

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended September 30 and June 30, 2014 and nine months
ended September 30, 2014 and 2013**

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of September 30, 2014 and results of operations for the three months ended September 30 and June 30, 2014 and nine months ended September 30, 2014 and 2013 and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes there to, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

This report represents Group's financial condition and results of operations on a consolidated basis. In this report the terms "Gazprom Neft", "Company", "Group" represent JSC Gazprom Neft, its consolidated subsidiaries and proportionately consolidated entities (Joint operations as defined in IFRS 11) ("Tomskneft" and "Salym petroleum development" (SPD)). The term "Joint ventures" represents entities accounted by equity method.

Tonnes of crude oil produced are translated into barrels using conversion rates reflecting oil density from each of our oil fields. Crude oil purchased as well as other operational indicators expressed in barrels are translated from tonnes using a conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet are made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent ("boe") are made at the rate of 1 barrel per boe and of cubic feet into boe at the rate of 6 thousand cubic feet per boe.

Forward-Looking Statements

This discussion contains forward-looking statements concerning the financial condition, results of operations and businesses of Gazprom Neft and its consolidated subsidiaries. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning the potential exposure of Gazprom Neft to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Gazprom Neft and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Report, inclusively (without limitation): (a) price fluctuations in crude oil and gas; (b) changes in demand for the Company's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) economic and financial market conditions in various countries and regions; (j) political risks, project delay or advancement, approvals and cost estimates; and (k) changes in trading conditions.

Key Financial and Operating Data

3Q 2014	2Q 2014	Δ, %		9m		
				2014	2013	Δ, %
Financial results (RUB million)						
431,647	429,338	0.5	Sales	1,246,155	1,117,346	11.5
107,153	94,350	13.6	Adjusted EBITDA ¹	285,536	251,919	13.3
6,431.8	5,911.7	8.8	RUB per toe of production	5,887.3	5,458.7	7.9
24.1	23.0	5.0	USD ² per boe of production	22.6	23.5	(3.8)
51,932	49,783	4.3	Profit attributable to Gazprom Neft	139,531	135,154	3.2
271,422	216,604	25.3	Net debt	271,422	143,716	88.9
Operational results						
122.85	117.43	4.6	Hydrocarbon production including our share in joint ventures (MMboe)	357.03	339.04	5.3
1.34	1.29	3.9	Daily hydrocarbon production (MMboepd)	1.31	1.24	5.7
98.17	94.08	4.4	Crude oil and condensate production including our share in joint ventures (MMbbl)	284.89	276.89	2.9
148.10	140.03	5.8	Gas production including our share in joint ventures (bcf)	432.84	372.90	16.1
11.46	11.15	2.8	Refining throughput at own refineries and joint ventures (MMtonnes)	33.45	32.09	4.2

¹ EBITDA is a non-IFRS measure. A reconciliation of adjusted EBITDA to profit before income taxes is provided in the appendix

² Translated to USD at the average exchange rate for the period

9m 2014 Highlights

- Reached agreement with NOVATEK for 50/50 ownership of SeverEnergiya. Following a series of transactions Gazprom Neft will increase its effective ownership to 50%
- Awarded exploration license for deep oil-saturated prospective horizons in the Achimovsk and Bazhenov formations of southern Priobskoye field
- Awarded exploration and production licenses for North-Vrangel (shelf), Stakhanov, Otdelnyy license areas
- Acquired 18.2% share in LLC Gazprom Resource Northgas which holds 50% share in CJSC Northgas
- Acquired 100% share of Gazpromneft Shelf, which holds 21.64% (as of September 30, 2014) participation in the Joint Operation with Gazprom for the Pirazlomnoye field; reached agreement for Gazprom to exit the JO, leaving the Group the sole participant
- Acquired 100% LLC Yugra-Intek, which has a license to search, explore and produce oil in the Kuvaisky licensing area in the Orenburg Oblast
- Started commercial oil production from Badra field (Iraq) in August
- Completed the first season of maritime shipments from Yamal Peninsula's Novoportovskoye field, with four cargoes totaling over 100,000 tonnes of the new "Novy Port" crude
- Signed agreement with SIBUR and Titan Group to create joint venture around Omsk Polypropylene Plant (Poliom)
- Increased ownership of LLC Gazpromneft-Aero Sheremetyevo to 100%
- Declared first half 2014 interim dividends equivalent to 25% of consolidated Group profits under IFRS.

Results for 9m 2014 compared with 9m 2013

- Total hydrocarbon production including our share in joint ventures increased 5.3% to 357.03 MMboe due to continued production growth at Priobskoye, Urengoykoye (SeverEnergiya), and Orenburg region fields and increased effective ownership in SeverEnergiya
- Refining throughput increased 4.2% due to:
 - Operation of diesel hydrotreater at Moscow refinery and primary refining unit at Omsk refinery which were on scheduled maintenance in 1Q and 3Q 2013 respectively
 - Reduced heavy petroleum products loading bottleneck at Omsk by increasing bitumen production, expanding capacity to load bunker fuel and reducing mixing of light gasoil into fuel oil
 - Use of more gas condensate feedstock at Omsk refinery
- Increased hydrocarbon production and petroleum products sales, including sales through premium channels and higher crude and petroleum product prices on domestic market resulted in 11.5% increase in sales and 13.3% increase in adjusted EBITDA. Profit attributable to Gazprom Neft increased only 3.2% due to negative effects of foreign exchange rates and higher depreciation charges.

Results for 3Q 2014 compared with 2Q 2014

- Daily hydrocarbon production including our share in joint ventures increased 3.9% to 1.34 MMboepd
- Refining throughput increased 2.8% in response to seasonal demand and higher domestic downstream margins compared to export alternatives and due to operation of primary refining unit at Omsk which was on scheduled maintenance in April 2014
- Higher petroleum products prices and sales volumes on domestic market led to 13.6% increase in adjusted EBITDA. Profit attributable to Gazprom Neft increased by only 4.3%, due to negative effects of foreign exchange rates.

Operational Data and Analysis

Production Drilling

3Q 2014	2Q 2014	Δ, %		9m		
				2014	2013	Δ, %
Consolidated subsidiaries						
787	827	(4.9)	Production drilling ('000 meters)	2,276	2,194	3.7
245	222	10.4	New production wells	642	550	16.7
32.82	32.87	(0.1)	Average new well flow (tonnes per day)	36.13	35.89	0.7
Proportionately consolidated companies						
252	193	30.3	Production drilling ('000 meters)	539	575	(6.4)
60	46	30.4	New production wells	139	168	(17.3)
Joint ventures						
345	283	21.9	Production drilling ('000 meters)	859	776	10.8
63	42	50.0	New production wells	155	139	11.5

- Production drilling by consolidated subsidiaries increased Y-o-Y due to intensified drilling at Orenburg fields and increased drilling in Noyabrsk region of Yamalo-Nenets Autonomous Okrug
- Production drilling by proportionately consolidated companies decreased Y-o-Y due to:
 - Weather-related delay in preparing drilling pads at Tomskneft
 - Redirection of drilling equipment at SPD to pilot drilling in Bazhenov formation
- Production drilling by joint ventures increased Y-o-Y due to start of development at Slavneft's Ostrovnoye field.

