oil purchased	7,301
Refined products	1,770
Non – CIS sales[2]	9,071
Other	560
Intersegment sales	554
Total refining and marketing	**24,909**
Petrochemicals	
Tires - domestic sales	3,764
Tires - CIS sales	612
Tires - non-CIS sales	230
Petrochemical products and other	301
Intersegment sales	302
Total petrochemicals	**5,209**
Total segment sales	**110,806**
Corporate and other sales	3,324
Elimination of intersegment sales	(5,078)
Total sales and other operating revenues	**109,052**

[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 European markets.

(in millions of Russian Roubles)

Note 9: Segment Information (continued)

Segment earnings and assets. Segment earnings are as follows:

	Three months ended March 31, 2008
Segment earnings (loss)	
Exploration and production	11,150
Refining and marketing	7,552
Petrochemicals	569
Total segment earnings	**19,271**
Corporate and other	(8,824)
Other expenses	(1,032)
Income before income taxes and minority interest	**9,415**

Segment assets are as follows:

	At March 31, 2008	At December 31, 2007
Assets		
Exploration and production	225,715	225,817
Refining and marketing	22,105	21,715
Petrochemicals	17,027	13,881
Corporate and other	117,601	108,806
Total assets	**382,448**	**370,219**

The Group's assets and operations are primarily located and conducted in Russia.

Segment depreciation, depletion and amortization and additions to property, plant and equipment are as follows:

	Three months ended March 31, 2008
Depreciation, depletion and amortization	
Exploration and production	1,865
Refining and marketing	152
Petrochemicals	254
Corporate and other	247
Total segment depreciation, depletion and amortization	**2,518**
Additions to property, plant and equipment	
Exploration and production	4,651
Refining and marketing	2,956
Petrochemicals	472
Corporate and other	226
Total additions to property, plant and equipment	**8,305**

(in millions of Russian Roubles)

Note 10: Related Party Transactions

Transactions are entered into in the normal course of business with significant shareholders, directors and companies with which the Group has significant shareholders and directors in common (see also Note 1). These transactions include sales of crude oil and refined products, purchases of electricity and banking transactions.

During 2006 the Group lent RR 387 million to Bank Zenit, an equity investee, for 10 years under a subordinate loan agreement, and acquired from a third party an additional RR 387 million subordinated loan to Bank Zenit due on December 5, 2009. Both loans are denominated in US Dollars and carry fixed interest at the rate of 7% per annum.

The amounts of transactions and the outstanding balances with related parties are as follows:

	Three months ended March 31, 2008
Sales of crude oil	3
Volumes of crude oil sales (thousand tons)	-
Sales of refined products	20
Volumes of refined product sales (thousand tons)	1
Sales of petrochemical products	-
Other sales	299
Purchases of crude oil	(3,758)
Volumes of crude oil purchases (thousand tons)	271
Purchases of refined products	-
Volumes of refined products purchases (thousand tons)	-
Purchases of petrochemical products	-
Purchases of electricity	(1,161)
Other purchases	(30)

	At March 31, 2008	**At December 31, 2007**
Assets		
Accounts receivable (Note 4)	1,093	1,051
Notes receivable	4,570	5,021
Short-term certificates of deposit	9,442	12,506
Trading securities	-	223
Loans receivable	701	931
Due from related parties short-term	**15,806**	**19,732**
Long-term certificates of deposit	-	-
Long-term loans receivable	4,664	6,541
Long-term accounts receivable	4	5
Due from related parties long-term	**4,668**	**6,546**
Liabilities		
Other accounts payable	(86)	(75)
Notes payable	-	-
Short-term debt (Note 6)	(173)	(94)
Trade accounts payable	(52)	(1,218)
Due to related parties short-term	**(311)**	**(1,387)**
Long-term debt (Note 6)	(9)	(5)
Due to related parties long-term	**(9)**	**(5)**

Note 11: Commitments and Contingent Liabilities

Guarantees. The Group has no outstanding guarantees at March 31, 2008 and December 31, 2007.

Operating environment. While there have been improvements in the economic situation in the Russian Federation in recent years, the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not easily convertible in most countries outside of the Russian Federation and relatively high inflation. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

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. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and Group 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 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.

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 other regions of the Russian Federation 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.

Note 11: Commitments and Contingent Liabilities (continued)

Ukrtatnafta

As described in Note 3, in December 2007 the Company acquired a substantial interest in AmRUZ and a controlling interest in Seagroup, whose principle activities are investments in Ukrtatnafta. Historically, and in particular during the course of 2007, there have been a number of attempts by Ukraine to challenge AmRUZ and Seagroup's acquisition of shares in Ukrtatnafta, and in particular, by the State Property Fund and NJSC Naftogaz of Ukraine ("Naftogaz"). Naftogaz is 100% owned by the Ukrainian Government and also owner of record of 43% Ukrtatnafta's common shares.

The challenges were suspended in April 2006 when the Supreme Court of Ukraine ruled the payment for Ukrtatnafta shares made with promissory notes issued by AmRUZ and Seagroup was lawful. However, in May 2007 the Ministry of Fuel and Energy of Ukraine ("MFEU") resumed its attempts and, as a result, succeeded in obtaining alleged and doubtful court decisions, after which it announced the transfer into Naftogaz's custody the 18.3% of Ukrtatnafta's shares, representing the entire holdings of AmRUZ and Seagroup in Ukrtatnafta. Subsequent to these actions, MFEU effectively began to exclude the Group from exercising their shareholder rights related to Ukrtatnafta.

In October 2007 the existing management of Ukrtatnafta, as appointed by its shareholders, was forcibly removed based on an alleged court order. Subsequently installed new management at Ukrtatnafta immediately took certain actions effectively assisting MFEU in taking control over the shares in Ukrtatnafta owned by SeaGroup and AmRUZ. In addition, Ukrtatnafta subsequently refused to settle its payables to ChMPKP Avto, a Ukrainian intermediary that previously purchased crude from the Group for deliveries to Ukrtatnafta. Following this forced change of control of Ukrtatnafta, the Company (originally the key crude supplier to the Kremenchug refinery) suspended its deliveries to Ukrtatnafta and initiated legal proceedings against the Ukrainian side in international arbitration.

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"). The arbitration concerns losses suffered by Tatneft as a consequence of the forcible takeover of Ukrtatnafta. Tatneft requested the arbitral tribunal declare Ukraine has breached the Russian-Ukraine BIT and to order MFEU to restore Ukrtatnafta's lawful management and pay compensation in excess of US$1.1 billion. The Group is in the process of preparing similar requests for arbitration on behalf of Seagroup and AmRUZ.