JSC Gazprom Neft

Interim Condensed Consolidated Financial Statements

As of March 31, 2009
and for the three-month periods ended March 31, 2009 and 2008
(Unaudited)

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Contents

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Report of Independent Auditors

To the Board of Directors and Shareholders of
JSC Gazprom Neft:

We have reviewed the accompanying interim condensed consolidated balance sheet of JSC Gazprom Neft and its subsidiaries as of March 31, 2009, and the related interim condensed consolidated statements of income for each of the three month periods ended March 31, 2009 and 2008, and the interim condensed consolidated statements of cash flows for the three months ended March 31, 2009 and 2008. These interim financial statements are 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 consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, of changes in shareholders' equity, and of cash flows for the year then ended (not presented herein), and in our report dated April 15, 2009 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying interim condensed consolidated balance sheet as of March 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

June 17, 2009

JSC Gazprom Neft
Interim Condensed Consolidated Balance Sheets
As of March 31, 2009 and December 31, 2008

Currency – US$ millions

	Notes	March 31, 2009 (unaudited)	December 31, 2008
Assets			
Current assets:			
Cash and cash equivalents	4	$ 1,658	$ 2,075
Short-term investments		469	143
Short-term loans receivable		49	17
Accounts receivable, net		1,927	1,866
Inventories	5	1,549	1,256
Other current assets, net		442	580
Total current assets		**6,094**	**5,937**
Long-term investments and loans receivable	6	4,845	4,812
Property, plant and equipment, net	7	10,698	9,169
Goodwill and other intangible assets		172	81
Other non-current assets		239	91
Non-current deferred income tax assets		146	115
Total assets		**$ 22,194**	**$ 20,205**
Liabilities and shareholders' equity			
Current liabilities:			
Short-term debt	8	$ 1,764	$ 613
Accounts payable and accrued liabilities		1,052	1,111
Income and other taxes payable		314	299
Dividends payable		302	525
Current portion of long-term debt	9	939	1,472
Total current liabilities		**4,371**	**4,020**
Long-term debt	9	2,312	1,608
Asset retirement obligations		269	330
Other long-term liabilities		122	-
Deferred income tax liabilities		185	147
Total liabilities		**7,259**	**6,105**
Equity:			
Common stock (authorized, issued and outstanding: 4,741,299,639 shares, 0.0016 Ruble par value)		2	2
Additional paid-in-capital		573	573
Retained earnings		13,766	13,431
Less: Common stock held in treasury, at cost (23,359,582 shares as of March 31, 2009)		(45)	(45)
Total shareholders' equity		**14,296**	**13,961**
Noncontrolling interest	2	**639**	**139**
Total Equity		**14,935**	**14,100**
Total liabilities and shareholders' equity		**$ 22,194**	**$ 20,205**

A. V. Dyukov
Chief Executive Officer
JSC Gazprom Neft

V. V. Yakovlev
Chief Financial Officer
JSC Gazprom Neft

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

	Notes	For the three months ended March 31, 2009 (unaudited)	For the three months ended March 31, 2008 (unaudited)
Revenues			
Refined products and oil and gas sales		$ 4,074	$ 7,861
Other		111	184
Total	12	**4,185**	**8,045**
Costs and other deductions			
Cost of purchased oil, gas, petroleum products		846	2,095
Operating expenses		421	468
Selling, general and administrative expenses		282	183
Transportation expenses		382	390
Depreciation, depletion and amortization		337	256
Export duties		583	1,531
Taxes other than income taxes		654	1,295
Exploration expenses		43	43
Cost of other sales		84	120
Total		**3,632**	**6,381**
Operating income		553	1,664
Other income (expense)			
Share in income of equity affiliates	6	52	106
Interest income		22	8
Interest expense		(49)	(40)
Other (expense) income, net		(23)	18
Foreign exchange (loss) gain, net		(166)	57
Total		**(164)**	**149**
Income before provision for income taxes		389	1,813
Provision for income taxes		98	370
Deferred income tax (benefit) expense		(47)	32
Total		51	402
Net income		**$ 338**	**$ 1,411**
Less: Net income attributable to noncontrolling interest		(3)	-
Net income attributable to Gazprom Neft		**$ 335**	**$ 1,411**
Basic and Diluted Net income per Common Share attributable to Gazprom Neft (US$ per share)		0.07	0.30
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,741