Production

3Q 2014	2Q 2014	Δ, %		9m 2014	2013	Δ, %
(MMtonnes)			Crude oil and condensate	(MMtonnes)		
3.82	3.73	2.4	Noyabrskneftegaz*	11.26	11.11	1.4
3.58	3.40	5.3	Khantos*	10.32	9.78	5.5
1.26	1.21	4.1	Tomskneft	3.69	3.80	(2.9)
0.82	0.83	(1.2)	SPD	2.48	2.61	(5.0)
0.61	0.57	7.0	Orenburg	1.73	1.12	54.5
0.30	0.30	-	NIS	0.91	0.94	(3.2)
0.37	0.36	2.8	Vostok	1.08	0.85	27.1
0.20	0.21	(4.8)	Others*	0.62	1.00	(38.0)
10.96	10.61	3.3	Total production by subsidiaries and proportionately consolidated companies	32.09	31.21	2.8
2.04	2.05	(0.5)	Share in Slavneft	6.08	6.33	(4.0)
0.27	0.11	145.5	Share in SeverEnergiya (SE)	0.46	0.13	253.9
0.03	-	-	Share in Northgas	0.03	-	-
2.34	2.16	8.3	Share in production of joint ventures	6.57	6.46	1.7
13.30			Total crude oil and condensate production	38.66		
98.17			MMtonnes	37.67		
98.17			MMbbl	276.89		
98.17			MMbbl	276.89		
(bcm)			Gas**	(bcm)		
2.02	2.27	(11.0)	Noyabrskneftegaz*	6.82	6.81	0.2
0.11	0.09	22.2	Khantos*	0.32	0.12	166.7
0.21	0.22	(4.6)	Tomskneft	0.64	0.62	3.2
0.03	0.04	(25.0)	SPD	0.10	0.10	-
0.47	0.45	4.4	Orenburg	1.37	1.18	16.1
0.14	0.14	-	NIS	0.42	0.41	2.4
0.02	0.02	-	Vostok	0.06	0.05	20.0
0.01	0.01	-	Others*	0.03	0.07	(57.1)
3.01	3.24	(7.1)	Total production by subsidiaries and proportionately consolidated companies	9.76	9.36	4.3
0.11	0.11	-	Share in Slavneft	0.32	0.31	3.2
0.85	0.61	39.3	Share in SeverEnergiya (SE)	1.95	0.89	119.1
0.23	-	-	Share in Northgas	0.23	-	-
1.19	0.72	65.3	Share in production of joint ventures	2.50	1.20	108.3
4.20	3.96	6.1	Total gas production	12.26	10.56	16.1
(MMtoe)			Hydrocarbons	(MMtoe)		
13.37	13.22	1.1	Total production by subsidiaries and proportionately consolidated companies	39.92	38.73	3.1
3.29	2.74	20.1	Share in production of joint ventures	8.58	7.42	15.6
16.66	15.96	4.4	Total hydrocarbon production	48.50	46.15	5.1
122.85	117.43	4.6	MMtoe	357.03	339.04	5.3
122.85	117.43	4.6	MMboe	357.03	339.04	5.3
1.34	1.29	3.9	Daily hydrocarbon production (MMboepd)	1.31	1.24	5.7

* In 2Q 2013 several field licenses were transferred from JSC Gazprom Neft ("Others" in table above) to other Group companies: Romanovskoye and Vorgenskoye to Noyabrskneftegas, Krapivinskoye to Vostok and Yuzhno-Kinyaminskoye to Khantos

** Production volume includes marketable gas and gas utilized in Company power plants

- Daily hydrocarbon production increased 5.7% Y-o-Y
- Group oil and condensate production increased 2.6% Y-o-Y driven by continued growth at Priobskoye, Urengoykoye (SeverEnergiya) and Orenburg region fields as a result of active new well drilling and completion program
- Group oil and condensate production increased 4.2% Q-o-Q primarily due to increased production at Novoport, Vyngapurovskoye, Vyngayakhinskoye fields and Urengoykoye field (SeverEnergiya)
- Group gas production increased 16.1% Y-o-Y, primarily as a result of gas utilization program, increased effective ownership of SeverEnergiya and acquisition of Northgas share

- Group gas production increased 6.1% Q-o-Q due to increased production at SeverEnergiya and acquisition of Northgas share.

Crude Oil Purchases

3Q	2Q			9m		
2014	2014	Δ, %	(MMtonnes)	2014	2013	Δ, %
1.38	1.12	23.2	Crude oil purchases in Russia *	3.35	3.82	(12.3)
0.24	0.51	(52.9)	Crude oil purchases internationally	1.31	1.18	11.0
1.62	1.63	(0.6)	Total crude purchased	4.66	5.00	(6.8)

* Crude oil purchases in Russia exclude purchases from the Group's joint ventures Slavneft and SeverEnergiya

- Oil purchases in Russia declined 12.3% Y-o-Y due to termination of oil-supply contract with TNK-BP
- Oil purchases in Russia increased 23.2% Q-o-Q due to more efficient transactions based on purchased crude
- Oil purchases on international markets increased 11.0% Y-o-Y due to lower trading activity
- Oil purchases on international market decreased 52.9% Q-o-Q due to scheduled decrease in throughput at Pancevo.

Refining

3Q	2Q			9m		
2014	2014	Δ, %	(MMtonnes)	2014	2013	Δ, %
5.56	5.24	6.1	Omsk	16.00	15.27	4.8
3.03	3.15	(3.8)	Moscow	9.05	8.44	7.2
0.58	0.69	(15.9)	Pancevo	1.89	1.99	(5.0)
9.17	9.08	1.0	Total throughput at refineries owned by subsidiaries	26.94	25.70	4.8
2.01	1.79	12.3	Share in Yaroslavl	5.63	5.53	1.8
0.28	0.28	-	Share in Mozyr	0.88	0.86	2.3
11.46	11.15	2.8	Total refining throughput	33.45	32.09	4.2
Production of petroleum products						
2.38	2.19	8.7	Gasoline	6.85	6.65	3.0
-	-	-	Class 2 and below	-	0.05	-
0.05	0.03	66.7	Class 3	0.10	0.33	(69.7)
0.15	0.22	(31.8)	Class 4	0.53	1.63	(67.5)
2.18	1.94	12.4	Class 5	6.22	4.64	34.1
0.29	0.39	(25.6)	Naphtha	0.96	1.14	(15.8)
3.12	3.14	(0.6)	Diesel	9.37	9.07	3.3
-	0.03	-	Class 2 and below	0.04	0.21	(81.0)
-	-	-	Class 3	0.14	2.00	(93.0)
0.13	0.13	-	Class 4	0.37	1.08	(65.7)
2.99	2.98	0.3	Class 5	8.82	5.78	52.6
1.60	1.86	(14.0)	Fuel oil	5.66	5.54	2.2
0.88	0.86	2.3	Jet fuel	2.35	2.11	11.4
1.21	0.94	28.7	Bunker fuel	3.05	2.47	23.5
1.54	1.38	11.6	Other	3.82	3.50	9.1
11.02	10.76	2.4	Total production	32.06	30.48	5.2

- Refining throughput:
 - Increased 4.2% Y-o-Y due to:
 - Operation of diesel hydrotreater at Moscow refinery and primary refining unit at Omsk refinery which were on scheduled maintenance in 1Q and 3Q 2013 respectively
 - Reduced heavy petroleum products loading bottleneck at Omsk by increasing bitumen production, expanding capacity to load bunker fuel and reducing mixing of light gasoil into fuel oil
 - Use of more gas condensate feedstock at Omsk refinery

- Increased 2.8% Q-o-Q in response to seasonal demand and higher domestic downstream margins compared to export alternatives and due to operation of primary refining unit at Omsk which was on scheduled maintenance in April 2014
- As a result of the Company's modernization program:
 - Class 5 gasoline production increased due to completion of FCC gasoline hydrotreater and light naphtha isomerization units at Moscow in May 2013 and July 2013, respectively
 - Class 5 diesel production increased due to reconstruction of diesel hydrotreating unit at Moscow, completion of new diesel hydrotreating unit at Yaroslavl in February 2013 and completion of major maintenance of diesel hydrotreating unit at Omsk in April 2013
- Fuel oil production increased 2.2% Y-o-Y due to increased throughput and scheduled maintenance at Omsk catalytic cracking unit in February 2014 and reconstruction of gasoline blending units at Yaroslavl
- Bunker fuel production increased in response to higher sales in Black Sea and Far East ports.

