



JSC Gazprom Neft

Interim Condensed Consolidated Financial Statements

**As of and for the three and six months ended June 30, 2009 and 2008
(Unaudited)**

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Contents

Interim Condensed Consolidated Balance Sheets	2
Interim Condensed Consolidated Statements of Income	3
Interim Condensed Consolidated Statements of Cash Flows	4
Notes to Interim Condensed Consolidated Financial Statements	5

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 June 30, 2009, and the related interim condensed consolidated statements of income for each of the three-month and six-month periods ended June 30, 2009 and 2008, and the interim condensed consolidated statement of cash flows for the six-month periods ended June 30, 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 condensed consolidated interim 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 June 30, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

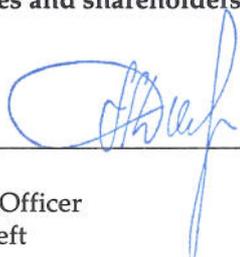
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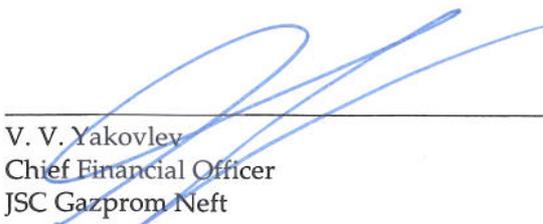
September 9, 2009

JSC Gazprom Neft
Interim Condensed Consolidated Balance Sheets
As of June 30, 2009 and December 31, 2008

Currency – US\$ millions

	<u>Notes</u>	<u>June 30, 2009</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2008</u>
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 1,498	\$ 2,075
Short-term investments		135	143
Short-term loans receivable		54	17
Accounts receivable, net	5	2,474	1,866
Inventories	6	1,685	1,256
Other current assets, net	7	589	580
Total current assets		6,435	5,937
Long-term investments and loans receivable	8	6,519	4,812
Property, plant and equipment, net	9	13,420	9,169
Goodwill and other intangible assets	10	1,000	92
Other non-current assets		368	80
Non-current deferred income tax assets		128	115
Total assets		27,870	\$ 20,205
Liabilities and shareholders' equity			
Current liabilities:			
Short-term debt	11	\$ 3,165	\$ 613
Accounts payable and accrued liabilities		1,412	1,111
Income and other taxes payable		654	299
Dividends payable		821	525
Current portion of long-term debt	12	1,278	1,472
Total current liabilities		7,330	4,020
Long-term debt	12	2,175	1,608
Asset retirement obligations		289	330
Other long-term liabilities		131	-
Deferred income tax liabilities		763	147
Total liabilities		10,688	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		14,141	13,431
Less: Common stock held in treasury, at cost (23,359,582 shares as of June 30, 2009)		(45)	(45)
Total shareholders' equity		14,671	13,961
Non-controlling interest		2,511	139
Total equity		17,182	14,100
Total liabilities and shareholders' equity		27,870	\$ 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.

JSC Gazprom Neft
Interim Condensed Consolidated Statements of Income
For the three and six months ended June 30, 2009 and 2008

Currency - US\$ millions
(except per share data)

	Notes	Three months ended June 30, 2009 (unaudited)	Three months ended June 30, 2008 (unaudited)	Six months ended June 30, 2009 (unaudited)	Six months ended June 30, 2008 (unaudited)
Revenues					
Refined products and oil and gas sales		\$ 5,057	\$ 9,778	\$ 9,131	\$ 17,639
Other		123	179	234	363
Total	16	5,180	9,957	9,365	18,002
Costs and other deductions					
Cost of purchased oil, gas, petroleum products		1,167	2,375	2,000	4,470
Operating expenses		438	517	829	974
Selling, general and administrative expenses		330	265	601	439
Transportation expenses		415	434	810	824
Depreciation, depletion and amortization		369	316	706	572
Export duties		623	1,747	1,206	3,279
Taxes other than income taxes		855	1,545	1,527	2,859
Exploration expenses		20	58	63	101
Cost of other sales		82	136	188	256
Total		4,299	7,393	7,930	13,774
Operating income		881	2,564	1,435	4,228
Other income (expense)					
Share in income of equity affiliates	8	48	213	100	319
Gain on investment		470	-	470	-
Interest income		45	16	67	24
Interest expense		(93)	(38)	(142)	(78)
Other (expense) income, net		(32)	133	(56)	151
Foreign exchange gain (loss), net		175	(3)	8	54
Total		613	321	447	470
Income before provision for income taxes		1,494	2,885	1,882	4,698
Provision for income taxes		236	677	334	1,047
Deferred income tax (benefit) expense		39	(16)	(8)	16
Total		275	661	326	1,063
Net income		\$ 1,219	\$ 2,224	\$ 1,556	\$ 3,635
Less: Net income attributable to non-controlling interest		(19)	(28)	(22)	(28)
Net income attributable to Gazprom Neft		\$ 1,200	2,196	1,534	3,607
Basic and Diluted Net income per Common Share attributable to Gazprom Neft (US\$ per share)		0.2543	0.4630	0.3251	0.7608
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,741	4,718	4,741

