

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended December 31 and September 30, 2013 and years
ended December 31, 2013 and 2012**

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of December 31, 2013 and results of operations for the years ended December 31, 2013 and 2012 and 3 months ended December 31 and September 30, 2013 and should be read in conjunction with the 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.

Application of new IFRS

A number of new IFRS standards and interpretation became effective for the periods beginning on or after January 1, 2013: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities. As a result of the application of new standards IFRS 11 Joint Arrangements in particular, the Group changed the accounting method for its interest in Tomskneft and Salym Petroleum Development from the equity method to proportionate consolidation.

The operational information below is restated (including prior periods) to offer a clear comparison with these new accounting methods.

For more information on the adoption of IFRS 11, refer to the Note 5 of the Consolidated Financial Statements for the year ended December 31, 2013.

Key Financial and Operating Data

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
Financial results (RUB million)						
386,691	402,312	(3.9)	Sales	1,504,037	1,519,450	(1.0)
84,833	101,352	(16.3)	Adjusted EBITDA ¹	336,752	323,106	4.2
5,265.9	6,522.0	(19.3)	RUB per toe of production	5,408.8	5,411.3	(0.1)
22.0	27.1	(18.6)	USD ² per boe of production	23.1	23.7	(2.3)
42,763	57,533	(25.7)	Profit attributable to Gazprom Neft	177,917	176,296	0.9
185,922	143,716	29.4	Net debt	185,922	156,922	18.5
Operational results						
118.38	114.17	3.7	Hydrocarbon production including our share in joint ventures (MMboe)	457.42	439.02	4.2
1.29	1.24	4.0	Daily hydrocarbon production (MMboepd)	1.25	1.20	4.2
94.89	94.21	0.7	Crude oil production including our share in joint ventures (MMbbl)	371.78	373.64	(0.5)
140.95	119.76	17.7	Gas production including our share in joint ventures (bcf)	513.85	392.31	31.0
10.54	10.90	(3.3)	Refining throughput at own refineries and joint ventures (MMtonnes)	42.63	43.34	(1.6)

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

2013 Highlights

- Increased effective ownership in SeverEnergiya to 40.2%
- Expanded presence in Iraq (Kurdistan) – Halbja block acquisition
- Launched Yuzhno-Priobskaya gas compression station
- Produced first oil from Yuzhno-Kinyaminskoye field
- Signed a memorandum with Shell, confirming General Agreement on Partnership in exploration and development of liquids-rich shales
- Completed drilling of the prospecting and appraisal well with high flow rates at the Bazhenovsky formation of the Krasnoleninskoye field ("shale oil")
- Signed agreement to create joint venture to produce and sell modified bitumen and bitumen emulsions on the Russian market
- Completed acquisition of Russia's leading producer of polymeric bitumen – JSC "Ryazan Petrochemical Experimental Plant"
- Completed the following units at Moscow refinery:
 - Diesel hydrotreating unit (after reconstruction) in April 2013
 - FCC gasoline hydrotreater in May 2013
 - Light naphtha isomerization unit in July 2013
 allowing production of Class 5 diesel and 100% Class 5 high-octane gasoline production
- Started new diesel hydrotreating unit at Yaroslavl, allowing increased Class 5 diesel production

- Expanded foreign jet fueling network to 125 airports (88 at the beginning of 2013)
- Expanded bunkering network:
 - Completed acquisition of two bunkering companies in Europe - Marine Bunker Balkan S.A. (Romania) and AS Baltic Marine Bunker (Estonia)
 - Acquired bunkering terminal complex in Novorossiysk
 - Acquired two new bunkering vessels to operate in Far East and Black Sea regions
- Declared first interim dividend for 6 months 2013.

Results for 2013 compared with 2012

- Total hydrocarbon production including our share in joint ventures increased 4.2% to 457.42 MMboe due to continued production growth at Priobskoye and Orenburg region fields, higher associated gas output, increased natural gas production at Muravlenkovskoye field and start of production at SeverEnergia's Samburgskoye field
- Refining throughput decreased 1.6% due to scheduled maintenance of primary refining unit at Omsk and Yaroslavl refineries in September – October and March – April 2013 respectively and lower throughput at Mozyr
- Adjusted EBITDA rose 4.2% due to increased hydrocarbon production and petroleum products sales through premium channels. Profit attributable to Gazprom Neft increased just 0.9% due to the effects of foreign exchange losses and higher depreciation charges
- Sales declined 1.0% due to reduced crude oil trading on international markets partially offset by an increase in the volume of petroleum products sales.

Results for 4Q 2013 compared with 3Q 2013

- Daily hydrocarbon production including our share in joint ventures increased to 1.29 MMboepd
- Refining throughput declined 3.3% due to scheduled maintenance at Moscow refinery in October 2013
- Lower crude and product prices, reduced refining throughput and lower products sales volumes led to 3.9% decrease in sales. This decline, together with a negative customs duty effect in 4Q 2013 vs. a positive effect in 3Q 2013 (duty lag), led to decreases of 16.3% in adjusted EBITDA and 25.7% in profit attributable to Gazprom Neft.

Operational Data and Analysis

Exploration Drilling and Discoveries

	2013	2012	Δ, %
Consolidated subsidiaries			
Exploration drilling ('000 meters)	83	64	29.7
Exploration wells drilled	28	21	33.3
New fields discovered	1	2	(50.0)
New reservoirs discovered	21	39	(46.2)
Proportionately consolidated companies			
Exploration drilling ('000 meters)	12	14	(16.9)
Exploration wells drilled	5	5	-
New reservoirs discovered	-	2	-
Joint ventures			
Exploration drilling ('000 meters)	53	51	4.8
Exploration wells drilled	18	18	-
New reservoirs discovered	12	7	71.4

- 2013 results:
 - Discovered East-Myginskoye field
 - Discovered 21 new reservoirs, mostly in the Yeti-Purovskoye and Vingapurovskoye fields.

Oil and Gas Reserves

(MMboe)	Share in proportionately consolidated companies and joint ventures						Total*
	Gazprom Neft	Slavneft	Tomskneft	SPD	Sever-Energy	Messoyakha neftegaz	
<i>Proved Reserves (December 31, 2011)</i>	5,672	940	663	234	810	-	8,319
Production	(284)	(68)	(43)	(28)	(3)	-	(426)
Purchases of minerals in place	1	-	-	-	-	-	1
Revision of previous estimates	515	70	18	38	338	-	979
<i>Proved Reserves (December 31, 2012)</i>	5,904	942	638	244	1,145	-	8,873
Production	(303)	(64)	(43)	(26)	(9)	-	(445)
Purchases of minerals in place	-	-	-	-	699	-	699
Revision of previous estimates	700	33	(18)	5	76	39	835
<i>Proved Reserves (December 31, 2013)</i>	6,301	911	577	223	1,911	39	9,962
Total group probable reserves	3,575	1,455	346	97	1,135	444	7,052
Total group possible reserves	3,552	1,304	443	69	1,109	363	6,840