Petroleum Products Purchases on International Markets

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	1,180	0.04	1,603	0.05	(26.4)	(20.0)
Diesel	6,365	0.20	8,981	0.27	(29.1)	(25.9)
Fuel oil	8,570	0.46	9,112	0.45	(6.0)	2.2
Jet fuel	2,314	0.06	2,056	0.06	12.6	-
Bunker fuel	2,240	0.09	124	0.01	1,706.5	800.0
Other	-	-	484	0.01	-	-
Total	20,669	0.85	22,360	0.85	(7.6)	-

	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	2,783	0.09	4,149	0.15	(32.9)	(40.0)
Diesel	21,840	0.67	22,599	0.76	(3.4)	(11.8)
Fuel oil	25,836	1.33	13,263	0.71	94.8	87.3
Jet fuel	7,819	0.22	4,694	0.14	66.6	57.1
Bunker fuel	2,364	0.10	-	-	-	-
Other	484	0.01	-	-	-	-
Total	61,126	2.42	44,705	1.76	36.7	37.5

- Purchases on international markets increased Y-o-Y due to higher trading activity
- Jet fuel purchases on international markets increased Y-o-Y due to increasing sales through premium channels outside Russia.

Petroleum Products Purchases in CIS

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,868	0.10	552	0.02	419.6	400.0
Low octane gasoline	479	0.02	-	-	-	-
Diesel	849	0.04	243	0.01	249.4	300.0
Total	4,196	0.16	795	0.03	427.8	433.3

	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	4,266	0.16	1,773	0.08	140.6	100.0
Low octane gasoline	568	0.03	984	0.04	(42.3)	(25.0)
Diesel	1,516	0.07	1,127	0.05	34.5	40.0
Fuel oil	165	0.01	-	-	-	-
Other	151	0.01	268	0.02	(43.7)	(50.0)
Total	6,666	0.28	4,152	0.19	60.6	47.4

Domestic Purchases of Petroleum Products

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	8,310	0.25	8,900	0.29	(6.6)	(13.8)
Diesel	3,890	0.13	2,505	0.08	55.3	62.5
Fuel oil	-	-	306	0.02	-	-
Jet fuel	4,249	0.17	4,016	0.16	5.8	6.3
Bunker fuel	509	0.03	-	-	-	-
Other	662	0.03	191	-	246.6	-
Total	17,620	0.61	15,918	0.55	10.7	10.9

	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	24,350	0.80	16,769	0.61	45.2	31.2
Diesel	10,360	0.34	6,953	0.24	49.0	41.7
Fuel oil	437	0.03	870	0.08	(49.8)	(62.5)
Jet fuel	12,367	0.48	8,431	0.35	46.7	37.1
Bunker fuel	509	0.03	1,802	0.10	(71.8)	(70.0)
Other	1,359	0.06	2,544	0.09	(46.6)	(33.3)
Total	49,382	1.74	37,369	1.47	32.2	18.4

- Domestic purchases increased Y-o-Y driven by expanding sales network.

Products Marketing

3Q 2014	2Q 2014	Δ, %		9m 2014	9m 2013	Δ, %
	(units)		Active retail stations		(units)	
1,077	1,086	(0.8)	In Russia	1,077	1,042	3.4
232	232	-	In CIS	232	215	7.9
420	416	1.0	In Eastern Europe	420	402	4.5
1,729	1,734	(0.3)	Total retail stations (as at the end of the period)	1,729	1,659	4.2
20.7	19.0	9.0	Average daily sales per retail site in Russia (tonnes per day)	19.4	18.6	4.3
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
5.14	4.68	9.8	Gasoline and Diesel	13.92	13.44	3.6
0.82	0.79	3.8	Jet	2.21	1.78	24.2
1.22	1.08	13.0	Bunkering	3.16	2.42	30.6
0.05	0.05	-	Lubricants	0.14	0.11	27.3
7.23	6.60	9.5	Total sales volume through premium channels	19.43	17.75	9.5

- Total number of active retail stations increased 4.2% Y-o-Y
- Average daily sales per retail site in Russia increased 4.3% Y-o-Y due to results of rebranding campaign, new promotions and customer loyalty program
- Sales volume through premium channels increased 9.5% Y-o-Y, as:
 - Gasoline and diesel sales increased 3.6% with retail sales growing and stable wholesales
 - Jet fuel sales increased due to expanded sales network within and outside Russia, including Russian military airports and acquisition of remaining 50% of Gazpromneft-Aero Sheremetyevo in March 2014
 - Bunkering sales increased due to growing Far East and Black Sea markets and increased market penetration in Baltic region
- Sales volume through premium channels increased 9.5% Q-o-Q primarily due to higher seasonal demand.

Results of Operations

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
Revenue						
431,647	429,338	0.5	Sales	1,246,155	1,117,346	11.5
(57,758)	(60,920)	(5.2)	Less export duties and excise tax*	(183,838)	(179,493)	2.4
373,889	368,418	1.5	Total revenue	1,062,317	937,853	13.3
Costs and other deductions						
(94,922)	(104,825)	(9.4)	Purchases of oil, gas and petroleum products	(275,509)	(236,307)	16.6
(43,864)	(43,652)	0.5	Production and manufacturing expenses	(125,034)	(104,875)	19.2
(19,941)	(20,660)	(3.5)	Selling, general and administrative expenses	(57,791)	(50,973)	13.4
(28,261)	(27,035)	4.5	Transportation expenses	(84,026)	(80,378)	4.5
(21,944)	(21,120)	3.9	Depreciation, depletion and amortization	(63,159)	(57,300)	10.2
(89,742)	(88,779)	1.1	Taxes other than income tax	(263,801)	(234,898)	12.3
(98)	(528)	(81.4)	Exploration expenses	(716)	(1,981)	(63.9)
(298,772)	(306,599)	(2.6)	Total operating expenses	(870,036)	(766,712)	13.5
(2,341)	(1,812)	29.2	Other loss, net	(3,846)	(2,044)	88.2
72,776	60,007	21.3	Operating profit	188,435	169,097	11.4
84	4,196	(98.0)	Share of profit of associates and joint ventures	4,576	7,839	(41.6)
(9,243)	2,189	-	Net foreign exchange (loss) / gain	(14,554)	(2,274)	540.0
2,099	1,065	97.1	Finance income	4,734	4,287	10.4
(3,893)	(2,946)	32.1	Finance expense	(9,735)	(8,796)	10.7
(10,953)	4,504	-	Total other (expense) / income	(14,979)	1,056	-
61,823	64,511	(4.2)	Profit before income tax	173,456	170,153	1.9
(7,700)	(10,734)	(28.3)	Current income tax expense	(26,458)	(25,076)	5.5
(1,544)	(2,561)	(39.7)	Deferred income tax expense	(3,919)	(3,938)	(0.5)
(9,244)	(13,295)	(30.5)	Total income tax expense	(30,377)	(29,014)	4.7
52,579	51,216	2.7	Profit for the period	143,079	141,139	1.4
(647)	(1,433)	(54.8)	Less: Profit attributable to non-controlling interest	(3,548)	(5,985)	(40.7)
51,932	49,783	4.3	Profit attributable to Gazprom Neft	139,531	135,154	3.2

