

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended June 30 and March 31, 2012 and six months
ended June 30, 2012 and 2011**

Definitions and Conversions

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

Such terms as "Gazprom Neft", "Company," and "Group" in their different forms in this report represent JSC Gazprom Neft and its consolidated subsidiaries and equity associates. 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

2Q 2012	1Q 2012	Δ, %		6m 2012	2011	Δ, % 2012-2011
Financial results						
301,206	277,976	8.4	Revenue (RUB million)	579,182	487,500	18.8
70,035	79,262	(11.6)	Adjusted EBITDA* (RUB million)	149,297	140,076	6.6
4,747.0	5,370.1	(11.6)	RUB per toe of production	5,058.6	4,997.4	1.2
20.8	24.1	(13.8)	USD per boe of production	22.5	23.7	(5.3)
30,353	48,373	(37.3)	Profit attributable to Gazprom Neft (RUB million)	78,726	78,449	0.4
Operational results						
108.49	108.51	(0.0)	Hydrocarbon production including our share in equity associates (million boe)	217.00	206.39	5.1
92.33	92.47	(0.2)	Crude oil production including our share in equity associates (million bbl)	184.80	181.01	2.1
96.94	96.27	0.7	Gas production including our share in equity associates (bcf)	193.21	152.29	26.9
10.59	9.60	10.3	Production of petroleum products at own and equity associates refineries (million tonnes)	20.19	18.69	8.0

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

6m 2012 Highlights

- Started industrial production of gas from Samburgskoye field (SeverEnergia) in April
- Started up new catalytic cracking gasoline hydrotreating unit at Omsk refinery in May
- Moved to 100% high-octane gasoline (AI-92 and AI-95) of ecological class 5 at Yaroslavl refinery from January
- Expanded jet fueling network by adding new airports in Russia (Kazan, Barnaul, Noviy Urengoy, Ulyanovsk, Krasnoyarsk) and abroad (Greece, Portugal, Italy) and increasing the number of Russian and foreign airlines served
- Began operating new modern bunkering vessel at "Gazpromneft-Nord-West" port in St. Petersburg in March
- Expanded retail network in northwestern region. Extended G-Energy product range with 35 new products

Results for 6m 2012 Compared with 6m 2011

- Higher oil prices, increased refining throughput, and product mix optimization supported improved financial results, with 18.8% higher revenue driving a 6.6% increase in adjusted EBITDA
- Total hydrocarbon production including share in equity associates increased 5.1% to 217.0 million boe. Oil production increased 2.1% to 184.8 million bbl, and gas increased 26.9% to 193.21 bcf due to higher associate gas output (resulting from higher utilization and uninterrupted operation of the transportation system) and the addition of new production (Orenburg assets, SeverEnergia)
- Refining throughput increased 8.1% in response to growing refining margin on domestic market and the start of production at Mozyr refinery

Results for 2Q 2012 Compared with 1Q 2012

- Revenues rose 8.4% due to higher refining throughput and increased sales of petroleum products
- Adjusted EBITDA declined 11.6%, driven by the decrease in average oil prices (stabilization in April and major decrease in May and June) and negative custom duty effect (duty lag);
- Unchanged total hydrocarbon production;
- Refining throughput increased 10.0% as refining continues to offer more attractive margins than the sale of crude oil.

Operational Data and Analysis

Production Drilling

2Q 2012	1Q 2012	Δ, %		6m		Δ, %
				2012	2011	2012-2011
Consolidated subsidiaries						
715	479	49.4	Production drilling ('000 meters)	1,194	1,212	(1.5)
163	127	28.3	Production wells drilled	290	365	(20.5)
14.40	14.69	(2.0)	Average well flow (tonnes per day)	14.55	15.37	(5.4)
83.80	83.45	0.4	Watercut, %	83.63	83.88	(0.3)
Equity associates						
407	320	27.1	Production drilling ('000 meters)	726	831	(12.6)
101	75	34.7	Production wells drilled	176	241	(27.0)

- The Group has been reorienting its drilling toward horizontal wells, which are more complex than vertical wells, but deliver greater yields. As a result production drilling footage decreased 1.5% Y-o-Y and the number of production wells drilled decreased 20.5% Y-o-Y
- Production drilling footage increased Q-o-Q by 49.4% due to a seasonal increase in activity. The number of new production wells drilled increased Q-o-Q by 28.3%

