

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

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of September 30, 2013 and results of operations for the three months ended September 30 and June 30, 2013 and nine months ended September 30, 2013 and 2012 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.

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 2 of the Interim Condensed Consolidated Financial Statements for the nine months ended September 30, 2013.

Key Financial and Operating Data

3Q 2013	2Q 2013	Δ, %		9m		
				2013	2012	Δ, %
Financial results (RUB million)						
402,312	359,080	12.0	Sales	1,117,346	1,125,533	(0.7)
101,352	73,874	37.2	Adjusted EBITDA ¹	251,919	244,894	2.9
6,522.0	4,797.0	36.0	RUB per toe of production	5,458.7	5,524.3	(1.2)
27.1	20.7	31.0	USD ² per boe of production	23.5	24.2	(2.7)
57,533	38,054	51.2	Profit attributable to Gazprom Neft	135,154	134,677	0.4
143,716	133,785	7.4	Net debt	143,716	170,845	(15.9)
Operational results						
114.17	113.11	0.9	Hydrocarbon production including our share in joint ventures (MMboe)	339.04	326.00	4.0
1.24	1.24	-	Daily hydrocarbon production (MMboepd)	1.24	1.19	4.2
94.21	91.83	2.6	Crude oil production including our share in joint ventures (MMbbl)	276.89	279.32	(0.9)
119.76	127.68	(6.2)	Gas production including our share in joint ventures (bcf)	372.90	280.10	33.1
10.90	10.83	0.7	Refining throughput at own refineries and joint ventures (MMtonnes)	32.09	32.67	(1.8)

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 2013 Highlights

- Delivered first oil from Novoport and Messoyakha
- Produced first oil from the Yuzhno-Kinyaminskoye field
- Signed a memorandum with Shell, confirming the 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 reconstruction of the following units at Moscow refinery:
 - Diesel hydrotreating unit in April 2013
 - Catalytic cracking and hydrotreating unit 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 117 airports (88 at the beginning of 2013)
- Expanded bunkering network: completed acquisition of Marine Bunker Balkan S.A. (Romania) and AS Baltic Marine Bunker (Estonia); acquired new bunkering vessel to operate in Far East region; started bunkering in Sochi sea port

- Declared first interim dividend for 6 months 2013.

Results for 9m 2013 compared with 9m 2012

- Total hydrocarbon production including our share in joint ventures increased 4.0% to 339.04 MMboe due to continued production growth at Priobskoye field, higher associated gas output, increased natural gas production at Muravlenkovskoye field and start of production at SeverEnergia's Samburgskoye field
- Refining throughput decreased 1.8% due to scheduled maintenance of primary refining unit at Omsk and lower throughput at Mozyr
- Increased hydrocarbon production and growth in petroleum products sales through premium channels led to increase of 2.9% in adjusted EBITDA and 0.4% in profit attributable to Gazprom Neft.

Results for 3Q 2013 compared with 2Q 2013

- Daily hydrocarbon production including our share in joint ventures remained stable at 1.24 MMboepd
- Refining throughput increased 0.7% due to completion of scheduled maintenance at Moscow and Yaroslavl refineries during 2Q 2013, partly offset by lower throughput at Omsk due to scheduled maintenance in September 2013
- Higher crude and product prices, domestic petroleum products sales growth led to 12.0% increase in sales. This sales growth, together with positive customs duty effect in 3Q 2013 vs. negative effect in 2Q 2013 (duty lag), led to increases of 37.2% in adjusted EBITDA and 51.2% in profit attributable to Gazprom Neft.

Operational Data and Analysis

Production Drilling

3Q 2013	2Q 2013	Δ, %		9m		Δ, %
				2013	2012	
Consolidated subsidiaries						
807	772	4.5	Production drilling ('000 meters)	2,194	1,949	12.6
224	185	21.1	New production wells	553	502	10.2
33.68	35.54	(5.2)	Average new well flow (tonnes per day)	35.89	35.84	0.2
Proportionately consolidated companies						
157	231	(32.4)	Production drilling ('000 meters)	575	655	(12.1)
57	67	(14.9)	New production wells	168	179	(6.2)
Joint ventures						
307	280	9.5	Production drilling ('000 meters)	776	541	43.5
61	47	29.8	New production wells	139	113	23.0

- Production drilling increased due to more drilling at Orenburg fields and development of Yuzhno-Kinyaminskoye field acquired in 1Q 2013.

