



## **Gazprom Neft Group**

### **Interim Condensed Consolidated Financial Statements**

**March 31, 2013**

# **Gazprom Neft Group**

## **Interim Condensed Consolidated Financial Statements**

**March 31, 2013**

### **Contents**

Interim condensed consolidated Statement of Financial Position	2
Interim condensed consolidated Statement of Profit and Loss and Other Comprehensive Income	3
Interim condensed consolidated Statement of Changes in Shareholders' Equity	4
Interim condensed consolidated Statement of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	7



## ***Report on Review of Interim Financial Information***

To the Shareholders and Board of Directors of JSC "Gazprom Neft":

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Gazprom Neft and its subsidiaries (the "Group") as of 31 March 2013 and the related interim condensed consolidated statement of profit and loss and other comprehensive income, changes in equity and of cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

*ZAO PricewaterhouseCoopers Audit*


7 May 2013

Moscow, Russian Federation

**Gazprom Neft Group**  
**Interim Condensed Consolidated Statement of Financial Position (unaudited)**  
**As of March 31, 2013**

Currency – RUB millions

	Notes	March 31, 2013	December 31, 2012 Restated	January 1, 2012 Restated
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	70,942	79,199	29,808
Short-term financial assets	5	12,527	15,889	15,511
Trade and other receivables	6	80,605	66,614	70,981
Inventories	7	98,303	91,214	77,486
Current income tax prepayments		8,310	8,393	12,425
Other current assets	8	101,816	107,082	90,732
Assets classified as held for sale		-	2,179	2,029
<b>Total current assets</b>		<b>372,503</b>	<b>370,570</b>	<b>298,970</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	783,054	758,212	685,054
Goodwill and other intangible assets		50,947	49,878	49,819
Investments in associates and joint ventures	10	107,586	105,643	100,715
Long-term trade and other receivables		150	160	221
Long-term financial assets	11	25,551	23,256	9,497
Deferred income tax assets		13,180	12,664	13,624
Other non-current assets		8,372	7,827	8,793
<b>Total non-current assets</b>		<b>988,840</b>	<b>957,640</b>	<b>847,723</b>
<b>Total assets</b>		<b>1,361,343</b>	<b>1,328,210</b>	<b>1,146,693</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term debt and current portion of long-term debt	12	63,477	77,193	53,949
Trade and other payables	13	53,825	50,007	40,435
Other current liabilities		21,131	31,079	25,816
Current income tax payable		3,374	3,158	2,073
Other taxes payable	14	47,636	43,024	36,878
Provisions for liabilities and charges		8,209	7,301	7,190
Liabilities associated with assets classified as held for sale		-	42	667
<b>Total current liabilities</b>		<b>197,652</b>	<b>211,804</b>	<b>166,806</b>
<b>Non-current liabilities</b>				
Long-term debt	15	166,647	166,447	176,990
Other non-current financial liabilities		6,149	5,232	6,824
Deferred income tax liabilities		51,747	48,904	42,952
Provisions for liabilities and charges		24,243	23,895	22,064
Other non-current liabilities		3,558	1,999	1,961
<b>Total non-current liabilities</b>		<b>252,344</b>	<b>246,477</b>	<b>250,791</b>
<b>Equity</b>				
Share capital		98	98	98
Treasury shares		(1,170)	(1,170)	(1,170)
Additional paid-in capital		16,160	16,125	10,022
Retained earnings		855,298	815,731	673,870
Other reserves		(1,001)	(1,402)	(939)
<b>Equity attributable to the Company's owners</b>		<b>869,385</b>	<b>829,382</b>	<b>681,861</b>
Non-controlling interest		41,962	40,547	47,213
<b>Total equity</b>		<b>911,347</b>	<b>869,929</b>	<b>729,074</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,361,343</b>	<b>1,328,210</b>	<b>1,146,693</b>

  
A. V. Dyukov  
Chief Executive Officer  
JSC Gazprom Neft

  
A. V. Yankovich  
Chief Financial Officer  
JSC Gazprom Neft

The accompanying notes are an integral part of these interim condensed consolidated financial statements

	Notes	Three months ended March 31, 2013	Three months ended March 31, 2012 Restated
<b>Sales</b>	<b>19</b>	355,954	344,993
Less export duties and sales related excise tax		(64,059)	(66,559)
<b>Total revenue from sales</b>		<b>291,895</b>	<b>278,434</b>
<b>Costs and other deductions</b>			
Purchases of oil, gas and petroleum products		(70,760)	(63,172)
Production and manufacturing expenses		(34,100)	(31,608)
Selling, general and administrative expenses		(14,276)	(14,531)
Transportation expenses		(25,444)	(22,298)
Depreciation, depletion and amortization		(17,993)	(16,462)
Taxes other than income tax	<b>14</b>	(77,302)	(76,681)
Exploration expenses		(712)	(394)
<b>Total operating expenses</b>		<b>(240,587)</b>	<b>(225,146)</b>
Other (loss) / gain, net		(943)	190
<b>Operating profit</b>		<b>50,365</b>	<b>53,478</b>
Share of profit of equity accounted investments		2,337	6,965
Net foreign exchange (loss) / gain		(1,172)	2,831
Finance income		1,511	533
Finance expense		(3,090)	(2,342)
<b>Total other (expense) / income</b>		<b>(414)</b>	<b>7,987</b>
<b>Profit before income tax</b>		<b>49,951</b>	<b>61,465</b>
Current income tax expense		(7,399)	(9,629)
Deferred income tax expense		(2,025)	(1,748)
<b>Total income tax expense</b>		<b>(9,424)</b>	<b>(11,377)</b>
<b>Profit for the period</b>		<b>40,527</b>	<b>50,088</b>
<b>Other comprehensive (loss) / income:</b>			
Currency translation differences		1,475	(10,422)
Cash flow hedge		(809)	9,517
<b>Other comprehensive income / (loss) for the period</b>		<b>666</b>	<b>(905)</b>
<b>Total comprehensive income for the period</b>		<b>41,193</b>	<b>49,183</b>
<b>Profit attributable to:</b>			
- Gazprom Neft shareholders		39,567	48,373
- Non-controlling interest		960	1,715
<b>Profit for the period</b>		<b>40,527</b>	<b>50,088</b>
<b>Total comprehensive income attributable to:</b>			
- Gazprom Neft shareholders		39,968	49,519
- Non-controlling interest		1,225	(336)
<b>Total comprehensive income for the period</b>		<b>41,193</b>	<b>49,183</b>
Earnings per share attributable to Gazprom Neft shareholders			
Basic earnings (RUB per share)		8.39	10.25
Diluted earnings (RUB per share)		8.39	10.25
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,718