Production

2Q 2012	1Q 2012	Δ, %		6m		Δ, %
				2012	2011	2012-2011
(MMbbl)			Crude oil (MMbbl)			
28.20	28.63	(1.5)	Noyabrskneftegaz	56.83	60.34	(5.8)
20.82	20.07	3.7	Yugra	40.89	36.49	12.1
1.95	2.14	(8.7)	Gazprom Neft	4.09	5.45	(24.9)
2.22	2.22	0.2	NIS	4.44	4.05	9.7
6.53	6.40	2.0	Others	12.93	7.66	68.8
59.72	59.46	0.4	Total crude oil production by consolidated subsidiaries	119.18	113.99	4.6
16.20	16.42	(1.4)	Share in Slavneft	32.62	32.82	(0.6)
9.48	9.48	(0.0)	Share in Tomskneft	18.96	19.06	(0.5)
6.81	7.11	(4.2)	Share in SPD	13.92	15.14	(8.0)
0.12	-	-	Share in SE	0.12	-	-
32.61	33.01	(1.2)	Total share in production of equity associates	65.62	67.02	(2.1)
92.33	92.47	(0.2)	Total crude oil production	184.80	181.01	2.1
(Bcf)			Gas* (Bcf)			
80.07	84.58	(5.3)	Gazprom Neft (own)	164.65	133.61	23.2
3.67	3.79	(3.1)	Share in Slavneft	7.46	7.46	0.0
7.65	6.62	15.6	Share in Tomskneft	14.27	10.45	36.6
1.05	1.28	(18.2)	Share in SPD	2.33	0.77	202.2
4.49	-	-	Share in SE	4.49	-	-
96.94	96.27	0.7	Total gas production	193.21	152.29	26.9
(MMboe)			Hydrocarbons (MMboe)			
73.07	73.56	(0.7)	Gazprom Neft (own)	146.63	136.26	7.6
16.81	17.05	(1.4)	Share in Slavneft	33.86	34.06	(0.6)
10.75	10.58	1.6	Share in Tomskneft	21.33	20.80	2.5
6.99	7.32	(4.5)	Share in SPD	14.31	15.27	(6.3)
0.87	-	-	Share in SE	0.87	-	-
108.49	108.51	(0.0)	Total hydrocarbon production	217.00	206.39	5.1
1.19	1.19	(0.0)	Daily hydrocarbon production (MMboepd)	1.19	1.14	4.6

* Production volume includes marketable gas plus utilized gas

- Hydrocarbon production increased 5.1% Y-o-Y
- Hydrocarbon production was unchanged Q-o-Q, supported by the startup of production at SeverEnergia
- Oil production by consolidated subsidiaries increased 4.6% Y-o-Y, primarily as a result of an increase in activities to improve yields (hydrofracturing and recompletion) and acquisition of the Orenburg assets
- Oil production by consolidated subsidiaries increased 0.4% Q-o-Q. Lower base production from Noyabrskneftegas and Gazprom Neft was offset by increased production at Yugra's Priobskoye field
- The decrease in the share of crude oil production of equity associates relates mostly to SPD and resulted from increased watercut at the West-Salyrm field
- Gas production increased 26.9% Y-o-Y, mainly as a result of the acquisition of the Orenburg assets and implementation of the gas utilization program
- Gas production by consolidated subsidiaries decreased 5.3% Q-o-Q due to seasonal factors and scheduled maintenance at gas processing plants

Crude Oil Purchases

2Q	1Q			6m		Δ, %
2012	2012	Δ, %	(MMbbl)	2012	2011	2012-2011
17.28	11.65	48.3	Crude oil purchases in Russia*	28.93	20.49	41.2
5.71	2.07	175.8	Crude oil purchases internationally	7.78	6.06	28.4
22.99	13.72	67.6	Total crude oil purchases	36.71	26.55	38.3

* Crude oil purchases in Russia exclude purchases from the Group's equity associates Slavneft, Tomskneft, Salyrm Petroleum Development and SeverEnergia

- Changes in the domestic and foreign market environments allowed the Group to make advantageous purchases of significant quantities of crude oil on the domestic market
- The Group's Gazprom Neft Trading GmbH subsidiary started trading crude oil from Iraq

Refining

2Q	1Q			6m		Δ, %
2012	2012	Δ, %	(MMTonnes)	2012	2011	2012-2011
Refining throughput:						
5.30	4.91	7.9	Omsk	10.21	9.86	3.5
2.94	2.65	10.9	Moscow	5.59	5.30	5.5
0.71	0.41	73.2	Panchevo and Novi Sad	1.12	1.18	(5.1)
2.24	2.20	1.7	Share in Yaroslavl and Mozyr	4.44	3.41	30.1
11.19	10.17	10.0	Total refining throughput	21.36	19.75	8.1
Production of petroleum products						
2.27	2.14	6.1	Gasoline	4.41	4.05	8.9
0.12	0.09	33.3	Below class 2	0.21	0.23	(8.7)
0.36	0.03	1,100.0	Class 2	0.39	0.08	387.5
0.60	1.50	(60.0)	Class 3	2.10	3.34	(37.1)
1.19	0.52	128.8	Class 4 & 5	1.71	0.40	327.5
0.44	0.27	63.0	Naphtha	0.71	0.62	14.5
2.89	2.69	7.4	Diesel	5.58	5.72	(2.4)
0.22	0.24	(8.3)	Below class 2	0.46	2.70	(83.0)
0.60	1.08	(44.4)	Class 2	1.68	1.47	14.3
0.93	0.29	220.7	Class 3	1.22	0.04	2,950.0
0.65	0.54	20.4	Class 4	1.19	0.83	43.4
0.49	0.54	(9.3)	Class 5	1.03	0.68	51.5
2.20	2.29	(3.9)	Fuel oil	4.49	4.09	9.8
0.85	0.53	60.4	Jet fuel	1.38	1.27	8.7
1.94	1.68	15.5	Other	3.62	2.94	23.1
10.59	9.60	10.3	Total production	20.19	18.69	8.0