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

For the three-month periods ended March 31, 2009 and 2008 Currency – US$ millions

	For the three months ended March 31, 2009 (unaudited)	For the three months ended March 31, 2008 (unaudited)
Operating activities		
Net income	$ 338	$ 1,411
Reconciliation of net income to net cash provided by operating activities:		
Share in income of equity affiliates, net of dividends received	(52)	(100)
Deferred income tax (benefit) expense	(47)	32
Depreciation, depletion and amortization	337	256
Asset retirement obligation accretion expense net of spending on existing obligations	6	5
Allowance for doubtful accounts	(48)	(3)
Loss on disposal of property, plant and equipment	25	7
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	274	(715)
Inventories	4	(113)
Other current assets	154	(102)
Other non-current assets	20	(1)
Accounts payable, accrued liabilities and other long-term liabilitites	(320)	173
Income and other taxes payable	(25)	158
Net cash provided by operating activities	**666**	**1,008**
Investing activities		
Purchase of investments net of cash acquired	(514)	(26)
Loans and short-term investments received	95	2
Loans and short-term investments issued	(408)	(65)
Proceeds from disposals of property, plant and equipment	1	3
Capital expenditures	(480)	(782)
Net cash used in investing activities	**(1,306)**	**(868)**
Financing activities		
Short and long-term loans proceeds received	1,551	318
Short and long-term loans repaid	(1,060)	(600)
Dividends paid	(153)	-
Net cash provided by (used in) financing activities	**338**	**(282)**
Effect of foreign exchange on cash and cash equivalents	**(115)**	**17**
Increase in cash and cash equivalents	(417)	(125)
Cash and cash equivalents as of the beginning of the year	2,075	721
Cash and cash equivalents as of the end of the period	$ 1,658	$ 596

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

1. General

Description of Business

JSC Gazprom Neft (formerly OAO Siberian Oil Company) and its subsidiaries (the "Company") is a vertically integrated oil company operating in the Russia, CIS and Europe. The Company's principle activities include the exploration, production and development of crude oil and gas, the production of refined petroleum products and distribution and marketing operations through its retail outlets. Export trade is conducted through a wholly owned subsidiary Gazprom Neft Trading GmbH, which operates as a trader for the Company's export sales.

OAO Siberian Oil Company (''Sibneft'') was created by Presidential Decree Number 872 dated August 24, 1995. On September 29, 1995 Sibneft's charter was approved when the Government of the Russian Federation issued Resolution Number 972. The Omsk Registration Chamber officially registered Sibneft on October 6, 1995. In October 2005 OAO Gazprom ("Gazprom") completed its acquisition of a 75.68% stake in Sibneft, becoming a subsidiary of Gazprom. On May 30, 2006 Sibneft was renamed into "JSC Gazprom Neft". In April 2009, Gazprom entered into an agreement to exercise its option to acquire an additional 20% interest in the Company.

For the three months ended March 31, 2009 and 2008 the Company processed approximately 63% and 59% of produced crude oil, respectively, at the Company's refineries and other Russian refineries. The remaining production was sent to export. The Company sells its crude oil under general rules of export quotation applicable for all Russian oil producers. Under these general rules, the export quotas for the Transneft pipeline system are defined and approved by the Energy Commission of the Russian Government based on the legislation on equal access to the oil pipeline system.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by the local legislation of the countries where the Company and its subsidiaries operate. The accompanying interim condensed consolidated financial statements were derived from the Company's and its subsidiaries' statutory books and records with adjustments and reclassifications made to present them in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company uses the US Dollar as its reporting currency.

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with US GAAP for interim financial reporting of public companies (primarily Accounting Principles Board Opinion 28 ("APB 28") Interim Financial Reporting and do not include all disclosures necessary required by US GAAP. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 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 condensed 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 interim condensed consolidated financial statements and notes thereto reflect all known adjustments 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 months ended March 31, 2009 are not necessarily indicative of the results expected for the full year.

Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet as well as the revenues and expenses during the reporting periods. Certain significant estimates and assumptions for the Company include: recoverability and useful lives of long-term assets and investments; allowances for doubtful accounts receivable; asset retirement obligations; legal and tax contingencies; depreciation, depletion and amortization; environmental remediation obligations; oil reserves; recognition and disclosure of guarantees and other commitments. While management uses its best estimates and judgments, actual results could differ from those estimates and assumptions used.