* Includes excise tax calculated based on petroleum products volumes sold by the Company's subsidiary in Serbia

Revenues

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
Crude oil						
20,723	30,085	(31.1)	Export	78,386	78,440	(0.1)
45,158	53,253	(15.2)	Export sales	150,517	154,342	(2.5)
(24,435)	(23,168)	5.5	Less related export duties	(72,131)	(75,902)	(5.0)
-	545	-	International markets	1,063	1,323	(19.7)
3,795	4,165	(8.9)	Export to CIS	12,126	34,861	(65.2)
11,306	10,375	9.0	Domestic	30,013	11,103	170.3
35,824	45,170	(20.7)	Total crude oil revenue	121,588	125,727	(3.3)
Gas						
385	174	121.3	International markets	1,251	992	26.1
5,155	5,648	(8.7)	Domestic	17,182	15,974	7.6
5,540	5,822	(4.8)	Total gas revenue	18,433	16,966	8.6
Petroleum products						
67,942	79,044	(14.0)	Export	222,083	202,103	9.9
90,671	107,030	(15.3)	Export sales	305,457	280,714	8.8
(22,729)	(27,986)	(18.8)	Less related export duties	(83,374)	(78,611)	6.1
27,854	25,727	8.3	International markets	75,080	64,543	16.3
38,376	35,426	8.3	Sales on international markets	102,943	87,363	17.8
(10,522)	(9,699)	8.5	Excise*	(27,863)	(22,820)	22.1
18,520	14,446	28.2	CIS	46,319	39,705	16.7
18,592	14,513	28.1	Export sales and sales in CIS	46,789	41,865	11.8
(72)	(67)	7.5	Less related export duties	(470)	(2,160)	(78.2)
205,490	184,834	11.2	Domestic	544,906	462,729	17.8
319,806	304,051	5.2	Total petroleum products revenue	888,388	769,080	15.5
12,719	13,375	(4.9)	Other revenue	33,908	26,080	30.0
373,889	368,418	1.5	Total revenue	1,062,317	937,853	13.3

* Includes excise tax calculated based on petroleum products volumes sold by the Company's subsidiary in Serbia

Sales Volumes

3Q	2Q			9m		
2014	2014	Δ, %		2014	2013	Δ, %
(MMtonnes)			Crude oil			
1.65	1.92	(14.1)	Export	5.45	6.22	(12.4)
-	0.02	-	Sales on international markets	0.04	0.05	(20.0)
0.30	0.29	3.4	Export to CIS	0.86	2.90	(70.3)
1.04	0.85	22.4	Domestic sales	2.60	1.09	138.5
2.99	3.08	(2.9)	Total crude oil sales	8.95	10.26	(12.8)
(bcm)			Gas			
0.03	0.02	50.0	International markets	0.11	0.10	10.0
2.63	2.99	(12.0)	Domestic sales	8.83	8.80	0.3
2.66	3.01	(11.6)	Total gas sales	8.94	8.90	0.4
(MMtonnes)			Petroleum products			
3.57	4.11	(13.1)	Export	11.87	11.63	2.1
0.81	0.77	5.2	Sales on international markets	2.20	2.18	0.9
0.62	0.54	14.8	Export and sales in CIS	1.64	1.65	(0.6)
7.77	7.20	7.9	Domestic sales	21.13	19.24	9.8
12.77	12.62	1.2	Total petroleum products sales	36.84	34.70	6.2

Average Realized Sales Prices

3Q 2014	2Q 2014	Δ, %		9m 2014	2013	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
27,368	27,736	(1.3)	Export	27,618	24,814	11.3
12,650	14,362	(11.9)	Export and sales in CIS	14,100	12,021	17.3
10,871	12,206	(10.9)	Domestic sales	11,543	10,186	13.3
(RUB per tonne)			Petroleum products	(RUB per tonne)		
25,398	26,041	(2.5)	Export	25,734	24,137	6.6
47,378	46,008	3.0	Sales on international markets	46,792	40,075	16.8
29,987	26,876	11.6	Export and sales in CIS	28,530	25,373	12.4
26,447	25,671	3.0	Domestic sales	25,788	24,050	7.2

Crude Oil Sales

- Crude export volumes declined 12.4% Y-o-Y due to higher domestic throughput
- Crude export volumes to CIS declined 70.3% Y-o-Y due to reduced exports to Kazakhstan
- Domestic crude sales volumes more than doubled Y-o-Y and increased 22.4% Q-o-Q primarily due to higher production in Orenburg and more efficient transactions based on purchased crude.

Petroleum Products Exports

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	-	-	923	0.03	-	-
Low octane gasoline	1,258	0.04	463	0.01	171.7	300.0
Naphtha	7,842	0.25	10,457	0.32	(25.0)	(21.9)
Diesel	30,926	0.95	42,040	1.30	(26.4)	(26.9)
Fuel oil	31,171	1.61	38,005	1.88	(18.0)	(14.4)
Jet fuel	6,127	0.20	5,700	0.17	7.5	17.7
Bunker fuel	6,627	0.27	5,936	0.24	11.6	12.5
Other	6,720	0.25	3,506	0.16	91.7	56.3
Total	90,671	3.57	107,030	4.11	(15.3)	(13.1)
	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,564	0.08	6,456	0.22	(60.3)	(63.6)
Low octane gasoline	2,278	0.07	4,389	0.16	(48.1)	(56.3)
Naphtha	25,641	0.80	28,090	1.00	(8.7)	(20.0)
Diesel	115,068	3.54	115,123	3.92	(0.1)	(9.7)
Fuel oil	112,243	5.66	98,612	5.27	13.8	7.4
Jet fuel	17,185	0.53	6,523	0.21	163.5	152.4
Bunker fuel	16,468	0.64	11,564	0.47	42.4	36.2
Other	14,010	0.55	9,957	0.38	40.7	44.7
Total	305,457	11.87	280,714	11.63	8.8	2.1

- Jet fuel export sales volumes more than doubled and bunker fuel export sales increased 36.2% Y-o-Y due to the Group's growing presence in foreign airports and ports.

Petroleum Products Export and Sales in CIS

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	6,616	0.19	5,768	0.19	14.7	-
Low octane gasoline	1,224	0.04	795	0.03	54.0	33.3
Diesel	7,500	0.23	5,328	0.19	40.8	21.1
Fuel oil	291	0.03	123	0.02	136.6	50.0
Jet fuel	723	0.02	708	0.03	2.1	(33.3)
Other	2,238	0.11	1,791	0.08	25.0	37.5
Total	18,592	0.62	14,513	0.54	28.1	14.8

	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	18,698	0.60	14,946	0.55	25.1	9.1
Low octane gasoline	2,763	0.10	3,330	0.14	(17.0)	(28.6)
Diesel	17,053	0.56	12,111	0.45	40.8	24.4
Fuel oil	586	0.06	1,927	0.17	(69.6)	(64.7)
Jet fuel	2,645	0.08	5,621	0.14	(52.9)	(42.9)
Other	5,044	0.24	3,930	0.20	28.4	20.0
Total	46,789	1.64	41,865	1.65	11.8	(0.6)

Domestic Sales of Petroleum Products

	3Q 2014		2Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	82,408	2.38	72,018	2.19	14.4	8.7
Low octane gasoline	1,018	0.04	871	0.03	16.9	33.3
Diesel	60,486	2.03	55,292	1.88	9.4	8.0
Fuel oil	4,450	0.40	3,506	0.34	26.9	17.7
Jet fuel	22,255	0.84	22,572	0.87	(1.4)	(3.5)
Bunker fuel	18,419	0.99	16,152	0.89	14.0	11.2
Other	16,454	1.09	14,423	1.00	14.1	9.0
Total	205,490	7.77	184,834	7.20	11.2	7.9

	9m 2014		9m 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	216,621	6.61	175,547	5.94	23.4	11.3
Low octane gasoline	2,757	0.10	3,884	0.15	(29.0)	(33.3)
Diesel	164,947	5.55	148,956	5.41	10.7	2.6
Fuel oil	12,553	1.20	12,281	1.06	2.2	13.2
Jet fuel	60,707	2.34	52,881	2.19	14.8	6.9
Bunker fuel	46,523	2.58	32,819	1.81	41.8	42.5
Other	40,798	2.75	36,361	2.68	12.2	2.6
Total	544,906	21.13	462,729	19.24	17.8	9.8

- Domestic sales volumes of high octane gasoline and diesel increased Y-o-Y driven by expanding sales network and growing average daily sales per retail site
- Domestic jet fuel sales volumes increased 6.9% Y-o-Y due to expanded sales network, including Russian military airports, and acquisition of remaining 50% of Gazpromneft-Aero Sheremetyevo
- Domestic bunker fuel sales volumes increased 42.5% Y-o-Y driven by expanding sales network in Far East and Black Sea regions.