Gazprom Neft Group  
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)  
For the 3 months ended March 31, 2013

Currency – RUB millions

	Attributable to equity holders of the Company					Non-controlling interest	Total equity	
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves			Total
<b>Balance as of January 1, 2013</b>	<b>98</b>	<b>(1,170)</b>	<b>16,125</b>	<b>815,731</b>	<b>(1,402)</b>	<b>829,382</b>	<b>40,547</b>	<b>869,929</b>
Profit for the period	-	-	-	39,567	-	39,567	960	40,527
<b>Other comprehensive income / (loss)</b>								
Currency translation differences	-	-	-	-	1,210	1,210	265	1,475
Cash flow hedge	-	-	-	-	(809)	(809)	-	(809)
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,567</b>	<b>401</b>	<b>39,968</b>	<b>1,225</b>	<b>41,193</b>
Transactions with owners, recorded in equity								
Acquisition of non-controlling interest and other	-	-	35	-	-	35	190	225
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>190</b>	<b>225</b>
<b>Balance as of March 31, 2013</b>	<b>98</b>	<b>(1,170)</b>	<b>16,160</b>	<b>855,298</b>	<b>(1,001)</b>	<b>869,385</b>	<b>41,962</b>	<b>911,347</b>

	Attributable to equity holders of the Company					Non-controlling interest	Total equity	
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves			Total
<b>Balance as of January 1, 2012</b>	<b>98</b>	<b>(1,170)</b>	<b>10,022</b>	<b>673,870</b>	<b>(939)</b>	<b>681,881</b>	<b>47,213</b>	<b>729,094</b>
Profit for the period	-	-	-	48,373	-	48,373	1,715	50,088
<b>Other comprehensive (loss) / income</b>								
Currency translation differences	-	-	-	-	(8,371)	(8,371)	(2,051)	(10,422)
Cash flow hedge	-	-	-	-	9,517	9,517	-	9,517
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,373</b>	<b>1,146</b>	<b>49,519</b>	<b>(336)</b>	<b>49,183</b>
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interest and other	-	-	(189)	-	-	(189)	(358)	(547)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>(358)</b>	<b>(547)</b>
<b>Balance as of March 31, 2012</b>	<b>98</b>	<b>(1,170)</b>	<b>9,833</b>	<b>722,243</b>	<b>207</b>	<b>731,211</b>	<b>46,519</b>	<b>777,730</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements

	Notes	Three months ended March 31, 2013	Three months ended March 31, 2012 Restated
<b>Cash flows from operating activities</b>			
Profit before income tax		49,951	61,465
<b>Adjustments for:</b>			
Share of profit of equity accounted investments		(2,337)	(6,965)
Loss / (gain) on foreign exchange differences		2,510	(10,660)
Finance income		(1,511)	(533)
Finance expense		3,090	2,342
Depreciation, depletion and amortization		17,993	16,462
Allowance for doubtful accounts		(52)	(657)
Other non-cash items		1,528	2,635
<b>Changes in working capital:</b>			
Accounts receivable		(14,186)	(2,421)
Inventories		(6,427)	(5,007)
Other assets		4,696	(701)
Accounts payable		3,348	7,679
Taxes payable		4,495	12,035
Other liabilities		(9,125)	2,494
Income taxes paid		(7,216)	(6,628)
Interest paid		(3,233)	(1,996)
Dividends received		404	228
<b>Net cash provided by operating activities</b>		<b>43,928</b>	<b>69,772</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(1,287)	-
Bank deposits placement		(5,758)	(16,671)
Repayment of bank deposits		9,244	5,066
Acquisition of other investments		(640)	(2,724)
Proceeds from sales of other investments		501	-
Short-term loans issued		(1,143)	(1,003)
Repayment of short-term loans issued		6	6,875
Long-term loans issued		(2,536)	-
Repayment of long-term loans issued		318	-
Capital expenditures		(36,857)	(33,964)
Proceeds from sale of property, plant and equipment		3	148
Interest received		1,361	472
<b>Net cash used in investing activities</b>		<b>(36,788)</b>	<b>(41,801)</b>