Foreign Currency Translation

The management of the Company has determined the US Dollar is the functional and reporting currency of the Company as the majority of its revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in US Dollars. Monetary assets and liabilities have been translated into US Dollars at the exchange rate as of the balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows are translated into US Dollars at average rates for the period or exchange rates prevailing on the transactions dates where practicable. Gains and losses resulting from the re-measurement into US Dollars are included in the interim condensed consolidated statement of income.

The official rates of exchange of the Ruble to the US Dollar as of March 31, 2009 and December 31, 2008 were 34.01 Rubles and 29.38 Rubles per US $1.00, respectively.

The translation of local currency denominated assets and liabilities into US Dollars for the purpose of these interim condensed consolidated financial statements does not indicate that the Company could realize or settle, in US Dollars, the reported values of these assets and liabilities. Likewise, it does not indicate that the Company could return or distribute the reported US Dollar value of capital to its shareholders.

Goodwill and Other Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of net assets acquired. The excess of the fair value of net assets acquired over acquisition cost represents negative goodwill which is recognized as a gain in the consolidated statement of income during the period of the acquisition.

In accordance with SFAS No. 142, Goodwill and Other Intangible *Assets* goodwill is not amortized, but is tested for impairment at least on an annual basis. Intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful or legal lives.

Non-controlling interest

The company adopted FASB Statement No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (FAS 160)", effective January 1, 2009, and retroactive to the earliest period presented. Prospectively, certain changes in a parent's ownership interest are to be accounted for as equity transactions and when a subsidiary is deconsolidated, any noncontrolling equity investment in the former subsidiary is to be initially measured at fair value. 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 noncontrolling interests are both presented on the face of the consolidated statement of income.

Income Taxes

The Company follows the provisions of APB 28 to arrive at the effective tax rate. The effective tax rate is based on the best estimate of the expected annual tax rate to be applied to the taxable income for the current reporting period. The rate is based on the currently enacted tax rate of 20% (24% as of March 31, 2008) and includes estimates for the annual tax effect of permanent differences, foreign income taxed at lower rates and realization of deferred tax assets.

Accounting Standards Adopted

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 April 2008, the FASB issued FSP on Financial Accounting Standard ("FAS") 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. FSP FAS 142-3 is effective on January 1, 2009. Early adoption is prohibited. The provisions of FSP FAS 142-3 are to be applied prospectively to intangible assets acquired after the effective date, except for the disclosure requirements which must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. This standard was applied as part of the Company's acquisition of NIS; the adoption did not have a significant impact on our consolidated 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 noncontrolling 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 acquisition of NIS has been accounted for under the provisions of SFAS No. 141(R) and FSP FAS 141(R)-1, refer to Note 3 for further disclosures, including the impact the adoption has on the Company's financial position, results of operations and cash flows.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51." This statement establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement clarifies that a noncontrolling 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 noncontrolling 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 noncontrolling 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. As of the date of adoption, the Company did not have significant noncontrolling interests in consolidated subsidiaries and therefore adoption of these standards did not have a significant impact on the Company's financial positions, results of operations or cash flows. As more fully described in Note 3, the Company acquired a 51% interest in NIS in February 2009. The table below provides a roll forward of the Company's noncontrolling interest during the period.

Balance as of December 31, 2008	$	139
Acquisition of noncontrolling interest in NIS		501
Net income attributable to noncontrolling interest		3
Other changes in noncontrolling interest		(4)
Balance as of March 31, 2009	$	639

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but may require some entities to change their measurement practices. The Company adopted SFAS No. 157 effective January 1, 2008 with respect to financial assets and liabilities and effective January 1, 2009 with respect to nonfinancial assets and liabilities. Adoption did not have a significant effect on the Company's financial position, results of operations or cash flows. See also Note 3 for additional information regarding the Company's acquisition of NIS.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," which removes certain leasing transactions from the scope of SFAS No. 157, and FSP FAS 157-2, "Effective Date of FASB Statement No. 157," which deferred the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. Adoption did not have a significant effect on the Company's financial position, results of operations or cash flows.