Production

3Q 2013	2Q 2013	Δ, %		9m 2013	2012	Δ, %
	(MMtonnes)		Crude oil		(MMtonnes)	
3.82	3.67	4.1	Noyabrskneftegaz	11.11	11.64	(4.6)
3.34	3.26	2.5	Khantos*	9.78	9.11	7.4
1.30	1.27	2.4	Tomskneft	3.80	3.83	(0.8)
0.88	0.86	2.3	SPD	2.61	2.88	(9.4)
0.45	0.34	32.4	Orenburg	1.12	0.78	43.6
0.32	0.30	6.7	NIS	0.94	0.91	3.3
0.35	0.27	29.6	Vostok	0.85	0.76	11.8
0.21	0.37	(43.2)	Others	1.00	1.31	(23.7)
10.67	10.34	3.2	Total production by subsidiaries and proportionately consolidated companies	31.21	31.22	(0.0)
2.10	2.11	(0.5)	Share in Slavneft	6.33	6.71	(5.7)
0.05	0.04	25.0	Share in SeverEnergiya (SE)	0.13	0.04	225.0
2.15	2.15	-	Share in production of joint ventures	6.46	6.75	(4.3)
			Total crude oil production			
12.82	12.49	2.6	MMtonnes	37.67	37.97	(0.8)
94.21	91.83	2.6	MMbbl	276.89	279.32	(0.8)
	(bcm)		Gas**		(bcm)	
2.07	2.32	(10.8)	Noyabrskneftegaz	6.81	5.22	30.5
0.06	0.03	100.0	Khantos*	0.12	0.08	50.0
0.19	0.22	(13.6)	Tomskneft	0.62	0.59	5.1
0.03	0.04	(25.0)	SPD	0.10	0.10	-
0.46	0.41	12.2	Orenburg	1.18	0.83	42.2
0.14	0.13	7.7	NIS	0.41	0.41	-
0.02	0.02	-	Vostok	0.05	0.04	25.0
0.01	0.02	(50.0)	Others	0.07	0.08	(12.5)
2.98	3.19	(6.6)	Total production by subsidiaries and proportionately consolidated companies	9.36	7.35	27.4
0.10	0.11	(9.1)	Share in Slavneft	0.31	0.31	-
0.31	0.32	(3.1)	Share in SeverEnergiya (SE)	0.89	0.27	229.6
0.41	0.43	(4.7)	Share in production of joint ventures	1.20	0.58	106.9
3.39	3.62	(6.4)	Total gas production	10.56	7.93	33.2
	(MMtoe)		Hydrocarbons		(MMtoe)	
13.06	12.91	1.2	Total production by subsidiaries and proportionately consolidated companies	38.73	37.13	4.3
2.48	2.49	(0.4)	Share in production of joint ventures	7.42	7.20	3.1
15.54	15.40	0.9	MMtoe	46.15	44.33	4.1
114.17	113.11	0.9	MMboe	339.04	326.00	4.0
1.24	1.24	-	Daily hydrocarbon production (MMboepd)	1.24	1.19	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 was stable Q-o-Q
- Group oil production decreased 0.8% Y-o-Y due to higher average watercut and declining production from mature fields, partly off-set by continued growth at Priobskoye field and Orenburg region fields, where the Company increased the number of producing wells
- Group gas production increased 33.2% 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 oilfield
- Group gas production decreased 6.4% Q-o-Q due to seasonal factors.

Crude Oil Purchases

3Q	2Q			9m		
2013	2013	Δ, %	(MMtonnes)	2013	2012	Δ, %
1.16	1.15	0.9	Crude oil purchases in Russia *	3.82	5.96	(35.9)
0.44	0.37	18.9	Crude oil purchases internationally	1.18	2.30	(48.7)
1.60	1.52	5.3	Total crude purchased	5.00	8.26	(39.5)

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

- Oil purchases in Russia decreased 35.9% Y-o-Y due to termination of oil-supply contract with TNK-BP
- Oil purchases on international markets decreased 48.7% Y-o-Y due to reduced trading activity.

Refining

3Q	2Q			9m		
2013	2013	Δ, %	(MMtonnes)	2013	2012	Δ, %
4.93	5.25	(6.1)	Omsk	15.27	15.78	(3.2)
3.07	2.84	8.1	Moscow	8.44	8.37	0.8
0.73	0.74	(1.4)	Pancevo	1.99	1.46	36.3
8.73	8.83	(1.1)	Total throughput at refineries owned by subsidiaries	25.70	25.61	0.4
1.92	1.74	10.3	Share in Yaroslavl	5.53	5.64	(2.0)
0.25	0.26	(3.9)	Share in Mozyr	0.86	1.42	(39.4)
10.90	10.83	0.7	Total refining throughput	32.09	32.67	(1.8)

Production of petroleum products

2.19	2.21	(0.9)	Gasoline	6.65	6.74	(1.3)
-	0.01	-	Class 2 and below	0.05	0.88	(94.3)
0.03	0.14	(78.6)	Class 3	0.33	2.15	(84.7)
0.20	0.64	(68.8)	Class 4	1.63	2.67	(39.0)
1.96	1.42	38.0	Class 5	4.64	1.04	346.2
0.37	0.43	(14.0)	Naphtha	1.14	1.02	11.8
3.10	2.96	4.7	Diesel	9.07	8.60	5.5
0.05	0.13	(61.5)	Class 2 and below	0.21	3.97	(94.7)
0.16	0.48	(66.7)	Class 3	2.00	1.22	63.9
-	0.48	-	Class 4	1.08	1.61	(32.9)
2.89	1.87	54.6	Class 5	5.78	1.80	221.1
1.61	1.89	(14.8)	Fuel oil	5.54	6.56	(15.6)
0.77	0.78	(1.3)	Jet fuel	2.11	2.20	(4.1)
0.84	0.89	(5.6)	Bunker fuel	2.47	2.48	(0.4)
1.47	1.16	26.7	Other	3.50	3.36	4.2
10.35	10.32	0.3	Total production	30.48	30.96	(1.6)

- Refining throughput:
 - Decreased 1.8% Y-o-Y due to scheduled maintenance of primary refining unit at Omsk in September 2013 and lower throughput at Mozyr
 - Increased 0.7% Q-o-Q due to completion of scheduled maintenance at Moscow and Yaroslavl refineries during 2Q 2013, partly offset by lower throughput at Omsk due to scheduled maintenance in September 2013
- Gasoline production decreased 1.3% Y-o-Y and 0.9% Q-o-Q due to scheduled maintenance of catalytic cracking unit at Omsk in September 2013
- Diesel production increased 5.5% Y-o-Y due to completion of new diesel hydrotreating units at Omsk and Yaroslavl in December 2012 and February 2013 respectively
- Diesel production increased 4.7% Q-o-Q due to completion of scheduled maintenance of diesel hydrotreating unit at Moscow refinery in the 2Q 2013
- Production of Class 5 gasoline and diesel fuel increased Y-o-Y and Q-o-Q 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 15.6% Y-o-Y due to:
 - Lower fuel oil production in the first half 2013 at Moscow and Yaroslavl due to further refining
 - Increased bitumen production due to higher demand and increased capacity of the Moscow bitumen unit, reconstructed in July 2012
- Fuel oil production declined 14.8% Q-o-Q due to higher demand for bitumen
- Jet fuel production declined 4.1% Y-o-Y and 1.3% Q-o-Q due to lower throughput at Omsk during scheduled maintenance of the primary refining unit in September 2013.