	Three months ended March 31, 2013	Three months ended March 31, 2012 Restated
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	9,254	1,514
Repayment of short-term borrowings	(21,823)	(14)
Proceeds from long-term borrowings	2,235	10,096
Repayment of long-term borrowings	(5,704)	(6,911)
Transaction costs directly attributable to the borrowings received	(194)	-
Dividends paid to the Company's shareholders	(3)	-
Acquisition of non-controlling interest in subsidiaries	(29)	(272)
<b>Net cash (used in) / provided by financing activities</b>	<b>(16,264)</b>	<b>4,413</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(9,124)</b>	<b>32,384</b>
Effect of foreign exchange on cash and cash equivalents	867	(1,816)
<b>Cash and cash equivalents as of the beginning of the period</b>	<b>79,199</b>	<b>29,807</b>
<b>Cash and cash equivalents as of the end of the period</b>	<b>70,942</b>	<b>60,375</b>



## 1. General

### Description of Business

JSC Gazprom Neft (the “Company”) and its subsidiaries (together referred to as the “Group”) is a vertically integrated oil company operating in the Russian Federation, CIS and internationally. The Group’s principal activities include exploration, production and development of crude oil and gas, production of refined petroleum products and distribution and marketing operations through its retail outlets.

The Company was incorporated in 1995 and is domiciled in the Russian Federation. The Company is a joint stock company and was set up in accordance with Russian regulations. JSC Gazprom (“Gazprom”, a state controlled entity), the Group’s ultimate parent company, owns 95.68% shares in the Company.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily the Russian Federation). The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (“IFRS”).

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2012, such as significant accounting policies, significant estimates and judgement, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements for 2012.

Subsequent events occurring after March 31, 2013 were evaluated through May 7, 2013 the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three months ended March 31, 2013 are not necessarily indicative of the results expected for the full year.

### Changes in significant accounting policies

Significant accounting policies, judgments and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended December 31, 2012, except for the described in Application of new IFRS paragraph.

Application of new IFRS

A number of new IFRS standards and interpretation became effective for the periods beginning on or after January 1, 2013: IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure on interest in Other Entities, IFRIC 20 Stripping cost in the Production Phase of a Surface Mine, Annual improvements 2012. Additionally, the following amended standards also became effective for the periods beginning on or after January 1, 2013: IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 28 Investments in Associates and Joint Ventures.

The Group has initially applied these standards while preparing these Interim Condensed Consolidated Financial statements. It has no significant impact on the Group's Consolidated Financial Statements, except for the application of IFRS 11 Joint Arrangements, that resulted in change of the accounting policy.

Under IFRS 11 joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures, except for its investments in Tomskneft and Salym Petroleum Development, which were determined to be joint operations. Tomskneft and Salym Petroleum Development are engaged with production of oil and gas and all of the production is required to be sold to the parties to the joint arrangement (that is, the Group and its partner). The joint arrangements determined to be joint ventures will continue to be accounted for under the equity method of accounting.

In accordance with the transition provisions of IFRS 11 the Group has applied the new policy for interests in joint operations occurring on or after 1 January 2012. The Group derecognised the investment that was previously accounted for using the equity method and recognised its share of each of the assets and the liabilities in respect of the interest in the joint operations, including any goodwill that might have been part of the carrying amount of the investment.

The Group measured the initial carrying amount of the assets and liabilities by disaggregating them from the carrying amount of the investment as of January 1, 2012 on the basis of the information used in applying the equity method. Any differences arising from the investment previously accounted for using the equity method and the amount of the assets and liabilities recognised, including any goodwill, was adjusted against Retained Earnings.

Subsequently, participant of the joint arrangement accounts for the assets and revenue it controls and the liabilities and expenses to which it obliged, including its share of any assets and liabilities held and incurred jointly.

To illustrate the effect of the change in the accounting policy the Group decided to report in these Interim Condensed Consolidated Financial Statements additional Statement of Financial Position as of January 1, 2012 and December 31, 2012. Summary of significant changes is presented below:

	Previously reported	Adjustment due to change in accounting policy	Restated
Reconciliation of shareholders' equity as of January 1, 2012			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	29,435	371	29,806
Short-term financial assets	18,951	(3,440)	15,511
Trade and other receivables	70,780	201	70,981
Inventories	74,201	3,285	77,486
Current income tax prepayments	12,377	48	12,425
Other current assets	89,518	1,214	90,732
Assets classified as held for sale	2,029	-	2,029
<b>Total current assets</b>	<b>297,291</b>	<b>1,679</b>	<b>298,970</b>
<b>Non-current assets</b>			
Property, plant and equipment	574,982	90,072	665,054
Goodwill and other intangible assets	40,194	9,625	49,819
Investments in associates and joint ventures	175,315	(74,600)	100,715
Long-term trade and other receivables	219	2	221
Long-term financial assets	9,487	10	9,497
Deferred income tax assets	11,934	1,690	13,624
Other non-current assets	8,737	56	8,793
<b>Total non-current assets</b>	<b>820,868</b>	<b>26,855</b>	<b>847,723</b>
<b>Total assets</b>	<b>1,118,159</b>	<b>28,534</b>	<b>1,146,693</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	44,330	9,619	53,949
Trade and other payables	41,196	(761)	40,435
Other current liabilities	25,165	651	25,816
Current income tax payable	1,994	79	2,073
Other taxes payable	30,089	6,589	36,678
Provisions for liabilities and charges	6,888	302	7,190
Liabilities associated with assets classified as held for sale	667	-	667
<b>Total current liabilities</b>	<b>150,329</b>	<b>16,479</b>	<b>166,808</b>
<b>Non-current liabilities</b>			
Long-term debt	176,979	11	176,990
Other non-current financial liabilities	6,824	-	6,824
Deferred income tax liabilities	32,443	10,509	42,952
Provisions for liabilities and charges	17,458	4,606	22,064
Other non-current liabilities	1,956	5	1,961
<b>Total non-current liabilities</b>	<b>235,660</b>	<b>15,131</b>	<b>250,791</b>
<b>Equity</b>			
Share capital	98	-	98
Treasury shares	(1,170)	-	(1,170)
Additional paid-in capital	10,022	-	10,022
Retained earnings	676,947	(3,077)	673,870
Other reserves	(940)	1	(939)
<b>Equity attributable to the Company's owners</b>	<b>684,957</b>	<b>(3,076)</b>	<b>681,881</b>
Non-controlling interest	47,213	-	47,213
<b>Total equity</b>	<b>732,170</b>	<b>(3,076)</b>	<b>729,094</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,118,159</b>	<b>28,534</b>	<b>1,146,693</b>