In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active," which clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued, and any revisions resulting from a change in the valuation technique or its application were required to be accounted for as a change in accounting estimate. Application of FSP FAS 157-3 did not cause the Company to change its valuation techniques for assets and liabilities measured under SFAS No. 157.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

Recently Issued Accounting Standards

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 will adopt the new disclosure provisions in the second quarter of 2009; however, 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 April 2009, the FASB issued FSP No. SFAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Has Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP SFAS 157-4). FSP SFAS 157-4 amends SFAS 157 and provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset and liability have significantly decreased in relation to normal market activity for the asset or liability. FSP SFAS 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. FSP SFAS 157-4 is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company has not adopted FSP SFAS 157-4 early. The Company is currently evaluating the impact of adopting FSP FAS 157-4 on its financial position, results of operations and cash flows.

In May 2009, FASB issued FASB Statement No. 165, Subsequent Events (FAS 165). FAS 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 165 will be effective for interim and annual periods ending after June 15, 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.

Reclassifications

Certain reclassifications have been made to previously reported amounts to conform with the current year's presentation; such reclassifications have no effect on net income, net cash flow or shareholders' equity.

3. Business Combinations

On February 3, 2009, the Company acquired a 51% interest in Serbia's Naftna Industrija Srbije (NIS) for € 400 million (US$ 521 million). As part of the purchase agreement the Company pledged to invest € 547 million (approximately US$ 712 million) to rebuild and upgrade NIS's refining facilities by 2012. NIS is one of the largest vertically integrated oil companies in central Europe, operating two oil refineries in Pancevo and Novi Sad, Serbia with a total processing capacity of 7.2 million tones per year. NIS also has crude oil production of approximately 0.6 million tones per year from its oil and gas exploration and production operations in Serbia, holds a minority share in PSA Angola and operates a network of retail stations throughout Serbia.

The following table summarizes the consideration transferred to acquire NIS, as well as the fair value of the noncontrolling interest as of the acquisition date:

Cash	521
Fair value of the noncontrolling interest in NIS	501
Total fair value	1,022

As of and for the three month period ended March 31, 2009 Currency – US$ millions

The following table summarizes the estimated fair values of the assets and liabilities acquired as of February 3, 2009. The purchase price allocation is preliminary as the Company is in the process of finalizing the fair value estimates for certain assets and liabilities, primarily for property, plant and equipment and certain long-term receivables and investments.

	As of the acquisition date
Cash and cash equivalents	$ 22
Accounts receivable, net	246
Inventories	297
Other current assets	53
Intangible assets	101
Property, plant and equipment	1,469
Other non-current assets	119
Total assets acquired	$ 2,307
Short term loans and current portion of long-term debt	$ (645)
Other current liabilities	(315)
Long-term debt	(186)
Other non-current liabilities	(185)
Total liabilities assumed	$ (1,331)
Total identifiable net assets acquired	**$ 976**
Goodwill	46
Total assets acquired	**$ 1,022**

The primary reasons for the acquisition and the principle factors contributing to goodwill are the Company's ability to deliver its own crude oil to the NIS refineries and the expected increase in refining throughput and improvement of product mix, which will allow for future increases in refined product sales to the export market. All of the goodwill has been assigned to the Company's Refining and Marketing Segment. The goodwill is not deductible for tax purposes.

The fair value of the noncontrolling interest of US$ 501 million was estimated by applying the income approach as there are no market comparatives. This fair value measurement is based on significant inputs not observable in the market and thus represents Level 3 measurement as defined by SFAS No. 157. The fair value estimate is based on discount rates between 15.0% and 17.0%, financial forecast prepared in nominal US Dollars and publicly available macroeconomic and industry information.

The acquisition of NIS contributed revenues of approximately US$ 323 million and a net income of approximately US$ 3 million during the period February 3, 2009 through March 31, 2009. The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2009 after applying the Company's accounting policies:

	Pro forma March 31, 2009
Revenues	4,312
Net income	340

Presenting unaudited pro forma information for the comparative three month period ending March 31, 2008 is impractical as NIS has not historically prepared US GAAP information and does not have data to objectively determine adjustments to statutory accounts to derive US GAAP financial information for any period during 2008.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2009 and December 31, 2008 comprise the following:

	2009	2008
Cash in bank – Rubles	$ 122	$ 424
Cash in bank – foreign currency	887	359
Bank deposits and other cash equivalents	640	1,290
Cash on hand	9	2
Total cash and cash equivalents	$ 1,658	$ 2,075

As of March 31, 2009 and December 31, 2008 the majority of bank deposits are represented by US Dollars. Bank deposits represent deposits with original maturities of less than 90 days at the date of acquisition.