Petroleum Products Purchases on International Markets

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	1,491	0.05	778	0.03	91.7	66.7
Diesel	7,495	0.24	8,972	0.32	(16.5)	(25.0)
Fuel oil	6,418	0.33	3,918	0.22	63.8	50.0
Jet fuel	1,394	0.04	1,144	0.03	21.9	33.3
Total	16,798	0.66	14,812	0.60	13.4	10.0

	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	4,149	0.15	2,378	0.08	74.5	87.5
Diesel	22,599	0.76	19,958	0.66	13.2	15.2
Fuel oil	13,263	0.71	2,438	0.12	444.0	491.7
Jet fuel	4,694	0.14	4,920	0.14	(4.6)	-
Bunker fuel	-	-	197	0.01	-	-
Total	44,705	1.76	29,891	1.01	49.6	74.3

- Purchases on international markets increased 74.3% Y-o-Y due to higher trading activity.

Petroleum Products Purchases in CIS

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,773	0.08	-	-	-	-
Low octane gasoline	422	0.02	271	0.01	55.7	100.0
Diesel	281	0.01	423	0.02	(33.6)	(50.0)
Other	-	-	132	0.01	-	-
Total	2,476	0.11	826	0.04	199.8	175.0

	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,773	0.08	1,277	0.03	38.8	166.7
Low octane gasoline	984	0.04	-	-	-	-
Diesel	1,127	0.05	795	0.02	41.8	150.0
Other	268	0.02	438	0.03	(38.8)	(33.3)
Total	4,152	0.19	2,510	0.08	65.4	137.5

Domestic Purchases of Petroleum Products

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	6,373	0.21	5,092	0.20	25.2	5.0
Diesel	1,959	0.07	1,752	0.06	11.8	16.7
Fuel oil	468	0.04	191	0.02	145.0	100.0
Jet fuel	3,641	0.15	2,570	0.11	41.7	36.4
Bunker fuel	311	0.02	862	0.05	(63.9)	(60.0)
Other	1,297	0.05	1,950	0.03	(33.5)	66.7
Total	14,049	0.54	12,417	0.47	13.1	14.9

	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	16,769	0.61	17,169	0.68	(2.3)	(10.3)
Diesel	6,953	0.24	3,881	0.15	79.2	60.0
Fuel oil	870	0.08	3,344	0.19	(74.0)	(57.9)
Jet fuel	8,431	0.35	5,061	0.22	66.6	59.1
Bunker fuel	1,802	0.10	462	0.02	290.0	400.0
Other	4,035	0.09	2,529	0.10	59.6	(10.0)
Total	38,860	1.47	32,446	1.36	19.8	8.1

- Domestic purchases increased 8.1% Y-o-Y due to scheduled maintenance at Company refineries.

Products Marketing

3Q 2013	2Q 2013	Δ, %		9m		Δ, %
	(units)			2013	2012	
			Active retail stations		(units)	
1,042	1,036	0.6	In Russia	1,042	979	6.4
215	214	0.5	In CIS	215	201	7.0
402	405	(0.7)	In Eastern Europe	402	339	18.6
1,659	1,655	0.2	Total retail stations (as at the end of the period)	1,659	1,519	9.2
			Average daily sales per retail site in Russia (tonnes per day)			
19.7	18.4	6.9		18.6	17.2	8.1
	(MMtonnes)		Sales volume through premium channels	(MMtonnes)		
5.09	4.46	14.1	Gasoline and Diesel	13.44	13.43	0.1
0.70	0.55	27.3	Jet	1.78	1.53	16.3
0.95	0.81	17.3	Bunkering	2.42	2.07	16.9
0.03	0.04	(25.0)	Lubricants	0.11	0.11	-
6.77	5.86	15.5	Total sales volume through premium channels	17.75	17.14	3.6

- Total number of active retail stations increased 9.2% Y-o-Y
- Average daily sales per retail site in Russia increased 8.1% Y-o-Y due to results of rebranding campaign, new promotions and customer loyalty program
- Sales volume through premium channels increased 3.6% Y-o-Y, as:
 - Gasoline and Diesel sales remained unchanged as an 11.9% increase in retail sales offset wholesales 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 increased 15.5% Q-o-Q due to seasonal demand and successful marketing campaigns.

Results of Operations

3Q 2013	2Q 2013	Δ, %	(RUB million)	9m		Δ, %
				2013	2012	
Revenues						
402,312	359,080	12.0	Sales	1,117,346	1,125,533	(0.7)
(55,174)	(60,260)	(8.4)	Less export duties and excise tax*	(179,493)	(211,509)	(15.1)
347,138	298,820	16.2	Total revenue	937,853	914,024	2.6
Costs and other deductions						
(88,002)	(77,545)	13.5	Purchases of oil, gas and petroleum products	(236,307)	(247,132)	(4.4)
(39,145)	(36,374)	7.6	Production and manufacturing expenses	(109,619)	(98,176)	11.7
(19,731)	(16,966)	16.3	Selling, general and administrative expenses	(50,973)	(48,902)	4.2
(24,228)	(25,962)	(6.7)	Transportation expenses	(75,634)	(68,643)	10.2
(20,173)	(19,134)	5.4	Depreciation, depletion and amortization	(57,300)	(51,605)	11.0
(83,970)	(73,626)	14.0	Taxes other than income tax	(234,898)	(227,412)	3.3
(1,146)	(123)	831.7	Exploration expenses	(1,981)	(3,039)	(34.8)
(276,395)	(249,730)	10.7	Total operating expenses	(766,712)	(744,909)	2.9
(1,595)	494	-	Other (loss) / gain, net	(2,044)	(692)	195.40
69,148	49,584	39.5	Operating profit	169,097	168,423	0.4
5,200	302	1,621.9	Share of profit of equity accounted investments	7,839	9,613	(18.5)
226	(1,328)	-	Net foreign exchange gain / (loss)	(2,274)	(367)	519.6
1,585	1,191	33.1	Finance income	4,287	2,186	96.1
(2,886)	(2,820)	2.3	Finance expense	(8,796)	(7,800)	12.8
4,125	(2,655)	-	Total other income / (expense)	1,056	3,632	(70.90)
73,273	46,929	56.1	Profit before income tax	170,153	172,055	(1.1)
(10,458)	(7,219)	44.9	Current income tax expense	(25,076)	(26,710)	(6.1)
(2,153)	240	0.0	Deferred income tax (expense) / benefit	(3,938)	(4,573)	(13.9)
(12,611)	(6,979)	80.7	Total income tax expense	(29,014)	(31,283)	(7.3)
60,662	39,950	51.8	Profit for the period	141,139	140,772	0.3
(3,129)	(1,896)	65.0	Less: Profit attributable to non-controlling interest	(5,985)	(6,095)	(1.8)
57,533	38,054	51.2	Profit attributable to Gazprom Neft	135,154	134,677	0.4