	Previously reported	Adjustment due to change in accounting policy	Restated
Reconciliation of shareholders' equity as of December 31, 2012			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	76,012	3,187	79,199
Short-term financial assets	15,863	26	15,889
Trade and other receivables	66,596	18	66,614
Inventories	88,284	2,930	91,214
Current income tax prepayments	8,384	9	8,393
Other current assets	106,265	817	107,082
Assets classified as held for sale	2,179	-	2,179
<b>Total current assets</b>	<b>363,583</b>	<b>6,987</b>	<b>370,570</b>
<b>Non-current assets</b>			
Property, plant and equipment	669,425	88,787	758,212
Goodwill and other intangible assets	40,162	9,716	49,878
Investments in associates and joint ventures	185,087	(79,444)	105,643
Long-term trade and other receivables	159	1	160
Long-term financial assets	23,253	3	23,256
Deferred income tax assets	10,670	1,994	12,664
Other non-current assets	7,769	58	7,827
<b>Total non-current assets</b>	<b>936,525</b>	<b>21,115</b>	<b>957,640</b>
<b>Total assets</b>	<b>1,300,108</b>	<b>28,102</b>	<b>1,328,210</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	66,195	10,998	77,193
Trade and other payables	51,348	(1,341)	50,007
Other current liabilities	31,128	(49)	31,079
Current income tax payable	2,631	527	3,158
Other taxes payable	35,908	7,116	43,024
Provisions for liabilities and charges	6,987	314	7,301
Liabilities associated with assets classified as held for sale	42	-	42
<b>Total current liabilities</b>	<b>194,239</b>	<b>17,565</b>	<b>211,804</b>
<b>Non-current liabilities</b>			
Long-term debt	166,417	30	166,447
Other non-current financial liabilities	5,232	-	5,232
Deferred income tax liabilities	38,759	10,145	48,904
Provisions for liabilities and charges	18,062	5,833	23,895
Other non-current liabilities	1,968	31	1,999
<b>Total non-current liabilities</b>	<b>230,438</b>	<b>16,039</b>	<b>246,477</b>
<b>Equity</b>			
Share capital	98	-	98
Treasury shares	(1,170)	-	(1,170)
Additional paid-in capital	16,125	-	16,125
Retained earnings	818,808	(3,077)	815,731
Other reserves	1,023	(2,425)	(1,402)
<b>Equity attributable to the Company's owners</b>	<b>834,884</b>	<b>(5,502)</b>	<b>829,382</b>
Non-controlling interest	40,547	-	40,547
<b>Total equity</b>	<b>875,431</b>	<b>(5,502)</b>	<b>869,929</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,300,108</b>	<b>28,102</b>	<b>1,328,210</b>

Reconciliation of comprehensive income for the period ended March, 31 2012	Previously reported	Adjustment due to change in accounting policy	Restated
<b>Sales</b>	344,535	458	344,993
Less export duties and sales related excise tax	(66,559)	-	(66,559)
<b>Total revenue from sales</b>	<b>277,976</b>	<b>458</b>	<b>278,434</b>
<b>Costs and other deductions</b>			
Purchases of oil, gas and petroleum products	(87,571)	24,399	(63,172)
Production and manufacturing expenses	(28,519)	(3,089)	(31,608)
Selling, general and administrative expenses	(14,008)	(523)	(14,531)
Transportation expenses	(22,298)	-	(22,298)
Depreciation, depletion and amortization	(14,070)	(2,392)	(16,462)
Taxes other than income tax	(64,283)	(12,398)	(76,681)
Exploration expenses	(355)	(39)	(394)
<b>Total operating expenses</b>	<b>(231,104)</b>	<b>5,958</b>	<b>(225,146)</b>
Other (loss) / gain, net	237	(47)	190
<b>Operating profit</b>	<b>47,109</b>	<b>6,369</b>	<b>53,478</b>
Share of profit of equity accounted investments	12,087	(5,122)	6,965
Net foreign exchange gain	2,552	279	2,831
Finance income	543	(10)	533
Finance expense	(2,338)	(4)	(2,342)
<b>Total other income / (expense)</b>	<b>12,844</b>	<b>(4,857)</b>	<b>7,987</b>
<b>Profit before income tax</b>	<b>59,953</b>	<b>1,512</b>	<b>61,465</b>
Current income tax expense	(8,325)	(1,304)	(9,629)
Deferred income tax expense	(1,540)	(208)	(1,748)
<b>Total income tax expense</b>	<b>(9,865)</b>	<b>(1,512)</b>	<b>(11,377)</b>
<b>Profit for the period</b>	<b>50,088</b>	<b>-</b>	<b>50,088</b>
<b>Other comprehensive (loss) / income:</b>			
Currency translation differences	(6,602)	(3,820)	(10,422)
Cash flow hedge	9,517	-	9,517
<b>Other comprehensive income / (loss) for the period</b>	<b>2,915</b>	<b>(3,820)</b>	<b>(905)</b>
<b>Total comprehensive income for the period</b>	<b>53,003</b>	<b>(3,820)</b>	<b>49,183</b>
<b>Profit attributable to:</b>			
- Gazprom Neft shareholders	48,373	-	48,373
- Non-controlling interest	1,715	-	1,715
<b>Profit for the period</b>	<b>50,088</b>	<b>-</b>	<b>50,088</b>
<b>Total comprehensive income attributable to:</b>			
- Gazprom Neft shareholders	53,339	(3,820)	49,519
- Non-controlling interest	(336)	-	(336)
<b>Total comprehensive income for the period</b>	<b>53,003</b>	<b>(3,820)</b>	<b>49,183</b>