5. Inventories

Inventories as of March 31, 2009 and December 31, 2008 consist of the following:

	2009	2008
Crude oil	$ 180	$ 106
Petroleum products	480	295
Materials and supplies	839	820
Other	50	35
Total inventories	$ 1,549	$ 1,256

6. Long-Term Investments and Loans Receivable

None of the companies listed below are publicly traded in Russia and due to the nature of the financial markets it is not possible to obtain current market price for these investments. The significant equity and other long-term investments as of March 31, 2009 and December 31, 2008 are summarized below:

	Ownership Percentage	Net book value as of	
	March 31, 2009	March 31, 2009	December 31, 2008
Investments in equity affiliates:			
JSC Slavneft	49.9	$ 2,686	$ 2,710
JSC Tomskneft VNK	50.0	1,533	1,458
JSC Moscow Oil Refinery	38.6	332	331
Total investments in equity affiliates		4,551	4,499
Long-term investments, at cost:			
Various marketing entities		115	129
Other entities		101	96
Total long-term investments, at cost		216	225
Long-term loans receivable		78	88
Total long-term investments		$ 4,845	$ 4,812

As of and for the three month period ended March 31, 2009 Currency – US$ millions

The Company's share in income of equity affiliates including share in noncontrolling interest consist of the following for the three months ended March 31:

		2009		2008
Equity affiliates:				
JSC Slavneft	$	(24)	$	84
JSC Tomskneft VNK		75		13
JSC Moscow Oil Refinery		1		9
Total share of income in equity affiliates	$	52	$	106

The Company's investment in JSC Slavneft and various minority stakes in Slavneft' subsidiaries ("Slavneft") are held through a series of off-shore entities and an investment trust. During 2005, the Company and TNK-BP agreed to jointly manage the production and the refineries of the Slavneft group with each party purchasing its share of production, refer also to Note 11 Related Party Transactions.

The following table summarizes the financial information of Slavneft as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008:

		2009		2008
Current assets	$	798	$	1,002
Long-term assets		6,568		6,453
Total liabilities		1,986		2,051
Revenues		770		1,864
Net income including noncontrolling interest		(48)		168

In December 2007 the Company acquired a 50% equity interest in JSC Tomskneft VNK ("Tomskneft") and its subsidiaries from a subsidiary of OJSC Oil Company Rosneft ("Rosneft"). As part of this transaction, the Company and Rosneft agreed to jointly manage the business operations of Tomskneft and to each purchase their respective share of Tomskneft's annual production.

The following table summarizes the financial information of Tomskneft as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008:

		2009		2008
Current assets	$	735	$	881
Long-term assets		3,794		3,880
Total liabilities		2,115		2,496
Revenues		329		776
Net income		150		27

During 2008 Gazprom Neft and MNGK created a joint-venture – Moscow NPZ Holding B. V., into which both parties agreed to contribute their respective interests in JSC Moscow Oil Refinery ("Moscow Refinery"). In August 2008, the Company transferred its 38.8% interest in the Moscow Refinery to Moscow NPZ Holding B. V. As a result, Moscow NPZ Holding B. V. controls 77.2% of the Moscow Refinery. The Company and MNGK have agreed to jointly manage the Moscow Refinery.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

The following table summarizes the financial information of JSC Moscow Oil Refinery as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008:

	2009	2008
Current assets	$ 132	$ 197
Long-term assets	371	310
Total liabilities	137	144
Revenues	67	432
Net income	3	22

7. Property, Plant and Equipment

As of March 31, 2009 property, plant and equipment comprise the following:

	Cost	Accumulated DD&A	Net book value
Exploration and production	$ 18,913	$ (10,224)	$ 8,689
Refining	2,325	(1,958)	367
Marketing and distribution	1,043	(112)	931
Other	17	(1)	16
Assets under construction	695	-	695
Total	$ 22,993	$ (12,295)	$ 10,698
Comparative balance as of December 31, 2008	$ 21,144	$ (11,975)	$ 9,169

8. Short-Term Loans

As of March 31, 2009 and December 31, 2008 the Company has short-term loans outstanding as follows:

	2009	2008
Banks	$ 1,529	$ 302
Related parties	228	306
Other	7	5
Total short-term loans	$ 1, 764	$ 613

Short-term loans are primarily used for the provision of working capital needs.

