

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended December 31 and September 30, 2012 and years
ended December 31, 2012 and 2011**

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of December 31, 2012 and results of operations for the years ended December 31, 2012 and 2011 and 3 months ended December 31 and September 30, 2012 and should be read in conjunction with the Consolidated Financial Statements and notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

In this report the terms "Gazprom Neft", "Company" and "Group" represent JSC Gazprom Neft and its consolidated subsidiaries. This report represents Group's financial condition and results of operations on a consolidated basis.

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

Forward-Looking Statements

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

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

Key Financial and Operating Data

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
Financial results (RUB million)						
317,946	333,138	(4.6)	Revenue	1,230,266	1,029,803	19.5
78,212	95,597	(18.2)	Adjusted EBITDA ¹	323,106	300,077	7.7
5,085.3	6,450.5	(21.2)	RUB per toe of production	5,411.3	5,239.7	3.3
22.3	27.4	(18.7)	USD ² per boe of production	23.7	24.2	(2.3)
41,619	55,951	(25.6)	Profit attributable to Gazprom Neft	176,296	160,362	9.9
65,254	50,085	30.3	Net cash provided by operating activities	231,073	180,871	27.8
52,089	43,736	19.1	CAPEX	158,102	130,788	20.9
149,105	161,882	(7.9)	Net debt	149,105	191,628	(22.2)
Operational results						
113.02	109.00	3.7	Hydrocarbon production including our share in equity associates (MMboe):	439.02	421.64	4.1
1.23	1.18	3.7	Daily hydrocarbon production (MMboepd)	1.20	1.16	3.8
94.32	94.53	(0.2)	Crude oil production including our share in equity associates (MMbbl)	373.64	368.27	1.5
112.21	86.87	29.2	Gas production including our share in equity associates (bcf)	392.31	320.20	22.5
10.67	11.32	(5.7)	Refining throughput at own and equity associates refineries (MMtonnes)	43.34	40.49	7.0

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 average exchange rate for the period

2012 Highlights

- Started industrial production of gas from Samburgskoye field (SeverEnergiya) in April
- Produced first oil from pilot project at Vostochno-Messoyakhskoe field in October
- Produced first oil from Junin-6 block in Venezuela in September
- Started new catalytic cracking gasoline hydrotreating unit and new diesel hydrotreating unit at the Omsk refinery in May and December, respectively, allowing production of Class 5 diesel and gasoline
- Yaroslavl refinery moved to 100% Class 5 high-octane gasoline (AI-92 and AI-95) and 100% Class 5 diesel from January and June, respectively
- Started new mild hydrocracking and distillate hydro processing (MHC/DHT) complex at NIS in November
- Started industrial production of Class 4 gasoline (AI-92 and AI-95) at the Moscow refinery in April
- Expanded jet fueling network by adding new airports in Russia (Kazan, Barnaul, Novy Urengoy, Ulyanovsk, Krasnoyarsk) and CIS (Kyrgyzstan); opened alternative fueling complex at Sheremetyevo airport; increased number of military airports serviced to 22
- Expanded and upgraded retail network (38 new sites, 135 rebranded sites)
- Placed series 1 issue of 1,500 USD million 10 year loan participation notes in September 2012.

Results for 2012 compared with 2011

- Total hydrocarbon production including our share in equity associates increased 4.1% to 439.02 million boe (oil production increased 1.5% to 373.64 million bbl, and gas increased 22.5% to 392.31 bcf) due to continued production growth at the Priobskoye field, higher associated gas output, and new production sources (Orenburg assets, SeverEnergiya)
- Refining throughput increased 7.0% in response to higher domestic downstream margins compared to export alternatives
- Higher oil products prices, increased hydrocarbon production and refining throughput, and growth in premium segment sales improved financial results, with 19.5% higher revenue, offset by higher taxes (MET, excise) and tariffs of natural monopolies, driving a 7.7% increase in adjusted EBITDA and 9.9% increase in profit attributable to Gazprom Neft.

Results for 4Q 2012 compared with 3Q 2012

- Total hydrocarbon production including our share in equity associates increased 3.7% driven by higher gas production due to seasonal demand
- Refining throughput decreased 5.7% due to scheduled maintenance at refineries
- Lower refining throughput, slightly deteriorated market conditions and higher export customs duties led to a 4.6% decrease in revenue, an 18.2% decrease in adjusted EBITDA and a 25.6% in profit attributable to Gazprom Neft.

Operational Data and Analysis

Exploration Drilling and Discoveries

	2012	2011	Δ, %
Consolidated subsidiaries			
Exploration drilling ('000 meters)	64	63	1.6
Exploration wells drilled	21	25	(16.0)
New fields discovered	2	4	-
New reservoirs discovered	39	23	-
Equity associates			
Exploration drilling ('000 meters)	65	63	3.2
Exploration wells drilled	23	27	(14.8)
New reservoirs discovered	6	16	-

- 2012 results:
 - Two new fields discovered: Severo-Romanovskoye in YNAO and Yuzhno-Shinginskoye in the Tomsk region
 - 39 new reservoirs discovered, mostly in the Yeti-Purovskoye (14) and Vingapurovskoye (7) fields.

Oil and Gas Reserves

(MMboe)	Share in equity associates						Total
	Gazprom Neft	Slavneft	Tomskneft	SPD	Sever-Energy	Messoyakha neftegaz	
<i>Proved Reserves (December 31, 2010)</i>	5,280	926	616	250	455	-	7,526
Production	(267)	(69)	(43)	(31)	-	-	(410)
Revision of previous estimates	339	84	89	15	355	-	883
Purchases of minerals in place	320	-	-	-	-	-	320
<i>Proved Reserves (December 31, 2011)</i>	5,672	940	663	234	810	-	8,319
Production	(284)	(68)	(43)	(28)	(3)	-	(426)
Revision of previous estimates	515	70	18	39	338	-	979
Purchases of minerals in place	1	-	-	-	-	-	1
<i>Proved Reserves (December 31, 2012)</i>	5,904	942	638	244	1,145	-	8,873
Total group probable reserves	3,872	1,457	409	96	704	355	6,893
Total group possible reserves	2,529	1,285	389	71	795	489	5,559

* Total reflects 49.9% ownership of Slavneft, 50% of Tomskneft, Salyrn Petroleum Development and Messoyakhaneftgaz and 25.5% of SeverEnergiya

- The Company's proved reserves as of December 31, 2012 totaled 5,904 MMboe, including 4,824 MMbbl of crude oil and 6,476 bcf of gas
- Including shares in equity associates, proved reserves were 8,873 MMboe as of December 31, 2012, including 6,782 MMbbl of crude oil and 12,545 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 (SPE) 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 2012	3Q 2012	Δ, %		2012	2011	Δ, %
Consolidated subsidiaries						
567	747	(24.1)	Production drilling ('000 meters)	2,516	2,254	11.6
188	212	(11.3)	New production wells	690	735	(6.1)
14.05	14.23	(1.3)	Average well flow (tonnes per day)	14.34	15.26	(6.0)
84.41	84.04	0.4	Watercut, %	83.93	83.63	0.4
Equity associates						
323	469	(31.1)	Production drilling ('000 meters)	1,518	1,611	(5.7)
109	116	(6.0)	New production wells	401	487	(17.7)

- The Group has been reorienting its drilling toward horizontal wells, which are more complex than vertical wells, but deliver greater yields. As a result the number of new production wells decreased 6.1% Y-o-Y
- Season factors led to a decrease in production drilling by 24.1% and new production wells by 11.3% Q-o-Q.