The application of IFRS 11 has no effect on Group's earnings per share data previously reported.

Change in the accounting policy due to application of IFRS 11 had no significant impact on the Group's cash flows previously reported.

#### Seasonality of operations

The Group as a whole is not a subject to significant seasonal fluctuations.

Foreign currency translation

The following exchange rates applied during the period:

	Average rate		Reporting date spot rate		
	3 months 2013	3 months 2012	March 31, 2013	December 31, 2012	January 1, 2012
USD 1	30.41	30.26	31.08	30.37	32.20
SRD 1	0.36	0.36	0.36	0.35	0.40

### 3. New Accounting Standards

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and that the Group has not early adopted.

**IFRS 9, Financial Instruments Part 1: Classification and Measurement.** IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities.

Key features of the standard:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Application of IFRS 9 is mandatory for the periods beginning on or after January 1, 2015, earlier adoption is permitted. The Group does not plan to adopt the standard before 2015 and is currently assessing the impact of the new standard on its Consolidated financial statements.

**Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014).** The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities.

IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group is currently assessing the impact of the amendments on its Consolidated financial statements.

**Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (issued in December 2011, effective for annual periods beginning on or after 1 January 2014).** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is currently assessing the impact of the amendments on its Consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's Consolidated financial statements.

#### 4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2013, December 31, 2012, and as of January 1, 2012 comprise the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	532	416	479
Cash in bank	52,083	27,383	16,386
Deposits with original maturity of less than three months	16,287	48,604	12,152
Cash equivalents	2,040	2,796	789
<b>Total cash and cash equivalents</b>	<b>70,942</b>	<b>79,199</b>	<b>29,806</b>

As of March 31, 2013, December 31, 2012 and January 1, 2012 the majority of bank deposits are held in Russian Ruble. Bank deposits represent deposits with original maturities of less than three months.

#### 5. Short-term financial Assets

Short-term financial assets as of March 31, 2013, December 31, 2012 and as of January 1, 2012 comprise the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Deposits with original maturity more than 3 months less than 1 year	4,041	7,519	246
Short-term loans issued	7,451	6,832	11,084
Forward contracts - cash flow hedge	642	632	1,858
Financial assets held to maturity	393	906	2,323
<b>Total short-term financial assets</b>	<b>12,527</b>	<b>15,889</b>	<b>15,511</b>

#### 6. Trade and Other Receivables

Trade and other receivables as of March 31, 2013, December 31, 2012 and as of January 1, 2012 comprise the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	86,250	72,820	75,763
Other financial receivables	2,603	1,983	1,480
Less impairment provision	(8,248)	(8,189)	(6,262)
<b>Total trade and other receivables</b>	<b>80,605</b>	<b>66,614</b>	<b>70,981</b>

Trade receivables represent amounts due from customers in the ordinary course of business and are short-term by nature.

## 7. Inventories

Inventories as of March 31, 2013, December 31, 2012 and as of January 1, 2012 consist of the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Crude oil and gas	19,705	18,117	19,675
Petroleum products and petrochemicals	52,365	48,731	35,719
Materials and supplies	24,878	21,714	21,506
Other	3,929	5,126	4,376
Less provision for impairment	(2,574)	(2,474)	(3,790)
<b>Total inventory</b>	<b>98,303</b>	<b>91,214</b>	<b>77,486</b>

As part of the management of crude inventory, the Group may enter transactions to buy and sell crude oil from the same counterparty. Such transactions are referred to as buy/sell transactions and are undertaken in order to reduce transportation costs or to obtain alternate quality grades of crude oil. The total value of buy / sell transactions undertaken for the period ended March 31 is as follows:

	2013	2012
Buy/sell crude oil transactions for the period ended March 31	23,226	19,372

## 8. Other Current Assets

Other current assets as of March 31, 2013, December 31, 2012 and as of January 1, 2012 consist of the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Prepaid custom duties	20,479	30,530	26,103
Advances paid	32,823	28,197	30,606
Prepaid expenses	1,352	329	343
Value added tax receivable	39,035	39,570	28,436
Other assets	19,087	19,168	15,526
Less impairment provision	(10,960)	(10,712)	(10,282)
<b>Total other current assets</b>	<b>101,816</b>	<b>107,082</b>	<b>90,732</b>

The impairment provision mainly relates to other assets represented by other receivables of our Serbian subsidiary.



