CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors and Shareholders of OAO Tatneft:

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Tatneft and its subsidiaries as of June 30, 2009, and the related consolidated interim condensed statements of operations and comprehensive income, of shareholders' equity and of cash flows for each of the six month periods ended June 30, 2009 and June 30, 2008. This interim condensed financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards generally accepted in the United States of America. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial information for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of OAO Tatneft and its subsidiaries as of December 31, 2008, and the related consolidated statements of operations and comprehensive income, of changes in shareholders' equity, and of cash flows for the year then ended (not presented herein), and in our report dated April 30, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated interim condensed balance sheet as of June 30, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

October 19, 2009

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

	Notes	At June 30, 2009	At December 31, 2008
Assets			
Cash and cash equivalents		24,971	13,418
Restricted cash		9,130	7,704
Accounts receivable, net	4	38,759	22,848
Due from related parties	11	9,977	17,605
Short-term investments		10,464	9,743
Current portion of loans receivable		6,780	5,842
Inventories	5	11,631	14,121
Prepaid expenses and other current assets		21,608	25,339
Total current assets		**133,320**	**116,620**
Long-term loans receivable, net		4,468	4,036
Due from related parties	11	10,892	5,431
Long-term investments		20,285	17,666
Property, plant and equipment, net		280,363	241,569
Other non-current assets		9,452	7,658
Total assets		**458,780**	**392,980**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	6	11,108	5,790
Trade accounts payable		10,980	9,416
Due to related parties	11	1,050	781
Other accounts payable and accrued liabilities		10,519	9,841
Dividends payable		10,430	158
Capital lease obligations		318	465
Taxes payable		9,807	5,592
Total current liabilities		**54,212**	**32,043**
Long-term debt, net of current portion	6	63,775	44,813
Other long-term liabilities		1,706	1,735
Asset retirement obligations, net of current portion		37,027	35,263
Deferred tax liability		14,642	14,143
Capital lease obligations, net of current portion		71	124
Total liabilities		**171,433**	**128,121**
Shareholders' equity			
Preferred shares (authorized and issued at June 30, 2009 and December 31, 2008 - 147,508,500 shares; nominal value at June 30, 2009 and December 31, 2008 - RR1.00)		148	148
Common shares (authorized and issued at June 30, 2009 and December 31, 2008 - 2,178,690,700 shares; nominal value at June 30, 2009 and December 31, 2008 - RR1.00)		2,179	2,179
Additional paid-in capital		95,252	96,171
Accumulated other comprehensive loss		717	747
Retained earnings		184,589	164,991
Less: Common shares held in treasury, at cost (55,996,000 shares and 100,089,000 shares at June 30, 2009 and December 31, 2008, respectively)		(2,023)	(3,960)
Total Group shareholders' equity		**280,862**	**260,276**
Non-controlling interest		6,485	4,583
Total shareholders' equity		**287,347**	**264,859**
Total liabilities and shareholders' equity		**458,780**	**392,980**

Consolidated Interim Condensed Statements of Operations and Comprehensive Income (Unaudited)

(in millions of Russian Rubles)

	Notes	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales and other operating revenues	10	**163,972**	**246,487**
Costs and other deductions			
Operating		27,646	30,117
Purchased oil and refined products		16,268	31,966
Exploration		1,081	1,929
Transportation		6,822	5,677
Selling, general and administrative		12,500	21,195
Depreciation, depletion and amortization	10	6,326	5,252
Loss on disposals of property, plant and equipment and investments and impairments		324	1,941
Taxes other than income taxes	8	56,695	112,324
Maintenance of social infrastructure and transfer of social assets		926	2,546
Total costs and other deductions		**128,588**	**212,947**
Other income (expenses)			
Earnings/(loss) from equity investments		882	(934)
Foreign exchange loss		(535)	(1,626)
Interest income		2,121	1,609
Interest expense, net of amounts capitalized		(309)	(139)
Other income / (expenses), net		2,413	(189)
Total other income / (expenses)		**4,572**	**(1,279)**
Income before income taxes and non-controlling interest		**39,956**	**32,261**
Income taxes			
Current income tax expense		(10,234)	(10,531)
Deferred income tax benefit / (expense)		1,284	(90)
Total income tax expense		**(8,950)**	**(10,621)**
Income before non-controlling interest		**31,006**	**21,640**
Less: net income attributable to non-controlling interest		(1,320)	(635)
Net income attributable to Group shareholders		**29,686**	**21,005**
Foreign currency translation adjustments		(30)	197
Comprehensive income		**29,656**	**21,202**
Basic and diluted net income per share (RR)			
Common		13.22	9.44
Preferred		13.13	9.16
Weighted average shares outstanding (millions of shares)			
Common		2,099	2,081
Preferred		148	148