* Total reflects 49.9% ownership of Slavneft, 50% of Tomskneft, Salyr Petroleum Development and Messoyakhaneftegaz and 40.2% of SeverEnergia (25.5% as at December 31, 2012 and 2011)

- The Company's proved reserves as of December 31, 2013 totaled 6,301 MMboe, including 5,078 MMbbl of crude oil and 7,337 bcf of gas
- Including shares in equity associates, proved reserves were 9,962 MMboe as of December 31, 2013, including 7,156 MMbbl of crude oil and 16,836 bcf of gas
- Proved reserves figures do not include reserve volumes related to the Company's Serbian subsidiary, NIS, as there are limitations on disclosure of such information in Serbia
- Reserve estimates are made by the independent reservoir engineers DeGolyer and MacNaughton on the basis of the standards of the Society of Petroleum Engineers Petroleum Reserves Management System (PRMS)
- The PRMS reserves figures provided in the table differ from those reported in the supplementary information on oil and gas activities included with our consolidated financial statements. Oil and gas reserves included in that supplementary information are prepared using definitions provided by the US Securities and Exchange Commission (SEC), which require the use of a 12-month average of the first day of the month price for each month within the reporting period. The PRMS reserves in the above table use management's best estimate of future crude oil and natural gas prices.

Production Drilling

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
Consolidated subsidiaries						
770	807	(4.6)	Production drilling ('000 meters)	2,964	2,516	17.8
217	224	(3.1)	New production wells	767	690	11.2
31.38	33.68	(6.8)	Average new well flow (tonnes per day)	33.08	31.99	3.4
Proportionately consolidated companies						
122	157	(22.0)	Production drilling ('000 meters)	698	827	(15.7)
43	57	(24.6)	New production wells	211	243	(13.2)
Joint ventures						
283	307	(7.8)	Production drilling ('000 meters)	1,058	691	53.2
48	61	(21.3)	New production wells	187	158	18.4

- Production drilling increased Y-o-Y due to intensified drilling at Orenburg fields and development of Yuzhno-Kinyaminskoye field acquired in 1Q 2013
- Rates of production drilling increased faster than the number of new wells as the Company continued its increased focus on more complex horizontal wells with higher yields, partially offsetting the increasing watercut from producing wells. In 2013 the Company drilled 233 horizontal wells, compared with 87 in 2012.

Production

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
	(MMtonnes)		Crude oil		(MMtonnes)	
3.83	3.82	0.3	Noyabrskneftegaz	14.94	15.49	(3.6)
3.38	3.34	1.2	Khantos*	13.16	12.30	7.0
1.28	1.30	(1.5)	Tomskneft	5.08	5.11	(0.6)
0.89	0.88	1.1	SPD	3.50	3.81	(8.1)
0.53	0.45	17.8	Orenburg	1.65	1.10	50.0
0.31	0.32	(3.1)	NIS	1.25	1.22	2.5
0.36	0.35	2.9	Vostok	1.21	1.01	19.8
0.21	0.21	-	Others	1.21	1.75	(30.9)
10.79	10.67	1.1	Total production by subsidiaries and proportionately consolidated companies	42.00	41.79	0.5
2.07	2.10	(1.4)	Share in Slavneft	8.40	8.93	(5.9)
0.05	0.05	-	Share in SeverEnergiya (SE)	0.18	0.06	200.0
2.12	2.15	(1.4)	Share in production of joint ventures	8.58	8.99	(4.6)
			Total crude oil production			
12.91	12.82	0.7	MMtonnes	50.58	50.78	(0.4)
94.89	94.21	0.7	MMbbl	371.78	373.64	(0.4)
	(bcm)		Gas**		(bcm)	
2.54	2.07	22.7	Noyabrskneftegaz	9.35	7.32	27.7
0.11	0.06	83.3	Khantos*	0.23	0.11	109.1
0.23	0.19	21.1	Tomskneft	0.85	0.84	1.2
0.04	0.03	33.3	SPD	0.14	0.13	7.7
0.44	0.46	(4.4)	Orenburg	1.62	1.12	44.6
0.14	0.14	-	NIS	0.55	0.56	(1.8)
0.02	0.02	-	Vostok	0.07	0.06	16.7
0.02	0.01	100.0	Others	0.09	0.11	(18.2)
3.54	2.98	18.8	Total production by subsidiaries and proportionately consolidated companies	12.90	10.25	25.9
0.10	0.10	-	Share in Slavneft	0.41	0.42	(2.4)
0.35	0.31	12.9	Share in SeverEnergiya (SE)	1.24	0.45	175.6
0.45	0.41	9.8	Share in production of joint ventures	1.65	0.87	89.7
3.99	3.39	17.7	Total gas production	14.55	11.12	30.9
	(MMtoe)		Hydrocarbons		(MMtoe)	
13.62	13.06	4.3	Total production by subsidiaries and proportionately consolidated companies	52.35	50.02	4.7
2.49	2.48	0.4	Share in production of joint ventures	9.91	9.69	2.3
16.11	15.54	3.7	Total hydrocarbon production			
			MMtoe	62.26	59.71	4.3
118.38	114.17	3.7	MMboe	457.42	439.02	4.2
1.29	1.24	4.0	Daily hydrocarbon production (MMboepd)	1.25	1.20	4.2

* Khantos merged with Yugra from March 1, 2013

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

- Daily hydrocarbon production increased 4.2% Y-o-Y and 4.0% Q-o-Q
- Group oil production decreased 0.4% Y-o-Y due to higher average watercut and declining production from mature fields, partly offset by continued growth at Priobskoye field and Orenburg region fields, where the Company increased the stock of producing wells
- Group gas production increased 30.9% Y-o-Y, mainly as a result of higher natural gas production at Muravlenkovskoye field, the gas utilization program, and the start of production at SeverEnergiya's Samburgskoye field
- Group gas production increased 17.7% Q-o-Q due to seasonal factors.

Crude Oil Purchases

4Q 2013	3Q 2013	Δ, %	(MMtonnes)	2013	2012	Δ, %
1.12	1.16	(3.5)	Crude oil purchases in Russia *	4.94	7.82	(36.8)
0.69	0.44	56.8	Crude oil purchases internationally	1.87	3.24	(42.3)
1.81	1.60	13.1	Total crude purchased	6.81	11.06	(38.4)

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

- Oil purchases in Russia decreased 36.8% Y-o-Y due to termination of oil-supply contract with TNK-BP
- Changes in oil purchases on international markets were due to changes in trading activity.