Other Revenue

Other revenue primarily includes revenue from transport, construction, and other services.

- Other revenue increased 30.0% Y-o-Y primarily due to volume increases.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products increased 16.6% Y-o-Y mostly due to higher purchase volumes of petroleum products and decreased 9.4% Q-o-Q chiefly due to lower crude purchases on international markets.

Production and Manufacturing Expenses

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
20,273	20,155	0.6	Upstream expenses	58,249	52,564	10.8
16,371	16,131	1.5	Consolidated subsidiaries	46,937	42,124	11.4
1,474	1,470	0.2	<i>RUB per toe</i>	1,415	1,327	6.6
5.55	5.73	(3.1)	<i>USD¹ per boe</i>	5.46	5.73	(4.7)
3,902	4,024	(3.0)	Proportionately consolidated companies	11,312	10,440	8.4
1,727	1,788	(3.5)	<i>RUB per toe</i>	1,676	1,494	12.2
6.51	6.97	(6.6)	<i>USD¹ per boe</i>	6.46	6.44	0.2
11,205	10,654	5.2	Downstream expenses	32,515	26,866	21.0
6,168	6,028	2.3	Refining expenses at own refineries	18,269	15,374	18.8
673	664	1.3	<i>RUB per tonne</i>	678	598	13.4
2.54	2.59	(2.0)	<i>USD¹ per bbl</i>	2.61	2.58	1.3
3,629	3,276	10.8	Refining expenses at refineries of joint ventures	10,291	8,284	24.2
1,585	1,583	0.1	<i>RUB per tonne</i>	1,581	1,296	21.9
5.97	6.17	(3.2)	<i>USD¹ per bbl</i>	6.09	5.59	8.9
1,408	1,350	4.3	Lubricants manufacturing expenses	3,955	3,208	23.3
7,109	6,969	2.0	Transportation expenses to refineries	20,988	17,307	21.3
5,277	5,874	(10.2)	Other operating expenses	13,282	8,138	63.2
43,864	43,652	0.5	Total	125,034	104,875	19.2

¹ Translated to USD at average exchange rate for the period

- Upstream expenses include expenditures for raw materials and supplies, maintenance and repairs of extraction equipment, labor costs, fuel and electricity costs, activities to enhance oil recovery, and other similar costs at our Upstream subsidiaries
- Upstream expenses per toe at consolidated subsidiaries increased 6.6% Y-o-Y due to:
 - Higher costs of operating Novoport field in pilot mode, including infrastructure and temporary crude transportation routes
 - Higher tariffs of natural monopolies and prices for oil field services
- Refining expenses at own refineries include expenditures for raw materials and supplies, maintenance and repairs of productive equipment, labor and electricity costs, and other similar costs
- Refining expenses at own refineries increased 18.8% Y-o-Y primarily due to higher throughput, increased expenditures for materials related to higher product quality, startup of new processing units at Omsk and Moscow refineries, and maintenance at own refineries
- Refining expenses at refineries of joint ventures increased 24.2% Y-o-Y due to maintenance and increased expenditures for materials related to higher product quality
- Transportation expenses to refineries increased 21.3% Y-o-Y primarily due to termination of oil swap contract with Rosneft, higher throughput and increased use of gas condensate feedstock at Omsk refinery which is transported by rail.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include general business expenses, wages, salaries (except wages and salaries at our production and refining subsidiaries), insurance, banking commissions, legal fees, consulting and audit services, allowances for doubtful accounts, and other expenses.

- Selling, general and administrative expenses increased 13.4% Y-o-Y, driven by growth in premium sales and business expansion.

Transportation Expenses

Transportation expenses include costs to transport crude oil and petroleum products to final customers. These costs consist of pipeline transportation, sea freight, railroad, shipping, handling, and other transportation costs

- Transportation expenses remained stable.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expenses include depreciation of oil and gas properties, refining and other assets

- Depreciation, depletion and amortization expenses increased 10.2% Y-o-Y in line with increase in depreciable assets driven by capital expenditure.

Taxes Other than Income Tax

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
59,995	61,763	(2.9)	Mineral extraction taxes	182,240	157,261	15.9
24,406	21,299	14.6	Excise	64,653	58,769	10.0
2,190	2,306	(5.0)	Property tax	6,777	5,565	21.8
3,151	3,411	(7.6)	Other taxes	10,131	13,303	(23.8)
89,742	88,779	1.1	Total taxes other than income tax	263,801	234,898	12.3

- Mineral extraction tax (MET) expenses increased 15.9% Y-o-Y in line with increased crude oil production by subsidiaries and proportionately consolidated companies and a higher MET rate. While average Urals prices in US dollars decreased 2.3% Y-o-Y, average MET rate for crude oil increased 13.9% as base MET rate rose from 470 RUB/tonne to 493 RUB/tonne and average RUB/USD exchange rate increased 11.9%
- Excise tax expenses increased 10.0% Y-o-Y due to excise rates increases on 1 July 2013 and 1 January 2014, which were partially offset by increasing shares of Class 5 gasoline and diesel, taxed at lower rates
- Excise tax expenses increased 14.6% Q-o-Q due to higher share of domestic petroleum products sales, which are subject to excise tax.

Share of Profit of Equity Accounted Investments

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
(601)	4,761	-	Slavneft	5,093	6,772	(24.8)
39	(846)	-	SeverEnergia	(1,966)	(86)	2,186.0
646	281	129.9	Other companies	1,449	1,153	25.7
84	4,196	(98.0)	Share of profit of associates and joint ventures	4,576	7,839	(41.6)

- Lower share of Slavneft profit Y-o-Y and Q-o-Q was primarily due to net foreign exchange losses.

Other Financial Items

- Foreign exchange gains/losses were mainly driven by a revaluation of that part of the Group's debt portfolio that is denominated in foreign currencies

Liquidity and Capital Resources

Cash Flows

(RUB million)	9m		Δ %
	2014	2013	
Net cash provided by operating activities	228,176	219,912	3.8
Net cash used in investing activities	(254,537)	(172,619)	47.5
Net cash provided by / (used in) financing activities	30,289	(59,889)	-
Increase / (Decrease) in cash and cash equivalents	3,928	(12,596)	-

Net Cash Provided by Operating Activities

(RUB million)	9m		Δ %
	2014	2013	
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	256,497	233,801	9.7
Net changes in working capital	7,810	11,616	(32.8)
Income tax paid	(25,963)	(21,801)	19.1
Interest paid	(11,821)	(8,560)	38.1
Dividends received	1,653	4,856	(66.0)
Net cash provided by operating activities	228,176	219,912	3.8

- Net cash provided by operating activities increased 3.8% Y-o-Y due to higher EBITDA.