- Refining throughput increased:
 - By 8.1% Y-o-Y due to the availability of more attractive netbacks from refining than from crude exports and start of production at Mozyr refinery (the 5.1% reduction in refining throughput at Panchevo and Novi Sad was due to changes in local market conditions)
 - By 10.0% Q-o-Q due to increased seasonal demand
- Diesel fuel production decreased 2.4% Y-o-Y due to slightly increased production of bunkering fuel at Omsk and increased 7.4% Q-o-Q due to increased seasonal demand
- Gasoline production increased 8.9% Y-o-Y and 6.1% Q-o-Q in response to increased demand
- Production of class 4 and 5 gasoline and classes 3, 4 and 5 diesel fuel increased in response to differentiated excise tax rates that favor fuels of superior ecological characteristics
- Fuel oil production increased 9.8% Y-o-Y due to increased refining throughput and decreased 3.9% Q-o-Q due to a seasonal shift toward production of bunker fuel
- Jet fuel production increases of 8.7% Y-o-Y and 60.4% Q-o-Q were driven by expanding geographical coverage and increased demand

Petroleum Products Purchases on International Markets and in CIS

	2Q 2012		1Q 2012		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	854	0.02	-	-	-	-
Naphtha	896	0.03	1,314	0.04	(31.8)	(25.0)
Diesel	8,397	0.27	5,449	0.18	52.2	50.0
Fuel oil	1,303	0.07	1,135	0.05	14.8	40.0
Jet fuel	1,459	0.04	1,478	0.05	(1.3)	(20.0)
Other	272	0.01	309	0.01	(12.0)	-
Total	13,181	0.44	9,685	0.33	36.1	33.3

	6m 2012		6m 2011		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	917	0.02	1,426	0.07	(35.7)	(71.4)
Low octane gasoline	-	-	244	0.02	-	-
Naphtha	2,210	0.07	1,604	0.06	37.8	16.7
Diesel	13,783	0.45	9,362	0.36	47.2	25.0
Fuel oil	2,438	0.12	-	-	-	-
Jet fuel	2,937	0.09	1,735	0.06	69.3	50.0
Other	581	0.02	453	0.03	28.3	(20.0)
Total	22,866	0.77	14,824	0.60	54.2	29.4

- International and CIS petroleum products purchases increased 29.4% Y-o-Y and 33.3% Q-o-Q in volume terms due to increased trading activity

Domestic Purchases of Petroleum Products

	2Q 2012		1Q 2012		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	4,929	0.19	4,834	0.22	2.0	(13.6)
Diesel	1,300	0.05	1,160	0.04	12.1	25.0
Fuel oil	1,126	0.07	880	0.05	28.0	40.0
Jet fuel	1,682	0.07	1,381	0.06	21.8	16.7
Other	819	0.01	633	0.03	29.4	(66.7)
Total	9,856	0.39	8,888	0.40	10.9	(2.5)

	6m 2012		6m 2011		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	9,763	0.41	11,486	0.53	(15.0)	(22.6)
Low octane gasoline	-	-	180	0.01	-	-
Diesel	2,460	0.09	5,101	0.27	(51.8)	(66.7)
Fuel oil	2,006	0.12	1,888	0.18	6.3	(33.3)
Jet fuel	3,063	0.13	1,352	0.08	126.6	62.5
Other	1,452	0.04	753	0.04	92.8	(0.0)
Total	18,744	0.79	20,760	1.11	(9.7)	(28.9)

- Domestic petroleum products purchases declined Y-o-Y and Q-o-Q due to the Group's increased production of refined products

Products Marketing

2Q	1Q	Δ, %		6m		Δ, %
2012	2012			2012	2011	2012-2011
			Active retail stations	(units)		
1,041	1,052	(1.0)	In Russia	1,041	941	10.6
195	197	(1.0)	In CIS	195	180	8.3
372	429	(13.3)	In Eastern Europe	372	475	(21.7)
1,608	1,678	(4.2)	Total retail stations	1,608	1,596	0.8
			Average daily sales per retail site in Russia			
17.1	15.9	7.0	(tonnes per day)	16.5	12.5	31.5

- Average daily sales per retail site in Russia increased by 31.5% Y-o-Y and 7.0% Q-o-Q due to higher domestic demand for petroleum products and the results of the rebranding campaign and the customer loyalty program
- The total number of active retail sites decreased by 4.2% Q-o-Q due to reconstruction and rebranding activities in Russia and Europe and optimisation of the retail network in Serbia