## 9. Property, Plant and Equipment

Movements in property, plant and equipment for the 3 months ended March 31, 2013 and 2012 are as follows:

Cost	O&G properties	Refining assets	Marketing and distribution	Other assets	Assets under construction	Total PPE
<b>As of January 1, 2013</b>	<b>709,528</b>	<b>183,290</b>	<b>84,292</b>	<b>7,757</b>	<b>59,278</b>	<b>1,044,145</b>
Additions	27,325	759	-	222	9,709	38,015
Acquisitions through business combinations	-	-	1,367	-	-	1,367
Changes in decommissioning obligations	186	-	-	-	-	186
Capitalised borrowing costs	152	-	-	-	228	380
Transfers	1,160	2,167	3,877	254	(7,458)	-
Internal movement	626	(28)	(1,028)	430	-	-
Reclassification to and from assets classified as held for sale	1,217	-	-	-	-	1,217
Disposals	(850)	(167)	(212)	(29)	(178)	(1,436)
Translation differences	2,452	284	284	(11)	44	3,053
<b>As of March 31, 2013</b>	<b>741,796</b>	<b>186,305</b>	<b>88,580</b>	<b>8,623</b>	<b>61,623</b>	<b>1,086,927</b>
<b>Depreciation and impairment</b>						
<b>As of January 1, 2013</b>	<b>(221,754)</b>	<b>(48,021)</b>	<b>(15,604)</b>	<b>(554)</b>	<b>-</b>	<b>(285,933)</b>
Depreciation charge	(13,688)	(1,840)	(846)	(351)	-	(16,725)
Reclassification to and from non-current assets classified as held for sale	(1,017)	-	-	-	-	(1,017)
Internal movement	32	-	68	(100)	-	-
Disposals	577	39	63	9	-	688
Translation differences	(812)	(23)	(52)	1	-	(886)
<b>As of March 31, 2013</b>	<b>(236,662)</b>	<b>(49,845)</b>	<b>(16,371)</b>	<b>(995)</b>	<b>-</b>	<b>(303,873)</b>
<b>Net book value</b>						
<b>As of January 1, 2013</b>	<b>487,774</b>	<b>135,269</b>	<b>68,688</b>	<b>7,203</b>	<b>59,278</b>	<b>758,212</b>
<b>As of March 31, 2013</b>	<b>505,134</b>	<b>136,460</b>	<b>72,209</b>	<b>7,628</b>	<b>61,623</b>	<b>783,054</b>
<b>Cost</b>	<b>O&amp;G properties</b>	<b>Refining assets</b>	<b>Marketing and distribution</b>	<b>Other assets</b>	<b>Assets under construction</b>	<b>Total PPE</b>
<b>As of January 1, 2012</b>	<b>614,566</b>	<b>145,959</b>	<b>70,314</b>	<b>11,411</b>	<b>49,326</b>	<b>891,576</b>
Additions	21,799	1,046	-	-	10,021	32,866
Changes in decommissioning obligations	(1,355)	-	-	-	-	(1,355)
Capitalised borrowing costs	170	-	-	-	572	742
Transfers	-	422	3,502	108	(4,032)	-
Disposals	(906)	(113)	(448)	(3)	(287)	(1,757)
Translation differences	(9,506)	(1,237)	(2,172)	(351)	(1,485)	(14,751)
<b>As of March 31, 2012</b>	<b>624,768</b>	<b>146,077</b>	<b>71,196</b>	<b>11,165</b>	<b>54,115</b>	<b>907,321</b>
<b>Depreciation and impairment</b>						
<b>As of January 1, 2012</b>	<b>(174,038)</b>	<b>(41,903)</b>	<b>(9,969)</b>	<b>(612)</b>	<b>-</b>	<b>(226,522)</b>
Depreciation charge	(13,638)	(1,480)	(1,355)	(116)	-	(16,589)
Disposals	579	22	175	2	-	778
Translation differences	2,934	180	281	13	-	3,408
<b>As of March 31, 2012</b>	<b>(184,163)</b>	<b>(43,181)</b>	<b>(10,868)</b>	<b>(713)</b>	<b>-</b>	<b>(238,925)</b>
<b>Net book value</b>						
<b>As of January 1, 2012</b>	<b>440,528</b>	<b>104,056</b>	<b>60,345</b>	<b>10,799</b>	<b>49,326</b>	<b>665,054</b>
<b>As of March 31, 2012</b>	<b>440,605</b>	<b>102,896</b>	<b>60,328</b>	<b>10,452</b>	<b>54,115</b>	<b>668,396</b>

## 10. Joint ventures

The carrying value of the most significant investments as of March 31, 2013, December 31, 2012 and January 1, 2012 are summarised below:

		Ownership percentage	March 31, 2013	December 31, 2012	January 1, 2012
Slavneft	Joint venture	49.9	81,218	78,831	72,681
SeverEnergy	Joint venture	25.5	24,241	24,285	24,599
Others			2,127	2,527	3,435
<b>Total investments in associates and joint ventures</b>			<b>107,586</b>	<b>105,643</b>	<b>100,715</b>

The reconciliation of carrying amount of joint ventures as at the beginning of the reporting period and at the end of the reporting period is shown below:

	2013	2012
<b>Carrying amount as of January 1</b>	105,643	100,715
Share of profit of associates and joint ventures	2,337	6,965
Dividends declared	(404)	(145)
Other changes in cost of associates and joint ventures	10	(3)
<b>Carrying amount as of March 31</b>	<b>107,586</b>	<b>107,532</b>

### JSC Slavneft

The Group's investment in JSC Slavneft and various minority stakes in Slavneft subsidiaries ("Slavneft") are held through a series of legal entities. The control over Slavneft is divided equally between the Group and TNK-BP.