Net Cash Used in Investing Activities

(RUB million)	9m		Δ %
	2014	2013	
Capital expenditures	(180,976)	(142,437)	27.1
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(56,893)	(3,450)	1,549.1
Net changes in deposits	(3,181)	(22,029)	(85.6)
Other transactions	(13,487)	(4,703)	186.8
Net cash used in investing activities	(254,537)	(172,619)	47.5

- Net cash used in investing activities increased 47.5% Y-o-Y due to:
 - Higher capital expenditures
 - Acquisitions of additional SeverEnergia stake and share in Northgas.

Net Cash Used in Financing Activities

(RUB million)	9m		Δ %
	2014	2013	
Net changes in debt	61,725	(10,670)	-
Payment of dividends to shareholders	(24,959)	(44,032)	(43.3)
Acquisition of non-controlling interest in subsidiaries	(4,118)	(1,680)	145.1
Other transactions	(2,359)	(3,507)	(32.7)
Net cash provided by / (used in) financing activities	30,289	(59,889)	-

- During 9m 2014 Group debt increased by 61,725 RUB million primarily due to:
 - Utilization of 2,150 USD million club term facility signed in November 2013
 - Receipt of 10 RUB bln as part of credit line provided by JSC Rosselkhozbank
- The Group also repaid in full its pre-export finance facility, on which 731 USD million was outstanding at 31 December 2013.

Capital Expenditure

(RUB million)	9m		Δ, %
	2014	2013	
Exploration and production	126,444	97,569	29.6
Consolidated subsidiaries	115,499	89,240	29.4
Proportionately consolidated companies	10,945	8,329	31.4
Refining	16,957	17,749	(4.5)
Marketing and distribution	6,254	9,752	(35.9)
Others	6,456	3,210	101.1
Subtotal capital expenditures	156,111	128,280	21.7
Change in advances issued and material used in capital expenditures	24,865	14,157	75.6
Total capital expenditures	180,976	142,437	27.1

- Capital expenditure for Exploration and Production increased 29.6% Y-o-Y mostly due to:
 - Development of Noyabrsk and Orenburg region fields
 - Increased production drilling at Priobskoye field
 - Construction of major infrastructure for Novoport field (arctic terminal, oil collection system, pipelines)
 - Capital expenditure related to recent acquisitions: Dolginskoye (3Q 2013) and Prirazlomnoye (2Q 2014) fields.

Debt and Liquidity

(RUB million)	September 30, 2014	December 31, 2013
Short-term loans and borrowings	51,275	52,413
Long-term loans and borrowings	367,113	261,455
Cash and cash equivalents	(100,510)	(91,077)
Short-term deposits	(46,456)	(36,869)
Net debt	271,422	185,922
Short-term debt / total debt, %	12.3	16.7
Net debt / EBITDA ttm	0.80	0.59

- The Group's diversified debt structure includes, syndicated and bilateral loans, bonds, and other instruments
- Average debt maturity decreased from 5.15 years at December 31, 2013 to 4.59 years at September 30, 2014
- Average interest rate decreased from 3.68% at December 31, 2013 to 3.41% at September 30, 2014.

Financial Appendix

EBITDA Reconciliation

3Q	2Q			9m		
2014	2014	Δ, %	(RUB million)	2014	2013	Δ, %
52,579	51,216	2.7	Profit for the period	143,079	141,139	1.4
9,244	13,295	(30.5)	Total income tax expense	30,377	29,014	4.7
3,893	2,946	32.1	Finance expense	9,735	8,796	10.7
(2,099)	(1,065)	97.1	Finance income	(4,734)	(4,287)	10.4
21,944	21,120	3.9	Depreciation, depletion and amortization	63,159	57,300	10.2
9,243	(2,189)	-	Net foreign exchange (loss) / gain	14,554	2,274	540.0
2,341	1,812	29.2	Other loss, net	3,846	2,044	88.2
97,145	87,135	11.5	EBITDA	260,016	236,280	10.0
(84)	(4,196)	(98.0)	less Share of profit of associates and joint ventures	(4,576)	(7,839)	(41.6)
10,092	11,411	(11.6)	add Share of EBITDA of equity accounted investments	30,096	23,478	28.2
107,153	94,350	13.6	Adjusted EBITDA	285,536	251,919	13.3

Financial ratios

Profitability

	9m		
	2014	2013	Δ, p.p.
Adjusted EBITDA margin, %	26.88	26.86	0.0
Net profit margin, %	13.47	15.05	(1.6)
Return on assets (ROA), %	11.53	13.50	(2.0)
Return on equity (ROE), %	18.50	20.72	(2.2)
Return on average capital employed (ROACE), %	16.72	18.20	(1.5)

Liquidity

	9m		
	2014	2013	Δ, %
Current ratio	1.86	1.85	0.9
Quick ratio	1.03	0.99	4.4
Cash ratio	0.63	0.58	8.9

Leverage

	9m		
	2014	2013	Δ, p.p.
Net debt/ Total Assets, %	14.91	9.89	5.0
Net debt/ Equity, %	24.91	15.14	9.8
Gearing, %	22.59	15.42	7.2
			Δ, %
Net debt/ Market Capitalization	0.40	0.22	85.4
Net debt/ EBITDA	0.80	0.46	72.7
Total debt/ EBITDA	1.23	0.78	57.3

Main Macroeconomic Factors Affecting Results of Operations

The main factors affecting the Group's results of operations include:

- Changes in market prices of crude oil and petroleum products
- Changes in exchange rate between the Russian ruble and US dollar and inflation
- Taxation
- Changes in transportation tariffs for crude oil and petroleum products.

Changes in Market Prices of Crude Oil and Petroleum Products

Prices for crude oil and petroleum products on international and Russian markets are the primary external factor affecting the Group's results of operations.

Petroleum products prices on international markets are primarily determined by world prices for crude oil, supply and demand of petroleum products, and competition in different markets. Petroleum product price trends on international markets in turn determine domestic prices. Price dynamics are different for different types of petroleum products.

3Q 2014	2Q 2014	Δ, %		9m		Δ, %
				2014	2013	
			International market	(US\$/ barrel)		
101.93	109.67	(7.1)	Brent	106.52	108.46	(1.8)
101.13	107.67	(6.1)	Urals Spot (average Med. + NWE)	105.04	107.54	(2.3)
				(US\$/ tonne)		
974.15	1,021.17	(4.6)	Premium gasoline (average NWE)	984.34	1,001.95	(1.8)
873.23	929.72	(6.1)	Naphtha (average Med. + NWE)	901.41	883.50	2.0
879.82	920.50	(4.4)	Diesel fuel (average NWE)	907.51	937.48	(3.2)
864.30	904.75	(4.5)	Gasoil 0.2% (average Med. + NWE)	892.29	917.54	(2.8)
550.53	570.59	(3.5)	Fuel oil 3.5% (average NWE)	561.06	588.41	(4.6)
			Domestic market	(RUB/ tonne)		
33,632	31,008	8.5	High-octane gasoline	31,144	27,916	11.6
29,418	27,496	7.0	Low-octane gasoline	27,564	24,626	11.9
27,993	27,728	1.0	Diesel fuel	27,628	26,459	4.4
9,668	9,699	(0.3)	Fuel oil	9,302	8,743	6.4

Sources: Platts (international), Kortes (domestic)

Ruble vs. US Dollar Exchange Rate and Inflation

The Group presentation currency is the Russian ruble. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates, which for most entities is the Russian ruble.