Refining

4Q 2013	3Q 2013	Δ, %	(MMtonnes)	2013	2012	Δ, %
4.96	4.93	0.6	Omsk	20.23	20.95	(3.4)
2.64	3.07	(14.0)	Moscow	11.08	10.67	3.8
0.76	0.73	4.1	Pancevo	2.75	2.14	28.5
8.36	8.73	(4.2)	Total throughput at refineries owned by subsidiaries	34.06	33.76	0.9
1.99	1.92	3.7	Share in Yaroslavl	7.52	7.64	(1.6)
0.19	0.25	(24.0)	Share in Mozyr	1.05	1.94	(45.9)
10.54	10.90	(3.3)	Total refining throughput	42.63	43.34	(1.6)

Production of petroleum products

2.27	2.19	3.7	Gasoline	8.92	8.96	(0.5)
-	-	-	Class 2 and below	0.05	1.16	(95.7)
0.04	0.03	33.3	Class 3	0.37	2.24	(83.5)
0.25	0.20	25.0	Class 4	1.88	3.46	(45.7)
1.98	1.96	1.0	Class 5	6.62	2.10	215.2
0.33	0.37	(10.8)	Naphtha	1.47	1.30	13.1
3.02	3.10	(2.6)	Diesel	12.09	11.51	5.0
0.02	0.05	(60.0)	Class 2 and below	0.23	5.63	(95.9)
0.06	0.16	(62.5)	Class 3	2.06	1.30	58.5
0.08	-	-	Class 4	1.16	1.96	(40.8)
2.86	2.89	(1.0)	Class 5	8.64	2.62	229.8
1.94	1.61	20.5	Fuel oil	7.48	8.78	(14.8)
0.58	0.77	(24.7)	Jet fuel	2.69	2.67	0.8
0.84	0.84	-	Bunker fuel	3.31	3.38	(2.1)
1.09	1.47	(25.9)	Other	4.59	4.41	4.1
10.07	10.35	(2.7)	Total production	40.55	41.01	(1.1)

- Refining throughput:
 - Decreased 1.6% Y-o-Y due to scheduled maintenance of primary refining unit at Omsk and Yaroslavl in September – October and March – April 2013, respectively, and lower throughput at Mozyr
 - Decreased 3.3% Q-o-Q due to scheduled maintenance at Moscow refinery in October 2013
- Gasoline production increased 3.7% Q-o-Q due to catalyst replacement at Omsk catalytic cracking unit in 3Q 2013 and scheduled maintenance of catalytic reforming unit at Yaroslavl in September 2013
- Diesel production increased 5.0% Y-o-Y due to completion of new diesel hydrotreating units at Omsk and Yaroslavl in December 2012 and February 2013 respectively
- Production of Class 5 gasoline and diesel fuel increased Y-o-Y as a result of production capacity modernization:
 - Completion of gasoline and diesel hydrotreating units at Omsk in May 2012 and December 2012, respectively
 - Completion of diesel hydrotreating unit at Yaroslavl in February 2013

- Completion of several units at Moscow (reconstruction of diesel hydrotreating unit in April 2013, completion of catalytic cracking and hydrotreating unit in May 2013, and completion of light naphtha isomerization unit in July 2013)
- Fuel oil production declined 14.8% Y-o-Y due to increased bitumen production due to higher demand and increased capacity at the Moscow bitumen unit, reconstructed in July 2012
- Fuel oil production increased 20.5% Q-o-Q due to seasonal decrease in bitumen demand
- Jet fuel production declined 24.7% Q-o-Q due to scheduled maintenance of jet fuel hydrotreating unit at Moscow refinery in October 2013.

Petroleum Products Purchases on International Markets

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	233	0.01	1,491	0.05	(84.4)	(80.0)
Diesel	6,791	0.22	7,495	0.24	(9.4)	(8.3)
Fuel oil	4,989	0.27	6,418	0.33	(22.3)	(18.2)
Jet fuel	2,333	0.07	1,394	0.04	67.4	75.0
Total	14,346	0.57	16,798	0.66	(14.6)	(13.6)

	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	4,382	0.16	3,518	0.12	24.6	33.3
Diesel	29,390	0.98	28,411	0.93	3.5	5.4
Fuel oil	18,252	0.98	2,438	0.12	648.7	716.7
Jet fuel	7,027	0.21	7,102	0.20	(1.1)	5.0
Bunker fuel	-	-	197	0.01	-	-
Total	59,051	2.33	41,666	1.38	41.7	68.8

- Purchases on international markets increased 68.8% Y-o-Y due to higher trading activity.

Petroleum Products Purchases in CIS

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	839	0.03	1,773	0.08	(52.7)	(62.5)
Low octane gasoline	372	0.02	422	0.02	(11.9)	-
Diesel	302	0.01	281	0.01	7.5	-
Other	204	0.01	-	-	-	-
Total	1,717	0.07	2,476	0.11	(30.7)	(36.4)

	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,612	0.11	1,374	0.04	90.1	175.0
Low octane gasoline	1,356	0.06	-	-	-	-
Diesel	1,429	0.06	1,045	0.03	36.8	100.0
Other	472	0.03	660	0.04	(28.5)	(25.0)
Total	5,869	0.26	3,079	0.11	90.6	136.4

Domestic Purchases of Petroleum Products

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,378	0.26	6,373	0.21	15.8	23.8
Diesel	5,017	0.17	1,959	0.07	156.1	142.9
Fuel oil	515	0.04	468	0.04	10.0	-
Jet fuel	4,304	0.16	3,641	0.15	18.2	6.7
Bunker fuel	-	-	311	0.02	-	-
Other	1,935	0.05	1,297	0.05	49.2	-
Total	19,149	0.68	14,049	0.54	36.3	25.9

	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	24,147	0.87	23,469	0.91	2.9	(4.4)
Diesel	11,970	0.41	5,562	0.21	115.2	95.2
Fuel oil	1,385	0.12	4,565	0.26	(69.7)	(53.9)
Jet fuel	12,735	0.51	8,081	0.34	57.6	50.0
Bunker fuel	1,802	0.10	531	0.03	239.4	233.3
Other	4,479	0.14	2,614	0.13	71.4	7.7
Total	56,518	2.15	44,822	1.88	26.1	14.4

- Domestic purchases increased Y-o-Y due to scheduled maintenance at Company refineries.

Products Marketing

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
	(units)		Active retail stations		(units)	
1,111	1,042	6.6	In Russia	1,111	1,060	4.8
228	215	6.0	In CIS	228	205	11.2
408	402	1.5	In Eastern Europe	408	344	18.6
1,747	1,659	5.3	Total retail stations (as at the end of the period)	1,747	1,609	8.6
			Average daily sales per retail site in Russia (tonnes per day)			
20.2	19.7	2.5		19.0	17.6	7.8
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
4.73	5.09	(7.1)	Gasoline and Diesel	18.17	17.74	2.4
0.61	0.70	(12.9)	Jet	2.39	2.07	15.5
0.80	0.95	(15.8)	Bunkering	3.22	2.89	11.4
0.06	0.03	100.0	Lubricants	0.17	0.15	13.3
6.20	6.77	(8.4)	Total sales volume through premium channels	23.95	22.85	4.8

- Total number of active retail stations increased 8.6% Y-o-Y
- Average daily sales per retail site in Russia increased 7.8% Y-o-Y due to results of rebranding campaign, new promotions and customer loyalty program
- Sales volume through premium channels increased 4.8% Y-o-Y, as:
 - Gasoline and diesel sales remained unchanged as 13.7% increase in retail sales offset wholesale decreases
 - Jet fuel sales increased due to expanded sales network within and outside Russia, including Russian military airports
 - Bunkering sales increased due to growing Far East markets, increased market penetration in Baltic and Black Sea regions and new long-term contracts with Russian and foreign shipping companies
- Sales volume through premium channels decreased 8.4% Q-o-Q due to lower refining throughput.