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

(in millions of Russian Rubles)

	Six months ended June 30, 2009	Six months ended June 30, 2008
Operating activities		
Net income	29,686	21,005
Adjustments:		
Non-controlling interest	1,320	635
Depreciation, depletion and amortization	6,326	5,252
Deferred income tax (benefit)/expense	(1,284)	90
Loss on disposals of property, plant and equipment and investments and impairments	324	1,941
Effects of foreign exchange	2,038	-
Equity earnings/(loss) net of dividends received	(802)	1,391
Accretion of asset retirement obligation	1,769	1,602
Change in fair value of trading securities	(999)	(184)
Other	(1,389)	1,789
Changes in operational working capital, excluding cash:		
Accounts receivable	(15,302)	(4,447)
Inventories	3,154	467
Prepaid expenses and other current assets	4,548	(6,949)
Trading securities	698	(652)
Related parties	225	1,048
Trade accounts payable	583	1,631
Other accounts payable and accrued liabilities	415	1,434
Taxes payable	3,999	6,346
Notes payable	(142)	492
Other non-current assets	(46)	(738)
Net cash provided by operating activities	**35,121**	**32,153**
Investing activities		
Additions to property, plant and equipment	(46,055)	(21,436)
Proceeds from disposals of property, plant and equipment	239	605
Proceeds from disposal of investments	170	(22)
Purchase of investments	(42)	(451)
Certificates of deposit	1,967	(4,384)
Loans and notes receivable	(176)	(1,414)
Change in restricted cash	(1,426)	(814)
Net cash used in investing activities	**(45,323)**	**(27,916)**
Financing activities		
Proceeds from issuance of debt	27,921	17,404
Repayment of debt	(5,787)	(12,968)
Repayment of capital lease obligations	(204)	(337)
Dividends paid to shareholders	(11)	(6)
Dividends paid to non-controlling interest	(168)	(91)
Purchase of treasury shares	(46)	(24)
Proceeds from sale of treasury shares	50	37
Net cash provided by financing activities	**21,755**	**4,015**
Net change in cash and cash equivalents	**11,553**	**8,252**
Cash and cash equivalents at beginning of period	13,418	13,010
Cash and cash equivalents at end of period	**24,971**	**21,262**

TATNEFT
Consolidated Interim Condensed Statements of Shareholders' Equity (Unaudited)
(in millions of Russian Rubles)

	2009		2008	
	Shares	**Amount**	**Shares**	**Amount**
Preferred shares:				
Balance at January 1 and June 30 (shares in thousands)	147,509	148	147,509	148
Common shares:				
Balance at January 1 and June 30 (shares in thousands)	2,178,691	2,179	2,178,691	2,179
Treasury shares, at cost:				
Balance at January 1	100,089	(3,960)	101,057	(2,802)
Purchases	1,607	(80)	164	(24)
Sales	(45,700)	2,017	(6,157)	223
Balance at June 30 (shares in thousands)	55,996	(2,023)	95,064	(2,603)
Additional paid-in capital				
Balance at January 1		96,171		95,274
Treasury share transactions (Note 3)		(739)		764
Acquisitions of subsidiaries		(180)		-
Balance at June 30		95,252		96,038
Accumulated other comprehensive income / (loss)				
Balance at January 1		747		(461)
Foreign currency translation adjustments		(30)		197
Balance at June 30		717		(264)
Retained earnings				
Balance at January 1		164,991		169,721
Net income		29,686		21,005
Dividends		(10,088)		(13,143)
Balance at June 30		184,589		177,583
Non-controlling interest				
Balance at January 1		4,583		4,499
Net income		1,320		635
Dividends		(168)		(91)
Change in Group structure		750		(44)
Balance at June 30		6,485		4,999
Total shareholders' equity at June 30		**287,347**		**278,080**

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 10).

