TATNEFT

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009

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

	Notes	At March 31, 2009	At December 31, 2008
Assets			
Cash and cash equivalents		19,885	13,418
Restricted cash		7,261	7,704
Accounts receivable, net	3	33,989	22,848
Due from related parties	9	12,316	17,605
Short-term investments		10,257	9,743
Current portion of loans receivable		10,830	5,842
Inventories	4	11,237	14,121
Prepaid expenses and other current assets		22,745	25,339
Total current assets		**128,520**	**116,620**
Long-term loans receivable, net		4,201	4,036
Due from related parties	9	7,563	5,431
Long-term investments		18,527	17,666
Property, plant and equipment, net		255,978	241,569
Other long-term assets		9,162	7,658
Total assets		**423,951**	**392,980**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	5	7,822	5,790
Trade accounts payable		8,501	9,416
Due to related parties	9	1,695	781
Other accounts payable and accrued liabilities		9,536	9,999
Capital lease obligations		393	465
Taxes payable		7,440	5,592
Total current liabilities		**35,387**	**32,043**
Long-term debt, net of current portion	5	60,802	44,810
Due to related parties	9	2	3
Other long-term liabilities		1,765	1,735
Asset retirement obligations, net of current portion		36,145	35,263
Deferred tax liability	6	16,109	14,143
Capital lease obligations, net of current portion		99	124
Total liabilities		**150,309**	**128,121**
Minority interest		**5,676**	**4,583**
Shareholders' equity			
Preferred shares (authorized and issued at March 31, 2009 and December 31, 2008 - 147,508,500 shares; nominal value at March 31, 2009 and December 31, 2008 - RR1.00)		148	148
Common shares (authorized and issued at March 31, 2009 and December 31, 2008 - 2,178,690,700 shares; nominal value at March 31, 2009 and December 31, 2008 - RR1.00)		2,179	2,179
Additional paid-in capital		96,172	96,171
Accumulated other comprehensive loss		507	747
Retained earnings		172,920	164,991
Less: Common shares held in treasury, at cost (100,088,000 shares and 100,088,000 shares at March 31, 2009 and December 31, 2008, respectively)		(3,960)	(3,960)
Total shareholders' equity		**267,966**	**260,276**
Total liabilities and shareholders' equity		**423,951**	**392,980**

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

Consolidated Interim Condensed Statements of Operations and Comprehensive Income (Unaudited)
(in millions of Russian Rubles)

	Notes	Three months ended March 31, 2009	Three months ended March 31, 2008
Sales and other operating revenues	8	**73,540**	**109,052**
Costs and other deductions			
Operating		15,380	13,383
Purchased oil and refined products		7,801	15,053
Exploration		293	3,053
Transportation		3,302	2,781
Selling, general and administrative		5,349	10,576
Depreciation, depletion and amortization		3,820	2,518
(Gain)/loss on disposals of property, plant and equipment and investments and impairments		(1,710)	790
Taxes other than income taxes	6	25,638	50,000
Maintenance of social infrastructure and transfer of social assets		342	451
Total costs and other deductions		**60,215**	**98,605**
Other income (expenses)			
Earnings from equity investments		744	266
Foreign exchange loss		(3,206)	(1,691)
Interest income		958	831
Interest expense, net of amounts capitalized		(136)	(63)
Other income (expenses) , net		380	(375)
Total other expenses		**(1,260)**	**(1,032)**
Income before income taxes and minority interest		**12,065**	**9,415**
Income taxes			
Current income tax expense		(6,320)	(3,486)
Deferred income tax benefit		2,526	747
Total income tax expense	6	**(3,794)**	**(2,739)**
Income before minority interest		**8,271**	**6,676**
Minority interest		(342)	(341)
Net income		**7,929**	**6,335**
Foreign currency translation adjustments		(240)	375
Comprehensive income		**7,689**	**6,710**
Basic and diluted net income per share (RR)	7		
Common		3.56	2.85
Preferred		3.56	2.85
Weighted average shares outstanding (millions of shares)	7		
Common		2,079	2,078
Preferred		148	148

Consolidated Interim Condensed Statements of Cash Flows (Unaudited)