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

JSC Gazprom Neft
Interim Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2009 and 2008

Currency - US\$ millions

	Six months ended June 30, 2009 (unaudited)	Six months ended June 30, 2008 (unaudited)
Operating activities		
Net income	\$ 1,534	\$ 3,607
Reconciliation of net income to net cash provided by operating activities:		
Share in income of equity affiliates, net of dividends received	(100)	(312)
Gain on acquisition of Sibir Energy	(470)	-
Non-controlling interest	22	28
Deferred income tax (benefit) expense	(8)	16
Depreciation, depletion and amortization	706	572
Asset retirement obligation accretion expense net of spending on existing obligations	14	12
Allowance for doubtful accounts	(23)	(3)
Loss on disposal of property, plant and equipment	20	5
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(83)	(1,416)
Inventories	(77)	(600)
Other current assets	55	(181)
Other non-current assets	61	(60)
Accounts payable, accrued liabilities and other long-term liabilities	(176)	334
Income and other taxes payable	190	422
Net cash provided by operating activities	1,665	2,424
Investing activities		
Purchase of investments net of cash acquired	(2,000)	(31)
Loans and short-term investments received	83	3
Loans and short-term investments issued	(255)	(416)
Proceeds from disposals of property, plant and equipment	5	10
Capital expenditures	(1,197)	(1,587)
Net cash used in investing activities	(3,364)	(2,021)
Financing activities		
Short and long-term loans proceeds received	2,564	1,336
Short and long-term loans repaid	(888)	(878)
Dividends paid	(502)	(356)
Net cash provided by financing activities	1,174	102
Effect of foreign exchange on cash and cash equivalents	(52)	37
(Decrease) increase in cash and cash equivalents	(577)	542
Cash and cash equivalents as of the beginning of the period	2,075	721
Cash and cash equivalents as of the end of the period	\$ 1,498	\$ 1,263

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

1. GeneralDescription of Business

JSC Gazprom Neft (formerly OAO Siberian Oil Company) and its subsidiaries (the "Company") is a vertically integrated oil company operating in the Russian Federation, CIS and Europe. The Company's principal activities include exploration, production and development of crude oil and gas, 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 "JSC Gazprom Neft". In April 2009, Gazprom entered into an agreement to exercise its option to acquire an additional 20% interest in the Company.

2. Summary of Significant Accounting PoliciesBasis 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 statutory books and records of the Company and its subsidiaries 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 necessarily 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. Subsequent events occurring after June 30, 2009 were evaluated through September 9, 2009, the date these financial statements were issued.

The results for the three and six months ended June 30, 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; identifying assets acquired and liabilities assumed in business combinations and determining fair value; 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 transaction 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 June 30, 2009 and December 31, 2008 were 31.29 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 FASB Statement No. 142, "Goodwill and Other Intangible Assets" (FAS No. 142), 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 "Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" (FAS No. 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 non-controlling 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 non-controlling 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 June 30, 2008) and includes estimates for the annual tax effect of permanent differences, foreign income taxed at lower rates and the 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 acquisitions subsequent to the effective date (Note 3 "Business combinations"); 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 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 "Business combinations") have 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.

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 non-controlling 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 non-controlling 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. The standard was applied as part of the Company's acquisitions subsequent to the effective date (Note 3 "Business combinations").

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.

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.

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 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.

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 adoption of this standard did not have a significant impact on the Company's financial position, consolidated results of operations or cash flows.

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.