Production

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
	(MMtonnes)		Crude oil		(MMtonnes)	
3.85	3.92	(1.8)	Noyabrskneftegaz	15.49	16.30	(5.0)
2.93	2.90	1.0	Yugra	11.39	10.19	11.8
0.26	0.25	4.0	Gazprom Neft	1.07	1.41	(24.1)
0.32	0.28	14.3	Orenburg	1.10	0.19	478.9
0.69	0.66	4.5	Others	2.60	2.30	13.0
8.05	8.01	0.5	Production in Russia	31.65	30.39	4.1
0.31	0.31	-	Crude production outside Russia (NIS)	1.22	1.13	8.0
8.36	8.32	0.5	Production by consolidated subsidiaries	32.87	31.52	4.3
2.22	2.26	(1.8)	Share in Slavneft	8.93	9.04	(1.2)
1.28	1.29	(0.8)	Share in Tomskneft	5.11	5.18	(1.4)
0.93	0.96	(3.1)	Share in Salym Petroleum Development (SPD)	3.81	4.23	(9.9)
0.02	0.02	-	Share in SeverEnergiya (SE)	0.06	-	-
4.45	4.53	(1.8)	Total share in production of equity associates	17.91	18.45	(2.9)
			Total crude oil production			
12.81	12.85	(0.3)	MMtonnes	50.78	49.97	1.6
94.32	94.53	(0.2)	MMbbl	373.64	368.27	1.5
	(bcm)		Gas*		(bcm)	
2.10	1.53	37.3	Noyabrskneftegaz	7.32	6.88	6.4
0.02	0.02	-	Yugra	0.08	0.08	-
0.02	0.01	100.0	Gazprom Neft	0.07	0.08	(12.5)
0.29	0.27	7.4	Orenburg	1.12	0.23	387.0
0.04	0.03	33.3	Others	0.13	0.05	160.0
2.47	1.86	32.8	Production in Russia	8.72	7.32	19.1
0.15	0.13	15.4	Gas production outside Russia (NIS)	0.56	0.54	3.7
2.62	1.99	31.7	Production by consolidated subsidiaries	9.28	7.86	18.1
0.11	0.10	10.0	Share in Slavneft	0.42	0.43	(2.3)
0.25	0.19	31.6	Share in Tomskneft	0.84	0.72	16.7
0.03	0.03	-	Share in Salym Petroleum Development (SPD)	0.13	0.05	160.0
0.18	0.14	28.6	Share in SeverEnergiya (SE)	0.45	-	-
0.57	0.46	23.9	Total share in production of equity associates	1.84	1.20	53.3
3.19	2.45	30.2	Total gas production	11.12	9.06	22.7
10.46	9.93	5.3	Total hydrocarbon production by consolidated subsidiaries (MMtoe)	40.32	37.86	6.5
4.92	4.89	0.6	Total hydrocarbon production by equity associates (MMtoe)	19.39	19.41	(0.1)
			Total hydrocarbon production:			
15.38	14.82	3.8	MMtoe	59.71	57.27	4.3
113.02	109.00	3.7	MMboe	439.02	421.64	4.1
1.23	1.18	3.7	Daily hydrocarbon production (MMboepd)	1.20	1.16	3.8

* Production volume includes marketable gas plus utilized gas

- Daily hydrocarbon production increased 3.8% Y-o-Y and 3.7% Q-o-Q
- Group oil production increased 1.6% Y-o-Y, primarily as a result of continued growth at Priobskoye field, increased activities to improve yields and acquisition of the Orenburg assets. Increased watercut at West-Salym field resulted in a 9.9% decline in oil production at SPD Y-o-Y
- Group gas production increased 22.7% Y-o-Y, mainly as a result of new production sources (Orenburg assets, Samburgskoe oilfield at SeverEnergiya) and gas utilization program. The increase achieved at SPD was as a result of new gas processing plant
- Group gas production increased 30.2% Q-o-Q mainly due to seasonal demand.

Crude Oil Purchases

4Q 2012	3Q 2012	Δ, %	(MMtonnes)	2012	2011	Δ, %
1.86	1.99	(6.5)	Crude oil purchases in Russia *	7.82	5.77	35.5
0.95	1.23	(22.8)	Crude oil purchases internationally	3.24	1.68	92.9
2.81	3.22	(12.7)	Total crude purchased	11.06	7.45	48.5

* Crude oil purchases in Russia exclude purchases from the Group's equity associates Slavneft, Tomskneft, Salyng Petroleum Development (SPD) and SeverEnergiya (SE)

- Increased trading in crude oil resulted in higher crude oil purchases, which rose 48.5% Y-o-Y
- Changes in domestic and foreign market environments drove the 6.5% Q-o-Q decline in oil purchases in Russia.

Refining

4Q 2012	3Q 2012	Δ, %	(MMtonnes)	2012	2011	Δ, %
5.17	5.57	(7.2)	Omsk	20.95	19.95	5.0
2.30	2.78	(17.3)	Moscow	10.67	10.80	(1.2)
2.00	1.98	1.0	Share in Yaroslavl	7.64	7.39	3.4
9.47	10.33	(8.3)	Refining throughput in Russia	39.26	38.14	2.9
0.68	0.34	100.0	Pancevo and Novi Sad	2.14	2.35	(8.9)
0.52	0.65	(20.0)	Share in Mozyr	1.94	-	-
10.67	11.32	(5.7)	Total refining throughput	43.34	40.49	7.0