The Government, through its wholly owned company, OAO Svyazinvestneftekhim, holds 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 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.

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 six-month period ended June 30, 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 purchased, 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"*.

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 June 30, 2009 and December 31, 2008 was RR 31.29 and RR 29.38 to US Dollar, respectively. Average rate of exchange for the six months ended June 30, 2009 was RR 33.07 per US Dollar.

Note 2: Basis of Presentation (continued)

Recent accounting pronouncements:

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51." This statement establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement clarifies that a non-controlling interest in a subsidiary (sometimes called a minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, but separate from the parent's equity. It requires that the amount of consolidated net income attributable to the non-controlling interest be clearly identified and presented on the face of the consolidated income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, based on the fair value of the non-controlling equity investment on the deconsolidation date. Additional disclosures are required that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. In January 2009, the FASB ratified EITF Issue No. 08-10, "Selected Statement 160 Implementation Questions" ("EITF 08-10"). Both SFAS No. 160 and EITF 08-10 are effective January 1, 2009. The statements must be applied prospectively, except for the presentation and disclosure requirements which must be applied retrospectively for all periods presented in consolidated financial statements. With the adoption of FAS No. 160, ownership interests in the company's subsidiaries held by parties other than the parent are presented separately from the parent's equity on the consolidated balance sheet. The amount of consolidated net income attributable to the parent and the non-controlling interests are both presented on the face of the consolidated statement of income.

In November 2008, the Financial Accounting Standards Board ("FASB") ratified Emerging Issues Task Force ("EITF") Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6") which clarifies how to account for certain transactions involving equity method investments. The initial measurement, decreases in value and changes in the level of ownership of the equity method investment are addressed. EITF 08-6 is effective on a prospective basis on January 1, 2009 and for interim periods. Early application by an entity that has previously adopted an alternative accounting policy is not permitted. Since this standard will be applied prospectively, the adoption did not have a significant impact on the Company's results of operations, financial position or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS No. 141(R)"). This statement significantly changes the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired, liabilities assumed and any non-controlling interest in the acquiree at their acquisition-date fair value with limited exceptions. The statement expands the definition of a business and is expected to be applicable to more transactions than the previous standard on business combinations. The statement also changes the accounting treatment for changes in control, step acquisitions, transaction costs, acquired contingent liabilities, in-process research and development, restructuring costs, changes in deferred tax asset valuation allowances as a result of a business combination and changes in income tax uncertainties after the acquisition date. Accounting for changes in valuation allowances for acquired deferred tax assets and the resolution of uncertain tax positions for prior business combinations will impact tax expense instead of impacting recorded goodwill. Additional disclosures are also required. In April 2009, the FASB issued an FSP on FAS 141(R), "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP FAS 141(R)-1"), which addressed SFAS No. 141(R) implementation issues related to contingent assets and liabilities acquired in a business combination. Both SFAS No. 141(R) and FSP FAS 141(R)-1 are effective on January 1, 2009 for all new business combinations. The Company's acquisitions subsequent to the effective date (Note 3) have been accounted for under the provisions of SFAS No. 141(R) and FSP FAS 141(R)-1.

In April 2009, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," ("FSP FAS 107-1"). FSP FAS 107-1 amends SFAS No. 107 and Accounting Principles Board ("APB") Opinion No. 28 to require disclosures about fair value of financial instruments in interim reporting periods for publicly traded companies. This FSP is effective for the second quarter of 2009 and does not require disclosures for earlier periods presented for comparative purposes. The Company has adopted the new disclosure provisions in the second quarter of 2009; however, the adoption of this standard did not have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

Note 2: Basis of Presentation (continued)