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 CombinationsAcquisition of Naftna Industrije Srbije

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 tonnes per year. NIS also has crude oil production of approximately 0.6 million tonnes 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 non-controlling interest as of the acquisition date:

Cash	521
Fair value of the non-controlling interest in NIS	501
Total fair value	<u>1,022</u>

In the interim condensed consolidated financial statements as of and for the period ended 31 March 2009 the Company undertook an initial assessment of the estimated fair values of the assets and liabilities acquired as of February 3, 2009. This assessment was preliminary as the Company was in the process of finalizing the fair value estimates for certain assets and liabilities, primarily property, plant and equipment, and certain long term receivables and investments.

In the three months to 30 June 2009 the Company has updated the initial assessment of the estimated fair values of certain of the assets and liabilities acquired based on further analysis in that period. The principal changes to the assessment of fair values included an increase in the fair value of the downstream refining assets of approximately US\$56 million to reflect changes to assumptions regarding the anticipated mix of refined products that will be produced as a result of the planned refinery upgrade. In addition, the fair value of upstream production licenses was reduced by approximately US\$78 million to reflect changes in assumptions regarding estimated future prices for crude oil production. The changes to crude price assumptions were made to reflect quality and location differentials compared to the benchmark price originally applied.

As of June 30, 2009 the purchase price allocation remains provisional as the Company continues to evaluate certain assets and liabilities acquired, principally property plant and equipment and certain long term receivables and investments.

The following table summarizes the revised estimates of fair value of the assets and liabilities acquired as of February 3, 2009.

	As of the acquisition date (revised)
Cash and cash equivalents	\$ 22
Accounts receivable, net	246
Inventories	297
Other current assets	53
Intangible assets	207
Property, plant and equipment	1,478
Other non-current assets	4
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	(195)
Total liabilities assumed	\$ (1,341)
Total identifiable assets acquired and liabilities assumed	\$ 966
Consideration paid	\$ (1,022)
Goodwill	56

The revisions were as a result of changes to assumptions following detailed review of the provisional purchase price allocation undertaken in the period.

The primary reasons for the acquisition and the principal 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 non-controlling 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 15.2% and 17.3%, financial forecast prepared in nominal US Dollars and publicly available macroeconomic and industry information.

The acquisition of NIS contributed revenues of approximately US\$ 840 million and a loss of approximately US\$ 30 million during the period February 3, 2009 through June 30, 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 June 30, 2009
Revenues	9,533
Net income	1,442

Presenting unaudited pro forma information for the comparative six month period ending June 30, 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.

Acquisition of Sibir Energy

In the period from April 23, 2009, being the date of the Company's first acquisition of shares in Sibir Energy plc ("Sibir"), until June 23, 2009, the Company invested £1,057 million (approximately US\$ 1,659 million) to acquire 48.39% of the ordinary shares of Sibir, and the rights to purchase additional 6.32% of the ordinary shares of Sibir. This acquisition of shares of Sibir provided the Company with effective control over Sibir and indirect control over Moscow Refinery, having increased its effective interest in Moscow Refinery from 38.63% to 59.75%. The Company previously accounted for its 38.63% interest in Moscow Refinery as an equity method investment.

Sibir is a vertically integrated oil company operating in the Russian Federation. Sibir's primary upstream assets include JSC Magma Oil Company (95% Sibir owned) and a 50% interest in Salyk Petroleum Development (a joint venture with Royal Dutch Shell). Sibir's upstream assets are located in Khanti-Mansiysky Autonomous Region and comprise annual production interest of over 80,000 barrels of oil per day (bopd). Sibir also holds a 38.6% stake in the Moscow Oil Refinery ("Moscow Refinery"), which is jointly managed with Gazprom Neft, and a network of 134 retail stations in the City of Moscow and the Moscow region through JSC Moscow Fueling Company and JSC Mosnefteproduct.

The following table summarizes the consideration transferred to acquire Sibir, including the fair value of the non controlling interests in both Sibir and Moscow refinery at the acquisition date as well as the fair value of the Company's pre-existing interest in Moscow refinery at the acquisition date:

Cash paid	\$ 1,659
Fair value of the non-controlling interest in Sibir	1,058
Fair value of the non-controlling interest in Moscow Refinery	834
Fair value of the Company's investment in Moscow Refinery held before the business combination	810
Total fair value	4,361

The following table summarizes the estimated fair values of the assets and liabilities acquired as of June 23, 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 determining the completeness of liabilities recorded:

	As of the acquisition date
Cash and cash equivalents	\$ 181
Accounts receivable, net	261
Inventories	60
Other current assets	58
Intangible assets	683
Property, plant and equipment	2,366
Other non-current assets	1,797
Total assets acquired	\$ 5,406
Short-term and current portion of long-term debt	\$ (165)
Other current liabilities	(367)
Long-term debt	(242)
Other non-current liabilities	(560)
Total liabilities assumed	\$ (1,334)
Total identifiable assets acquired and liabilities assumed	\$ 4,072
Consideration transferred	\$ (4,361)
Goodwill	289

JSC Gazprom Neft**Notes to Interim Condensed Consolidated Financial Statements - Unaudited**

As of June 30, 2009 and December 31, 2008

Currency - US\$ millions

As a result of the Company obtaining control over Moscow refinery, the Company's previously held 38.63% interest was re-measured to fair value, resulting in a gain of US\$ 470 million. This has been recognized in the line item "Other income (expense), net" in the consolidated statement of income.

The fair values of the non-controlling interests in Sibir and Moscow refinery of US\$ 1,008 million and US\$ 834 million respectively were estimated by applying an income approach as there are no market comparatives. The fair value measurements 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 10.8% and 13.6%, financial forecasts prepared in nominal US Dollars and publicly available macroeconomic and industry information.

The acquisition of Sibir contributed revenues of approximately US\$ 47 million and net income of approximately US\$ 3 million during the period June 23, 2009 through June 30, 2009. The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2008:

	Pro forma	Pro forma
	June 30, 2009	June 30, 2008
Revenues	10,495	19,906
Net income	1,582	3,846

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Sibir and Moscow Refinery to reflect the additional depreciation and amortization arising from the purchase accounting that would have been charged assuming the fair values adjustments to property plant and equipment and intangible assets had been applied from 1 January 2008.

The goodwill recognized as a result of the business combination is attributable to the Company's ability to increase the delivery of its own crude to the Moscow refinery and the expected increase in refining throughput and improved flexibility of product sales which will increase access to various product sales channels and result in higher net back prices. All of the goodwill arising on the business combination has been assigned to the Company's refining and marketing segment. The goodwill is not deductible for tax purposes.

4. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2009 and December 31, 2008 comprise the following:

	2009	2008
Cash in bank - Rubles	\$ 225	\$ 424
Cash in bank - foreign currency	411	359
Bank deposits and other cash equivalents	851	1,290
Cash on hand	11	2
<i>Total cash and cash equivalents</i>	<u>\$ 1,498</u>	<u>\$ 2,075</u>

As of June 30, 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 three months.

5. Accounts Receivable, Net

Accounts receivable as of June 30, 2009 and December 31, 2008 comprise the following:

	<u>2009</u>	<u>2008</u>
Trade receivables	\$ 1,030	\$ 818
Value added tax receivable	781	555
Related party receivables	156	34
Other receivables	543	518
Less allowance for doubtful accounts	(36)	(59)
<i>Total accounts receivable</i>	<u>\$ 2,474</u>	<u>\$ 1,866</u>

Trade receivables represent amounts due from customers in the ordinary course of business, denominated primarily in US Dollars, and are short-term in nature.

Other receivables consist primarily of profit taxes receivable and other miscellaneous receivables.

6. Inventories

Inventories as of June 30, 2009 and December 31, 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Crude oil	\$ 319	\$ 106
Petroleum products	518	295
Materials and supplies	720	820
Other	128	35
<i>Total inventories</i>	<u>\$ 1,685</u>	<u>\$ 1,256</u>

7. Other Current Assets

Other current assets as of June 30, 2009 and December 31, 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Prepaid customs duties	\$ 133	\$ 216
Advances paid	395	334
Prepaid expenses	44	22
Current deferred tax assets	17	8
<i>Total other current assets</i>	<u>\$ 589</u>	<u>\$ 580</u>

8. 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 June 30, 2009 and December 31, 2008 are summarized below:

	Ownership Percentage	Net book value as of	
		June 30, 2009	December 31, 2008
<i>Investments in equity affiliates:</i>			
JSC Slavneft	49.9	\$ 2,739	\$ 2,710
JSC Tomskneft VNK	50.0	1,522	1,458
JSC Moscow Oil Refinery*		-	331
Salym Petroleum Development N.V.	27.4	1,229	-
Total investments in equity affiliates		5,490	4,499
Total long-term investments, at cost		205	225
Long-term loans receivable		824	88
Total long-term investments		\$ 6,519	\$ 4,812

* As a result of the acquisition of Sibir Energy on 23 June 2009 the Company gained control of JSC Moscow Oil Refinery and, accordingly, JSC Moscow Oil Refinery is now consolidated within these financial statements (Note 3 "Business Combinations").