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

Revenues

3Q	2Q			9m		
2013	2013	Δ, %	(RUB million)	2013	2012	Δ, %
Crude oil						
27,056	22,458	20.5	Export	78,440	138,318	(43.3)
50,744	46,169	9.9	Export sales	154,342	248,864	(38.0)
(23,688)	(23,711)	(0.1)	Less related export duties	(75,902)	(110,546)	(31.3)
692	621	11.4	International markets	1,323	1,023	29.3
12,802	9,792	30.7	Export to CIS	34,861	22,683	53.7
5,559	2,580	115.5	Domestic	11,103	9,734	14.1
46,109	35,451	30.1	Total crude oil revenue	125,727	171,758	(26.8)
Gas						
92	281	(67.3)	International markets	992	4,651	(78.7)
5,611	4,635	21.1	Domestic	15,974	12,438	28.4
5,703	4,916	16.0	Total gas revenue	16,966	17,089	(0.7)
Petroleum products						
64,405	66,208	(2.7)	Export	202,103	179,983	12.3
86,139	93,792	(8.2)	Export sales	280,714	261,601	7.3
(21,734)	(27,584)	(21.2)	Less related export duties	(78,611)	(81,618)	(3.7)
25,865	22,077	17.2	International markets	64,543	49,844	29.5
34,881	30,345	14.9	Sales on international markets	87,363	65,584	33.2
(9,016)	(8,268)	9.0	Excise*	(22,820)	(15,740)	45.0
15,039	13,325	12.9	CIS	39,705	42,056	(5.6)
15,775	14,022	12.5	Export sales and sales in CIS	41,865	45,661	(8.3)
(736)	(697)	5.6	Less related export duties	(2,160)	(3,605)	(40.1)
180,538	147,751	22.2	Domestic	462,729	431,914	7.1
285,847	249,361	14.6	Total petroleum products revenue	769,080	703,797	9.3
9,479	9,092	4.3	Other revenue	26,080	21,380	22.0
347,138	298,820	16.2	Total revenue	937,853	914,024	2.6

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

Sales Volumes

3Q	2Q			9m		
2013	2013	Δ, %		2013	2012	Δ, %
(MMtonnes)			Crude oil (MMtonnes)			
1.93	1.97	(2.0)	Export	6.22	10.13	(38.6)
0.02	0.03	(33.3)	Sales on international markets	0.05	0.04	25.0
0.94	0.98	(4.1)	Export to CIS	2.90	1.88	54.3
0.50	0.29	72.4	Domestic sales	1.10	0.92	19.6
3.39	3.27	3.7	Total crude oil sales	10.27	12.97	(20.8)
(bcm)			Gas (bcm)			
0.01	0.03	(66.7)	International markets	0.10	0.34	(70.6)
3.47	2.54	36.6	Domestic sales	8.80	7.73	13.8
3.48	2.57	35.4	Total gas sales	8.90	8.07	10.3
(MMtonnes)			Petroleum products (MMtonnes)			
3.43	4.04	(15.1)	Export	11.63	10.59	9.8
0.83	0.79	5.1	Sales on international markets	2.18	1.71	27.5
0.62	0.56	10.7	Export and sales in CIS	1.65	1.86	(11.3)
7.41	6.26	18.4	Domestic sales	19.24	19.32	(0.4)
12.29	11.65	5.5	Total petroleum products sales	34.70	33.48	3.6

Average Realized Sales Prices

3Q 2013	2Q 2013	Δ, %		9m 2013	2012	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
26,292	23,436	12.2	Export	24,814	24,567	1.0
13,619	9,992	36.3	Export and sales in CIS	12,021	12,065	(0.4)
11,118	8,897	25.0	Domestic sales	10,094	10,580	(4.6)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
25,113	23,216	8.2	Export	24,137	24,703	(2.3)
42,025	38,411	9.4	Sales on international markets	40,075	38,353	4.5
25,444	25,039	1.6	Export and sales in CIS	25,373	24,549	3.4
24,364	23,602	3.2	Domestic sales	24,050	22,356	7.6

Crude Oil Export Sales

- Crude export sales volume declined 38.6% Y-o-Y due to shift to export to CIS and lower trading activity
- Crude export sales volume to CIS increased 54.3% Y-o-Y due to shift from non-CIS exports.