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. 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 May 2009, FASB issued FASB Statement No. 165, "Subsequent Events" (FAS No. 165). FAS No. 165 establishes the principles and requirements for the disclosure of subsequent events. In particular, the Statement sets forth the period after the balance sheet date during which management of a reporting entity will evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity will recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity will make about events or transactions that occurred after the balance sheet date. FAS No. 165 is effective for interim and annual periods ending after June 15, 2009. The Company adopted the provisions of FAS No. 165 during the six month period ended June 30, 2009 and the Company's evaluation of subsequent events is disclosed in Note 13 Subsequent Events.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." SFAS No. 166 removes the concept of a qualifying special purpose entity and the exception from applying FASB Interpretation No. ("FIN") 46(R) to variable interest entities that are qualifying special-purpose entities. SFAS No. 166 requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. The standard also requires additional disclosures about any transfers of financial assets and a transferor's continuing involvement with transferred financial assets. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS No. 166 on its financial position, results of operations and cash flows.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the purpose and design of the other entity and the reporting entity's ability to direct the activities of the other entity that most significantly impact its economic performance. SFAS No. 167 also requires additional disclosures about a reporting entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS No. 167 on its financial position, results of operations and cash flows.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162." The FASB Accounting Standards Codification (the "Codification") will become the source of authoritative generally accepted accounting principles in the United States of America. The Codification changes the referencing of financial standards but is not intended to change or alter existing U.S. GAAP. The Codification is effective for interim or annual financial periods ending after September 15, 2009 and will be effective for the Company in the third quarter of the current year. The adoption of FAS No. 168 will not have an impact on the Company's consolidated financial statements.

In December 2008, the U.S. Securities and Exchange Commission (SEC) announced that it had approved revisions to its oil and gas reporting disclosures. The new disclosure requirements include introducing a new definition of oil and gas producing activities, report oil and gas reserves using an unweighted arithmetic average of the price on the first day of each month during the prior 12-month, permit disclosures of probable and possible reserves and other maters. On September 15, 2009 the FASB issued a proposed accounting standard update to align current US GAAP accounting standards with the SEC's 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.

(in millions of Russian Rubles)

Note 3: Acquisitions and Divestitures

In December 2008 the Group submitted a redemption request to IPCG Fund to redeem a part of its holdings in the Fund. The IPCG Fund accepted this request subject to certain conditions which were met in May 2009. The participation was redeemed (on a non cash basis) by delivering to the Group of 51% shares in TANECO. As a result, the Group currently owns 91% in TANECO. As a result of the redemption, the Group's investment in IPCG Fund decreased by RR 1,424 million with a corresponding decrease in additional paid in capital of shareholders' equity of RR 1,962 million.

In June 2009, Osmand Holdings Ltd ("Osmand"), a subsidiary of the Company, issued additional shares to investors who contributed a 17.05% ownership interest in Ak Bars Bank valued at RR 3,442 million. As a result of this transaction, the Group's ownership interest in Osmand decreased to 29.5%. Therefore the Company deconsolidated Osmand and began accounting for this investment under the equity method which amounts to RR 2,512 million as at 30 June 2009.

At December 31, 2008, Osmand owned 39.9 million Tatneft ordinary shares which were accounted for as treasury shares by the Group. As a result of the Group's change in interest in Osmand during 2009 28.1 million shares previously classified as treasury shares of the Group were no longer reflected as treasury shares recognizing an increase in additional paid in capital of shareholders' equity of RR 1,223 million.

Note 4: Accounts Receivable

Accounts receivable are as follows:

	At June 30, 2009			At December 31, 2008		
	Total accounts receivable	Accounts receivable from related parties (Note 11)	Accounts receivable from third parties	Total accounts receivable	Accounts receivable from related parties (Note 11)	Accounts receivable from third parties
Trade - domestic	13,389	343	13,046	9,861	476	9,385
Trade - export	23,202	-	23,202	10,913	-	10,913
Other receivables	2,976	465	2,511	2,852	302	2,550
Total accounts receivable, net	**39,567**	**808**	**38,759**	**23,626**	**778**	**22,848**

Export trade receivables consist of US $742 million and US $371 million at June 30, 2009 and December 31, 2008, respectively.

Accounts receivables are presented net of an allowance for doubtful accounts of RR 13,822 million and RR 12,980 million at June 30, 2009 and December 31, 2008, respectively. In accordance with the Group's policies for recorded allowances for doubtful accounts the Group fully provided for receivables from ChMPKP Avto of US $439 million as of 30 June 2009 and 31 December 2008 (Note 12).