Results of Operations

2Q 2012	1Q 2012	Δ, %	(RUB million)	6m 2012	2011	Δ, % 2012-2011
Sales						
379,603	344,535	10.2	Sales	724,138	609,366	18.8
(78,397)	(66,559)	17.8	Less export duties and excise tax*	(144,956)	(121,866)	18.9
301,206	277,976	8.4	Total revenue from sales	579,182	487,500	18.8
Costs and other deductions						
(109,953)	(87,571)	25.6	Purchases of oil, gas and petroleum products	(197,524)	(151,216)	30.6
(26,681)	(27,042)	(1.3)	Production and manufacturing expenses	(53,723)	(50,336)	6.7
(15,191)	(14,008)	8.4	Selling, general and administrative expenses	(29,199)	(24,726)	18.1
(24,249)	(23,775)	2.0	Transportation expenses	(48,024)	(40,760)	17.8
(14,413)	(14,070)	2.4	Depreciation, depletion and amortization	(28,483)	(25,838)	10.2
(63,556)	(64,283)	(1.1)	Taxes other than income tax	(127,839)	(99,433)	28.6
(218)	(355)	(38.6)	Exploration expenses	(573)	(881)	(35.0)
(254,261)	(231,104)	10.0	Total operating expenses	(485,365)	(393,190)	23.4
1,372	237	478.9	Other income, net	1,609	1,969	(18.3)
48,317	47,109	2.6	Operating profit	95,426	96,279	(0.9)
Share of (loss) / profit of equity accounted						
(1,733)	12,087	(114.3)	investments	10,354	4,482	131.0
(4,849)	2,552	(290.0)	Net foreign exchange (loss) / gain	(2,297)	7,861	(129.2)
1,083	543	99.4	Finance income	1,626	755	115.4
(2,683)	(2,338)	14.8	Finance expense	(5,021)	(5,683)	(11.6)
(8,182)	12,844	(163.7)	Total other (expense) / income	4,662	7,415	(37.1)
40,135	59,953	(33.1)	Profit before income tax	100,088	103,694	(3.5)
(4,524)	(8,325)	(45.7)	Current profit tax expense	(12,849)	(20,937)	(38.6)
(1,742)	(1,540)	13.1	Deferred profit tax expense	(3,282)	(2,031)	61.6
(6,266)	(9,865)	(36.5)	Total income tax expenses	(16,131)	(22,968)	(29.8)
33,869	50,088	(32.4)	Profit for the period	83,957	80,726	4.0
(3,516)	(1,715)	105.0	Less: Profit attributable to non-controlling interest	(5,231)	(2,277)	129.7
30,353	48,373	(37.3)	Profit attributable to Gazprom Neft	78,726	78,449	0.4

* Includes excise tax, calculated based on volumes of petroleum products sold by subsidiary in Serbia

Revenues

2Q	1Q			6m		Δ, %
2012	2012	Δ, %	(RUB million)	2012	2011	2012-2011
Crude oil						
41,916	39,843	5.2	Export	81,759	78,857	3.7
86,543	74,996	15.4	Export sales	161,539	150,815	7.1
(44,627)	(35,153)	27.0	Less related export duties	(79,780)	(71,958)	10.9
386	637	(39.4)	International markets	1,023	-	-
6,460	9,871	(34.6)	Export to CIS	16,331	17,110	(4.6)
3,481	2,914	19.5	Domestic	6,395	69	9,168.1
52,243	53,265	(1.9)	Total crude oil revenue	105,508	96,036	9.9
Gas						
1,620	1,422	13.9	International markets	3,042	2,157	41.0
3,588	4,964	(27.7)	Domestic	8,552	6,835	25.1
5,208	6,386	(18.4)	Total gas revenue	11,594	8,992	28.9
Petroleum products						
57,238	59,529	(3.8)	Export	116,767	108,826	7.3
84,557	85,445	(1.0)	Export sales	170,002	143,620	18.4
(27,319)	(25,916)	5.4	Less related export duties	(53,235)	(34,794)	53.0
16,416	14,154	16.0	International markets	30,570	30,135	1.4
21,746	18,200	19.5	Sales on international markets	39,946	41,598	(4.0)
(5,330)	(4,046)	31.7	Excise*	(9,376)	(11,463)	(18.2)
15,544	12,101	28.5	CIS	27,645	18,084	52.9
16,665	13,545	23.0	Export sales and sales in CIS	30,210	21,735	39.0
(1,121)	(1,444)	(22.4)	Less related export duties	(2,565)	(3,651)	(29.7)
147,140	126,066	16.7	Domestic	273,206	213,133	28.2
236,338	211,850	11.6	Total petroleum products revenue	448,188	370,178	21.1
7,417	6,475	14.5	Other revenue	13,892	12,294	13.0
301,206	277,976	8.4	Total revenue	579,182	487,500	18.8

* Includes excise tax, calculated based on volumes of petroleum products sold by subsidiary in Serbia

Sales Volumes

2Q	1Q			6m		Δ, %
2012	2012	Δ, %		2012	2011	2012-2011
(MMTonnes)			Crude oil			
3.70	3.01	22.9	Export and sales on international markets	6.71	6.74	(0.4)
0.55	0.82	(32.9)	Export to CIS	1.37	1.42	(3.5)
0.37	0.25	48.0	Domestic sales	0.62	0.01	5,536.4
4.62	4.08	13.2	Total crude oil sales	8.70	8.17	6.5
			Gas			
0.12	0.11	9.1	International markets	0.23	0.21	9.5
2.32	2.93	(20.8)	Domestic sales	5.25	4.73	11.0
2.44	3.04	(19.7)	Gas domestic sales (bcm)	5.48	4.94	10.9
(MMTonnes)			Petroleum products			
3.48	3.43	1.5	Export	6.91	6.45	7.1
0.57	0.50	14.0	Sales on international markets	1.07	1.14	(6.1)
0.70	0.59	18.6	Export and sales in CIS	1.29	1.02	26.5
6.66	5.74	16.0	Domestic sales	12.40	11.51	7.7
11.41	10.26	11.2	Total petroleum products sales	21.67	20.12	7.7