Results of Operations

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
Revenues						
386,691	402,312	(3.9)	Sales	1,504,037	1,519,450	(1.0)
(56,941)	(55,174)	3.2	Less export duties and excise tax*	(236,434)	(286,801)	(17.6)
329,750	347,138	(5.0)	Total revenue	1,267,603	1,232,649	2.8
Costs and other deductions						
(82,744)	(88,002)	(6.0)	Purchases of oil, gas and petroleum products	(319,051)	(340,453)	(6.3)
(39,677)	(38,473)	3.1	Production and manufacturing expenses	(144,552)	(126,639)	14.1
(21,032)	(19,731)	6.6	Selling, general and administrative expenses	(72,005)	(68,389)	5.3
(27,459)	(24,900)	10.3	Transportation expenses	(107,837)	(103,556)	4.1
(19,485)	(20,173)	(3.4)	Depreciation, depletion and amortization	(76,785)	(69,163)	11.0
(81,172)	(83,970)	(3.3)	Taxes other than income tax	(316,070)	(297,824)	6.1
(895)	(1,146)	(21.9)	Exploration expenses	(2,876)	(3,431)	(16.2)
(272,464)	(276,395)	(1.4)	Total operating expenses	(1,039,176)	(1,009,455)	2.9
(4,266)	(1,595)	167.5	Other loss, net	(6,310)	(5,268)	19.80
53,020	69,148	(23.3)	Operating profit	222,117	217,926	1.9
3,412	5,200	(34.4)	Share of profit of associates and joint ventures	11,251	12,767	(11.9)
108	226	(52.2)	Net foreign exchange gain / (loss)	(2,166)	1,042	0.0
1,724	1,585	8.8	Finance income	6,011	3,275	83.5
(2,437)	(2,886)	(15.6)	Finance expense	(11,233)	(11,089)	1.3
2,807	4,125	(32.0)	Total other income	3,863	5,995	(35.6)
55,827	73,273	(23.8)	Profit before income tax	225,980	223,921	0.9
(9,747)	(10,458)	(6.8)	Current income tax expense	(34,823)	(34,108)	2.1
(499)	(2,153)	(76.8)	Deferred income tax expense	(4,437)	(5,661)	(21.6)
(10,246)	(12,611)	(18.8)	Total income tax expense	(39,260)	(39,769)	(1.3)
45,581	60,662	(24.9)	Profit for the period	186,720	184,152	1.4
(2,818)	(3,129)	(9.9)	Less: Profit attributable to non-controlling interest	(8,803)	(7,856)	12.1
42,763	57,533	(25.7)	Profit attributable to Gazprom Neft	177,917	176,296	0.9

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

Revenues

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
Crude oil						
28,225	27,056	4.3	Export	106,665	195,567	(45.5)
53,783	50,744	6.0	Export sales	208,125	346,213	(39.9)
(25,558)	(23,688)	7.9	Less related export duties	(101,460)	(150,646)	(32.7)
-	692	-	International markets	1,323	1,740	(24.0)
13,758	12,802	7.5	Export to CIS	48,619	29,783	63.2
8,155	5,559	46.7	Domestic	19,258	13,241	45.4
50,138	46,109	8.7	Total crude oil revenue	175,865	240,331	(26.8)
Gas						
469	92	409.8	International markets	1,461	6,281	(76.7)
7,952	5,611	41.7	Domestic	23,926	17,729	35.0
8,421	5,703	47.7	Total gas revenue	25,387	24,010	5.7
Petroleum products						
51,326	64,405	(20.3)	Export	253,429	240,381	5.4
72,276	86,139	(16.1)	Export sales	352,990	349,049	1.1
(20,950)	(21,734)	(3.6)	Less related export duties	(99,561)	(108,668)	(8.4)
27,773	25,865	7.4	International markets	92,316	69,876	32.1
37,013	34,881	6.1	Sales on international markets	124,376	92,725	34.1
(9,240)	(9,016)	2.5	Excise*	(32,060)	(22,849)	40.3
15,251	15,039	1.4	CIS	54,956	54,539	0.8
16,444	15,775	4.2	Export sales and sales in CIS	58,309	59,177	(1.5)
(1,193)	(736)	62.1	Less related export duties	(3,353)	(4,638)	(27.7)
167,630	180,538	(7.1)	Domestic	630,359	572,082	10.2
261,980	285,847	(8.3)	Total petroleum products revenue	1,031,060	936,878	10.1
9,211	9,479	(2.8)	Other revenue	35,291	31,430	12.3
329,750	347,138	(5.0)	Total revenue	1,267,603	1,232,649	2.8

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

Sales Volumes

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
(MMtonnes)			Crude oil	(MMtonnes)		
2.07	1.93	7.3	Export	8.29	14.12	(41.3)
-	0.02	-	Sales on international markets	0.05	0.07	(28.6)
1.15	0.94	22.3	Export to CIS	4.05	2.50	62.0
0.75	0.50	50.0	Domestic sales	1.85	1.26	46.8
3.97	3.39	17.1	Total crude oil sales	14.24	17.95	(20.7)
(bcm)			Gas	(bcm)		
0.04	0.01	300.0	International markets	0.14	0.46	(69.6)
3.84	3.47	10.7	Domestic sales	12.64	10.89	16.1
3.88	3.48	11.5	Total gas sales	12.78	11.35	12.6
(MMtonnes)			Petroleum products	(MMtonnes)		
2.98	3.43	(13.1)	Export	14.61	14.13	3.4
0.90	0.83	8.4	Sales on international markets	3.08	2.40	28.3
0.56	0.62	(9.7)	Export and sales in CIS	2.21	2.35	(6.0)
6.60	7.41	(10.9)	Domestic sales	25.84	25.15	2.7
11.04	12.29	(10.2)	Total petroleum products sales	45.74	44.03	3.9

Average Realized Sales Prices

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
25,982	26,292	(1.2)	Export	25,106	24,519	2.4
11,963	13,619	(12.2)	Export and sales in CIS	12,005	11,913	0.8
10,873	11,118	(2.2)	Domestic sales	10,410	10,509	(0.9)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
24,254	25,113	(3.4)	Export	24,161	24,703	(2.2)
41,126	42,025	(2.1)	Sales on international markets	40,382	38,635	4.5
29,364	25,444	15.4	Export and sales in CIS	26,384	25,182	4.8
25,398	24,364	4.2	Domestic sales	24,395	22,747	7.2

Crude Oil Export Sales

- In 2013 the Group shifted crude volumes from export (declined 41.3% Y-o-Y) to export to CIS (increased 62.0% Y-o-Y);
- Crude oil sales increased 17.1% Q-o-Q due to lower refining throughput.