Changes in provisions for doubtful accounts are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

Note 5: Inventories

Inventories are as follows:

	At June 30, 2009	At December 31, 2008
Materials and supplies	5,282	5,113
Crude oil	2,595	4,599
Refined oil products	1,512	1,405
Petrochemical supplies and finished goods	2,242	3,004
Total inventories	**11,631**	**14,121**

(in millions of Russian Rubles)

Note 6: Debt

	At June 30, 2009	At December 31, 2008
Short-term debt		
Foreign currency denominated debt		
Current portion of long-term debt	439	-
Other foreign currency denominated debt	10,075	5,112
Ruble denominated debt		
Current portion of long-term debt	11	76
Other Ruble denominated debt	620	623
Less: due to related parties (Note 11)	(37)	(21)
Total short-term debt	**11,108**	**5,790**
Long-term debt		
Foreign currency denominated debt		
BNP Paribas	62,581	43,336
Other foreign currency denominated debt	1,494	1,377
Ruble denominated debt	150	176
Total long-term debt	**64,225**	**44,889**
Less: due to related parties (Note 11)	-	-
Less: current portion	(450)	(76)
Total long-term debt, net of current portion	**63,775**	**44,813**

Short-term foreign currency denominated debt.

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.

In 2008 and 2009 the Group entered into few credit agreements with BNP Paribas Geneva for RR 4,381 million (US $140 million) in aggregate. The loans bear interest from 4.03% to 5.78% per annum and are collateralized by total crude oil sales of 344 thousand tons. During six months ended June, 30 2009 the Group partially repaid the credit received of RR 2,503 million (US $80 million).

In June 2009 the Group entered into two credit agreements with ING Bank Zurich for RR 2,284 million (US $73 million). The loans bear interest at 2.64% and 2.70% per annum and are collateralized by total crude oil sales of 167 thousand tons. The loans were repaid in full in July 2009**.**

In June the Company entered into a 6-month RR 4,694 million (US $150 million) unsecured loan agreement with Tavit B.V., a subsidiary of Vitol. The loan was repaid in October 2009.

Short-term Russian Ruble denominated debt. Russian Ruble denominated short-term debt is primarily comprised of loans with Russian banks. Short-term Rouble denominated loans of RR 620 million and RR 623 million bear contractual interest rates of 12% to 19.5% and 7% to 15% per annum for the six months ended June 30, 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 be used in the construction of TANECO's refinery and petrochemical complex. The amount outstanding under this loan as of June 30, 2009 and December 31, 2008 was RR 62,581 million (US $2,000 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 exercised by TANECO).

The loan is fully guaranteed by OAO Tatneft and the 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.

(in millions of Russian Rubles)

Note 7: Pensions and Post Employment Benefits

The following table provides the components of net periodic pension cost for the period indicated:

	Six months ended June 30, 2009	Six months ended June 30, 2008
Service cost	81	137
Interest cost	162	114
Less expected return on plan assets	(55)	(230)
Effect of exchange rates	6	(3)
Disposals	-	(15)
Other	1	70
Total net periodic expense	**195**	**73**

Employer Contributions

The Company is generally required to make minimum monthly contributions to fund its various pension obligations. During the six months ended June 30, 2009, the Company contributed RR 175 million to its various plans. The Company does not have any required funding obligations for its other post employment benefits.

Note 8: Taxes

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

	Six months ended June 30, 2009	Six months ended June 30, 2008
Export duties	32,513	66,438
Unified production tax	22,387	44,489
Property tax	962	736
Excise taxes	163	145
Penalties and interest	178	91
Other	492	425
Total taxes other than income taxes	**56,695**	**112,324**

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.

Effective January 1, 2009, the threshold crude oil price up to which the tax rate is zero was raised from $9.00 to $15.00 per barrel which leads to a $1.30 per barrel decrease in crude oil extraction tax expenses in Russia. Also, the list of regions where, depending on the period and volume of production, a zero crude oil production tax rate applies has been extended to include the Nenetsky Autonomous District, an area where the Company currently has operations.

On 26 November 2008, the Russian Federation reduced the standard corporate income tax rate from 24% to 20% effective from 1 January 2009.