Production of petroleum products

2.22	2.33	(4.7)	Gasoline	8.96	8.10	10.6
0.11	0.08	37.5	Below Class 2	0.40	0.44	(9.1)
0.17	0.20	(15.0)	Class 2	0.76	0.14	442.9
0.09	0.05	80.0	Class 3	2.24	6.65	(66.3)
0.79	1.02	(22.5)	Class 4	3.46	0.82	322.0
1.06	0.98	8.2	Class 5	2.10	0.05	4,100.0
0.28	0.31	(9.7)	Naphtha	1.30	1.15	13.0
2.91	3.01	(3.3)	Diesel	11.51	11.49	0.2
0.11	0.16	(31.3)	Below Class 2	0.74	4.46	(83.4)
1.55	1.66	(6.6)	Class 2	4.89	2.45	99.6
0.08	-	-	Class 3	1.30	0.95	36.8
0.35	0.42	(16.7)	Class 4	1.96	2.12	(7.5)
0.82	0.77	6.5	Class 5	2.62	1.51	73.5
2.22	2.07	7.2	Fuel oil	8.78	8.34	5.3
0.47	0.82	(42.7)	Jet fuel	2.67	2.57	3.9
1.95	2.23	(12.6)	Other	7.79	6.69	16.4
10.05	10.77	(6.7)	Total production	41.01	38.34	7.0

- Refining throughput:
 - Increased 7.0% Y-o-Y due to production at Mozyr refinery, growing demand, increased effective capacity as a result of removing logistical bottlenecks, and differences in refinery maintenance schedules. The 8.9% reduction in refining throughput at Pancevo and Novi Sad was planned in response to changing local market conditions
 - Declined 5.7% Q-o-Q due to:
 - Scheduled maintenance of the primary refining unit at the Moscow refinery in September-November,
 - Scheduled maintenance of the primary refining unit at Omsk refinery in October-November.
- Production of Class 4 and 5 gasoline and Class 5 diesel fuel increased Y-o-Y as a result of production capacity modernization
- Production of Class 2 gasoline increased Y-o-Y due to maintenance of the catalytic cracking unit in July and scheduled maintenance of the primary refining unit in September-November at Moscow refinery

- Jet fuel production decreased 42.7% Q-o-Q due to jet fuel hydrotreater down-time during scheduled maintenance at the Moscow refinery
- Fuel oil production increased 5.3% Y-o-Y due to increased refining throughput at Omsk and Yaroslavl
- Fuel oil production increased 7.2% Q-o-Q due to seasonal decline in bitumen demand.

Petroleum Products Purchases on International Markets

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	1,140	0.04	192	0.01	493.8	300.0
Diesel	8,453	0.27	6,731	0.22	25.6	22.7
Jet fuel	2,182	0.06	1,983	0.05	10.0	20.0
Other	-	-	533	0.01	-	-
Total	11,775	0.37	9,439	0.29	24.7	27.6

	12m 2012		12m 2011		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	3,518	0.12	2,382	0.09	47.7	33.3
Diesel	28,411	0.93	15,830	0.54	79.5	72.2
Fuel oil	2,438	0.12	2,804	0.13	(13.1)	(7.7)
Jet fuel	7,102	0.20	4,266	0.14	66.5	42.9
Other	811	0.01	546	0.02	48.5	(50.0)
Total	42,280	1.38	25,828	0.92	63.7	50.0

- Purchases on international markets increased 50.0% Y-o-Y and 27.6% Q-o-Q due to an improved market environment and increased trading activity.

Petroleum Products Purchases in CIS

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	97	0.01	423	0.01	(77.1)	-
Diesel	250	0.01	176	0.01	42.0	-
Other	222	0.01	111	0.01	100.0	-
Total	569	0.03	710	0.03	(19.9)	-

	12m 2012		12m 2011		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,374	0.04	4,377	0.22	(68.6)	(81.8)
Low octane gasoline	-	-	850	0.05	-	-
Diesel	1,045	0.03	3,800	0.17	(72.5)	(82.4)
Other	660	0.04	475	0.01	38.9	300.0
Total	3,079	0.11	9,502	0.45	(67.6)	(75.6)

- Purchases in CIS decreased 75.6% Y-o-Y due to increased supply of own products driven by higher refining throughput at Mozyr.

Domestic Purchases of Petroleum Products

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	6,300	0.23	7,406	0.27	(14.9)	(14.8)
Diesel	1,681	0.06	1,421	0.06	18.3	-
Fuel oil	1,221	0.07	1,338	0.07	(8.7)	-
Jet fuel	3,020	0.12	1,998	0.09	51.2	33.3
Other	616	0.03	1,077	0.06	(42.8)	(50.0)
Total	12,838	0.51	13,240	0.55	(3.0)	(7.3)

	12m 2012		12m 2011		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	23,469	0.91	22,625	1.00	3.7	(9.0)
Low octane gasoline	-	-	252	0.01	-	-
Diesel	5,562	0.21	6,688	0.34	(16.8)	(38.2)
Fuel oil	4,565	0.26	3,248	0.26	40.5	-
Jet fuel	8,081	0.34	4,172	0.20	93.7	70.0
Other	3,145	0.13	2,747	0.12	14.5	8.3
Total	44,822	1.85	39,732	1.93	12.8	(4.1)

- Domestic purchases declined 4.1% Y-o-Y mostly due to higher refining throughput
- Domestic purchases declined 7.3% Q-o-Q due to changed market environment.

Products Marketing

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
	(units)		Active retail stations		(units)	
1,060	979	8.3	In Russia	1,060	1,043	1.6
205	201	2.0	In CIS	205	202	1.5
344	339	1.5	In Eastern Europe	344	425	(19.1)
1,609	1,519	5.9	Total retail stations (as at the end of the period)	1,609	1,670	(3.7)
			Average daily sales per retail site in Russia			
19.1	18.5	3.4	(tonnes per day)	17.7	14.2	24.1
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
4.31	4.78	(9.8)	Gasoline and Diesel	17.74	15.65	13.4
0.53	0.58	(8.6)	Jet	2.07	1.64	26.2
0.62	0.77	(19.5)	Bunkering	2.45	2.15	14.0
0.04	0.05	(20.0)	Lubricants	0.15	0.12	25.0
5.50	6.18	(11.0)	Total sales volume through premium channels	22.41	19.56	14.6

- Total active retail stations decreased by 3.7% Y-o-Y primarily as a result of the retail network optimization in Eastern Europe
- Total active retail sites in Russia increased by 8.3% Q-o-Q following completion of reconstruction, construction and rebranding
- Average daily sales per retail site in Russia increased 24.1% Y-o-Y due to higher domestic demand for petroleum products and results of our rebranding campaign, new promotions and the customer loyalty program
- Sales volume through premium channels increased 14.6% Y-o-Y due to:
 - Growing jet fuel market, expanding jet fuel network in Russia and abroad, attracting new airline customers
 - Growing bunkering market in the Far East, new long-term contracts with Russian and foreign shipping companies
 - Expansion into new lubricants markets (Turkey, Northern Europe) and penetration of new customer segments
- Sales volumes through premium channels declined 11.0% Q-o-Q mainly due to decreased small wholesale gasoline sales due to reduced refining output from Moscow and Omsk refineries during scheduled maintenance.