Petroleum Products Exports

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,399	0.05	2,064	0.07	(32.2)	(28.6)
Low octane gasoline	1,671	0.06	881	0.03	89.7	100.0
Naphtha	6,076	0.20	10,027	0.34	(39.4)	(41.2)
Diesel	27,011	0.88	34,613	1.11	(22.0)	(20.7)
Fuel oil	26,583	1.44	30,532	1.58	(12.9)	(8.9)
Jet fuel	3,480	0.11	2,430	0.08	43.2	37.5
Bunker fuel	2,694	0.10	2,052	0.08	31.3	25.0
Other	3,362	0.14	3,540	0.14	(5.0)	-
Total	72,276	2.98	86,139	3.43	(16.1)	(13.1)
	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,855	0.27	9,827	0.32	(20.1)	(15.6)
Low octane gasoline	6,060	0.22	5,585	0.20	8.5	10.0
Naphtha	34,166	1.20	33,809	1.19	1.1	0.8
Diesel	142,134	4.80	117,812	3.93	20.6	22.1
Fuel oil	125,195	6.71	129,435	6.66	(3.3)	0.8
Jet fuel	10,003	0.32	7,545	0.22	32.6	45.5
Bunker fuel	14,258	0.57	27,042	1.00	(47.3)	(43.0)
Other	13,319	0.52	17,994	0.61	(26.0)	(14.8)
Total	352,990	14.61	349,049	14.13	1.1	3.4

- Petroleum products export volumes increased 3.4% Y-o-Y due to market expansion and increased trading activity
- Diesel export volumes increased 22.1% Y-o-Y due to higher production of low sulfur diesel (class 5)
- Petroleum products export volumes decreased 13.1% Q-o-Q due to lower refining throughput.

Petroleum Products Export and Sales in CIS

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	5,917	0.17	5,371	0.21	10.2	(19.1)
Low octane gasoline	984	0.04	1,249	0.05	(21.2)	(20.0)
Diesel	5,156	0.18	4,904	0.18	5.1	-
Fuel oil	614	0.05	719	0.06	(14.6)	(16.7)
Jet fuel	2,284	0.06	2,042	0.05	11.9	20.0
Other	1,489	0.06	1,490	0.07	(0.1)	(14.3)
Total	16,444	0.56	15,775	0.62	4.2	(9.7)

	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	20,863	0.72	18,928	0.65	10.2	10.8
Low octane gasoline	4,314	0.18	4,785	0.19	(9.8)	(5.3)
Naphtha	-	-	1,012	0.06	-	-
Diesel	17,267	0.63	14,346	0.54	20.4	16.7
Fuel oil	2,541	0.22	2,842	0.23	(10.6)	(4.4)
Jet fuel	7,905	0.20	9,074	0.23	(12.9)	(13.0)
Other	5,419	0.26	8,190	0.45	(33.8)	(42.2)
Total	58,309	2.21	59,177	2.35	(1.5)	(6.0)

Domestic Sales of Petroleum Products

	4Q 2013		3Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	66,186	2.12	65,794	2.16	0.6	(1.9)
Low octane gasoline	1,642	0.05	1,245	0.05	31.9	-
Naphtha	305	0.02	-	-	-	-
Diesel	51,927	1.75	58,737	2.14	(11.6)	(18.2)
Fuel oil	6,887	0.60	4,552	0.34	51.3	76.5
Jet fuel	15,927	0.64	20,296	0.84	(21.5)	(23.8)
Bunker fuel	11,159	0.64	13,863	0.74	(19.5)	(13.5)
Other	13,597	0.78	16,051	1.14	(15.3)	(31.6)
Total	167,630	6.60	180,538	7.41	(7.2)	(10.9)

	2013		2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	241,733	8.06	214,569	7.71	12.7	4.5
Low octane gasoline	5,526	0.20	9,147	0.37	(39.6)	(46.0)
Naphtha	305	0.02	-	-	-	-
Diesel	200,883	7.16	183,501	7.38	9.5	(3.0)
Fuel oil	19,168	1.66	21,000	1.91	(8.7)	(13.1)
Jet fuel	68,808	2.83	62,019	2.65	11.0	6.8
Bunker fuel	43,978	2.45	38,966	2.12	12.9	15.6
Other	49,958	3.46	42,880	3.01	16.5	15.0
Total	630,359	25.84	572,082	25.15	10.2	2.7

- Domestic fuel oil sales volumes declined 13.1% Y-o-Y due to lower production
- Domestic jet fuel sales volumes increased 6.8% Y-o-Y due to expansion of sales network within and outside Russia, including Russian military airports
- Domestic petroleum products sales volumes decreased 10.9% Q-o-Q due to lower refining throughput.

Other Revenue

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

- Other revenue increase of 12.3% Y-o-Y was driven primarily by volumes increases.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products decreased 6.3% Y-o-Y primarily due to lower crude oil purchases.

Production and Manufacturing Expenses

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
19,927	18,836	5.8	Upstream expenses	72,491	63,926	13.4
15,910	15,162	4.9	Consolidated subsidiaries	58,034	50,911	14.0
1,415	1,416	-	<i>RUB per toe</i>	1,350	1,263	6.9
5.94	5.89	0.8	<i>USD¹ per boe</i>	5.78	5.54	4.4
4,017	3,674	9.3	Proportionately consolidated companies	14,457	13,015	11.1
1,688	1,563	8.0	<i>RUB per toe</i>	1,543	1,342	15.0
7.08	6.50	8.8	<i>USD¹ per boe</i>	6.61	5.89	12.3
10,427	9,648	8.1	Downstream expenses	37,293	32,737	13.9
6,184	5,958	3.8	Refining expenses at own refineries	21,558	17,602	22.5
740	682	8.4	<i>RUB per tonne</i>	633	521	21.4
3.10	2.84	9.3	<i>USD¹ per bbl</i>	2.71	2.29	18.5
2,855	2,802	1.9	Refining expenses at refineries of joint ventures	11,139	10,530	5.8
1,310	1,291	1.4	<i>RUB per tonne</i>	1,300	1,099	18.3
5.49	5.37	2.2	<i>USD¹ per bbl</i>	5.57	4.82	15.5
1,388	888	56.3	Lubricants manufacturing expenses	4,596	4,605	(0.2)
6,440	6,943	(7.2)	Transportation expenses to refineries	23,747	21,946	8.2
2,883	3,046	(5.4)	Other operating expenses	11,021	8,030	37.3
39,677	38,473	3.1	Total	144,552	126,639	14.1

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 at consolidated subsidiaries increased 14.0% Y-o-Y due to increased hydrocarbon production including addition of new assets (Novoportovskoye, Yuzhno-Kinyaminskoye and Baleykinskoye fields) and further development of Muravlenkovskoye gas field
- Upstream expenses per toe at consolidated subsidiaries increased 6.9% Y-o-Y due to:
 - Acquisition of Novoportovskoye field with higher operating costs at pilot stage
 - Higher activities to increase yields and higher electricity prices (+13.2%)
 - Increasing average watercut at mature fields
- 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 22.5% Y-o-Y primarily due to higher tariffs of natural monopolies, increased expenditures for materials related to higher quality of products, startup of new processing units at Omsk and Moscow refineries and maintenance at own refineries
- Refining expenses at refineries of joint ventures increased 5.8% Y-o-Y due to startup of new processing units
- Lubricants manufacturing expenses decreased 0.2% Y-o-Y as increases in tariffs of natural monopolies were offset by cost optimization.