Petroleum Products Exports

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,064	0.07	2,685	0.09	(23.1)	(22.2)
Low octane gasoline	881	0.03	1,589	0.06	(44.6)	(50.0)
Naphtha	10,027	0.34	9,275	0.35	8.1	(2.9)
Diesel	34,613	1.11	35,442	1.26	(2.3)	(11.9)
Fuel oil	30,532	1.58	33,318	1.82	(8.4)	(13.2)
Jet fuel	2,430	0.08	1,578	0.05	54.0	60.0
Bunker fuel	2,052	0.08	6,636	0.28	(69.1)	(71.4)
Other	3,540	0.14	3,269	0.13	8.3	7.7
Total	86,139	3.43	93,792	4.04	(8.2)	(15.1)
	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	6,456	0.22	7,326	0.24	(11.9)	(8.3)
Low octane gasoline	4,389	0.16	3,255	0.11	34.8	45.5
Naphtha	28,090	1.00	26,130	0.93	7.5	7.5
Diesel	115,123	3.92	86,254	2.89	33.5	35.6
Fuel oil	98,612	5.27	101,710	5.13	(3.1)	2.7
Jet fuel	6,523	0.21	5,133	0.15	27.1	40.0
Bunker fuel	11,564	0.47	19,665	0.74	(41.2)	(36.5)
Other	9,957	0.38	12,128	0.40	(17.9)	(5.0)
Total	280,714	11.63	261,601	10.59	7.3	9.8

- Petroleum products export volumes increased 9.8% Y-o-Y due to market expansion and increased trading activity.

Petroleum Products Export and Sales in CIS

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	5,371	0.21	5,152	0.18	4.3	16.7
Low octane gasoline	1,249	0.05	1,013	0.04	1.0	25.0
Diesel	4,904	0.18	3,827	0.14	28.1	28.6
Fuel oil	719	0.06	736	0.07	(2.3)	(14.3)
Jet fuel	2,042	0.05	1,955	0.05	4.5	-
Other	1,490	0.07	1,339	0.08	11.3	(12.5)
Total	15,775	0.62	14,022	0.56	12.5	10.7

	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	14,946	0.55	14,476	0.50	3.3	10.0
Low octane gasoline	3,330	0.14	3,501	0.14	(4.9)	-
Naphtha	-	-	1,012	0.06	-	-
Diesel	12,111	0.45	10,751	0.41	12.7	9.8
Fuel oil	1,927	0.17	2,175	0.18	(11.4)	(5.6)
Jet fuel	5,621	0.14	6,993	0.18	(19.6)	(22.2)
Other	3,930	0.20	6,753	0.39	(41.8)	(48.7)
Total	41,865	1.65	45,661	1.86	(8.3)	(11.3)

Domestic Sales of Petroleum Products

	3Q 2013		2Q 2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	65,794	2.16	56,903	1.95	15.6	10.8
Low octane gasoline	1,245	0.05	1,309	0.05	(4.9)	-
Diesel	58,737	2.14	46,935	1.74	25.2	23.0
Fuel oil	4,552	0.34	2,281	0.24	99.6	41.7
Jet fuel	20,296	0.84	17,968	0.76	13.0	10.5
Bunker fuel	13,863	0.74	10,182	0.61	36.2	21.3
Other	16,051	1.14	12,173	0.91	31.9	25.3
Total	180,538	7.41	147,751	6.26	22.2	18.4

	9m 2013		9m 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	175,547	5.94	160,031	5.88	9.7	1.0
Low octane gasoline	3,884	0.15	6,863	0.29	(43.4)	(48.3)
Diesel	148,956	5.41	139,854	5.75	6.5	(5.9)
Fuel oil	12,281	1.06	13,117	1.30	(6.4)	(18.5)
Jet fuel	52,881	2.19	48,869	2.10	8.2	4.3
Bunker fuel	32,819	1.81	30,538	1.67	7.5	8.4
Other	36,361	2.68	32,642	2.33	11.4	15.0
Total	462,729	19.24	431,914	19.32	7.1	(0.4)

- Domestic fuel oil sales volumes declined 18.5% Y-o-Y due to lower production
- Domestic jet fuel sales volumes increased 4.3% Y-o-Y and 10.5% Q-o-Q due to expansion of sales network within and outside Russia, including Russian military airports.

Other Revenue

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

- Other revenue increase of 22.0% Y-o-Y was driven primarily by volumes increases.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products decreased 4.4% Y-o-Y primarily due to lower crude oil purchases.

Production and Manufacturing Expenses

3Q 2013	2Q 2013	Δ, %	(RUB million)	9m		
2013	2013			2013	2012	Δ, %
19,090	17,732	7.7	Upstream expenses	53,077	45,870	15.7
15,554	14,372	8.2	Consolidated subsidiaries	43,116	36,430	18.4
1,452	1,360	6.8	<i>RUB per toe</i>	1,358	1,220	11.3
6.04	5.87	3.0	<i>USD¹ per boe</i>	5.86	5.35	9.5
3,536	3,360	5.2	Proportionately consolidated companies	9,961	9,440	5.5
1,505	1,436	4.8	<i>RUB per toe</i>	1,425	1,298	9.7
6.26	6.20	1.0	<i>USD¹ per boe</i>	6.15	5.70	7.9
9,648	8,655	11.5	Downstream expenses	26,866	23,553	14.1
5,958	4,864	22.5	Refining expenses at own refineries	15,374	12,423	23.8
682	551	23.9	<i>RUB per tonne</i>	598	485	23.3
2.84	2.38	19.4	<i>USD¹ per bbl</i>	2.58	2.13	21.3
2,802	2,617	7.1	Refining expenses at refineries of joint ventures	8,284	7,742	7.0
1,291	1,309	(1.3)	<i>RUB per tonne</i>	1,296	1,097	18.2
5.37	5.65	(4.9)	<i>USD¹ per bbl</i>	5.59	4.81	16.3
888	1,174	(24.4)	Lubricants manufacturing expenses	3,208	3,388	(5.3)
6,943	5,534	25.5	Transportation expenses to refineries	17,307	16,821	2.9
3,464	4,453	(22.2)	Other operating expenses	12,369	11,932	3.7
39,145	36,374	7.6	Total	109,619	98,176	11.7

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 18.4% 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 11.3% 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
- Upstream expenses per toe of production at consolidated subsidiaries increased 6.8% Q-o-Q due to seasonally higher activities to increase yields and higher electricity prices (+14.0%) driven by higher gas prices
- 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 23.8% Y-o-Y primarily due to higher tariffs of natural monopolies, startup of new processing units at Omsk and Moscow refineries and maintenance at own refineries
- Refining expenses at joint venture refineries increased 7.0% Y-o-Y due to startup of new processing units at Yaroslavl
- Lubricants manufacturing expenses decreased 5.3% Y-o-Y due to 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 4.2% Y-o-Y and 16.3% Q-o-Q, 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 Y-o-Y driven by higher tariffs and volumes sold and decreased Q-o-Q due to transport structure optimization.