Results of Operations

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
Revenues						
393,238	399,691	(1.6)	Sales	1,517,067	1,291,596	17.5
(75,292)	(66,553)	13.1	Less export duties and excise tax*	(286,801)	(261,793)	9.6
317,946	333,138	(4.6)	Total revenue	1,230,266	1,029,803	19.5
Costs and other deductions						
(115,320)	(117,641)	(2.0)	Purchases of oil, gas and petroleum products	(430,485)	(314,199)	37.0
(34,631)	(32,042)	8.1	Production and manufacturing expenses	(123,367)	(107,523)	14.7
(18,826)	(18,090)	4.1	Selling, general and administrative expenses	(66,115)	(51,430)	28.6
(25,170)	(23,590)	6.7	Transportation expenses	(93,813)	(81,935)	14.5
(15,022)	(14,956)	0.4	Depreciation, depletion and amortization	(58,461)	(55,799)	4.8
(59,006)	(64,283)	(8.2)	Taxes other than income tax	(251,128)	(208,196)	20.6
(360)	(2,330)	(84.5)	Exploration expenses	(3,263)	(2,105)	55.0
(268,335)	(272,932)	(1.7)	Total operating expenses	(1,026,632)	(821,187)	25.0
(4,246)	(2,254)	88.4	Other (loss) / gain, net	(4,891)	925	-
45,365	57,952	(21.7)	Operating profit	198,743	209,541	(5.2)
6,242	11,685	(46.6)	Share of profit of equity accounted investments	28,281	6,874	311.4
1,493	1,757	(15.0)	Net foreign exchange gain	953	740	28.8
1,034	514	101.2	Finance income	3,174	1,956	62.3
(3,298)	(2,841)	16.1	Finance expense	(11,160)	(11,446)	(2.5)
5,471	11,115	(50.8)	Total other income / (expense)	21,248	(1,876)	-
50,836	69,067	(26.4)	Profit before income tax	219,991	207,665	5.9
(6,398)	(10,838)	(41.0)	Current income tax expense	(30,085)	(33,728)	(10.8)
(1,058)	(1,414)	(25.2)	Deferred income tax expense	(5,754)	(6,268)	(8.2)
(7,456)	(12,252)	(39.1)	Total income tax expense	(35,839)	(39,996)	(10.4)
43,380	56,815	(23.6)	Profit for the period	184,152	167,669	9.8
(1,761)	(864)	103.8	Less: Profit attributable to non-controlling interest	(7,856)	(7,307)	7.5
41,619	55,951	(25.6)	Profit attributable to Gazprom Neft	176,296	160,362	9.9

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

Revenues

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
Crude oil						
57,249	56,559	1.2	Export	195,567	153,272	27.6
97,349	87,325	11.5	Export sales	346,213	304,758	13.6
(40,100)	(30,766)	30.3	Less related export duties	(150,646)	(151,486)	(0.6)
717	-	-	International markets	1,740	-	-
7,100	6,352	11.8	Export to CIS	29,783	36,259	(17.9)
3,401	3,192	6.5	Domestic	12,988	2,052	532.9
68,467	66,103	3.6	Total crude oil revenue	240,078	191,583	25.3
Gas						
1,630	1,609	1.3	International markets	6,281	5,366	17.1
5,239	3,749	39.7	Domestic	17,540	12,809	36.9
6,869	5,358	28.2	Total gas revenue	23,821	18,175	31.1
Petroleum products						
60,398	63,216	(4.5)	Export	240,381	210,612	14.1
87,448	91,599	(4.5)	Export sales	349,049	287,753	21.3
(27,050)	(28,383)	(4.7)	Less related export duties	(108,668)	(77,141)	40.9
20,032	19,274	3.9	International markets	69,876	66,672	4.8
27,141	25,638	5.9	Sales on international markets	92,725	91,424	1.4
(7,109)	(6,364)	11.7	Excise*	(22,849)	(24,752)	(7.7)
12,483	14,411	(13.4)	CIS	54,539	38,394	42.1
13,516	15,451	(12.5)	Export sales and sales in CIS	59,177	46,808	26.4
(1,033)	(1,040)	(0.7)	Less related export duties	(4,638)	(8,414)	(44.9)
139,896	157,918	(11.4)	Domestic	571,020	478,172	19.4
232,809	254,819	(8.6)	Total petroleum products revenue	935,816	793,850	17.9
9,801	6,858	42.9	Other revenue	30,551	26,195	16.6
317,946	333,138	(4.6)	Total revenue	1,230,266	1,029,803	19.5

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

Sales Volumes

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
(MMtonnes)			Crude oil	(MMtonnes)		
3.99	3.46	15.3	Export	14.12	13.08	8.0
0.03	-	-	Sales on international markets	0.07	-	-
0.62	0.51	21.6	Export to CIS	2.50	2.99	(16.4)
0.33	0.28	17.9	Domestic sales	1.23	0.20	515.0
4.97	4.25	16.9	Total crude oil sales	17.92	16.27	10.1
(bcm)			Gas	(bcm)		
0.12	0.11	9.1	International markets	0.46	0.44	4.5
3.06	2.19	39.7	Domestic sales	10.50	9.31	12.8
3.18	2.30	38.3	Total gas sales	10.96	9.75	12.4
(MMtonnes)			Petroleum products	(MMtonnes)		
3.54	3.68	(3.8)	Export	14.13	12.63	11.9
0.69	0.64	7.8	Sales on international markets	2.40	2.43	(1.2)
0.49	0.57	(14.0)	Export and sales in CIS	2.35	2.05	14.6
5.82	6.98	(16.6)	Domestic sales	25.10	24.29	3.3
10.54	11.87	(11.2)	Total petroleum products sales	43.98	41.40	6.2

Average Realized Sales Prices

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
24,398	25,238	(3.3)	Export	24,519	23,300	5.2
11,452	12,455	(8.1)	Export and sales in CIS	11,913	12,127	(1.8)
10,306	11,400	(9.6)	Domestic sales	10,559	10,260	2.9
(RUB per tonne)			Petroleum products	(RUB per tonne)		
24,703	24,891	(0.8)	Export	24,703	22,783	8.4
39,335	40,059	(1.8)	Sales on international markets	38,635	37,623	2.7
27,584	27,107	1.8	Export and sales in CIS	25,182	22,833	10.3
24,037	22,624	6.2	Domestic sales	22,750	19,686	15.6

Crude Oil Export Sales

- The 13.6% increase in crude export sales Y-o-Y was driven by 5.2% increase in realized oil prices and an 8.0% increase in sales volumes resulting from market expansion
- The 11.5% increase in crude export sales Q-o-Q was driven by a 15.3% increase in sales volumes offset by 3.3% decrease in oil prices
- The decrease in crude export and sales in CIS Y-o-Y resulted from reallocation of crude from export to refining at Mozyr
- Domestic crude sales increased with the acquisition of a subsidiary in Orenburg in 4Q 2011.