Note 9: Fair Value Measurements

The Company implemented FASB Statement No. 157, Fair Value Measurements (FAS 157), as of January 1, 2008. FAS 157 was amended by FSP FAS 157-2, Effective Date of FASB Statement No. 157, which delayed the Company's application of FAS 157 for nonrecurring nonfinancial assets and liabilities until January 1, 2009. The implementation of FAS 157 did not have a material effect on the Group's results of operations or consolidated financial position and had no effect on the company's existing fair-value measurement practices. However, FAS 157 requires disclosure of a fair-value hierarchy of inputs the Company uses to value an asset or a liability. The three levels of the fair-value hierarchy are described as follows:

Note 9: Fair Value Measurements (continued)

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. For the Group, Level 1 inputs include marketable securities that are actively traded on the Russian domestic markets.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability. Certain investments held by IPCG Fund, which is accounted for under the equity method, including its investment in Bank Zenit are valued using level 2 inputs.

Level 3: Valuations utilizing significant, unobservable inputs. This provides the least objective evidence of fair value and requires a significant degree of judgment. The Group does not use Level 3 inputs for any of its recurring fair-value measurements; however, certain investments held by the IPCG Fund are valued using level 3 inputs. Beginning January 1, 2009, Level 3 inputs may be required for the determination of fair value associated with certain nonrecurring measurements of nonfinancial assets and liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Marketable securities: The Group has RR 8,045 million in marketable securities as of June 30, 2009. The Group calculates fair value for its marketable securities based on quoted market prices for identical assets and liabilities.

IPCG Fund: IPCG Fund follows the accounting principles of the AICPA Audit and Accounting Guide “Investment Companies.” Accordingly, IPCG Fund’s investments are fair valued each reporting period primarily using, Level 2 inputs. The Company’s carrying value of its investment in IPCG Fund is RR 2,250 million at June 30, 2009.

Note 10: 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 non-controlling interest not including interest income, interest expense, earnings from equity investments, other income, foreign exchange gains (losses) and certain other components of selling, general and administrative costs. Intersegment sales are at prices that approximate market.

(in millions of Russian Rubles)

Note 10: Segment Information (continued)

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

	Six months ended June 30, 2009	**Six months ended June 30, 2008**
Exploration and production		
Domestic own crude oil	23,718	29,689
CIS own crude oil	10,789	7,698
Non – CIS own crude oil	86,076	139,963
Other	2,305	1,962
Intersegment sales	4,293	7,215
Total exploration and production	**127,181**	**186,527**
Refining and marketing		
Crude oil purchased for resale	3,468	9,264
Refined products	17,766	21,819
Domestic sales	21,234	31,083
Crude oil purchased for resale	-	-
Refined products	555	405
CIS sales[(1)]	555	405
Crude oil purchased for resale	2,604	13,161
Refined products	2,172	3,468
Non – CIS sales[(2)]	4,776	16,629
Other	1,668	1,290
Intersegment sales	698	1,106
Total refining and marketing	**28,931**	**50,513**
Petrochemicals		
Tires - domestic sales	6,464	8,270
Tires - CIS sales	1,433	1,145
Tires - non-CIS sales	275	635
Petrochemical products and other	607	626
Intersegment sales	596	628
Total petrochemicals	**9,375**	**11,304**
Total segment sales	**165,487**	**248,344**
Corporate and other sales	4,072	7,092
Elimination of intersegment sales	(5,587)	(8,949)
Total sales and other operating revenues	**163,972**	**246,487**

[(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.

For the six months ended June 30, 2009, the Group had four customers which accounted for RR 89,328 million in crude oil sales, comprising 25%, 19%, 13% and 13% respectively of the total tons of crude oil sold by the Group during the six months. For the six months ended June 30, 2008, the Group had three customers which accounted for RR 127,744 million in crude oil sales, comprising 27%, 21% and 18% respectively of the total tons of crude oil sold by the Group during the six months. Management does not believe the Group is dependent on any particular customer.