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

3Q	2Q			9m		
2013	2013	Δ, %	(RUB million)	2013	2012	Δ, %
57,291	49,112	16.7	Mineral extraction taxes	157,261	150,791	4.3
20,665	18,796	9.9	Excise	58,769	61,157	(3.9)
1,840	1,896	(3.0)	Property tax	5,565	5,734	(2.9)
4,174	3,822	9.2	Other taxes	13,303	9,730	36.7
83,970	73,626	14.0	Total taxes other than income tax	234,898	227,412	3.3

- Mineral extraction tax (MET) expenses increased 4.3% Y-o-Y in line with increase in MET rate. While average Urals price declined 3.0% Y-o-Y, average MET rate for crude oil increased by 3.9% as base MET rate rose from 446 RUB/tonne to 470 RUB/tonne
- Mineral extraction tax (MET) expenses increased 16.7% Q-o-Q in line with increase in MET rate. The MET rate for crude oil increased driven by 7.3% higher average Urals price and higher average RUB/USD rate
- Excise tax expenses decreased 3.9% Y-o-Y due to increased share of Class 5 gasoline and diesel which are taxed at lower rates
- Excise tax expenses increased 9.9% Q-o-Q due to increase in rates from 1 July 2013.

Share of Profit of Equity Accounted Investments

3Q	2Q			9m		
2013	2013	Δ, %	(RUB million)	2013	2012	Δ, %
4,197	189	2,120.6	Slavneft	6,772	9,373	(27.7)
38	(153)	-	Messoyakha	(365)	-	-
75	(107)	-	SE	(86)	(112)	(23.2)
890	373	138.6	Other companies	1,518	352	331.3
5,200	302	1,621.9	Share of profit of equity accounted investments	7,839	9,613	(18.5)

- Reduction in share of Slavneft profit Y-o-Y was driven primarily by lower production and higher MET rates;
- Increase in share of Slavneft profit Q-o-Q was driven primarily by higher 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)	9m		
	2013	2012	Δ %
Net cash provided by operating activities	219,912	179,432	22.6
Net cash used in investing activities	(172,619)	(123,000)	40.3
Net cash used in financing activities	(59,889)	(9,404)	536.8
(Decrease) / Increase in cash and cash equivalents	(12,596)	47,028	-

Net Cash Provided by Operating Activities

(RUB million)	9m		
	2013	2012	Δ %
Net cash provided by operating activities before changes in working capital	233,801	221,802	5.4
Net changes in working capital	11,616	(15,095)	-
Income tax paid	(21,801)	(21,164)	3.0
Interest paid	(8,560)	(7,749)	10.5
Dividends received	4,856	1,638	196.5
Net cash provided by operating activities	219,912	179,432	22.6

- Net cash provided by operating activities increased 22.6% Y-o-Y due to decrease in working capital and higher dividends received.

Net Cash Used in Investing Activities

(RUB million)	9m		
	2013	2012	Δ %
Capital expenditures	(142,437)	(115,111)	23.7
Acquisition of subsidiaries and shares in equity affiliates	(3,450)	(971)	255.3
Net changes in deposits	(22,029)	(4,258)	417.4
Other transactions	(4,703)	(2,660)	76.8
Net cash used in investing activities	(172,619)	(123,000)	40.3

- Net cash used in investing activities increased 40.3% Y-o-Y mostly due to higher capital expenditures and net increase in deposits.

Net Cash Used in Financing Activities

(RUB million)	9m		
	2013	2012	Δ %
Net changes in debt	(10,670)	25,933	-
Payment of dividends to shareholders	(44,032)	(34,429)	27.9
Acquisition of non-controlling interest in subsidiaries	(1,680)	(285)	489.5
Other transactions	(3,507)	(623)	462.9
Net cash used in financing activities	(59,889)	(9,404)	536.8

- Net cash used in financing activities increased Y-o-Y to 59,889 RUB million due to the following items:
 - Net decrease in debt of 10,670 RUB million, compared with net increase of 25,933 RUB million during 9m 2012
 - Increases in dividends paid to 44,032 RUB million from 34,429 RUB million for 9m 2012

- One-off items related to acquisition of non-controlling interests in the amount of 1,680 RUB million, mostly increasing stake in Gazpromneft Orenburg from 62% to 100%. Such transactions were insignificant during 9m 2012.

Capital Expenditure

(RUB million)	9m		
	2013	2012	Δ, %
Exploration and production	97,569	72,220	35.1
Consolidated subsidiaries	89,240	63,122	41.4
Proportionately consolidated companies	8,329	9,098	(8.5)
Refining	17,749	28,515	(37.8)
Marketing and distribution	9,752	9,433	3.4
Others	3,210	4,986	(35.6)
Subtotal capital expenditures	128,280	115,154	11.4
Change in advances issued and material used in capital expenditures	14,157	(43)	-
Total capital expenditures	142,437	115,111	23.7

- Capital expenditure for Exploration and Production increased 35.1% Y-o-Y mostly due to the development of the Novoportovskoye and Orenburg fields. Reorientation toward drilling more expensive horizontal wells also led to higher capital expenditures
- Capital expenditures for Refining decreased 37.8% Y-o-Y mostly due to completion of investments to build gasoline hydrotreating and diesel hydrotreating units at Omsk in 2012.