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 5.3% 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 increased 4.1% Y-o-Y due to higher tariffs and increased volumes sold.

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 11.0% Y-o-Y in line with increase in depreciable assets driven by capital expenditure.

Taxes Other than Income Tax

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
56,762	57,291	(0.9)	Mineral extraction taxes	214,023	201,305	6.3
18,932	20,665	(8.4)	Excise	77,701	76,408	1.7
2,373	1,840	29.0	Property tax	7,938	7,814	1.6
3,105	4,174	(25.6)	Other taxes	16,408	12,297	33.4
81,172	83,970	(3.3)	Total taxes other than income tax	316,070	297,824	6.1

- Mineral extraction tax (MET) expenses increased 6.3% Y-o-Y in line with increased crude oil production by subsidiaries and proportionately consolidated companies and the higher MET rate. While average Urals prices declined 2.5% Y-o-Y, the average MET rate for crude oil increased 5.2% as the base MET rate rose from 446 RUB/tonne to 470 RUB/tonne
- Excise tax expenses increased 1.7% Y-o-Y due to rate increases from 1 January 2013 and 1 July 2013. Higher rates were offset by an increased share of Class 5 gasoline and diesel which are taxed at lower rates
- Excise tax expenses decreased 8.4% Q-o-Q due to lower throughput at Moscow refinery.

Share of Profit of Equity Accounted Investments

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
2,766	4,197	(34.1)	Slavneft	9,538	12,229	(22.0)
(45)	75	-	SE	(131)	(170)	(22.9)
691	928	(25.5)	Other companies	1,844	708	160.5
3,412	5,200	(34.4)	Share of profit of associates and joint ventures	11,251	12,767	(11.9)

- Reduction in share of Slavneft profit Y-o-Y was driven primarily by lower production, higher MET rates and net FOREX losses arising from revaluation of the debt portfolio, which is primarily denominated in USD, compared with net gains in 2012;
- Decrease in share of Slavneft profit Q-o-Q was driven primarily by lower domestic crude prices.

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
- Finance income increased Y-o-Y due to higher average cash and cash equivalents and short term deposits.

Liquidity and Capital Resources

Cash Flows

(RUB million)	2013	2012	Δ %
Net cash provided by operating activities	276,736	247,695	11.7
Net cash used in investing activities	(255,725)	(180,456)	41.7
Net cash used in financing activities	(13,010)	(16,032)	(18.8)
Increase in cash and cash equivalents	8,001	51,207	(84.4)

Net Cash Provided by Operating Activities

(RUB million)	2013	2012	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	306,929	289,069	6.2
Net changes in working capital	8,329	(8,349)	-
Income tax paid	(33,514)	(28,932)	15.8
Interest paid	(9,981)	(11,302)	(11.7)
Dividends received	4,973	7,209	(31.0)
Net cash provided by operating activities	276,736	247,695	11.7

- Net cash provided by operating activities increased 11.7% Y-o-Y due to higher EBITDA and decrease in working capital.

Net Cash Used in Investing Activities

(RUB million)	2013	2012	Δ %
Capital expenditures	(208,611)	(169,213)	23.3
Acquisition of subsidiaries and shares in equity affiliates	(5,857)	(2,261)	159.1
Net changes in deposits	(29,425)	(4,239)	594.1
Other transactions	(11,832)	(4,743)	149.5
Net cash used in investing activities	(255,725)	(180,456)	41.7

- Net cash used in investing activities increased 41.7% Y-o-Y mostly due to higher capital expenditures and net increase in deposits.

Net Cash Used in Financing Activities

(RUB million)	2013	2012	Δ %
Net changes in debt	56,395	25,418	121.9
Payment of dividends to shareholders	(63,328)	(34,433)	83.9
Acquisition of non-controlling interest in subsidiaries	(1,755)	(5,572)	(68.5)
Other transactions	(4,322)	(1,445)	199.1
Net cash used in financing activities	(13,010)	(16,032)	(18.8)

- Net cash used in financing activities decreased 18.8% Y-o-Y to 13,010 RUB million due to the following items:
 - Net increase in debt of 56,395 RUB million, compared with 25,418 RUB million in 2012

- Increases in dividends paid to 63,328 RUB million from 34,433 RUB million in 2012. The increase reflects dividends of 9.3 rubles per share paid for 2012, compared to 7.3 rubles per share for 2011 and payment of interim dividends of 4.09 rubles per share for the first half 2013.

Capital Expenditure

(RUB million)	2013	2012	Δ, %
Exploration and production	144,035	101,923	41.3
Consolidated subsidiaries	132,178	90,812	45.6
Proportionately consolidated companies	11,857	11,111	6.7
Refining	27,264	41,844	(34.8)
Marketing and distribution	17,523	16,224	8.0
Others	6,151	9,802	(37.2)
Subtotal capital expenditures	194,973	169,793	14.8
Change in advances issued and material used in capital expenditures	13,638	(580)	-
Total capital expenditures	208,611	169,213	23.3

- Capital expenditure for Exploration and Production increased 41.3% Y-o-Y mostly due to the development of the Muravlenkovskoye and Orenburg fields, increased production drilling at Priobskoye field, construction of major infrastructure for Novoportovskoye field (arctic terminal, oil collection system, pipelines). Reorientation toward drilling more expensive horizontal wells also led to higher capital expenditures
- Capital expenditures for Refining decreased 34.8% Y-o-Y mostly due to the completion of gasoline hydrotreating and diesel hydrotreating units at Omsk in 2012.

Debt and Liquidity

(RUB million)	2013	2012
Short-term loans and borrowings	52,413	77,193
Long-term loans and borrowings	261,455	166,447
Cash and cash equivalents	(91,077)	(79,199)
Short-term deposits	(36,869)	(7,519)
Net debt	185,922	156,922
Short-term debt / total debt, %	16.7	31.7
Net debt / EBITDA ttm	0.59	0.51

- The Group has a diversified debt structure that includes pre-export financing, syndicated and bilateral loans, bonds, and other instruments
- Average debt maturity increased from 3.81 years at December 31, 2012 to 5.15 years at December 31, 2013
- Average interest rate increased from 3.48% at December 31, 2012 to 3.68% at December 31, 2013.