The following table summarises the financial information of Slavneft as of March 31, 2013, December 31, 2012 and January 1, 2012. Revenue and net income are shown for the periods ended March 31, 2013 and 2012:

	March 31, 2013	December 31, 2012	January 1, 2012
Current assets	50,434	49,939	30,181
Non-current assets	223,137	219,681	209,368
Total liabilities	117,880	118,183	100,047
Revenues	47,975	53,735	-
Net income	4,347	12,815	-

### SeverEnergy LLC

In December 2010 Yamal Razvitie LLC (a 50%:50% joint venture between the Group and JSC Novatek) acquired a 51% equity interest in SeverEnergy LLC (SeverEnergy) from JSC Gazprom. The respective purchase price paid by the Group comprised RUB 28,123 million. SeverEnergy is developing through its subsidiaries the Samburgskoye and Evo-Yakhinskoye oil fields and some other small oil and gas fields located in the Yamalo-Nenetskiy autonomous region of the Russian Federation.

The following table summarises the financial information of SeverEnergy as of March 31, 2013, December 31, 2012 and January 1, 2012. Revenue and net income are shown for the periods ended March 31, 2013 and 2012:

	March 31, 2013	December 31, 2012	January 1, 2012
Current assets	8,797	5,217	5,029
Non-current assets	188,669	184,657	166,165
Total liabilities	88,754	80,558	60,686
Revenues	3,133	-	-
Net loss	(214)	(349)	-

## 11. Long-term Financial Assets

Long-term financial assets as of March 31, 2013, December 31, 2012 and January 1, 2012 comprise the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Long-term loans issued	17,881	15,507	2,800
Forward contracts - cash flow hedge	79	342	-
Financial assets held to maturity	-	-	7
Available for sale financial assets	8,295	8,106	7,481
Less impairment provision	(704)	(699)	(791)
<b>Total long-term financial assets</b>	<b>25,551</b>	<b>23,256</b>	<b>9,497</b>

## 12. Short-term Debt and Current Portion of Long-term Debt

As of March 31, 2013, December 31, 2012 and January 1, 2012 the Group has short-term loans and current portion of long-term debt outstanding as follows:

	March 31, 2013	December 31, 2012	January 1, 2012
Bank loans	399	13,084	116
Other borrowings	17,112	17,083	17,075
Finance lease liabilities	13	-	1,257
Current portion of long-term debt	45,953	47,026	35,501
<b>Total short-term debt and current part of long-term debt</b>	<b>63,477</b>	<b>77,193</b>	<b>53,949</b>

Current portion includes interest payable on long-term borrowings.

As of March 31, 2013, December 31, 2012 and January 2012 short-term loans were provided by international and Russian banks for funding of working capital and consisted of unsecured facilities.

## 13. Trade and Other Payables

Accounts payable as of March 31, 2013, December 31, 2012 and January 1, 2012 comprise the following:

	March 31, 2013	December 31, 2012	January 1, 2012
Trade accounts payable	42,726	46,269	36,198
Dividends payable	1,378	1,397	1,534
Other accounts payable	9,703	1,436	883
Other current financial liabilities	18	905	1,820
<b>Total trade and other payables</b>	<b>53,825</b>	<b>50,007</b>	<b>40,435</b>

#### 14. Other Taxes Payable

Other taxes payable as of March 31, 2013, December 31, 2012 and January 1, 2012 comprise the following:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Mineral extraction tax	16,922	16,761	16,098
VAT	17,076	15,941	12,611
Excise tax	7,166	5,881	3,968
Property tax	2,006	1,617	1,472
Other taxes	4,466	2,824	2,529
<b>Total other taxes payable</b>	<b>47,636</b>	<b>43,024</b>	<b>36,678</b>

Taxes other than income tax expense for the periods ended March 31, 2013 and 2012 comprise the following:

	<b>2013</b>	<b>2012</b>
Mineral extraction tax	50,858	51,908
Property tax	1,829	1,878
Excise tax	19,308	19,793
Other taxes	5,307	3,102
<b>Total taxes other than income tax</b>	<b>77,302</b>	<b>76,681</b>

#### 15. Long-Term Debt

As of March 31, 2013, December 31, 2012 and January 1, 2012 the Group has long-term outstanding loans as follows:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Bank loans	80,821	82,240	136,456
Bonds	81,791	82,025	71,999
Loan Participation Notes	46,687	46,118	-
Finance lease liabilities	-	-	3,207
Other borrowings	3,301	3,090	829
less current portion of debt	(45,953)	(47,026)	(35,501)
<b>Total long-term debt</b>	<b>166,647</b>	<b>166,447</b>	<b>176,990</b>

On April 21, 2009, the Group placed ten-year Ruble Bonds (04 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013, December 31, 2012 and January 1, 2012). In April, 2011 an option to redeem the bonds earlier was exercised and in August, 2011 the Group completed a secondary placement of RUB 6.1 billion. The bonds maturing in 2018 bear interest of 8.2% per year and have semi-annual coupon payments.