Average Realized Sales Prices

2Q 2012	1Q 2012	Δ, %		6m 2012	2011	Δ, % 2012-2011
(RUB per tonne)			Crude oil	(RUB per tonne)		
23,494	25,127	(6.5)	Export and sales on international markets	24,227	22,376	8.3
11,745	12,038	(2.4)	Export to CIS	11,920	12,049	(1.1)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
24,298	24,911	(2.5)	Export	24,602	22,267	10.5
38,151	36,400	4.8	Sales on international markets	37,333	36,489	2.3
23,807	22,958	3.7	Export and sales in CIS	23,419	21,309	9.9
22,093	21,963	0.6	Domestic sales	22,033	18,517	19.0

Crude Oil Export Sales

- The increase in crude export sales of 7.1% Y-o-Y was driven by the increase in oil price of 8.3%
- The increase in export sales of 15.4% Q-o-Q was driven by the 22.9% increase in sales volume

Petroleum Products Exports

	2Q 2012		1Q 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,879	0.06	2,326	0.08	(19.2)	(25.0)
Low octane gasoline	434	0.01	456	0.02	(4.8)	(50.0)
Naphtha	8,662	0.33	8,056	0.27	7.5	22.2
Diesel	26,872	0.92	28,053	0.95	(4.2)	(3.2)
Fuel oil	36,304	1.87	31,988	1.57	13.5	19.1
Jet fuel	1,512	0.04	1,495	0.05	1.1	(20.0)
Other	8,894	0.25	13,071	0.49	(32.0)	(49.0)
Total	84,557	3.48	85,445	3.43	(1.0)	1.5

	6m 2012		6m 2011		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	4,205	0.14	2,956	0.11	42.3	27.3
Low octane gasoline	890	0.03	800	0.03	11.3	-
Naphtha	16,718	0.60	13,808	0.52	21.1	15.4
Diesel	54,925	1.87	70,090	2.68	(21.6)	(30.2)
Fuel oil	68,292	3.44	46,658	2.79	46.4	23.3
Jet fuel	3,007	0.09	1,999	0.07	50.4	28.6
Other	21,965	0.74	7,309	0.25	200.5	196.0
Total	170,002	6.91	143,620	6.45	18.4	7.1

- Export sales for petroleum products increased by 18.4% Y-o-Y driven by the increases in volumes and prices of 7.1% and 10.5%, respectively
- Export sales of petroleum products decreased by 1.0% Q-o-Q due to a 2.5% price correction

Petroleum Products Sales on International Markets

- Sales of petroleum products on international markets decreased by 4.0% Y-o-Y driven mostly by the 6.1% decrease in volume of sales
- Sales of petroleum products on international markets increased by 19.5% Q-o-Q driven by increases in prices and volumes of 4.8% and 14.0%, respectively

Petroleum Products Export and Sales in CIS

	2Q 2012		1Q 2012		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	5,610	0.20	4,043	0.15	38.8	33.3
Low octane gasoline	1,249	0.05	962	0.04	29.8	25.0
Naphtha	374	0.02	638	0.04	(41.4)	(50.0)
Diesel	3,145	0.11	3,806	0.15	(17.4)	(26.7)
Fuel oil	543	0.05	504	0.04	7.7	25.0
Jet fuel	2,976	0.05	1,661	0.07	79.2	(28.6)
Other	2,768	0.22	1,931	0.10	43.3	120.0
Total	16,665	0.70	13,545	0.59	23.0	18.6

	6m 2012		6m 2011		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	9,653	0.35	9,223	0.42	4.7	(16.7)
Low octane gasoline	2,211	0.09	1,413	0.06	56.5	50.0
Naphtha	1,012	0.06	1,271	0.06	(20.4)	-
Diesel	6,951	0.26	5,199	0.22	33.7	18.2
Fuel oil	1,047	0.09	-	-	-	-
Jet fuel	4,637	0.12	1,356	0.06	242.0	100.0
Other	4,699	0.32	3,273	0.20	43.6	60.0
Total	30,210	1.29	21,735	1.02	39.0	26.5

- Sales of petroleum products in CIS increased by 39.0% Y-o-Y driven mostly by the 26.5% increase in sales volume
- Sales of petroleum products in CIS increased by 23.0% Q-o-Q driven mostly by an 18.6% increase in sales volume

Domestic Sales of Petroleum Products

	2Q 2012		1Q 2012		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	54,975	2.00	48,392	1.88	13.6	6.4
Low octane gasoline	2,432	0.10	2,119	0.09	14.8	11.1
Diesel	46,767	1.95	42,851	1.75	9.1	11.4
Fuel oil	2,832	0.32	6,018	0.56	(52.9)	(42.9)
Jet fuel	19,459	0.94	10,925	0.48	78.1	95.8
Other	20,675	1.35	15,761	0.98	31.2	37.8
Total	147,140	6.66	126,066	5.74	16.7	16.0