(in millions of Russian Rubles)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating activities		
Net income	7,929	6,335
Adjustments:		
Minority interest	342	341
Depreciation, depletion and amortization	3,820	2,518
Deferred income tax benefit	(2,526)	(747)
Loss on disposals of property, plant and equipment and investments and impairments	(1,710)	790
Effects of foreign exchange	6,699	(513)
Equity earnings net of dividends received	(744)	(266)
Accretion of asset retirement obligation	884	801
Change in fair value of trading securities	(661)	(180)
Other	(120)	275
Changes in operational working capital, excluding cash:		
Accounts receivable	1,349	4,494
Inventories	3,604	1,331
Prepaid expenses and other current assets	5,970	(5,822)
Trading securities	1,205	124
Related parties	137	(974)
Trade accounts payable	(2,151)	2,572
Other accounts payable and accrued liabilities	(662)	641
Taxes payable	1,633	2,237
Notes payable	(10,679)	12
Other non-current assets	(41)	(340)
Net cash provided by operating activities	**14,278**	**13,629**
Investing activities		
Additions to property, plant and equipment	(19,140)	(8,177)
Proceeds from disposals of property, plant and equipment	1,206	94
Proceeds from disposal of investments	161	(46)
Purchase of investments	(916)	(97)
Certificates of deposit	1,686	2,321
Loans and notes receivable	(4,033)	(3,247)
Change in restricted cash	444	(1,826)
Net cash used in investing activities	**(20,592)**	**(10,978)**
Financing activities		
Proceeds from issuance of debt	14,152	6,382
Repayment of debt	(2,817)	(6,602)
Repayment of capital lease obligations	(102)	(148)
Dividends paid to shareholders	(9)	(3)
Dividends paid to minority shareholders	-	(4)
Purchase of treasury shares	(46)	(10)
Proceeds from sale of treasury shares	46	15
Proceeds from issuance of shares by subsidiaries	1,557	-
Net cash provided by / used in financing activities	**12,781**	**(370)**
Net change in cash and cash equivalents	**6,467**	**2,281**
Cash and cash equivalents at beginning of period	13,418	13,010
Cash and cash equivalents at end of period	**19,885**	**15,291**

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

	2009	
	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	100,088	(3,960)
Purchases	602	(46)
Sales	(602)	46
Balance at March 31 (shares in thousands)	100,088	(3,960)
Additional paid-in capital		
Balance at January 1		96,171
Treasury share transactions		1
Balance at March 31		96,172
Accumulated other comprehensive (loss) / income		
Balance at January 1		747
Foreign currency translation adjustments		(240)
Balance at March 31		507
Retained earnings		
Balance at January 1		164,991
Net income		7,929
Balance at March 31		172,920
Total shareholders' equity at March 31		**267,966**

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 is also engaged in refining and marketing of crude oil and refined products as well as production and marketing of petrochemicals (see Note 8).

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. 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.

As of March 31, 2009 OAO Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan (the "Government"), together with its subsidiary, hold approximately 36% of the Company's voting stock. These shares were contributed to Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government, including through OAO Svyazinvestneftekhim, also controls or exercises significant influence over a number of the Company's suppliers and contractors, such as the electricity producer OAO Tatenergo and the petrochemicals company OAO Nizhnekamskneftekhim.

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 necessary disclosures required by US GAAP. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2008 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 2008 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, 2009 are not necessarily indicative of the results expected for the full year.

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 Ruble because the majority of its costs, property and equipment purchases, trade and other liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not already measured in Russian Rubles (primarily those denominated in US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of US Statement of Financial Accounting Standards ("SFAS") No. 52, *"Foreign Currency Translation"*.

Note 2: Basis of Presentation (continued)

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 Rubles 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 Rubles 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 Ruble ("RR") to the US Dollar ("US $") at March 31, 2009 and December 31, 2008 was RR 34.01 and RR 29.38 to US Dollar, respectively. Average rate of exchange for the three months ended March 31, 2008 was RR 33.93 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") 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 financial statements as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 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.

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:

In November 2008, the FASB ratified EITF 08-6, "*Equity Method Investment Accounting Considerations"* which clarifies how to account for certain transactions and impairment considerations involving equity method investments. EITF 08-6 applies to all investments accounted for under the equity method, and among other things, clarifies initial measurement, decreases in value and changes in the level of ownership in equity method investments. The standard is effective on a prospective basis for fiscal years beginning on or after December 15, 2008, and earlier adoption is prohibited. The Company does not believe EITF 08-6 will have an impact on its financial position, results of operations or cash flows.

In December 2008, the FASB issued FSP FAS 132(R)-1, "*Employers Disclosures about Postretirement Benefit Plan Assets*" which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plans. This would require additional disclosures about investment policies and strategies, the reporting of fair value by asset category and other information about fair value measurements. The FSP is effective January 1, 2009 and early application is permitted. Upon initial application, the provisions of FSP FAS 132(R)-1 are not required for earlier periods that are presented for comparative purposes. The Company will expand its disclosures in accordance with FSP FAS 132(R)-1 in its consolidated financial statements for the year ending December 31, 2009. The adoption of this standard is not expected to have a significant impact on our consolidated results of operations, financial position or cash flows.