3Q 2014	2Q 2014		9m	
			2014	2013
1.5	2.5	Change in Consumer Price Index (CPI), %	6.3	4.7
0.9	2.0	Change in Producer Price Index (PPI), %	5.2	5.4
39.39	33.63	US\$/ RUB exchange rate as of the end of the period	39.39	32.35
36.19	35.00	Average RUB/US\$ exchange rate for the period	35.39	31.62

Hydrocarbon Taxes

Average tax rates effective in reporting periods for taxation of oil and gas companies in Russia

3Q 2014	2Q 2014	Δ, %		9m		
				2014	2013	Δ, %
			Export customs duty	(US\$/ tonne)		
380.40	382.70	(0.6)	Crude oil	383.87	389.82	(1.5)
251.03	252.57	(0.6)	Light petroleum products	253.32	257.25	(1.5)
247.20	248.70	(0.6)	Diesel	249.46	257.25	(3.0)
342.30	344.40	(0.6)	Gasoline and naphtha	345.43	350.83	(1.5)
251.03	252.57	(0.6)	Heavy petroleum products	253.32	257.25	(1.5)
			Mineral extraction tax			
5 839	6 136	(4.8)	Crude oil (RUB/ tonne)	6 019	5 282	13.9

Crude and oil products export duty rates

Federal Law # 239-FZ (December 3, 2012) changed the method for setting export duties for crude oil and oil products from April 1, 2013. In place of export duty rates established monthly by the Government of the Russian Federation, new Resolution of the Russian Government # 276 (March 29, 2013) establishes a methodology for the Ministry of Economic Development of the Russian Federation to calculate export duty rates for crude oil and certain oil products each month.

Crude oil export customs duty rate

a) Russian Federal Law # 5003-1 (May 21, 1993) clause 3.1. subclause 4, amended by Russian Federal Law # 253-FZ (September 30, 2013) sets export custom duty rates according to the following formulas:

Quoted Urals price (P), USD/ tonne	Maximum Export Custom Duty Rate
≤109.50	0%
109.50 < P ≤ 146.00	35.0% * (P – 109.50)
146.00 < P ≤ 182.50	12.78 + 45.0% * (P – 146.00)
>182.50	29.20 + 59.0% * (P – 182.50) for 2014
	29.20 + 57.0% * (P – 182.50) for 2015
	29.20 + 55.0% * (P – 182.50) for 2016

Crude oil exports to those CIS countries that are Customs Union members (Kazakhstan, Belorussia), are not subject to oil export duties.

b) Under Federal Law # 239-FZ (December 3, 2012) the Government of the Russian Federation established certain formulas for lower customs duty rates for crude oil that meets certain chemical and physical conditions, identified by the codes TN VED TS 2709 00 900 1 and 2709 00 900 3. According to Russian Government Resolution # 276 (March 29, 2013) these lower duty rates are calculated based on the average Urals price in the monitoring period using the following formula:

Quoted Urals price (P), USD/ tonne	Export duty rate
≤365	0
>365	45.0% * (P – 365)

Resolution of the Russian Government # 846 (September 26, 2013) sets the rules for applying specific crude oil export duty rates and monitoring their use in respect of Group investment projects in Sakha Republic (Yakutia), Irkutsk Oblast, Krasnoyarsk Krai, Yamalo-Nenets Autonomous Okrug north of Latitude 65⁰, and on the continental shelf of the Russian Federation.

Order # 868 (December 3, 2013) of the Ministry of Energy establishes application form and methodology to carry out the analysis for the applicability of these special rates.

Export customs duty rate on petroleum products

In accordance with clause 3.1 of Russian Federal Law # 5003-1 (May 21, 1993) the export customs duty rate on petroleum products is determined by the Government. Petroleum products exported to those CIS countries that are Customs Union members (Kazakhstan, Belorussia) are not subject to customs duties. From January 1, 2011 petroleum products exported to Kyrgyzstan are also not subject to customs duties. From November 13, 2013 the export of petroleum products to Tadzhikistan within the indicative balance are not subject to customs duties.

Resolution of the Russian Government # 1155 (December 27, 2010) changed the export customs duty rates charged on petroleum products. From February 1, 2011 the export customs duty rate on petroleum products has been calculated using the following formula:

$R = K * R_{\text{crude}}$, where R_{crude} is the export customs duty rate per tonne of crude oil and K is a coefficient depending on the type of petroleum product.

From October 2011 in accordance with Resolution of the Russian Government #1155 (December 27, 2010), the coefficient K for each type of petroleum product has been based on the following table:

	From October 01, 2011 until December 31, 2014
Light and middle distillates	0.66
Fuel oil	0.66
Gasoline	0.90

Resolution of the Russian Government # 276 (March 29, 2013) further confirms the application of the rules outlined in Resolution of the Russian Government # 1155 (December 27, 2010).

Under the Resolution of the Russian Government #2 (January 3, 2014), the coefficient K for diesel fuel is set at 0.65 for 2014, 0.63 for 2015, and 0.61 for 2016.

Excise on petroleum products

In Russia, excise duties are paid by the producers of refined products. The excise duty also applies to petroleum products imported into Russia.

Russian Tax Code clause 193 established the following excise rates for petroleum products (in rubles/tonne):

	2013 (Jan. - June)	2013 (July - Dec.)	2014
Gasoline			
Below Class 3	10,100	10,100	11,110
Class 3	9,750	9,750	10,725
Class 4	8,560	8,960	9,916
Class 5	5,143	5,750	6,450
Naphtha	10,229	10,229	11,252
Diesel fuel			
Below Class 3	5,860	5,860	6,446
Class 3	5,860	5,860	6,446
Class 4	4,934	5,100	5,427
Class 5	4,334	4,500	4,767
Heating oil	-	5,860	6,446
Motor oil	7,509	7,509	8,260

Mineral extraction tax (MET) on crude oil.

From January 1, 2014 the mineral extraction tax rate on crude oil (R) is calculated using the following general formula:

$R = 493 * K_c * K_v * K_z * K_d * K_{dv}$, where

K_c reflects the volatility of crude oil prices on the global market. $K_c = (P - 15) * D / 261$, where P is average monthly Urals oil price on the Rotterdam and Mediterranean markets (in USD/bbl) and D is the average ruble/ US dollar exchange rate.

K_v characterizes the degree of depletion of the specific field. It provides lower tax rate for highly depleted fields. Depletion is measured by N/V , where N is the cumulative production volume from the field and V is the total initial reserves (ABC1 + C2 reserves volume at January 1, 2006). For fields with depletion between 0.8 and 1, $K_v = 3.8 - 3.5 * N / V$. Where depletion is greater than 1, K_v is 0.3. In all other cases $K_v = 1$.

K_z characterizes the relative size of the field (by reserves) and provides lower tax rate for small fields. For fields with initial reserves (designated by V_3 , defined as ABC1 + C2 reserves volume at January 1 of the year preceding the tax period) below 5 MMtonnes and depletion (N / V_3 where N is the cumulative production volume from the field) less than 0.05, $K_z = 0.125 * V_3 + 0.375$

K_d characterizes the effort required to recover oil. It varies between 0 and 1 depending on recovery complexity from the deposit as follows:

- 0 – for oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov, Abalask, Khadumsk, Domanikov formations
- 0.2 – for oil produced from deposits with permeability no greater than $2 * 10^{-3}$ mkm² and effective formation thickness no greater than 10 meters
- 0.4 – for oil produced from deposits with permeability no greater than $2 * 10^{-3}$ mkm² and effective formation thickness greater than 10 meters
- 0.8 – for oil produced from deposits classified in the state mineral reserves balance as related to the Tyumen formation
- 1 – for oil produced from other deposits.