The Company's share in income of equity affiliates including share in non-controlling interest consists of the following for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
<i>Equity affiliates:</i>				
JSC Slavneft	\$ 52	\$ 135	\$ 28	\$ 219
JSC Tomskneft VNK	(10)	80	64	93
JSC Moscow Oil Refinery	4	(2)	6	7
Salym Petroleum Development N.V.	2		2	
Total share of income in equity affiliates	\$ 48	\$ 213	\$ 100	\$ 319

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 15 "Related Party Transactions".

The following table summarizes the financial information of Slavneft as of June 30, 2009 and December 31, 2008 and for the six months ended June 30, 2009 and 2008:

	2009	2008
Current assets	\$ 891	\$ 1,002
Long-term assets	6,587	6,453
Total liabilities	2,006	2,051
Revenues	1,925	1,864
Net income including non-controlling interest	57	168

JSC Gazprom Neft**Notes to Interim Condensed Consolidated Financial Statements - Unaudited**

As of June 30, 2009 and December 31, 2008

Currency - US\$ millions

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 June 30, 2009 and December 31, 2008 and for the six months ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Current assets	\$ 953	\$ 881
Long-term assets	3,800	3,880
Total liabilities	2,593	2,496
Revenues	895	776
Net income	129	27

In June 2009 and as part of the acquisition of Sibir Energy (Note 3 "Business Combinations") the Company acquired a 27.4% equity interest in Salym Petroleum Development N.V. ("Salym"). Salym is owned 50% by Sibir Energy and 50% by Shell Salym Development B.V., a member of the Royal Dutch/Shell group of companies. The operations of Salym relate to the development of the Salym group of oilfields located in the Khanti-Mansiysky autonomous region of the Russian Federation.

The following table summarizes the financial information of Salym as of June 30, 2009. Revenue and net income are shown for the post-acquisition period June 23, 2009 through June 30, 2009.

	<u>2009</u>
Current assets	\$ 350
Long-term assets	1,010
Total liabilities	1,161
Revenues	35
Net income	7

9. Property, Plant and Equipment

As of June 30, 2009 property, plant and equipment comprise the following:

	<u>Cost</u>	<u>Accumulated DD&A</u>	<u>Net book value</u>
Exploration and production	\$ 19,171	\$ (10,535)	\$ 8,636
Refining	4,708	(1,775)	2,933
Marketing and distribution	1,261	(117)	1,144
Other	14	(1)	13
Assets under construction	694	-	694
Total	<u>\$ 25,848</u>	<u>\$ (12,428)</u>	<u>\$ 13,420</u>
<i>Comparative balance as of December 31, 2008</i>	<u>\$ 21,144</u>	<u>\$ (11,975)</u>	<u>\$ 9,169</u>

10. Goodwill and intangible assets

Changes in the amount of carrying value of goodwill for the six months ended June 30, 2009 by reportable segment are as follows:

	<u>Exploration and Production</u>	<u>Refining, Marketing and Distribution</u>	<u>Total</u>
Balance at December 31, 2008	\$ -	\$ -	\$ -
Acquisitions	-	345	345
Balance at June 30, 2009	-	345	345

In 2009 the Company acquired NIS and Sibir Energy and recognized goodwill in the amount of US\$ 56 million and US\$ 289 million respectively. The goodwill recognized in both acquisitions has been assigned to the respective refining assets acquired. Annual impairment tests for goodwill will be performed in the fourth quarter.

Other intangible assets at June 30, 2009 and December 31, 2008 comprise the following:

	<u>2009</u>	<u>2008</u>
Licenses	\$ 19	\$ 21
Software	49	52
Land rights	582	-
Other intangible assets	5	19
<i>Total other intangible assets</i>	<u>\$ 655</u>	<u>\$ 92</u>

11. Short-Term Loans

As of June 30, 2009 and December 31, 2008 the Company has short-term loans outstanding as follows:

	<u>2009</u>	<u>2008</u>
Banks	\$ 2,825	\$ 302
Related parties	330	306
Other	10	5
<i>Total short-term loans</i>	<u>\$ 3,165</u>	<u>\$ 613</u>

As of June 30, 2009 short-term loans were provided by international and Russian banks for funding of working capital and consisted of unsecured facilities.