Petroleum Products Exports

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	2,501	0.08	3,121	0.10	(19.9)	(20.0)
Low octane gasoline	2,330	0.09	2,365	0.08	(1.5)	12.5
Naphtha	7,679	0.26	9,412	0.33	(18.4)	(21.2)
Diesel	31,558	1.04	31,329	1.02	0.7	2.0
Fuel oil	27,725	1.53	33,418	1.69	(17.0)	(9.5)
Jet fuel	2,412	0.07	2,126	0.06	13.5	16.7
Other	13,243	0.47	9,828	0.40	34.7	17.5
Total	87,448	3.54	91,599	3.68	(4.5)	(3.8)
	12m 2012		12m 2011		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	9,827	0.32	3,444	0.13	185.3	146.2
Low octane gasoline	5,585	0.20	800	0.03	598.1	566.7
Naphtha	33,809	1.19	27,479	1.00	23.0	19.0
Diesel	117,812	3.93	126,351	4.66	(6.8)	(15.7)
Fuel oil	129,435	6.66	110,607	6.15	17.0	8.3
Jet fuel	7,545	0.22	4,660	0.15	61.9	46.7
Other	45,036	1.61	14,412	0.51	212.5	215.7
Total	349,049	14.13	287,753	12.63	21.3	11.9

- Gasoline export volumes increased more than three times Y-o-Y driven by growing refining throughput at Mozyr refinery
- Fuel oil export volumes increased 8.3% Y-o-Y driven by growing refining throughput combined with decreased domestic sales

- Jet fuel export volumes increased 46.7% Y-o-Y driven by the growing jet fueling network: 35 new airports covered in 11 countries – Croatia, Ethiopia, Latvia, the Maldives, Nicaragua, Portugal, the Seychelles, Uganda, the United Kingdom, the United States, and Vietnam
- Diesel export volumes decreased 15.7% Y-o-Y due to growing domestic demand
- Petroleum products export sales decreased 4.5% Q-o-Q driven by a 3.8% volume decrease due to seasonal factors.

Petroleum Products Sales on International Markets

- Sales of petroleum products on international markets increased 1.4% Y-o-Y driven by a 2.7% increase in prices
- Sales of petroleum products on international markets increased 5.9% Q-o-Q driven by 7.8% increase in volume.

Petroleum Products Export and Sales in CIS

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	4,452	0.15	4,823	0.15	(7.7)	-
Low octane gasoline	1,284	0.05	1,290	0.05	(0.5)	-
Diesel	3,595	0.13	3,800	0.15	(5.4)	(13.3)
Fuel oil	667	0.05	1,128	0.09	(40.9)	(44.4)
Jet fuel	2,081	0.05	2,356	0.06	(11.7)	(16.7)
Other	1,437	0.06	2,054	0.07	(30.0)	(14.3)
Total	13,516	0.49	15,451	0.57	(12.5)	(14.0)

	12m 2012		12m 2011		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	18,928	0.65	15,564	0.57	21.6	14.0
Low octane gasoline	4,785	0.19	4,401	0.23	8.7	(17.4)
Naphtha	1,012	0.06	2,396	0.11	(57.8)	(45.5)
Diesel	14,346	0.54	14,055	0.58	2.1	(6.9)
Fuel oil	2,842	0.23	952	0.08	198.5	187.5
Jet fuel	9,074	0.23	2,696	0.11	236.6	109.1
Other	8,190	0.45	6,744	0.37	21.4	21.6
Total	59,177	2.35	46,808	2.05	26.4	14.6

- Fuel oil volumes sold in the CIS increased nearly threefold Y-o-Y driven by increased sales in Kazakhstan
- Jet fuel volumes sold in the CIS increased more than doubled Y-o-Y because of an expanded sales network

Domestic Sales of Petroleum Products

	4Q 2012		3Q 2012		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	54,538	1.83	56,664	2.00	(3.8)	(8.5)
Low octane gasoline	2,284	0.08	2,312	0.10	(1.2)	(20.0)
Diesel	43,647	1.63	50,236	2.05	(13.1)	(20.5)
Fuel oil	7,883	0.61	4,267	0.42	84.7	45.2
Jet fuel	13,150	0.55	18,485	0.78	(28.9)	(29.5)
Other	18,394	1.12	25,954	1.63	(29.1)	(31.3)
Total	139,896	5.82	157,918	6.98	(11.4)	(16.6)

	12m 2012		12m 2011		Δ, %	
	RUB million	MM tonnes	RUB million	MM tonnes	RUB million	MM tonnes
High octane gasoline	214,569	7.71	180,123	7.11	19.1	8.4
Low octane gasoline	9,147	0.37	16,771	0.74	(45.5)	(50.0)
Diesel	183,501	7.38	139,954	6.66	31.1	10.8
Fuel oil	21,000	1.91	44,119	3.72	(52.4)	(48.7)
Jet fuel	62,019	2.65	49,305	2.50	25.8	6.0
Other	80,784	5.08	47,900	3.56	68.7	42.7
Total	571,020	25.10	478,172	24.29	19.4	3.3

- Domestic sales volumes increased 3.3% Y-o-Y driven by increased refining throughput
- The 50.0% and 48.7% Y-o-Y decrease in volume of sales of low octane gasoline and fuel oil, respectively, were caused by reallocating volumes to export due to decreasing domestic demand for these products

Other Revenue

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

- The other revenue increase of 16.6% Y-o-Y was primarily driven by changes in volumes sold.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products increased 37.0% Y-o-Y primarily due to increase in volume of crude purchased on international and domestic markets

Production and Manufacturing Expenses

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
14,481	12,926	12.0	Upstream expenses	50,911	47,795	6.5
1,384	1,302	6.4	<i>RUB per toe of production</i>	1,263	1,262	0.0
6.08	5.55	9.5	<i>USD¹ per boe</i>	5.54	5.86	(5.5)
9,184	8,258	11.2	Downstream expenses	32,737	27,010	21.2
5,179	4,165	24.3	Refining expenses at own refineries	17,602	15,815	11.3
635	479	32.6	<i>RUB per tonne</i>	521	478	9.1
2.79	2.04	36.5	<i>USD¹ per boe</i>	2.29	2.22	3.1
			Refining expenses at equity associates refineries	10,530	7,897	33.3
2,788	2,916	(4.4)	<i>RUB per tonne</i>	1,099	1,069	2.9
1,106	1,109	(0.2)	<i>USD¹ per boe</i>	4.82	4.96	(2.8)
4.86	4.73	2.8	Lubricants manufacturing expenses	4,605	3,298	39.6
1,217	1,177	3.4				
5,125	6,042	(15.2)	Transportation expenses to refineries	21,946	17,786	23.4
5,841	4,816	21.3	Other operating expenses	17,773	14,932	19.0
34,631	32,042	8.1	Total	123,367	107,523	14.7