	6m 2012		6m 2011		Δ, %	
	RUB million	MMTonnes	RUB million	MMTonnes	RUB million	MMTonnes
High octane gasoline	103,367	3.88	81,928	3.56	26.2	9.0
Low octane gasoline	4,551	0.19	8,294	0.39	(45.1)	(51.3)
Diesel	89,618	3.70	61,723	3.06	45.2	20.9
Fuel oil	8,850	0.88	19,027	1.80	(53.5)	(51.1)
Jet fuel	30,384	1.42	21,784	1.18	39.5	20.3
Other	36,436	2.33	20,377	1.52	78.8	53.3
Total	273,206	12.40	213,133	11.51	28.2	7.7

- Domestic sales of petroleum products increased by 28.2% Y-o-Y driven by a 7.7% increase in sales volume and 19.0% increase in prices
- The 7.7% Y-o-Y volume increase in domestic sales of petroleum products was driven by the 8.0% increase in production
- Domestic sales of petroleum products increased by 16.7% Q-o-Q driven mostly by 16.0% increase in sales volume

Other Revenue

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

- The increases in other revenue of 13.0% Y-o-Y and 14.5% Q-o-Q were driven by increases in sales volume and prices

Cost of Purchased Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products increased 30.6% Y-o-Y and 25.6% Q-o-Q due to increases in prices and volumes

Production and Manufacturing Expenses

2Q 2012	1Q 2012	Δ, %	(RUB million)	6m 2012	2011	Δ, % 2012-2011
11,774	11,730	0.4	Upstream expenses	23,504	22,951	2.4
161.13	159.46	1.0	<i>RUB per boe of production</i>	160.29	168.44	(4.8)
5.20	5.27	(1.4)	<i>USD per boe</i>	5.23	5.88	(11.1)
7,783	7,512	3.6	Downstream expenses	15,295	13,408	14.1
			Refining expenses at own and equity associates refineries			
6,615	6,469	2.3		13,084	11,743	11.4
591	636	(7.0)	<i>RUB per tonne</i>	613	595	3.0
81	87	(7.0)	<i>RUB per bbl</i>	84	81	3.0
2.60	2.87	(9.3)	<i>USD per bbl</i>	2.73	2.83	(3.7)
1,168	1,043	12.0	Lubricants manufacturing expenses	2,211	1,665	32.8
5,612	5,137	9.3	Transportation expenses to refineries	10,749	11,288	(4.8)
1,511	2,663	(43.3)	Other	4,175	2,688	55.3
26,681	27,042	(1.3)	Total	53,723	50,336	6.7

- 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 2.4% Y-o-Y due to the acquisition of the Orenburg assets
- Upstream expenses per boe of production decreased 4.8% Y-o-Y due to increased hydrocarbon production, cost reduction programs, and a 12% reduction in the electricity tariff from 2.17 to 1.92 RUB/kWh
- 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 increased 11.4% Y-o-Y mainly due to 8.1% increase in refining throughput. The 3.0% increase in refining expenses per boe of production to 613 RUB per bbl reflects a one-off item related to the new environmental program at the Moscow refinery.

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, charitable giving, allowances for doubtful accounts, and other expenses.

- Selling, general and administrative expenses increased by 18.1% Y-o-Y and 8.4% Q-o-Q due to business expansion, including higher premium sales, and inflation

Transportation Expenses

Transportation expenses include costs to transport crude oil to refineries and 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 by 10.2% Y-o-Y in line with the increase in depreciable assets driven by capital expenditure

Taxes Other Than Income Tax

2Q 2012	1Q 2012	Δ, %	(RUB million)	6m		Δ, %
				2012	2011	2012-2011
36,717	39,878	(7.9)	Mineral extraction taxes	76,595	62,611	22.3
21,387	19,793	8.1	Excise	41,180	27,794	48.2
1,752	1,683	4.1	Property tax	3,435	3,041	13.0
3,700	2,929	26.3	Other taxes	6,629	5,987	10.7
63,556	64,283	(1.1)	Total taxes other than income tax	127,839	99,433	28.6

- Mineral extraction tax expenses increased 22.3% 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 48.2% Y-o-Y due to the introduction of higher rates on 1 January 2012. Excise rates on gasoline increased 31% Y-o-Y, naphtha 28%, diesel 55%, and lubricants 30%
- MET expenses decreased by 7.9% Q-o-Q in line with the 8.7% decrease in MET rate, driven by lower average crude prices
- Excise tax expenses increased 8.1% Q-o-Q due to increased production

Other Financial Items

- The Group's share in the profit of equity investments increased Y-o-Y to RUB 10,354 million due to the adoption of the 60/66/90 tax regime in Q4 2011 (the regime decreased 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's share in the profit of equity investments decreased Q-o-Q due to decrease in hydrocarbons production, general decline in oil prices, depreciation of Rouble against USD and one-off item related to impairment loss at Slavneft
- 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 due to more efficient cash management
- Finance expenses declined as a result of the Group's success in reducing our effective interest rate
- The Group's effective income tax rate was 16.1% for 6m 2012, which is lower than the statutory income tax rate. The lower effective rate reflects the impact of lower income tax rates for certain subsidiaries under applicable regional laws