Debt and Liquidity

(RUB million)	2013	2012
Consolidated subsidiaries		
Short-term loans and borrowings	47,401	77,193
Long-term loans and borrowings	195,833	166,447
Cash and cash equivalents	(70,076)	(79,199)
Short-term deposits	(29,442)	(7,519)
Net debt	143,716	156,922
Short-term debt / total debt, %	19.5	31.7
Net debt / EBITDA ttm	0.46	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 4.26 years at September 30, 2013
- Average interest rate decreased from 3.48% at December 31, 2012 to 3.31% at September 30, 2013
- On October 1, 2013 the Group has drawn a loan facility of USD 700 million under unsecured USD 1 billion loan from a group of banks. The facility matures 5 years from the date of the first utilization and bears interest of LIBOR plus 1.75% per annum.

Financial Appendix

EBITDA Reconciliation

3Q	2Q			9m		
2013	2013	Δ, %	(RUB million)	2013	2012	Δ, %
60,662	39,950	51.8	Profit for the period	141,139	140,772	0.3
12,611	6,979	80.7	Total income tax expense	29,014	31,283	(7.3)
2,886	2,820	2.3	Finance expense	8,796	7,800	12.8
(1,585)	(1,191)	33.1	Finance income	(4,287)	(2,186)	96.1
20,173	19,134	5.4	Depreciation, depletion and amortization	57,300	51,605	11.0
(226)	1,328	-	Net foreign exchange gain / (loss)	2,274	367	519.6
1,595	(494)	-	Other (loss) / gain, net	2,044	692	195.4
96,116	68,526	40.3	EBITDA	236,280	230,333	2.6
(5,200)	(302)	1,621.9	less Share of profit of equity accounted investments	(7,839)	(9,613)	(18.5)
10,436	5,650	84.7	add Share of EBITDA of equity accounted investments	23,478	24,174	(2.9)
101,352	73,874	37.2	Adjusted EBITDA	251,919	244,894	2.9

Financial ratios

Profitability

	9m		
	2013	2012	Δ, p.p.
Adjusted EBITDA margin, %	26.86	26.79	0.1
Net profit margin, %	15.05	15.40	(0.4)
Return on assets (ROA), %	13.50	16.26	(2.8)
Return on equity (ROE), %	20.72	23.21	(2.5)
Return on average capital employed (ROACE), %	17.91	20.33	(2.4)

Liquidity

	9m		
	2013	2012	Δ, %
Current ratio	1.85	1.75	5.4
Quick ratio	0.99	0.80	23.6
Cash ratio	0.58	0.43	35.4

Leverage

	9m		
	2013	2012	Δ, p.p.
Net debt/ Total Assets, %	9.89	13.35	(3.5)
Net debt/ Equity, %	15.14	20.55	(5.4)
Gearing, %	15.42	17.42	(2.0)
			Δ, %
Net debt/ Market Capitalization	0.22	0.24	(9.3)
Net debt/ EBITDA	0.46	0.56	(17.9)
Total debt/ EBITDA	0.78	0.84	(6.6)

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.

3Q 2013	2Q 2013	Δ, %		9m 2013	2012	Δ, %
			International market	(US\$/ barrel)		
110.29	102.43	7.7	Brent	108.46	112.21	(3.3)
109.60	102.12	7.3	Urals Spot (average Med + NWE)	107.60	110.98	(3.0)
				(US\$/ tonne)		
1,007.47	957.59	5.2	Premium gasoline (average NWE)	1,001.95	1,052.59	(4.8)
896.39	820.72	9.2	Naphtha (average Med. + NWE)	883.50	925.66	(4.6)
949.43	889.75	6.7	Diesel fuel (average NWE)	937.48	978.42	(4.2)
928.36	869.94	6.7	Gasoil 0.2% (average Med. + NWE)	917.54	956.27	(4.1)
587.91	572.74	2.6	Fuel oil 3.5% (average NWE)	588.41	637.51	(7.7)
			Domestic market	(RUB/ tonne)		
30,189	26,306	14.8	High-octane gasoline	27,916	25,498	9.5
25,387	24,040	5.6	Low-octane gasoline	24,626	22,822	7.9
27,350	25,919	5.5	Diesel fuel	26,459	23,602	12.1
9,657	8,360	15.5	Fuel oil	8,743	9,207	(5.0)

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 2013	2Q 2013		9m 2013	2012
1.2	1.6	Change in Consumer Price Index (CPI), %	4.7	5.1
6.3	(1.8)	Change in Producer Price Index (PPI), %	5.4	9.3
32.35	32.71	US\$/ RUB exchange rate as of the end of the period	32.35	30.92
32.80	31.61	Average RUB/US\$ exchange rate for the period	31.62	31.10

Hydrocarbon Taxes

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

3Q 2013	2Q 2013	Δ, %		9m 2013	2012	Δ, %
			Export customs duty	(US\$/ tonne)		
383.23	379.73	0.9	Crude oil	389.82	403.47	(3.4)
252.87	250.60	0.9	Light petroleum products	257.25	266.24	(3.4)
344.87	341.77	0.9	Gasoline and naphtha	350.83	363.07	(3.4)
252.87	250.60	0.9	Heavy petroleum products	257.25	266.24	(3.4)
			Mineral extraction tax			
5,631	4,955	13.7	Crude oil (RUB/ tonne)	5,282	5,086	3.9
622	582	6.9	Natural gas for owners of Integrated gas-supply system and its subsidiaries (RUB/Mcm)	595	509	17.0
402	265	51.7	Natural gas for other categories (RUB/Mcm)	311	251	23.8

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 (21 May 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. The Russian Federal Law # 263-FZ sets declining marginal rates for future periods as follows: 59% for 2014, 57% for 2015, and 55% for 2016.