K_{dv} characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. Depletion is measured by N_{dv}/V_{dv} , where N_{dv} is cumulative production volume from the deposit and V_{dv} is total initial reserves (ABC1 + C2 reserves at January 1 of the year preceding the tax period). For deposits with depletion between 0.8 and 1, $K_{dv} = 3.8 - 3.5 * N_{dv} / V_{dv}$. Where depletion is greater than 1, K_{dv} is 0.3. In all other cases $K_{dv} = 1$. For deposits containing hard-to-recover reserves the coefficient K_v is equal to 1.

Russian Tax Code clause 342 established base mineral extraction tax rates for crude oil according to the above formula as follows:

	2013	2014
MET on crude oil (RUB/tonne)	470	493

In addition, tax legislation establishes concessionary MET tax rates for crude produced under certain conditions from specific regions of the Russian Federation.

Group effective MET rate

3Q 2014	2Q 2014	Δ, %		9m		
				2014	2013	Δ, %
5,839	6,136	(4.8)	Nominal crude oil MET rate, RUB/tonne	6,019	5,282	14.0
5,613	5,891	(4.7)	Effective crude oil MET rate, RUB/tonne	5,775	5,097	13.3
226	245		Difference between nominal and effective rates, RUB/tonne	244	185	
3.9%	4.0%		Difference between nominal and effective rates, %	4.1%	3.5%	

During 9m 2014 the effective MET rate was 5,775 RUB/tonne, or 244 RUB/tonne lower than the nominal MET rate set out in Russian legislation. The difference results from the application of certain factors (Kv, Kz and Kd) that reduce the MET rate.

Mineral extraction tax (MET) on natural gas and gas condensate

Russian Federal Law # 204-FZ (November 29, 2012) established mineral extraction tax rates for natural gas and gas condensate as follows:

	2013 (January - June)	2013 (July - December)	2014 (January - June)
MET on natural gas (RUB/Mcm)	265*	402*	471*
	582	622	700
MET on gas condensate (RUB/tonne)	590	590	647

* The lower rate of MET applies to taxpayers that do not own the central gas transportation system and that are not more than 50% owned directly or indirectly by the owners of the central gas transportation system.

Russian Federal Law # 263-FZ (September 30, 2013) establishes a new formula to calculate MET for natural gas and gas condensate from July 1, 2014. The rate, which replaces the rates above, is the product of fixed base MET rates of 35 RUB/Mcm for gas and 42 RUB/tonne for gas condensate and two variable coefficients. Eut (the base rate per fuel-equivalent unit) and Kc (which characterizes the effort required to recover hydrocarbons from the particular deposit). From 2015 the MET rate for gas will include a new parameter Tg, reflecting gas transportation costs.

Tax concessions

Under effective tax legislation Group subsidiaries apply the following tax concessions (including lower tax rates and coefficients that reduce the MET rate):

Tax concessions, applied in 9m 2014	Subsidiaries (oil fields) belonging to the Group
MET for Oil	
Small fields factor Kz	OJSC Gazpromneft-Noyabrskneftegaz (Vorgentskoye, Vostochno-Vyngayakhinskoye, Severo-Karamovskoye, Valyntoyskoye) LLC Zhivoy Istok (Baleykinskoye)
Depletion factor Kv	OJSC Gazpromneft-Noyabrskneftegaz (Pogranichnoye, Kholmogorskoye, Chatilkinskoye, Muravlenkovskoye, Sugmutskoye) LLC Gazpromneft-Vostok (Zapadno-Luginetskiy)
Hard-to-recover factor Kd	OJSC Gazpromneft-Noyabrskneftegaz (Vyngayakhinskoye) LLC Gazpromneft-Khantos (Krasnoleninskoye) LLC Archinskoye (Urmanskoye)

Zero MET rate for fields located fully or partially on the territory of Nenets Autonomous Okrug or Yamal Peninsula in Yamalo-Nenets Autonomous Okrug	LLC Gazpromneft Novy Port (Novoportovskoye)
Zero MET rate for fields located fully or partially on the territory of in Sakha Republic (Yakutia), Irkutsk Oblast or Krasnoyarsk Krai	LLC Gazpromneft-Angara (Tympuchanskoye, Ignyalinskoye)
Profit tax	
16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz
17% rate (3% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Magma (before merger with LLC Gazpromneft-Khantos)
15.5% rate (4.5% concession under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz
Property tax	
Exemption from property tax for investment projects in Khanty–Mansiysk Autonomous Okrug–Ugra applied before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos
Exemption from property tax for fields in Khanty–Mansiysk Autonomous Okrug–Ugra where development started before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos
1.1% rate on property purchased/constructed for investment projects in Yamalo-Nenets Autonomous Okrug (under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz LLC Zapolyarneft
Exemption from property tax on property purchased/constructed for investment projects in Orenburg Oblast (under regional legislation of Orenburg Oblast)	CJSC Gazpromneft-Orenburg

Transportation of Crude Oil and Petroleum Products

Transportation tariff policies are established by state authorities to ensure a balance of interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariffs Service of the Russian Federation ("FTS"). The tariffs are dependent on transport destination, delivery volume, transportation distance, and several other factors. Changes in tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, investment needs of the owners of transportation infrastructure, other macroeconomic factors, and compensation of economically reasonable expenses incurred by entities of natural monopolies. Tariffs are to be revised by FTS at least annually, and comprise a dispatch tariff, loading, transshipment, pumping, and other tariffs.

The following table shows average transportation costs per tonne for the Group's crude oil for export and use at its refineries, as well as costs per tonne for transportation of its petroleum products from refineries for export:

3Q	2Q			9m		
2014	2014	Δ, %	(RUB per tonne)	2014	2013	Δ, %
Crude oil						
Export						
1,727	1,696	1.8	Pipeline	1,710	1,629	5.0
CIS						
1,157	1,175	(1.5)	Pipeline	1,164	1,096	6.2
Transportation to Refineries						
506	514	(1.6)	ONPZ	511	504	1.3
1,017	1,035	(1.7)	MNPZ	1,022	989	3.3
1,050	1,043	0.7	YaNPZ	1,063	982	8.2
Petroleum products						
Export from ONPZ						
2,414	2,305	4.7	Gasoline	2,362	3,285	(28.1)
3,824	3,809	0.4	Fuel oil	3,931	3,870	1.6
3,308	3,444	(4.0)	Diesel fuel	3,304	3,325	(0.6)
Export from MNPZ						
1,699	1,640	3.6	Gasoline	1,662	1,668	(0.4)
1,546	1,445	7.0	Fuel oil	1,489	1,448	2.9
1,899	1,817	4.5	Diesel fuel	1,869	1,779	5.1
Export from YaNPZ						
1,318	1,128	16.8	Gasoline	1,195	1,121	6.6
1,507	1,460	3.2	Fuel oil	1,663	1,376	20.9
1,562	1,504	3.8	Diesel fuel	1,503	1,470	2.2

During 9m 2014 the Group exported 28.7% (39.6% during 9m 2013) of its total crude export through the Primorsk Baltic Sea port (31.4% through Primorsk and 8.2% through Ust-Luga during 9m 2013); 12.5% (23.5% during 9m 2013) was exported through the Druzhba pipeline, principally to the Czech Republic; 13.5% (15.9% during 9m 2013) was exported through the port of Novorossiysk including 10.8% (13.1% during 9m 2013) of light crude; 35.3% (21.1% during 9m 2013) was exported through the ESPO pipeline and the port of Kozmino. Exports of crude to CIS countries during 9m 2014 were 100.0% to Belarus (44.9% during 9m 2013) and none to Kazakhstan (55.1% in during 9m 2013).

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