Liquidity and Capital Resources

Cash Flows

(RUB million)	6m		Δ %
	2012	2011	2012-2011
Net cash provided by operating activities	115,734	77,468	49.4
Net cash used in investing activities	(70,302)	(54,760)	28.4
Net cash used in financing activities	(6,099)	(24,859)	(75.5)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by 49.4% Y-o-Y to 115,734 RUB million due to higher operating profit and improved working capital management

Net Cash Used in Investing Activities

Net cash used in investing activities increased by 28.4% Y-o-Y to 70,302 RUB million due to increases in the volume of cash deposited in banks and a 15.1% increase in capital expenditure.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased by 75.5% Y-o-Y to 6,099 RUB million due to the following items:

- One-off items related to the acquisition of non-controlling interests in NIS and Sibir Energy during 6m 2011 in the amount of 23,345 RUB million. During 6m 2012 such transactions were insignificant
- During 2Q 2011 the Group paid out 7,458 RUB million in dividends for 2010; dividends for 2011 were paid in 3Q 2012 (August)
- Debt reduction. During 6m 2012 the Group reduced its debt by 5,822 RUB million, compared to a net increase in debt of 6,150 RUB million in 6m 2011

Capital Expenditure

(RUB million)	6m		Δ, %
	2012	2011	2012-2011
Exploration and production	36,723	33,112	10.9
Refining	17,135	7,488	128.8
Marketing and distribution	4,325	2,458	76.0
Other*	3,786	2,894	30.8
Subtotal capital expenditures	61,969	45,952	34.9
Change in advances issued and material used in capital expenditures	308	8,177	-
Total capital expenditures	62,277	54,129	15.1

* including capitalized borrowing costs

- Capital expenditures for Exploration and Production increased by 10.9% Y-o-Y mostly due to development of the Orenburg assets. The reorientation to drilling horizontal wells (increased to 9% of total drilling footage) also led to increased capital expenditures as these wells are more expensive
- Capital expenditures for Refining increased by 128.8% 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
- Capital expenditures for Marketing and Distribution increased by 76.0% Y-o-Y due to increased construction and reconstruction of retail sites and the acquisition of retail sites in Chelyabinsk Oblast.

Debt and Liquidity

	2012	2011
Short-term debt	76,786	44,330
Long-term debt	141,113	176,979
Cash and cash equivalents	(69,319)	(29,435)
Short-term deposits	(11,126)	(246)
Net debt	137,454	191,628
Short-term debt/ total debt, %	35.2	20.0

- The Group has a diversified debt structure that includes pre-export financing, syndicated and bilateral loans, ruble bonds, and other instruments
- The average maturity of the Group's debt decreased from 2.68 in 4Q 2011 to 2.35 in 2Q 2012;
- The average interest rate decreased from 3.37% in 4Q 2011 to 3.19% in 2Q 2012

Financial Appendix

EBITDA Reconciliation

2Q	1Q			6m		Δ, %
2012	2012	Δ, %	(RUB million)	2012	2011	2012-2011
33,869	50,088	(32.4)	Profit for the period	83,957	80,726	4.0
6,266	9,865	(36.5)	Total income tax expense	16,131	22,968	(29.8)
2,683	2,338	14.8	Finance expense	5,021	5,683	(11.6)
(1,083)	(543)	99.4	Finance income	(1,626)	(755)	115.4
14,413	14,070	2.4	Depreciation, depletion and amortization	28,483	25,838	10.2
4,849	(2,552)	(290.0)	Net foreign exchange (loss) / gain	2,297	(7,861)	(129.2)
(1,372)	(237)	478.9	Other income, net	(1,609)	(1,969)	(18.3)
59,625	73,029	(18.4)	EBITDA	132,654	124,630	6.4
1,733	(12,087)	(114.3)	less Share of (loss) / profit of equity accounted investments	(10,354)	(4,482)	131.0
8,677	18,320	(52.6)	add Share of EBITDA of equity accounted investments	26,997	19,928	35.5
70,035	79,262	(11.6)	Adjusted EBITDA	149,297	140,076	6.6

Profitability

	2012	6m	2011	Δ, p.p.
				2012-2011
Adjusted EBITDA margin, %	25.78		28.73	(3.0)
Net profit margin, %	14.50		16.56	(2.1)
Return on assets (ROA), %	15.42		17.07	(1.7)
Return on equity (ROE), %	23.99		26.75	(2.8)
Return on average capital employed (ROACE), %	21.28		21.99	(0.7)

Liquidity

	2012	6m	2011	Δ, %
				2012-2011
Current ratio	1.57		1.67	(0.1)
Quick ratio	0.78		0.70	0.1
Cash ratio	0.41		0.26	0.6

Leverage

	2012	6m	2011	Δ, p.p.
				2012-2011
Net debt/ Total Assets, %	12.30		16.64	(4.3)
Net debt/ Equity, %	19.02		26.10	(7.1)
Gearing, %	15.98		20.70	(4.7)
				Δ, %
Net debt/ Market Capitalization	0.21		0.27	(0.2)
Net debt/ EBITDA	0.57		0.62	(0.1)
Total debt/ EBITDA	0.75		0.74	0.0

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.