In December 2008, the U.S. Securities and Exchange Commission (SEC) announced that it had approved revisions

(in millions of Russian Rubles)

Note 2: Basis of Presentation (continued)

to its oil and gas reporting disclosures. The new disclosure requirements introduce a new definition of oil and gas producing activities, reporting of oil and gas reserves using an unweighted arithmetic average of the price on the first day of each month during the prior 12-month period, permit disclosures of probable and possible reserves and address some other matters of oil and gas reserves reporting. The SEC indicated they will communicate with the FASB staff to align their accounting standards with these new rules. If finalized, the Company will begin complying with the disclosure requirements in its supplemental information on oil and gas exploration and production activities for the year ending December 31, 2009. The Company is currently evaluating what impact these new requirements may have on its financial position, results of operations or cash flows.

Note 3: Accounts Receivable

Accounts receivable are as follows:

	At March 31, 2009			At December 31, 2008		
	Total accounts receivable	**Accounts receivable from related parties (Note 9)**	**Accounts receivable from third parties**	**Total accounts receivable**	**Accounts receivable from related parties (Note 9)**	**Accounts receivable from third parties**
Trade - domestic	16,971	203	16,768	9,861	476	9,385
Trade - export	10,998	-	10,998	10,913	-	10,913
Other receivables	7,440	1,217	6,223	2,852	302	2,550
Total accounts receivable, net	**35,409**	**1,420**	**33,989**	**23,626**	**778**	**22,848**

Export trade receivables consist of US $323 million and US $371 million at March 31, 2009 and December 31, 2008, respectively.

Accounts receivables are presented net of an allowance for doubtful accounts of RR 15,020 million and RR 12,980 million at March 31, 2009 and December 31, 2008, respectively. Receivables from ChMPKP Avto amounting to RR 12,487 million were fully provided for in accordance with the Group's policies for recorded allowances for doubtful accounts (See also Note 10). Provisions for doubtful accounts are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

Note 4: Inventories

Inventories are as follows:

	At March 31, 2009	**At December 31, 2008**
Materials and supplies	5,359	5,113
Crude oil	2,142	4,599
Refined oil products	1,516	1,405
Petrochemical supplies and finished goods	2,220	3,004
Total inventories	**11,237**	**14,121**

(in millions of Russian Rubles)

Note 5: Debt

Short-term and long-term debt as follows:

	At March 31, 2009	At December 31, 2008
Short-term debt		
Foreign currency denominated debt		
Current portion of long-term debt	477	-
Other foreign currency denominated debt	6,561	5,112
Ruble denominated debt		
Current portion of long-term debt	-	76
Other Ruble denominated debt	940	623
Less: due to related parties (Note 9)	(156)	(21)
Total short-term debt	**7,822**	**5,790**
Long-term debt		
Foreign currency denominated debt		
BNP Paribas	59,523	43,336
Other foreign currency denominated debt	1,615	1,377
Ruble denominated debt	143	176
Total long-term debt	**61,281**	**44,889**
Less: due to related parties (Note 9)	(2)	-
Less: current portion	(477)	(76)
Total long-term debt, net of current portion	**60,802**	**44,813**

Foreign currency debts are primarily denominated in US Dollars.

Short-term foreign currency denominated debt. As of March 31, 2009 other short-term foreign currency denominated debt includes loans from Credit Suisse Zurich, BNP Paribas and ING Bank Zurich.

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, 2009 and December 31, 2008 was RR 1,203 million (US $35 million) and RR 1,028 million (US $35 million), respectively.

In September and December 2008 the Group entered into two credit agreements with BNP Paribas for RR 3,819 million (US $130 million) in aggregate. The loans bear interest at 4.95% and 4.03% per annum and are collateralized by total crude oil sales of 304 thousand tons. The loans are repayable in installments between March and August 2009. The amount of loans outstanding as of March 31, 2009 was RR 3,486 million (US $102 million).

In March 2009 the Group entered into two credit agreements with ING Bank Zurich for RR 1,872 million (US $55 million) in aggregate. The loans bear interest at 2.38% and 2.39% per annum and are collateralized by 80 and 114 thousand tons of crude oil sales. The amount of loans outstanding as of March 31, 2009 was RR 1,872 million (US $55 million). The loans have been repaid in April 2009**.**

Short-term Russian Ruble denominated debt. Russian Ruble denominated short-term debt is primarily comprised of loans with Russian banks. Short-term Ruble denominated loans of RR 940 million and RR 623 million bear contractual interest rates of 7% to 15% and 11% to 17% per annum for the three months ended March 31, 2009 and year ended December 31, 2008, respectively.