As of June 30, 2009 the Company has two loans from the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) for a total of US\$ 825 million repayable in US Dollars. The loans bear interest rates of LIBOR plus 5.0% and 10.75%.

As of June 30, 2009 the Company has a US\$ 857 million loan outstanding from Sberbank repayable in US Dollars. The loan bears an interest rate of 10.00% and matured in July 2009.

As of June 30, 2009, the Company has US\$ 1,143 million in short term loans from a number of European and Russian banks, primarily repayable in US Dollars. These loans bear interest rates fluctuating from LIBOR/EURIBOR plus margin of 0.45% to a fixed rate of 13.75%. 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 June 30, 2009 the Company has an interest-free loan from Tomskneft of US\$ 330 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 June 30, 2009 weighted average interest rates related to the short-term loans in foreign currency and in Rubles were 6.9% and 1.9%, 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.

12. Long-Term Debt

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

	<u>2009</u>	<u>2008</u>
Bonds	\$ 320	\$ 500
Bank loans outstanding	2,976	2,564
Other borrowings	157	16
Less current portion of long-term debt	<u>(1,278)</u>	<u>(1,472)</u>
Total long-term debt	<u>\$ 2,175</u>	<u>\$ 1,608</u>

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.

On April 21, 2009, the Company placed a ten-year Rubles Bonds (04 series) with the total par value of RUR 10 billion (approximately US\$ 320 million). The coupon value is of the bonds is 16.70% and the coupon period is 182 days.

During 2007 the Company obtained a 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 June 30, 2009, the amount outstanding under this syndicated loan is US\$ 1.0 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 a US\$ 1 billion syndicated loan in two tranches from BBVA Bank, BTMU Bank, Barclays Capital, Sumitomo Mutsui Banking Corporation and WestLB Bank. The first tranche in the amount of US\$ 315 million bears a floating interest rate of LIBOR plus 1.5% and matures in May 2011. The second tranche in amount of US\$ 685 millions bears a floating interest rate of LIBOR plus 1.75% and matures in May 2013. As of June 30, 2009 the Company had US\$ 1 billion outstanding under the syndicated loan (including current portion of US\$ 53 million). As of December 31, 2008 the amount outstanding under the loan was US\$ 1 billion

During 2006 the Company obtained a 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 June 30, 2009, the amount outstanding under this syndicated loan is US\$ 23 million (all current). As of December 31, 2008 the amount outstanding under the loan was US\$ 163 million (all current).

As of June 30, 2009 the Company has a US\$ 724 million loan from Sberbank repayable in US Dollars (including current portion of US\$ 242 million). The loan bears an interest rate of 10.25% and matures in August 2010.

JSC Gazprom Neft**Notes to Interim Condensed Consolidated Financial Statements - Unaudited****As of June 30, 2009 and December 31, 2008****Currency - US\$ millions**

As of June 30, 2009 the Company has a US\$ 105 million loan from ING Bank repayable in US Dollars (all current). The loan bears a floating interest of LIBOR plus 3.0% and matured in August 2009.

As of June 30, 2009 the Company has US\$ 124 million in long term loans from a number of banks. These loans bear interest rates fluctuating from LIBOR/EURIBOR plus 0.5% to a fixed rate of 12.50%.

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 June 30, 2009 and December 31, 2008, respectively.

Maturities of long-term loans as of June 30, 2009 are as follows:

<u>Year due</u>	<u>Amount due</u>
2010	\$ 1,278
2011	1,256
2012	581
2013	219
2014 and further	119
	<u>\$ 3,453</u>

13. Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to changes in foreign currency exchange rates. A majority of Company's revenues are received in US Dollars, a growth or a decline in the value of the US Dollar against the Russian Ruble impacts the Company's operating results and cash flows. These transactions are not accounted for as hedges pursuant to FASB Statement No. 133 "Accounting for Derivative Instrument and Hedging Activities" or its related guidance.

The Company does not purchase, hold or sell derivative financial instruments unless it has an existing asset or obligation or anticipates a future activity that is likely to occur that will result in an exposure to foreign exchange risk. The Company does not enter into any derivative instruments for speculative purposes.

At June 30, 2009, and December 31, 2009 the Company had outstanding currency exchange derivative contracts for a total notional value of US\$ 329 million and US\$ 50 million respectively.