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)

Th Resolution of the Russian Government # 846 from 26.09.2013 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. When the Ministry of Energy has established the methodology and application

process for these special rates, the Group can apply for reduced duty rates on crude oil exported outside the Russian Federation in quantities not exceeding those defined by Russian Government based on subclause 7 of clause 3.1 of Federal Law #5003-1 (May 21, 1993).

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. In other countries where the Group operates, excise duties are paid either by producers or retailers depending on local legislation.

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:

$R = 470 * Kc * Kv * Kz$, 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 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, $Kz = 0.125 * V_3 + 0.375$

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:

$R = 470 * Kc * Kv * Kz * Kd * Kdv$, 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, $K_{dv} = 3.8 - 3.5 * N_{dv} / V_{dv}$. Where depletion is greater than 1, K_{dv} is 0.3. In all other cases $K_{dv} = 1$. For the deposits containing hard-to-recover reserves the coefficient K_v 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

3Q 2013	2Q 2013	Δ, %		9m 2013	2012	Δ, %
5,631	4,955	13.7	Nominal crude oil MET rate, RUB/tonne	5,282	5,086	3.9
5,449	4,806	13.4	Effective crude oil MET rate, RUB/tonne	5,097	5,039	1.2
182	149		Difference between nominal and effective rates, RUB/tonne	185	47	
3.2%	3.0%		Difference between nominal and effective rates, %	3.5%	0.9%	

In 3Q 2013 the effective MET rate was 5,449 RUB/tonne, or 182 RUB/tonne lower than the nominal MET rate set out in Russian legislation. The difference results from the application of certain factors (K_v and K_z) 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. E_{ut} (the base rate per fuel equivalent unit) and K_c (which characterizes the effort required to recover hydrocarbons from the particular deposit). The MET rate for gas also includes the T_g parameter, which reflects gas transportation costs.

Tax concessions

Under current tax legislation the Group applies the following tax concessions:

Tax concessions, applied in 2Q 2013	Subsidiaries (oil fields) belonging to the Group
MET for Oil	
Small fields factor K_z	OJSC Gazpromneft-Noyabrskneftegaz (Vorgentskoye)
	LLC Zhivoy Istok (Baleykinskoye)
	OJSC Gazpromneft-Noyabrskneftegaz

Depletion factor Kv	Gazpromneft-Muravlenko branch (Vostochno-Vyngayakhinskoye)
	OJSC Gazpromneft-Noyabrskneftegaz (Pogranichnoye, Kholmogorskoye, Chatilkinskoye)
	OJSC Gazpromneft-Noyabrskneftegaz Gazpromneft-Muravlenko branch (Muravlenkovskoye, Sugmutskoye)
Hard to recover factor Kd	OJSC Gazpromneft-Noyabrskneftegaz Gazpromneft-Muravlenko branch (Vyngayakhinskoye)
	LLC Archinskoye (Archinskoye, Urmanskoye)
Zero MET rate for fields on the Yamal Peninsula, Yamalo-Nenets Autonomous Okrug	LLC Novy Port (Novoortovskoye)
Profit tax	
17% rate (3% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz Khanty–Mansi Autonomous Okrug tax branch
16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	JSC Magma
15.5% (4.5% concession under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz LLC Zapolyarneft
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:

3Q 2013	2Q 2013	Δ, %	(RUB per tonne)	9m		Δ, %
				2013	2012	
Crude oil						
Export						
1,654.39	1,613.07	2.6	Pipeline	1,629.29	1,514.53	7.6
CIS						
1,063.82	1,088.81	(2.3)	Pipeline	1,095.89	1,197.39	(8.5)
Transportation to Refineries						
550.24	525.76	4.7	ONPZ	504.39	454.42	11.0
975.43	997.37	(2.2)	MNPZ	988.93	851.63	16.1
1,058.08	1,101.54	(3.9)	YaNPZ	981.84	804.31	22.1
Petroleum products						
Export from ONPZ						
3,174.59	3,511.90	(9.6)	Gasoline	3,285.38	2,434.26	35.0
3,624.17	3,922.74	(7.6)	Fuel oil	3,870.32	3,503.44	10.5
3,225.66	3,323.06	(2.9)	Diesel fuel	3,324.62	3,276.70	1.5
Export from MNPZ						
1,560.48	1,685.27	(7.4)	Gasoline	1,668.00	1,660.12	0.5
1,392.65	1,475.40	(5.6)	Fuel oil	1,447.69	1,407.69	2.8
1,900.11	1,804.35	5.3	Diesel fuel	1,778.53	1,638.61	8.5
Export from YaNPZ						
1,071.00	1,058.60	1.2	Gasoline	1,120.87	1,321.19	(15.2)
1,314.25	1,308.05	0.5	Fuel oil	1,375.58	1,415.63	(2.8)
1,458.80	1,458.80	-	Diesel fuel	1,470.08	1,296.90	13.4

During 9m 2013 the Group exported 39.6% (63.5% during 9m 2012) of its total crude export through Baltic Sea ports namely 31.4% through Primorsk, and 8.2% through Ust-Luga; 23.5% (24.0% during 9m 2012) was exported through the Druzhba pipeline, principally to the Czech Republic (none during 9m 2012); 15.9% (9.0% during 9m 2012) was exported through the port of Novorossiysk including 11.8% (6.5% during 9m 2012) of light crude; none was exported through the port of Tuapse (3.6% during 9m 2012); 21.1% (none during 9m 2012) was exported through the ESPO pipeline and the port of Kozmino. Exports of crude to CIS countries in 9m 2013 were: 44.9% (77.4% during 9m 2012) to Belarus and 55.1% (22.6% during 9m 2012) to Kazakhstan.

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