Long-term foreign currency denominated debt. In November 2007, TANECO entered into a senior secured credit facility arranged by ABN AMRO (now RBS), 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 finance the construction of TANECO’s refinery and petrochemical complex. The amount outstanding under this loan as of March 31, 2009 and December 31, 2008 was RR 59,523 million (US $1,750 million) and RR 43,336 million (US $1,475 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).

(in millions of Russian Rubles)

Note 5: Debt (continued)

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 6: 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, 2009 and December 31, 2008:

	At March 31, 2009	At December 31, 2008
Accounts receivable	2,155	17
Long-term investments	49	58
Obligations under capital leases	98	118
Prepaid expenses and other current assets	488	448
Other accounts payable	241	-
Tax loss carry forward	2,915	1,717
Other	1,130	358
Deferred tax assets	**7,076**	**2,716**
Property, plant and equipment	(15,004)	(13,052)
Inventories	(750)	(794)
Undistributed Earnings	(1,105)	(1,091)
Other liabilities	-	(11)
Deferred tax liabilities	**(16,859)**	**(14,948)**
Net deferred tax liability	**(9,783)**	**(12,232)**

At March 31, 2009 and December 31, 2008, deferred taxes were classified in the consolidated balance sheet as follows:

	At March 31, 2009	At December 31, 2008
Current deferred tax assets	3,264	19
Non-current deferred tax assets	3,062	1,892
Non-current deferred tax liability	(16,109)	(14,143)
Net deferred tax liability	**(9,783)**	**(12,232)**

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, 2009	Three months ended March 31, 2008
Income before income taxes and minority interest	12,065	9,415
Theoretical income tax expense at statutory rate	2,413	2,260
Increase (reduction) due to:		
Non-deductible expenses, net	-	348
Other	1,381	131
Income tax expenses	**3,794**	**2,739**

(in millions of Russian Rubles)

Note 6: Taxes (continued)

No provision has been made for additional income taxes of RR 12,769 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 1,915 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, 2009	Three months ended March 31, 2008
Export duties	15,034	30,013
Unified production tax	9,796	19,349
Property tax	492	362
Excise taxes	104	88
Penalties and interest	1	6
Other	211	182
Total taxes other than income taxes	**25,638**	**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 reserves 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.

Note 7: 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, 2009	Three months ended March 31, 2008
Net income	7,929	6,335
Common share dividends	-	-
Preferred share dividends	-	-
Income available to common and preferred shareholders, net of dividends	**7,929**	**6,335**
Basic and diluted:		
Weighted average number of shares outstanding (millions of shares):		
Common	2,079	2,078
Preferred	148	148
Combined weighted average number of common and preferred shares outstanding	2,227	2,226
Basic and diluted net income per share (RR)		
Common	3.56	2.85
Preferred	3.56	2.85

Note 8: 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, 2009, the Group had four customers which accounted for RR 38,223 million in crude oil sales, comprising 22%, 21%, 14 % and 10% respectively of the total tons of crude oil sold by the Group during the three months. 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. Management does not believe the Group is dependent on any particular customer.

(in millions of Russian Rubles)

Note 8: 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, 2009	Three months ended March 31, 2008
Exploration and production		
Domestic own crude oil	10,611	13,100
CIS own crude oil	4,080	3,203
Non – CIS own crude oil	37,865	59,447
Other	1,172	716
Intersegment sales	1,118	4,222
Total exploration and production	**54,846**	**80,688**
Refining and marketing		
Crude oil purchased	673	4,644
Refined products	9,580	9,902
Domestic sales	10,253	14,546
Crude oil purchased	-	-
Refined products	176	178
CIS sales[(1)]	176	178
Crude oil purchased	1,077	7,301
Refined products	899	1,770
Non – CIS sales[(2)]	1,976	9,071
Other	972	560
Intersegment sales	389	554
Total refining and marketing	**13,766**	**24,909**
Petrochemicals		
Tires - domestic sales	2,745	3,764
Tires - CIS sales	416	612
Tires - non-CIS sales	117	230
Petrochemical products and other	950	301
Intersegment sales	242	302
Total petrochemicals	**4,470**	**5,209**
Total segment sales	**73,082**	**110,806**
Corporate and other sales	2,207	3,324
Elimination of intersegment sales	(1,749)	(5,078)
Total sales and other operating revenues	**73,540**	**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 Rubles)

Note 8: Segment Information (continued)