Financial Appendix

EBITDA Reconciliation

4Q 2013	3Q 2013	Δ, %	(RUB million)	2013	2012	Δ, %
45,581	60,662	(24.9)	Profit for the period	186,720	184,152	1.4
10,246	12,611	(18.8)	Total income tax expense	39,260	39,769	(1.3)
2,437	2,886	(15.6)	Finance expense	11,233	11,089	1.3
(1,724)	(1,585)	8.8	Finance income	(6,011)	(3,275)	83.5
19,485	20,173	(3.4)	Depreciation, depletion and amortization	76,785	69,163	11.0
(108)	(226)	(52.2)	Net foreign exchange gain / (loss)	2,166	(1,042)	-
4,266	1,595	167.5	Other loss, net	6,310	5,268	19.8
80,183	96,116	(16.6)	EBITDA	316,463	305,124	3.7
(3,412)	(5,200)	(34.4)	less Share of profit of associates and joint ventures	(11,251)	(12,767)	(11.9)
8,062	10,436	(22.7)	add Share of EBITDA of equity accounted investments	31,540	30,749	2.6
84,833	101,352	(16.3)	Adjusted EBITDA	336,752	323,106	4.2

Financial ratios

Profitability

	2013	2012	Δ, p.p.
Adjusted EBITDA margin, %	26.57	26.21	0.4
Net profit margin, %	14.73	14.94	(0.2)
Return on assets (ROA), %	12.91	14.88	(2.0)
Return on equity (ROE), %	19.99	23.03	(3.0)
Return on average capital employed (ROACE), %	17.44	19.38	(1.9)

Liquidity

	2013	2012	Δ, %
Current ratio	2.08	1.75	19.1
Quick ratio	1.13	0.76	47.6
Cash ratio	0.71	0.45	57.4

Leverage

	2013	2012	Δ, p.p.
Net debt/ Total Assets, %	11.89	11.81	0.1
Net debt/ Equity, %	18.63	18.04	0.6
Gearing, %	18.25	15.90	2.4
			Δ, %
Net debt/ Market Capitalization	0.27	0.23	15.0
Net debt/ EBITDA	0.59	0.51	14.2
Total debt/ EBITDA	0.99	0.80	24.2

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 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.

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
			International market	(US\$/ barrel)		
109.24	110.29	(0.9)	Brent	108.66	111.67	(2.7)
108.22	109.60	(1.3)	Urals Spot (average Med + NWE)	107.71	110.43	(2.5)
				(US\$/ tonne)		
942.30	1,007.47	(6.5)	Premium gasoline (average NWE)	986.86	1,036.40	(4.8)
918.48	896.39	2.5	Naphtha (average Med. + NWE)	892.35	926.84	(3.7)
941.41	949.43	(0.8)	Diesel fuel (average NWE)	938.47	980.17	(4.3)
929.39	928.36	0.1	Gasoil 0.2% (average Med. + NWE)	920.54	953.79	(3.5)
570.20	587.91	(3.0)	Fuel oil 3.5% (average NWE)	583.80	623.48	(6.4)
			Domestic market	(RUB/ tonne)		
29,613	30,189	(1.9)	High-octane gasoline	28,344	26,205	8.2
25,644	25,387	1.0	Low-octane gasoline	24,882	23,239	7.1
28,184	27,350	3.0	Diesel fuel	26,894	24,270	10.8
8,702	9,657	(9.9)	Fuel oil	8,732	9,167	(4.7)

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.

4Q 2013	3Q 2013		2013	2012
1.8	1.2	Change in Consumer Price Index (CPI), %	6.5	6.6
(1.7)	6.3	Change in Producer Price Index (PPI), %	3.7	5.1
32.73	32.35	US\$/ RUB exchange rate as of the end of the period	32.73	30.37
32.53	32.80	Average RUB/US\$ exchange rate for the period	31.85	31.09

Hydrocarbon Taxes

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

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
			Export customs duty	(US\$/ tonne)		
399.33	383.23	4.2	Crude oil	392.20	404.26	(3.0)
263.50	252.87	4.2	Light petroleum products	258.82	266.78	(3.0)
359.37	344.87	4.2	Gasoline and naphtha	352.97	363.82	(3.0)
263.50	252.87	4.2	Heavy petroleum products	258.82	266.78	(3.0)
			Mineral extraction tax			
5,471	5,631	(2.8)	Crude oil (RUB/ tonne)	5,329	5,066	5.2
622	622	-	Natural gas for owners of Integrated gas-supply system and its subsidiaries (RUB/Mcm)	602	509	18.3
402	402	-	Natural gas for other categories (RUB/Mcm)	334	251	32.9

Crude and oil products export duty rates

Federal Law # 239-FZ (December 3, 2012) changes the way export duties for crude oil and oil products are established from April 1, 2013. Instead of duty rates established monthly by the Government of the Russian Federation the new Resolution of the Russian Government # 276 (March 29, 2013) sets out a methodology for the the calculation each month by the Ministry of Economic Development of Russian Federation of export duty rates for crude oil and certain oil products.

Crude oil export customs duty rate

a) Russian Federal Law #5003-1 (May 21,1993) clause 3.1. subclause 4 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 + 65.0% * (P – 182.50)

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

From October 2011 when the new 60/66/90 tax regime was introduced, customs duty rates are calculated based on a marginal rate of 60% instead of 65%. Although the percentage decrease has not been confirmed in customs legislation, it was reflected in the Resolution of the Russian Government # 276 (March 29, 2013) mentioned above.

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 duty rates are calculated based on the average Urals price in the monitoring period by 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 from 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, in the Yamalo-Nenets Autonomous Okrug north of 65⁰, and on the continental shelf of the Russian Federation.

By the Order # 868 from December 3, 2013 the Ministry of Energy has established the 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 export duties. From January 1, 2011 petroleum products exported to Kyrgyzstan are also not subject to customs duties.

Before February 1, 2011 export customs duty on light and middle distillates products was calculated using the following formula: $0.438 * (\text{Price} * 7.3 - 109.5)$, where Price is the average Urals price in US dollars per barrel. Export customs duty on dark petroleum products was calculated using the following formula: $0.236 * (\text{Price} * 7.3 - 109.5)$.

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 is 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 according to the following table:

	2011	2012	2013
Light and middle distillates	0.67	0.64	0.60
Fuel oil	0.467	0.529	0.60

In May 2011, a protective duty for gasoline exports amounting to 90% of the crude oil export duty was introduced to stabilize the Russian domestic market. An equivalent measure was introduced for naphtha exports in June 2011.

In August 2011, Resolution of the Russian Government # 1155 (December 27, 2010) was amended. From October 2011 the coefficient K for each type of petroleum product is established according to 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 the Resolution of the Russian Government # 1155 (December 27, 2010)

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 to Russia.