(in millions of Russian Rubles)

Note 10: Segment Information (continued)

Segment earnings

	Six months ended June 30, 2009	Six months ended June 30, 2008
Segment earnings		
Exploration and production	37,147	36,104
Refining and marketing	2,702	6,009
Petrochemicals	604	952
Total segment earnings	**40,453**	**43,065**
Corporate and other	(5,069)	(9,525)
Other income / (expenses)	4,572	(1,279)
Income before income taxes and non-controlling interest	**39,956**	**32,261**

Segment assets

	At June 30, 2009	At December 31, 2008
Assets		
Exploration and production	244,191	218,509
Refining and marketing	106,264	72,720
Petrochemicals	22,478	18,768
Corporate and other	85,847	82,983
Total assets	**458,780**	**392,980**

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

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

	Six months ended June 30, 2009	Six months ended June 30, 2008
Depreciation, depletion and amortization		
Exploration and production	5,225	3,884
Refining and marketing	452	306
Petrochemicals	308	537
Corporate and other	341	525
Total depreciation, depletion and amortization	**6,326**	**5,252**
Additions to property, plant and equipment		
Exploration and production	9,420	8,857
Refining and marketing	32,236	8,510
Petrochemicals	3,758	2,451
Corporate and other	646	1,907
Total additions to property, plant and equipment	**46,060**	**21,725**

(in millions of Russian Rubles)

Note 11: 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.

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

	Six months ended June 30, 2009	**Six months ended June 30, 2008**
Sales of crude oil	-	34
Volumes of crude oil sales (thousand tons)	-	3
Sales of refined products	7	39
Volumes of refined product sales (thousand tons)	-	2
Sales of petrochemical products	-	1
Other sales	420	1,253
Purchases of crude oil	(1,750)	(8,058)
Volumes of crude oil purchases (thousand tons)	133	528
Purchases of electricity	(3,207)	(2,947)
Other purchases	(621)	(90)

	At June 30, 2009	**At December 31, 2008**
Assets		
Accounts receivable (Note 4)	808	778
Notes receivable	2,911	3,352
Short-term certificates of deposit	4,606	11,666
Loans receivable	1,652	1,809
Due from related parties short-term	**9,977**	**17,605**
Long-term certificates of deposit	5,740	500
Long-term loans receivable	5,147	4,925
Long-term accounts receivable	5	6
Due from related parties long-term	**10,892**	**5,431**
Liabilities		
Other accounts payable	(336)	(285)
Notes payable	-	(22)
Short-term debt (Note 6)	(37)	(21)
Trade accounts payable	(677)	(453)
Due to related parties short-term	**(1,050)**	**(781)**

Note 12: Commitments and Contingent Liabilities

Guarantees. The Group has no outstanding guarantees at June 30, 2009 and December 31, 2008.

Operating environment. The effects of the global financial crisis continued to have a severe effect on the Russian economy in 2009:

- Low commodity prices have resulted in lower income from exports and thus lower domestic demand.
- The rise in Russian and emerging market risk premia resulted in a steep increase in financing costs.
- The depreciation of the Russian Rouble against hard currencies increased the burden of foreign currency corporate debt, which has risen considerably in recent years.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group.

Recent volatility in global and Russian financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in local and international stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing crisis is proving to be impossible to anticipate or completely guard against. The volume of wholesale financing has significantly reduced recently. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Management believes the Group's current and long-term capital expenditures program can be funded through cash generated from existing operations or existing lines of credit. In the first half of 2009 TANECO refinery project was funded primarily from a US$ 2.0 billion credit facility (Note 6).

The Group currently holds RR 8,045 million of investments in debt or equity securities as well as RR 2,250 million investment in IPCG Fund and RR 3,941 million of investment in Bank Zenit that may be subject to declines in fair value as a result of the recent market turbulence.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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 proceeding 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.

Capital commitments. As of June, 30 2009 and December, 31 2008 the Group has outstanding capital commitments of approximately RR 34.0 billion and RR 31.0 billion, respectively, for the construction of the TANECO refinery complex and Nizhnekamsk tire plant. These commitments are expected to be paid between 2009 and 2011.

Note 12: Commitments and Contingent Liabilities (continued)

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.

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.

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 June 30, 2009 the Company has fully provided for its indirect investments in Ukrtatnafta.

Note 13: Subsequent Events

In August 2009 Ukrtatnafta filed a claim trying to invalidate the initial purchase of 8.6% of Ukrtatnafta shares by the Company.

In September 2009, the Company entered into a two years US $300 million unsecured loan agreement with Bank of Moscow.

In October 2009, the Company entered into a dual (3 and 5 year) tranches secured syndicated pre-export facility for up to USD 1.5 billion arranged by WestLB AG, Bayerische Hypo-und Vereinsbank AG, ABN AMRO Bank N.V., OJSC Gazprombank, the Bank of Moscow and Nordea Bank.