In January 2009 the Company obtained US$ 375 million loan from the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) repayable in US Dollars. The loan bears an interest rate of 10.75% and matures in January 2010.

As of March 31, 2009 the Company has two tranches amounting to US$ 300 million from a US$ 750 million loan facility from the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) repayable in US Dollars (US$ 150 million tranche as of December 31, 2008). The tranches bear a floating interest rate of LIBOR plus 5.0% and mature in December 2009 and March 2010.

As of March 31, 2009, the Company has US$ 845 million in short term loans from a number of European and Russian banks, primarily repayable in US Dollars. These loans bear floating interest rates based on LIBOR/EURIBOR plus margin of 0.45% to 5.00%. As of December 31, 2008, the Company had US$ 150 million in various short-term bank loans repayable in US Dollars. These loans bore interest between LIBOR plus 0.55% to LIBOR plus 4.75%.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

As of March 31, 2009 the Company has an interest-free loan from Tomskneft of US$ 228 million, repayable in Rubles which matures in August 2009. As of December 31, 2008 the Company had an interest-free loan from Tomskneft of US$ 289 million. Tomskneft is a related party to the Company.

As of December 31, 2008 the Company had a series of loans from MNPZ for US$ 17 million repayable in Rubles which bore interest at rates between 3.50% and 5.0%. These loans were repaid during the period ended March 31, 2009. MNPZ is a related party to the Company.

As of March 31, 2009 weighted average interest rates related to the short-term loans in foreign currency and in Rubles were 6.2% and 4.1%, respectively. As of December 31, 2008 weighted average interest rates related to the short-term loans in foreign currency and in Rubles were 5.6% and 0.3%, respectively.

9. Long-Term Debt

As of March 31, 2009 and December 31, 2008 the Company has long-term outstanding loans as follows:

	2009	2008
Bonds	$ -	$ 500
Bank loans outstanding	3,098	2,564
Other borrowings	153	16
Less current portion of long- term debt	(939)	(1,472)
Total long-term debt	$ 2,312	$ 1,608

Bank loans are comprised of loan facilities primarily in US Dollars from major western banks and their affiliates.

In December 2002, the Company placed US$ 500 million in 7-year Eurobonds on the Luxemburg Stock Exchange (all current as of December 31, 2008). The bonds bore interest of 10.75% per year and had semi-annual coupon payments due on January 15 and July 15 of each year. These Eurobonds matured and were repaid in full on January 15, 2009.

During 2006 the Company obtained US$ 630 million syndicated loan from Citibank and ABN-AMRO Bank maturing in July 2009, bearing a floating interest of LIBOR plus 0.6%. As of March 31, 2009, the amount outstanding under this syndicated loan is US$ 93 million (all current). As of December 31, 2008 the amount outstanding under the loan was US$ 163 million (all current).

During 2007 the Company obtained US$ 2.2 billion syndicated loan from Calyon, ABN-AMRO, Commerzbank and Citibank maturing in September 2010, bearing a floating interest rate of LIBOR plus 0.75%. As of March 31, 2009, the amount outstanding under this syndicated loan is US$ 1.2 billion (including current portion of US$ 800 million). As of December 31, 2008 the amount outstanding under the loan was US$ 1.4 billion (including current portion of US$ 800 million).

During 2008 the Company obtained US$ 1 billion in syndicated loan in two tranches from BBVA Bank, BTMU Bank, Barclays Capital, Sumitomo Mutsui Banking Corporation and WestLB Bank. First tranche was in amount of US$ 315 million bears a floating interest rate of LIBOR plus 1.5% and matures in May 2011. Second tranche in amount of US$ 685 millions bears a floating interest rate of LIBOR plus 1.75% and matures in May 2013. Thereby as of March 31, 2009 and December 31, 2008 the Company had US$ 1 billion outstanding syndicated loan.