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 increased 6.5% Y-o-Y due to increased hydrocarbon production including acquisition of the Orenburg assets
- Upstream expenses per boe of production increased 6.4% Q-o-Q due to seasonally higher costs during the winter and increased activities to improve yields
- Refining expenses at our 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 11.3% Y-o-Y primarily due to higher tariffs of natural monopolies, start of new processing units at Omsk, and scheduled maintenance of primary refining unit at Moscow (performed every two years)
- Refining expenses at own refineries increased 24.3% Q-o-Q due to the start of new processing units at Omsk, and scheduled maintenance of the primary refining unit at Moscow
- Refining expenses at equity associate refineries increased 33.3% Y-o-Y due to higher throughput at the Yaroslavl and Mozyr refineries
- Lubricants manufacturing expenses increased 39.6% Y-o-Y due to differences in maintenance schedules at the Omsk lubricants plant, and increased production of packaged lubricants
- Transportation expenses to refineries increased 23.4% Y-o-Y due to 7.0% higher refining throughput and increases in tariffs
- The 15.2% Q-o-Q decrease in transportation expenses to refineries was a result of lower volumes transported, owing to lower refining throughput.

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 by 28.6% Y-o-Y and 4.1% Q-o-Q due to business expansion, including higher premium sales, and inflation.

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

- The increase in transportation expenses Y-o-Y was driven by higher tariffs and increased sales volumes.

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 4.8% Y-o-Y in line with the increase in depreciable assets driven by capital expenditure.

Taxes Other than Income Tax

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
39,412	40,157	(1.9)	Mineral extraction taxes	156,164	133,335	17.1
15,251	19,977	(23.7)	Excise	76,408	58,308	31.0
1,838	1,756	4.7	Property tax	7,029	6,140	14.5
2,505	2,393	4.7	Other taxes	11,527	10,413	10.7
59,006	64,283	(8.2)	Total taxes other than income tax	251,128	208,196	20.6

- Mineral extraction tax (MET) expenses increased 17.1% Y-o-Y due to higher tax rates for both gas and crude oil:
 - The MET rate for gas doubled from 1 January 2012
 - The MET rate for crude oil increased in proportion to oil prices, and the base rate also increased from 419 RUB/tonne to 446 RUB/tonne
- Excise tax expenses increased 31.0% Y-o-Y due to the introduction of higher rates on 1 January 2012. Excise rates on gasoline increased 31%, naphtha 28%, diesel 55%, and lubricants 30%
- MET expenses declined 1.9% Q-o-Q in line with the 2.7% decrease in the MET rate, offset by a 0.5% increase in crude oil production by consolidated subsidiaries
- Excise tax expenses decreased 23.7% Q-o-Q due to lower refining throughput and increased production of Class 5 petroleum products.

Share of Profit of Equity Accounted Investments

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
2,856	6,464	(55.8)	Share of profit / (loss) of Slavneft	12,229	(140)	-
1,537	2,186	(29.7)	Share of profit of Tomskneft	7,078	2,972	138.2
1,551	3,084	(49.7)	Share of profit of SPD	8,436	3,188	164.6
(58)	(225)	(74.2)	Share of loss of SE	(170)	(294)	(42.2)
356	176	102.3	Share of profit of other companies	708	1,148	(38.3)
6,242	11,685	(46.6)	Share of profit of equity accounted investments	28,281	6,874	311.4

- The Group's share of profit of equity investments increased more than fourfold due to the adoption of the 60/66 tax regime in 4Q 2011 (the regime reduced export duty rates for crude oil from 65% to 60%), which resulted in higher domestic crude prices and a resulting increase in the profit of associated entities selling crude oil domestically
- The Group reported a decline in the profits from its share in equity investments Q-o-Q due to negative duty lag which led to lower domestic oil 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 more efficient cash management
- Finance expenses declined 2.5% Y-o-Y as a result of the Group's success in reducing our effective interest rate.

Liquidity and Capital Resources

Cash Flows

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ %
65,254	50,085	30.3	Net cash provided by operating activities	231,073	180,871	27.8
(55,443)	(40,870)	35.7	Net cash used in investing activities	(166,615)	(142,289)	17.1
(6,628)	(3,305)	100.5	Net cash used in financing activities	(16,032)	(45,505)	(64.8)
3,183	5,910	(46.1)	Net increase/(decrease) of cash and cash equivalents	48,426	(6,923)	-

Net Cash Provided by Operating Activities

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ %
60,251	75,661	(20.4)	Net cash provided by operating activities before changes in working capital	259,034	277,321	(6.6)
7,255	(23,431)	-	Net changes in working capital	(9,179)	(57,302)	(84.0)
(6,431)	(6,984)	(7.9)	Income tax paid	(25,361)	(43,047)	(41.1)
(3,553)	(2,701)	31.5	Interest paid	(11,302)	(9,657)	17.0
7,732	7,540	2.5	Dividends received	17,881	13,556	31.9
65,254	50,085	30.3	Net cash provided by operating activities	231,073	180,871	27.8

- Net cash provided by operating activities increased 27.8% Y-o-Y due to 9.9% increase in profit and improved working capital management
- Net cash provided by operating activities increased 30.3% Q-o-Q primarily due to improved working capital management

Net Cash Used in Investing Activities

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ %
(52,089)	(43,736)	19.1	Capital expenditures	(158,102)	(130,788)	20.9
(1,290)	(501)	157.5	Acquisition of subsidiaries and shares in equity affiliates	(2,261)	(17,745)	(87.3)
19	6,090	(99.7)	Net changes in deposits	(4,239)	3,395	-
(2,083)	(2,723)	(23.5)	Other transactions	(2,013)	2,849	-
(55,443)	(40,870)	35.7	Net cash used in investing activities	(166,615)	(142,289)	17.1

- Net cash used in investing activities increased 17.1% Y-o-Y RUB million due to:
 - 20.9% increase in capital expenditure
 - Decreased cash used in M&A activities. In the 4Q 2011 the Company acquired the Orenburg assets, but did not make similar expenditures in 2012
 - Increased volume of cash deposited in banks (there were net withdrawals in 2011).