Russian Federal Law # 203-FZ (November 29, 2012) established the following excise rates for petroleum products (in rubles/tonne) with effect from January 1, 2013:

	2012 (Jan. - June)	2012 (July - Dec.)	2013 (Jan. - June)	2013 (July - Dec.)
Gasoline				
Below Class 3	7,725	8,225	10,100	10,100
Class 3	7,382	7,882	9,750	9,750
Class 4	6,822	6,822	8,560	8,960
Class 5	6,822	5,143	5,143	5,750
Naphtha	7,824	7,824	10,229	10,229
Diesel fuel				
Below Class 3	4,098	4,300	5,860	5,860
Class 3	3,814	4,300	5,860	5,860
Class 4	3,562	3,562	4,934	5,100
Class 5	3,562	2,962	4,334	4,500
Heating oil	-	-	-	5,860
Motor oil	6,072	6,072	7,509	7,509

Mineral extraction tax (MET) on crude oil.

From January 1, 2013 the mineral extraction tax rate on crude oil (R) is calculated using the following general formula:

$$R = 470 * Kc * Kv * Kz, \text{ where}$$

Kc reflects the volatility of crude oil prices on the global market. $Kc = (P - 15) * D / 261$, 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.

Kv 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, $Kv = 3.8 - 3.5 * N / V$. Where depletion is greater than 1, Kv is 0.3. In all other cases $Kv = 1$.

Kz characterizes the relative size of the field (by reserves) and provides lower tax rate for small fields. For field's with initial reserves (designated by V_3 , defined as ABC1 + C2 reserves volume at January 1 of the year proceeding 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, $Kz = 0.125 * V_3 + 0.375$

From September 1, 2013 the Federal Law # 213-FZ (July 23, 2013) introduces two more parameters into the formula above: Kd and Kdv . These parameters reduce the MET rate for hard-to-recover reserves as follows:

$$R = 470 * Kc * Kv * Kz * Kd * Kdv, \text{ where}$$

Kd 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 deposit 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.

Kdv characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. Depletion is measured by Ndv/Vdv , where Ndv is cumulative production volume from the deposit and Vdv 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, $Kdv = 3.8 - 3.5 * Ndv / Vdv$. Where depletion is greater than 1, Kdv is 0.3. In all other cases $Kdv = 1$. For the deposits containing hard-to-recover reserves the coefficient Kv is equal to 1.

Russian Federal Law # 307-FZ (November 27, 2010) established base mineral extraction tax rates for crude oil according to the above formula for the years 2011 to 2013 as follows:

	2011	2012	2013
MET on crude oil (RUB/tonne)	419	446	470

Furthermore, the tax legislation sets, under certain conditions, MET tax concessions for the crude produced in specific regions of the Russian Federation.

Group effective MET rate

4Q 2013	3Q 2013	Δ, %		2013	2012	Δ, %
5,471	5,631	(2.8)	Nominal crude oil MET rate, RUB/tonne	5,329	5,066	5.2
5,302	5,449	(2.7)	Effective crude oil MET rate, RUB/tonne	5,154	4,901	5.2
169	182		Difference between nominal and effective rates, RUB/tonne	175	165	
3.1%	3.2%		Difference between nominal and effective rates, %	3.3%	3.3%	

In 2013 the effective MET rate was 5,154 RUB/tonne, or 175 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:

	2012	2013 (January - June)	2013 (July - December)
MET on natural gas (RUB/Mcm)	251*	265	402
	509	582	622
MET on gas condensate (RUB/tonne)	556	590	590

* 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. This future rate will be the product of the fixed base MET rate (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 also include the Tg parameter, which reflects gas transportation costs.

Tax concessions

Under current tax legislation the Group subsidiaries apply the following tax concessions (including lower tax rates and coefficients reducing the MET rate):

Tax concessions, applied in 2013	Subsidiaries (oil fields) belonging to the Group
MET for Oil	
Small fields factor Kz	OJSC Gazpromneft-Noyabrskneftegaz (Vorgentskoye, Vostochno-Vyngayakhinskoye) LLC Zhivoy Istok (Baleykinskoye)
Depletion factor Kv	OJSC Gazpromneft-Noyabrskneftegaz (Pogranichnoye, Kholmogorskoye, Chatilkinskoye, Muravlenkovskoye, Sugmutskoye)
Hard to recover factor Kd	OJSC Gazpromneft-Noyabrskneftegaz (Vyngayakhinskoye)
Zero MET rate for fields on the Yamal Peninsula, Yamalo-Nenets Autonomous Okrug	LLC Novy Port (Novoportovskoye)
Profit tax	
17% rate (3% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz
16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Magma
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 applied before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug)	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

Transportation of Crude Oil and Petroleum Products

Transportation tariff policies are established by the 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 the tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, the 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 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:

4Q 2013	3Q 2013	Δ, %	(RUB per tonne)	2013	2012	Δ, %
Crude oil						
Export						
1,685.87	1,654.39	1.9	Pipeline	1,643.55	1,522.19	8.0
CIS						
941.04	1,063.82	(11.5)	Pipeline	1,056.86	1,220.67	(13.4)
Transportation to Refineries						
505.53	550.24	(8.1)	ONPZ	504.67	451.55	11.8
967.21	975.43	(0.8)	MNPZ	983.46	883.65	11.3
1,096.68	1,058.08	3.6	YaNPZ	1,010.78	872.10	15.9
Petroleum products						
Export from ONPZ						
2,971.38	3,174.59	(6.4)	Gasoline	3,206.24	2,551.84	25.6
3,723.54	3,624.17	2.7	Fuel oil	3,833.32	3,537.01	8.4
3,474.19	3,225.66	7.7	Diesel fuel	3,362.32	3,288.34	2.2
Export from MNPZ						
1,598.80	1,560.48	2.5	Gasoline	1,650.56	1,650.03	-
1,431.98	1,392.65	2.8	Fuel oil	1,443.73	1,402.24	3.0
1,830.42	1,900.11	(3.7)	Diesel fuel	1,791.61	1,655.55	8.2
Export from YaNPZ						
1,142.07	1,071.00	6.6	Gasoline	1,126.22	1,247.74	(9.7)
1,689.31	1,314.25	28.5	Fuel oil	1,454.65	1,433.57	1.5
1,458.80	1,458.80	-	Diesel fuel	1,467.24	1,305.22	12.4

In 2013 the Group exported 37.5% (62.8% in 2012) of its total crude export through Baltic Sea ports namely 31.3% through Primorsk, and 6.2% through Ust-Luga; 22.8% (24.6% in 2012) was exported through the Druzhba pipeline, principally to the Czech Republic (to Czech Republic and Germany in 2012); 16.7% (9.1% in 2012) was exported through the port of Novorossiysk including 11.9% (6.1% in 2012) of light crude; none was exported through the port of Tuapse (2.7% in 2012); 23.0% (0.8% in 2012) was exported through the ESPO pipeline and the port of Kozmino. Exports of crude to CIS countries in 2013 were: 41.0% (78.0% in 2012) to Belarus and 59.0% (22.0% in 2012) to Kazakhstan.

www.gazprom-neft.com
 Contacts: JSC Gazprom Neft
 Investor Relations Department e-mail: ir@gazprom-neft.ru
 Address: 3-5, Pochtamtskaya Street, Saint-Petersburg 190000, Russia
 Phone: +7 812 385 95 48

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