During 2009 the Company obtained a US$ 724 million loan from Sberbank repayable in US Dollars. The loan bears an interest rate of 10.25%-11.50% and matures in August 2010.

As of March 31, 2009 the Company has US$ 70 million in long term loans from a number of banks. These loans bear floating interest rates based on LIBOR/EURIBOR plus 0.5% to 6.75%.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

The loan agreements contain financial covenants that require the Company's ratios of Consolidated EBITDA to Consolidated Interest Payable, Consolidated Indebtedness to Consolidated Tangible Net Worth and Consolidated Indebtedness to Consolidated EBITDA. Management believes the Company is in compliance with these covenants as of March 31, 2009 and December 31, 2008, respectively.

Maturities of long-term loans as of March 31, 2009 are as follows:

Year due	Amount due
2010	$ 939
2011	1,372
2012	567
2013	221
2014 and further	152
	$ 3,251

10. Commitments and Contingencies

Taxes

During 2008, tax authorities completed reviews over the operations of the Company and its subsidiaries for the year ended December 31, 2006. There were no significant findings as a result of these reviews.

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation, including the allocation of tax payments to the Federal and Regional budgets, 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 the preceding three calendar years. Under certain circumstances reviews by tax authorities may cover longer periods. The years 2007 and 2008 are currently open for review. Management believes it has adequately provided for any probable losses that might arise from these maters.

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 freely convertible in any countries outside of the Russian Federation, restrictive currency controls, and a level of 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.

The ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding and lower liquidity levels across the Russian Federation. The uncertainties in the global financial market, has also led to bank failures and or bank rescues. While the Russian government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, such circumstances could affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Additionally, the uncertainty in the global markets combined with other local factors has led to very high volatility in the Russian Stock Markets during 2008 and 2009.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

Management is unable to reliably determine the effects on the Company's future financial position, results of operations or cash flows as a result of the ongoing crisis. Management believes the Company's current and long-term investment and capital expenditures program can be funded through cash generated from existing operations. Management also believes the Company has the ability to obtain syndicated loans and other financings as needed to fund business acquisitions and other transactions that may arise in the future (Refer to Note 13 Subsequent Events).

Environmental Matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its potential obligations under environmental regulation. Management is of the opinion that the Company has met the government's requirements concerning environmental matters, and therefore believes that the Company does not have any material current environmental liabilities.

11. Related Party Transactions

JSC Moscow Oil Refinery (Moscow Refinery)

For the three months ended March 31, 2009 and 2008 the Company processed crude oil based on processing agreements and conducted other transactions with Moscow Refinery. Such transactions are in the ordinary course of business and on terms available to other suppliers. The information on transactions with Moscow Refinery for the three months ended March 31, 2009 and 2008 is presented below:

	March 31, 2009	March 31, 2008
Processing fees	$ 16	$ 26
Oil products purchased	1	2
Oil products sales	-	3

As of March 31, 2009 the Company has US$ 16 million in payables to Moscow Refinery and US$ 6 million in receivables from Moscow Refinery. As of December 31, 2008 the Company had US$ 14 million in payables to Moscow Refinery.

Slavneft Group (Slavneft)

For the three months ended March 31, 2009 and 2008 the Company conducted numerous transactions with Slavneft or its subsidiaries. The Company and TNK-BP have in principle agreed to split Slavneft's production based on each party's respective interest. The information on transactions with Slavneft for the three months ended March 31, 2009 and 2008 is presented below:

	March 31, 2009	March 31, 2008
Processing fees	$ 49	$ 50
Crude, gas and oil products purchased	265	819
Crude and oil products sales	40	205

As of March 31, 2009 the Company has US$ 38 million in payables to Slavneft and US$ 18 million in receivables from Slavneft. As of December 31, 2008 the Company had US$ 54 million in payables to Slavneft and US$ 16 million in receivables from Slavneft.

As of and for the three month period ended March 31, 2009 Currency – US$ millions

Gazprom Group (Gazprom)

For the three months ended March 31, 2009 and 2008 the Company conducted numerous transactions with Gazprom, its primary shareholder, or its subsidiaries. The information on transactions with Gazprom for the three months ended March 31, 2009 and 2008 is presented below:

	March 31, 2009	March 31, 2008
Gas and oil products purchased	$ 2	$ 16
Gas and oil products sales	-	31

As of March 31, 2009 the Company has US$ 6 million in payables to Gazprom and US$ 10 million in receivables from Gazprom. As of December 31, 2008 the Company had US$ 9 million in payables to Gazprom and US$ 11 million in receivables from Gazprom.