Segment earnings

	Three months ended March 31, 2009	Three months ended March 31, 2008
Segment earnings (loss)		
Exploration and production	11,857	11,150
Refining and marketing	1,487	7,552
Petrochemicals	(309)	569
Total segment earnings	**13,035**	**19,271**
Corporate and other	290	(8,824)
Other expenses	(1,260)	(1,032)
Income before income taxes and minority interest	**12,065**	**9,415**

Segment assets

	At March 31, 2009	At December 31, 2008
Assets		
Exploration and production	229,424	218,509
Refining and marketing	85,174	72,720
Petrochemicals	21,403	18,768
Corporate and other	87,950	82,983
Total assets	**423,951**	**392,980**

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, 2009	Three months ended March 31, 2008
Depreciation, depletion and amortization		
Exploration and production	2,694	1,865
Refining and marketing	285	152
Petrochemicals	210	254
Corporate and other	631	247
Total segment depreciation, depletion and amortization	**3,820**	**2,518**
Additions to property, plant and equipment		
Exploration and production	2,806	4,651
Refining and marketing	14,591	2,956
Petrochemicals	944	472
Corporate and other	803	226
Total additions to property, plant and equipment	**19,144**	**8,305**

(in millions of Russian Rubles)

Note 9: 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.

As of March 31, 2009 and December 31, 2008, the Group had RR 7,201 million and RR 8,328 million, respectively, in loans and notes receivable due from Bank Zenit or its wholly-owned subsidiary Bank Devon Credit. These loans and notes mature between 2009 and 2016, bearing interest between 7.0% and 8.5%. As of March 31, 2009 and December 31, 2008, the Group has short and long-term certificates of deposit of RR 9,089 million and RR 11,966 million, respectively, held with Bank Zenit or its wholly-owned subsidiary Bank Devon Credit.

In March 2009 the Group made a long-term deposit with Bank Zenit for RR 2,140 million payable in 10 years bearing interest 10.85% per annum.

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

	Three months ended March 31, 2009	**Three months ended March 31, 2008**
Sales of crude oil	-	3
Volumes of crude oil sales (thousand tons)	-	-
Sales of refined products	5	20
Volumes of refined product sales (thousand tons)	-	1
Other sales	225	299
Purchases of crude oil	(350)	(3,758)
Volumes of crude oil purchases (thousand tons)	32	271
Purchases of electricity	(1,390)	(1,161)
Other purchases	(192)	(30)

	At March 31, 2008	**At December 31, 2008**
Assets		
Accounts receivable (Note 3)	1,420	778
Notes receivable	87	3,352
Short-term certificates of deposit	8,989	11,666
Loans receivable	1,820	1,809
Due from related parties short-term	**12,316**	**17,605**
Long-term certificates of deposit	500	500
Long-term loans receivable	7,058	4,925
Long-term accounts receivable	5	6
Due from related parties long-term	**7,563**	**5,431**
Liabilities		
Other accounts payable	(936)	(285)
Notes payable	-	(22)
Short-term debt (Note 5)	(156)	(21)
Trade accounts payable	(603)	(453)
Due to related parties short-term	**(1,695)**	**(781)**
Long-term debt (Note 5)	(2)	(3)
Due to related parties long-term	**(2)**	**(3)**

Note 10: Commitments and Contingent Liabilities

Guarantees. The Group has no outstanding guarantees at March 31, 2009 and December 31, 2008.

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.

Ukrtatnafta. Historically, and in particular during 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% of 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 May 2009 the 18.3% of Ukrtatnafta's shares, representing the entire holdings of AmRUZ and Seagroup in Ukrtatnafta were expropriated and transferred to Ukrtatnafta without any compensation to AmRUZ and Seagroup.

Note 10: Commitments and Contingent Liabilities (continued)

In October 2007 the existing management of Ukrtatnafta, as appointed by its shareholders, was forcibly removed based on an alleged court order. Subsequently, individuals who obtained the ability to manage Ukrtatnafta 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 crude oil deliveries to Ukrtatnafta and initiated legal proceedings against the Ukrainian owners 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.

On September 4, 2008, the Business Court of the City of Kiev, at the request of the General Prosecutor's Office, ruled to liquidate Ukrtatnafta, effectively requiring a return on initial shareholder contributions, including any cash contributions and reversion of the Kremenchug refinery assets to the Ukraine shareholders. This decision was repealed by the Business Court of the Kiev Oblast on May 14, 2009.

There are a number of legal proceedings currently in process in the Ukraine, Russian Federation and international courts to recover the Group's assets. As a result of the ongoing legal dispute over shareholding interests, as of March 31, 2009 the Company has fully provided for its indirect investments in Ukrtatnafta.