Net Cash Used in Financing Activities

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ %
(515)	31,755	(101.6)	Net changes in debt	25,418	8,334	205.0
(4)	(34,424)	(100.0)	Payment of dividends to shareholders	(34,433)	(29,157)	18.1
(5,287)	(13)	40,569.2	Acquisition of non-controlling interest in subsidiaries	(5,572)	(23,722)	(76.5)
(822)	(623)	31.9	Other transactions	(1,445)	(960)	50.5
(6,628)	(3,305)	100.5	Net cash used in financing activities	(16,032)	(45,505)	(64.8)

- Net cash used in financing activities decreased 64.8% Y-o-Y mainly due to the acquisition of non-controlling interests (mostly in NIS and Sibir Energy) during 2011 in the amount of 23,722 RUB million. There were no significant transactions in 2012.

Capital Expenditure

(RUB million)	2012	2011	Δ, %
Exploration and production	90,812	70,606	28.6
Refining	41,844	31,227	34.0
Marketing and distribution	16,224	16,259	(0.2)
Others	9,802	7,102	38.0
Subtotal capital expenditures	158,682	125,194	26.7
Change in advances issued and material used in capital expenditures	(580)	5,594	-
Total capital expenditures	158,102	130,788	20.9

- Capital expenditures for Exploration and Production increased 28.6% Y-o-Y mostly due to development of the Orenburg assets. The reorientation to drilling of more expensive horizontal wells also led to increased capital expenditures
- Capital expenditures for Refining increased 34.0% Y-o-Y mostly due to construction of the isomerization unit and catalytic cracking gasoline hydrotreating unit and reconstruction of the diesel hydrotreating unit at the Moscow refinery.

Debt and Liquidity

(RUB million)	2012	2011
Short-term loans and borrowings	66,195	44,330
Long-term loans and borrowings	166,417	176,979
Cash and cash equivalents	(76,012)	(29,435)
Short-term deposits	(7,495)	(246)
Net debt	149,105	191,628
Short-term debt / total debt, %	28.5	20.0
Net debt / EBITDA ttm	0.51	0.71

- The Group has a diversified debt structure that includes pre-export financing, syndicated and bilateral loans, bonds, and other instruments
- Average maturity of the Group's debt increased from 2.68 years in 4Q 2011 to 3.81 years in 4Q 2012 as a result of the series 1 issue of 1,500 USD million 10 year loan participation notes in September 2012, however this also resulted in slight increase of the average interest rate to 3.48% as at 31 December 2012.

Financial Appendix

EBITDA Reconciliation

4Q 2012	3Q 2012	Δ, %	(RUB million)	2012	2011	Δ, %
43,380	56,815	(23.6)	Profit for the period	184,152	167,669	9.8
7,456	12,252	(39.1)	Total income tax expense	35,839	39,996	(10.4)
3,298	2,841	16.1	Finance expense	11,160	11,446	(2.5)
(1,034)	(514)	101.2	Finance income	(3,174)	(1,956)	62.3
15,022	14,956	0.4	Depreciation, depletion and amortization	58,461	55,799	4.8
(1,493)	(1,757)	(15.0)	Net foreign exchange gain	(953)	(740)	28.8
4,246	2,254	88.4	Other (loss) / gain, net	4,891	(925)	-
70,875	86,847	(18.4)	EBITDA	290,376	271,289	7.0
(6,242)	(11,685)	(46.6)	less Share of profit of equity accounted investments	(28,281)	(6,874)	311.4
13,579	20,435	(33.6)	Share of EBITDA of equity accounted investments	61,011	35,662	71.1
78,212	95,597	(18.2)	Adjusted EBITDA	323,106	300,077	7.7

Profitability

	2012	2011	Δ, p.p.
Adjusted EBITDA margin, %	26.26	29.14	(2.9)
Net profit margin, %	14.97	16.28	(1.3)
Return on assets (ROA), %	15.23	16.17	(0.9)
Return on equity (ROE), %	22.91	24.99	(2.1)
Return on average capital employed (ROACE), %	19.49	20.58	(1.1)

Liquidity

	2012	2011	Δ, %
Current ratio	1.87	1.98	(5.3)
Quick ratio	0.82	0.79	2.9
Cash ratio	0.47	0.32	47.0

Leverage

	2012	2011	Δ, p.p.
Net debt/ Total Assets, %	11.47	17.14	(5.7)
Net debt/ Equity, %	17.03	26.17	(9.1)
Gearing, %	15.17	20.76	(5.6)
			Δ, %
Net debt/ Market Capitalization	0.22	0.27	(19.1)
Net debt/ EBITDA	0.51	0.71	(27.3)
Total debt/ EBITDA	0.80	0.82	(1.8)

Supplementary Information

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 the exchange rate between the Russian ruble and the 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

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

Petroleum product prices on international markets are primarily determined by world prices for crude oil, the 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 2012	3Q 2012	Δ, %		2012	2011	Δ, %
			International market	(US\$/ barrel)		
110.08	109.50	0.5	Brent	111.67	111.24	0.4
108.80	108.91	(0.1)	Urals Spot (average Med + NWE)	110.43	109.10	1.2
				(US\$/ tonne)		
988.86	1,067.42	(7.4)	Premium gasoline (average NWE)	1,035.87	983.88	5.3
930.31	898.31	3.6	Naphtha (average Med. + NWE)	926.84	920.81	0.7
985.32	978.91	0.7	Diesel fuel (average NWE)	980.17	958.97	2.2
946.51	944.08	0.3	Gasoil 0.2% (average Med. + NWE)	953.79	931.87	2.4
582.27	614.75	(5.3)	Fuel oil 3.5% (average NWE)	623.48	602.55	3.5
			Domestic market	(RUB/ tonne)		
28,309	26,979	4.9	High-octane gasoline	26,205	24,603	6.5
24,481	23,519	4.1	Low-octane gasoline	23,239	22,102	5.1
26,257	24,488	7.2	Diesel fuel	24,270	20,855	16.4
9,049	9,651	(6.2)	Fuel oil	9,167	8,712	5.2

Sources: *Platts (international), Kortex (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 2012	3Q 2012		2012	2011
1.3	1.9	Change in Consumer Price Index (CPI), %	6.6	6.2
(3.7)	8.9	Change in Producer Price Index (PPI), %	5.0	12.3
30.37	30.92	US\$/ RUB exchange rate as of the end of the period	30.37	32.20
31.08	32.01	Average RUB/US\$ exchange rate for the period	31.09	29.39

Hydrocarbon Taxes

4Q 2012	3Q 2012	Δ, %		2012	2011	Δ, %
			Export customs duty	(US\$/ tonne)		
406.63	366.57	10.9	Crude oil	404.26	408.92	(1.1)
268.37	241.90	10.9	Light petroleum products	266.78	274.07	(2.7)
365.97	329.90	10.9	High-octane gasoline and naphtha	363.79	391.16	(7.0)
268.37	241.90	10.9	Heavy petroleum products	266.78	208.21	28.1
			Mineral extraction tax			
5,007	5,147	(2.7)	Crude oil (RUB/ tonne)	5,066	4,455	13.7
-	-	-	Natural gas (RUB/Mcm)	-	237	-
509	509	-	Natural gas for owners of Integrated gas-supply system and its subsidiaries (RUB/Mcm)	509	-	-
251	251	-	Natural gas for other categories (RUB/Mcm)	251	-	-

Crude oil export customs duty rate. The export customs duty rate per tonne of crude oil is established on a monthly basis by the Government of the Russian Federation. The rate is based on the average Urals price in the period from the 15th calendar day of the prior month to the 14th calendar day of the current month (the monitoring period). The rate is effective on the first day of the month following the monitoring period.