The following table presents the fair values and corresponding balance sheet captions of the Company's derivative instruments as of June 30, 2009 and December 31, 2008:

	<u>2009</u>	<u>2008</u>
Assets		
Other non-current assets	\$ 22	-
Total assets	<u>22</u>	<u>-</u>
Liabilities		
Other current accrued liabilities	-	\$ 9
Total liabilities	<u>-</u>	<u>9</u>

During the six months ended June 30, 2009, the Company recognized US\$ 22.2 million in unrealized gain in foreign exchange gain, net in the Interim Condensed Consolidated Financial Statement.

14. 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 matters.

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 high 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.

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 17 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.

15. Related Party TransactionsJSC Moscow Oil Refinery (Moscow Refinery)

For the three and six months ended June 30, 2009 and 2008 and up to the date control was obtained (Note 3 "Business combinations") 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 and six months ended June 30, 2009 and 2008 is presented below:

	Three months ended June 30, 2009*	Three months ended June 30, 2008*	Six months ended June 30, 2009	Six months ended June 30, 2008
Processing fees	\$ 18	\$ 20	\$ 34	\$ 46
Oil products purchased	-	1	1	4
Oil products sales	-	2	-	5

* The data presented is for the period ended June 23, 2009 when control was obtained and Moscow Refinery became the Company's subsidiary.

As of December 31, 2008 the Company has US\$ 14 million in payables to Moscow Refinery.

Slavneft Group (Slavneft)

For the three and six months ended June 30, 2009 and 2008 the Company conducted numerous transactions with Slavneft and its subsidiaries. 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. The information on transactions with Slavneft for the three and six months ended June 30, 2009 and 2008 is presented below:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Processing fees	\$ 49	\$ 56	\$ 98	\$ 106
Crude, gas and oil products purchased	467	1,020	732	1,840
Crude and oil products sales	62	188	102	393

As of June 30, 2009 the Company has US\$ 64 million in payables to Slavneft and US\$ 16 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.

Gazprom Group (Gazprom)

For the three and six months ended June 30, 2009 and 2008 the Company conducted numerous transactions with Gazprom, its primary shareholder, and its subsidiaries. The information on transactions with Gazprom for the three and six months ended June 30, 2009 and 2008 is presented below:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Gas and oil products purchased	\$ 3	\$ 24	\$ 5	\$ 40
Crude oil, gas and oil products sales	30	34	30	65

JSC Gazprom Neft**Notes to Interim Condensed Consolidated Financial Statements - Unaudited****As of June 30, 2009 and December 31, 2008****Currency - US\$ millions**

As of June 30, 2009 the Company has US\$ 2 million in payables to Gazprom and US\$ 2 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 and six months ended June 30, 2009 the Company conducted numerous transactions with Tomskneft and its subsidiaries. The information on transactions with Tomskneft for the three and six months ended June 30, 2009 and 2008 is presented below:

	<u>Three months ended June 30, 2009</u>	<u>Three months ended June 30, 2008</u>	<u>Six months ended June 30, 2009</u>	<u>Six months ended June 30, 2008</u>
Crude and gas purchased	\$ 262	\$ 449	\$ 391	\$ 674

As of June 30, 2009 the Company has US\$ 15 million in payables to Tomskneft and US\$ 137 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.

Salym Petroleum Development (SPD)

For the period from June 23, 2009 (Sibir Energy's acquisition date) to June 30, 2009 the Company purchased crude from SPD amounting to US\$ 11 million. As of June 30, 2009 the Company has US\$ 57 million in payables to SPD.

16. Segment Information

Presented below is information about the Company's operating segments for the three and six months ended June 30, 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.

EBITDA represents earnings before interest, income tax, depreciation and amortization. EBITDA (Earnings Before Interest, Income Tax, Depreciation and Amortization) is a supplemental non-GAAP financial measure used by management to evaluate operations. Management believes that EBITDA represents useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. Adjusted EBIDTA represents the Company's EBITDA and its share in equity affiliates' EBITDA

JSC Gazprom Neft
Notes to Interim Condensed Consolidated Financial Statements - Unaudited
As of June 30, 2009 and December 31, 2008
Currency - US\$ millions
Operating Segments for the three months ended June 30, 2009:

	<u>Exploration and Production</u>	<u>Refining, Marketing and Distribution</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues				
Revenues from external customers	\$ 32	\$ 5,148	-	\$ 5,180
Inter-segment revenues	1,776	17	(1,793)	-
Total	<u>1,808</u>	<u>5,165</u>	<u>(1,793)</u>	<u>5,180</u>
Adjusted EBITDA	1,133	368	-	1,501
Capital expenditures	399	320	-	719
Income tax expense	26	249	-	275

Operating Segments for the three months ended June 30, 2008:

	<u>Exploration and Production</u>	<u>Refining, Marketing and Distribution</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues				
Revenues from external customers	\$ 36	\$ 9,921	-	\$ 9,957
Inter-segment revenues	3,216	52	(3,268)	-
Total	<u>3,252</u>	<u>9,973</u>	<u>(3,268)</u>	<u>9,957</u>
Adjusted EBITDA	1,416	1,788	-	3,204
Capital expenditures	721	85	-	806
Income tax expense	105	556	-	661

Operating Segments as of and for the six months ended June 30, 2009 (in US\$ millions):

	<u>Exploration and Production</u>	<u>Refining, Marketing and Distribution</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues				
Revenues from external customers	\$ 47	\$ 9,318	-	\$ 9,365
Inter-segment revenues	2,903	30	(2,933)	-
Total	<u>2,950</u>	<u>9,348</u>	<u>(2,933)</u>	<u>9,365</u>
Adjusted EBITDA	1,549	910	-	2,459
Capital expenditures	762	435	-	1,197
Income tax expense	16	310	-	326
Segment assets as of June 30, 2009	15,632	21,845	(9,607)	27,870

Operating Segments for the six months ended June 30, 2008 (in US\$ millions):

	<u>Exploration and Production</u>	<u>Refining, Marketing and Distribution</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues				
Revenues from external customers	\$ 72	\$ 17,930	-	\$ 18,002
Inter-segment revenues	5,566	63	(5,629)	-
Total	5,638	17,992	(5,629)	18,002
Adjusted EBITDA	2,479	2,934		5,413
Capital expenditures	1,459	128		1,587
Income tax expense	166	896		1,063
Segment assets as of December 31, 2008	13,086	15,868	(8,749)	20,205

EBITDA for the three and six months ended June 30, 2009 and 2008 is reconciled below:

	<u>Three months ended June 30, 2009</u>	<u>Three months ended June 30, 2008</u>	<u>Six months, ended June 30, 2009</u>	<u>Six months, ended June 30, 2008</u>
Net income	\$ 1,200	\$ 2,196	\$ 1,533	\$ 3,607
Add back:				
Noncontrolling interest	19	28	22	28
Income tax expense	275	661	326	1,063
Depreciation, depletion and amortization	369	316	706	572
Interest income	(45)	(16)	(67)	(24)
Interest expense	93	38	142	78
Other income (expenses), net	32	(133)	56	(151)
Foreign exchange (loss) gain, net	(175)	3	(8)	(54)
Share in income of equity affiliates	(48)	(213)	(100)	(319)
Gain from acquisition of Sibir Energy	(470)	-	(470)	-
EBITDA	1,250	2,880	2,141	4,800
The Company's share in EBITDA of equity affiliates	251	324	318	613
Adjusted EBITDA	<u>\$ 1,501</u>	<u>\$ 3,204</u>	<u>\$ 2,459</u>	<u>\$ 5,413</u>

For the three months ended June 30, 2009 and 2008 the Company had one customer which accounted for approximately 18.8% and 20.2% of the Company's sales, respectively. For the six months ended June 30, 2009 and 2008 the Company had one customer which accounted for approximately 20.2% and 21.6% 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:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months, ended June 30, 2009	Six months, ended June 30, 2008
Export	\$ 3,186	\$ 5,870	\$ 5,750	\$ 11,132
Domestic	1,613	3,375	2,947	5,702
CIS	381	712	668	1,168
Total revenues from external customers	<u>\$ 5,180</u>	<u>\$ 9,957</u>	<u>\$ 9,365</u>	<u>\$ 18,002</u>

17. Subsequent Events

On July 21, 2009 the Company placed a three year Ruble Bond (series 03) with the total par value of RUR 8 billion. The coupon value was secured at 14.75 per cent per annum.

On August 7, 2009 the Company entered into a 3 year unsecured Club term loan agreement in the amount of US\$ 300 million with BTMU, Raiffeisenbank and Orgresbank (Nordea Group).