2Q 2012	1Q 2012	Δ, %		6m		Δ, %
				2012	2011	2012-2011
			International market	(US\$/ barrel)		
108.29	118.60	(8.7)	Brent	113.61	111.09	2.3
106.58	117.18	(9.0)	Urals Spot (average Med + NWE)	112.05	108.04	3.7
				(US\$/ tonne)		
1,034.56	1,052.56	(1.7)	Premium gasoline (average NWE)	1,043.85	988.37	5.6
869.32	1,005.84	(13.6)	Naphtha (average Med. + NWE)	939.78	937.43	0.3
943.94	1,010.26	(6.6)	Diesel fuel (average NWE)	978.17	948.03	3.2
925.65	997.17	(7.2)	Gasoil 0.2% (average Med. + NWE)	962.57	919.90	4.6
618.12	678.45	(8.9)	Fuel oil 3.5% (average NWE)	649.26	583.45	11.3
			Domestic market	(RUB/ tonne)		
25,581	23,918	7.0	High-octane gasoline	24,750	23,687	4.5
22,952	21,987	4.4	Low-octane gasoline	22,470	21,487	4.6
23,017	23,293	(1.2)	Diesel fuel	23,155	19,879	16.5
9,046	8,918	1.4	Fuel oil	8,982	8,053	11.5

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. For the majority of the entities the functional currency is the local currency of the entity.

2Q 2012	1Q 2012		6m	
			2012	2011
1.7	1.5	Change in Consumer Price Index (CPI), %	3.2	5.0
1.1	2.9	Change in Producer Price Index (PPI), %	4.1	7.7
32.82	29.33	US\$/ RUB exchange rate as of the end of the period	32.82	28.08
31.01	30.26	Average RUB/US\$ exchange rate for the period	30.64	28.62

Hydrocarbon Taxes

2Q 2012	1Q 2012	Δ, %		6m 2012	2011	Δ, % 2012-2011
			Export customs duty	(US\$/ tonne)		
443.03	400.80	10.5	Crude oil	421.92	394.77	6.8
292.33	264.50	10.5	Light petroleum products	278.42	266.75	4.3
398.60	360.70	10.5	High-octane gasoline and naphtha	379.65	412.05	(7.9)
292.33	264.50	10.5	Heavy petroleum products	278.42	179.93	54.6
			Mineral extraction tax			
4,826	5,284	(8.7)	Crude oil (RUB/ tonne)	5,055	4,277	18.1
-	-	-	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
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:

2Q 2012	1Q 2012	Δ, %		6m 2012	2011	Δ, % 2012-2011
			Crude oil	(RUB per tonne)		
			Export			
1,505.15	1,533.19	(1.8)	Pipeline	1,519.17	1,409.63	7.8
			CIS			
1,244.13	1,064.24	16.9	Pipeline	1,154.18	1,192.67	(3.2)
			Transportation to Refineries			
444.70	477.00	(6.8)	ONPZ	460.85	443.98	3.8
813.40	922.00	(11.8)	MNPZ	867.70	641.92	35.2
722.55	620.00	16.5	YaNPZ	671.28	892.54	(24.8)
			Petroleum products			
			Export from ONPZ			
2,275.85	2,186.07	4.1	Gasoline	2,230.96	2,042.94	9.2
3,502.14	3,478.73	0.7	Fuel oil	3,490.43	3,211.89	8.7
3,359.55	3,093.26	8.6	Diesel fuel	3,226.41	2,530.46	27.5
			Export from MNPZ			
1,694.84	1,562.01	8.5	Gasoline	1,628.43	1,486.81	9.5
1,380.39	1,474.96	(6.4)	Fuel oil	1,427.68	1,370.30	4.2
1,558.31	1,646.53	(5.4)	Diesel fuel	1,602.42	1,477.06	8.5
			Export from YaNPZ			
1,473.45	1,526.00	(3.4)	Gasoline	1,499.72	1,516.42	(1.1)
1,427.13	1,459.97	(2.2)	Fuel oil	1,443.55	1,371.19	5.3
1,282.11	1,282.11	(0.0)	Diesel fuel	1,282.11	1,247.47	2.8

In the second quarter of 2012 the Group exported 62.7% of its total volume of crude (48.9% in 2Q 2011); 50.2% through the port of Primorsk and 12.5% through the port of Ust-Luga; 25.6% was exported through Druzhba (19.5% in 2Q2011), principally to Germany and the Czech Republic; 8% was exported through the port of Novorossiysk, including 5.5% in sweet oil (not exported in 2011) and 3.7% through the port of Tuapse (11.7% in 2Q 2011); in the second quarter of 2012 there were no exports through the ESPO pipeline or the port of Kozmino (19.9% in 2Q2011). Exports of crude to CIS countries in the second quarter of 2012 were: 83.2% to Belarus (90.6% in 2Q 2011) and 16.8% to Kazakhstan (9.4% in 2Q2011).

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