The Government sets export custom duty rates according to the following formulas (Established by Russian Federal Law #5003-1 (21 May 1993)):

Quoted Urals price (P), USD/ tonne	Maximum Export Custom Duty Rate
0 – 109.50	0%
109.50 – 146.00	35.0% * (P - 109.50)
146.00 – 182.50	US\$ 12.78 + 45.0% * (P - 146.00)
>182.50	US\$ 29.20 + 65.0% * (P - 182.50)

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

Prior to October 2011 when the new 60/66/90 tax regime was introduced, the top 60% marginal rate in the above export customs duty formula was 65%, although that percentage decrease was not confirmed in customs legislation

Export customs duty rate on petroleum products. 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, Kyrgyzstan) are not subject to export 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 in order 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 10, 2011 until December 31,	
	2014	From January 1, 2015
Light and middle distillates	0.66	0.66
Fuel oil	0.66	1.00
Gasoline	0.90	0.90

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 # 338-FZ (November 28, 2011) established the following excise rates for petroleum products with effect from January 1, 2012:

Excise rates on petroleum products (RUB/tonne)	2011	2012		2013	2014
		from January up to June	from July up to December		
Gasoline					
Class 3	5,672	7,382	7,882	9,750	10,725
Class 4	5,143	6,822	6,822	8,560	9,416
Class 5	5,143	6,822	5,143	5,143	5,657
Naphtha	6,089	7,824	7,824	9,617	10,579
Other	5,995	7,725	8,225	10,100	11,110
Diesel fuel					
Class 3	2,485	3,814	4,300	5,860	6,446
Class 4	2,247	3,562	3,562	4,934	5,427
Class 5	2,247	3,562	2,962	4,334	4,767
Other	2,753	4,098	4,300	5,860	6,446
Motor oils	4,681	6,072	6,072	7,509	8,260

Mineral extraction tax (MET) on crude oil. The mineral extraction tax rate on crude oil (R) is calculated in 2012 using the following general formula:

$R = 446 * K_c * K_v * K_z$, where

$K_c = (P-15) * D / 261$, where P is average monthly Urals oil price on the Rotterdam and Mediterranean markets (US\$/bbl) and D is the average ruble/ US dollar exchange rate.

K_v characterizes the degree of depletion of the field. Depletion is measured by N/V , where N is the accumulated production volume from the field and V is the total reserves (ABC1 + C2 reserves volume according to the state mineral reserves balance for the specific field as at 01 January, 2006). For fields with depletion between 0.8 and 1, $K_v = 3.8 - 3.5 * N / V$. Where depletion is greater than 1, K_v is 0.3. In all other cases $K_v = 1$.

K_z is a factor that decreases the tax rate for small fields. In cases where a field's initial reserves (designated by V_3 , defined as ABC1 + C2 reserves volume according to the state mineral reserves balance approved in the year proceeding the tax period) are lower than 5 MMtonnes and depletion (N/V) is less than 0.05, $K_z = 0.125 * V_3 + 0.375$

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

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

Mineral extraction tax (MET) on natural gas. In 2011 the rate of mineral extraction tax for natural gas equaled 237 RUB per thousand cubic meters of natural gas. Russian federal law # 338-FZ (November 28, 2011) established mineral extraction tax rates for natural gas as follows:

	2012	2013	2014
	251*	265*	278*
MET on natural gas (RUB/ Mcm)	509	582	622

* 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.

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

4Q	3Q					
2012	2012	Δ, %	(RUB per tonne)	2012	2011	Δ, %
Crude oil						
Export						
1,545.00	1,505.36	2.6	Pipeline	1,522.19	1,424.40	6.9
CIS						
1,290.00	1,282.87	0.6	Pipeline	1,220.67	1,217.71	0.2
Transportation to Refineries						
443.00	441.71	0.3	ONPZ	451.55	446.26	1.2
979.00	819.84	19.4	MNPZ	883.65	667.16	32.4
1,074.00	1,067.50	0.6	YaNPZ	872.10	903.86	(3.5)
Petroleum products						
Export from ONPZ						
2,902.00	2,836.44	2.3	Gasoline	2,551.84	2,106.23	21.2
3,637.00	3,529.17	3.1	Fuel oil	3,537.01	3,224.47	9.7
3,323.00	3,376.18	(1.6)	Diesel fuel	3,288.34	2,579.14	27.5
Export from MNPZ						
1,620.00	1,722.81	(6.0)	Gasoline	1,650.03	1,465.12	12.6
1,386.00	1,368.14	1.3	Fuel oil	1,402.24	1,340.22	4.6
1,706.00	1,710.20	(0.2)	Diesel fuel	1,655.55	1,418.60	16.7
Export from YaNPZ						
1,029.00	968.00	6.3	Gasoline	1,247.74	1,406.81	(11.3)
1,487.00	1,360.38	9.3	Fuel oil	1,433.57	1,368.54	4.8
1,330.00	1,326.15	0.3	Diesel fuel	1,305.22	1,232.77	5.9

In 2012 the Group exported 62.77% (49.4% in 2011) of its total crude export through Baltic Sea ports – 50.22% through Primorsk and 12.55% through Ust-Luga; 24.57% (21.67% in 2011) was exported through Druzhba pipeline, principally to Germany and the Czech Republic; 9.14% (6.42% in 2011) was exported through the port of Novorossiysk including 6.13% (1.18% in 2011) of light crude oil; 2.68% (8.31% in 2011) was exported through the port of Tuapse; 0.84% (14.20% in 2011) was exported through the ESPO pipeline and the port of Kozmino. Exports of crude to CIS countries in 2012 were: 77.96% (88.97% in 2011) to Belarus and 22.04% (11.03% in 2011) to Kazakhstan.

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