Tomskneft Group (Tomskneft)

For the three months ended March 31, 2009 the Company purchased crude and gas from Tomskneft or its subsidiaries amounting to US$ 129 million. For the three months ended March 31, 2008 the Company purchased crude and gas from Tomskneft or its subsidiaries amounting to US$ 225 million. The Company and Rosneft have in principle agreed to split Tomskneft's production based on each party's respective 50% interest. As of March 31, 2009 the Company has US$ 14 million in payables to Tomskneft and US$ 11 million in receivables from Tomskneft. As of December 31, 2008 the Company had US$ 10 million in payables to Tomskneft and US$ 7 million in receivables from Tomskneft.

12. Segment Information

Presented below is information about the Company's operating segments for the three months ended March 31, 2009 and 2008. The Company determined its operating segments based on differences in the nature of their operations considering the regular review by the chief operating decision maker to make decisions about resources to be allocated and to assess performance of the Company.

The exploration and production segment explores, develops and produces crude oil and natural gas and sells its production to the refining, marketing and distribution segment. The refining, marketing and distribution segment processes crude oil into refined products and purchases, sells and transports crude oil and refined petroleum products.

Operating Segments as of and for the three months ended March 31, 2009:

	Exploration and Production	Refining, Marketing and Distribution	Elimination	Consolidated
Revenues				
Revenues from external customers	$ 15	$ 4,170	-	$ 4,185
Inter-segment revenues	1,127	13	(1,140)	-
Total	1,142	4,183	(1,140)	4,185
Operating income	84	469	-	553
Capital expenditures	365	115	-	480
Depreciation, depletion and amortization	295	42	-	337
Income tax expense	(11)	62	-	51
Segment assets as of March 31, 2009	$ 13,051	$ 16,726	(7,583)	22,194

As of and for the three month period ended March 31, 2009 Currency – US$ millions

Operating Segments for the three months ended March 31, 2008:

	Exploration and Production	Refining, Marketing and Distribution	Elimination	Consolidated
Revenues				
Revenues from external customers	$ 36	$ 8,009	-	$ 8,045
Inter-segment revenues	2,350	12	(2,362)	-
Total	2,386	8,021	(2,362)	8,045
Operating income	585	1,079		1,664
Capital expenditures	739	43		782
Depreciation, depletion and amortization	232	24		256
Income tax expense	62	340		402
Segment assets as of December 31, 2008	$ 13,086	$ 15,868	(8,749)	$ 20,205

For the three months ended March 31, 2009 and 2008 the Company had one customer which accounted for approximately 23.3% and 25.0% of the Company's sales, respectively. Management does not believe the Company is reliant on any particular customer.

The geographical segmentation of the Company's revenue is presented below:

	March 31, 2009	March 31, 2008
Export	$ 2,564	$ 5,261
Domestic	1,335	2,328
CIS	286	456
Total revenues from external customers	$ 4,185	$ 8,045

13. Subsequent Events

On April 21, 2009 the Company placed US$ 298 million in 10-year Ruble bonds. The bonds bear interest of 16.7% per year with 2 year put option and have semi-annual coupon payments.

On April 24, 2009 the Company acquired a 16.94% interest in Sibir Energy Plc ("Sibir Energy") for £ 327 million (approximately US$ 442 million). Sibir Energy's primary assets include a 50% interest in Salym Petroleum Development (a joint venture with Royal Dutch Shell) and a 38.5% interest in the Moscow Oil Refinery, which is jointly managed with Gazprom Neft, and a network of retail stations in the Moscow Region. On May 22, 2009, the Company acquired an additional 10.6% in Sibir Energy for £ 199 million (approximately US$ 269 million). On May 26, 2009, the Company made an offer to acquire an additional 6.54% interest or approximately 25.3 million shares, representing all of the remaining public shares in Sibir Energy, for £ 5.00 per share (approximately US$ 8 per share). The offer expired on June 17, 2009 resulted in the Company acquiring an additional 6.01%. As of June 17, 2009 the Company' total ownership in Sibir Energy is approximately 33.55%.