On July 21, 2009, the Group placed seven-year Ruble Bonds (03 series) with the total par value of RUB 8 billion (all redeemed as of March 31, 2013, RUB 140 million all current as of December 31, 2012; RUB 8 billion all current as of January 1, 2012). From July 23, 2012 the bonds bear interest of 1.0% per year.

On April 13, 2010, the Group placed three-year Ruble Bonds (05 and 06 series) with the total par value of RUB 20 billion (all current as of March 31, 2013 and as of December 31, 2012 and non-current as of January 1, 2012). The bonds bear interest of 7.15% per year and have semi-annual coupon payments.

On February 08, 2011, the Group placed five-year Ruble Bonds (08 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013, December 31, 2012 and January 1, 2012). The bonds bear interest of 8.5% per year and have semi-annual coupon payments.

On February 08, 2011, the Group placed ten-year Ruble Bonds (09 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013, December 31, 2012 and January 1, 2012). The bonds bear interest of 8.5% per year with a five year put option to early redeem at par and have semi-annual coupon payments.

On February 08, 2011, the Group placed ten-year Ruble Bonds (10 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013, December 31, 2012 and January 1, 2012). The bonds bear interest of 8.9% per year with a seven year put option to early redeem at par and have semi-annual coupon payments.

On February 7, 2012 the Group placed ten-year Ruble Bonds (11 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013 and December 31, 2012). The bonds bear interest of 8.25% per year. The bonds have an early redemption offer to be made 3 years following the placement.

On December 5, 2012 the Group placed ten-year Ruble Bonds (12 series) with the total par value of RUB 10 billion (all non-current as of March 31, 2013 and December 31, 2012). The bonds bear interest of 8.5% per year. The bonds have an early redemption offer to be made 5 years following the placement.

In July 2010 the Group completed the Senior Syndication under the five-year Pre-Export Finance Facility for the amount of US\$ 1.5 billion (approximately RUB 46 billion). The Bank of Tokyo-Mitsubishi UFJ, Natixis SA and Societe Generale were appointed as Initial Mandated Lead Arrangers and Bookrunners. The facility bears an interest rate of LIBOR plus 1.6% and matures in July 2015. As of March 31, 2013, December 31, 2012 and January 1, 2012 the Group has US\$ 1.1 billion, US\$ 1.2 billion and US\$ 1.5 billion, respectively (approximately RUB 33.5 billion, RUB 36.2 billion and RUB 48.3) outstanding under the loan including current portion of US\$ 0.5 billion, US\$ 0.5 billion and US\$ 0.3 billion as of March 31, 2013, December 31, 2012 and January 1, 2012 (approximately RUB 14.3 billion, RUB 14.0 billion and RUB 9.9 billion, respectively).

On September 19, 2012 the Group has drawn USD 1,500 million (46,375 RUB million) financed by 10 years Loan Participation Notes (LPN) (Series 1 Issue) with 4.375% coupon to be paid semi-annually at par. Outstanding amount under the loan as of March 31, 2013 and December 31, 2012 is US\$ 1.5 billion (RUB 46.6 billion and 45.6 billion, respectively, all non-current). LPNs are listed on the Irish Stock Exchange.

As of March 31, 2013 the Group has RUB 47,334 million in long term loans from a number of banks, primarily denominated in US Dollars (including current portion of RUB 9,514 million). As of December 31, 2012 the Group has RUB 46,014 million in long term loans from a number of banks, primarily denominated in US Dollars (including current portion of RUB 10,809 million). As of January 1, 2012 the Group had RUB 88,812 million in long term loans from a number of banks (including current portion of RUB 15,312 million). Interest rates under the loans varied from LIBOR plus 0.5% to fixed interest rate of 6.75%.

The loan agreements contain financial covenants that require the Group's ratios of Consolidated EBITDA to Consolidated Interest Payable, Consolidated Indebtedness to Consolidated Tangible Net Worth and Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of March 31, 2013, December 31, 2012 and January 1, 2012, respectively.

## 16. Commitments and Contingencies

### Taxes

Russian tax and customs legislation is subject to frequently changes and varying interpretations. Management's treatment of such legislation as applied to the transactions and activity of the Group, including calculation of taxes payable to federal and regional budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, significant additional taxes, penalties and interest may be accrued. Fiscal periods remain open to review by the authorities in respect of taxes for the preceding three calendar years from the year when the tax authorities make decision regarding tax reviews. Under certain circumstances reviews by tax authorities may cover longer periods. The years 2010, 2011 and 2012 are currently open for review. Management believes it has adequately provided for any probable additional tax accruals that might arise from these reviews.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce significant reporting and documentation requirements regarding market environment at the date of transaction. Compare to the old rules the new transfer pricing rules appear to be more technically elaborate and better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions (transactions with a related party and some types of transactions with an unrelated party), if the transaction pricing was not at arm's length. The Group's transactions with related parties are subject to the constant internal review on compliance with the new transfer pricing rules. The Group believes that the transfer pricing documentation that the Group has prepared to comply with the new legislation provides sufficient evidence to support the Group's tax positions and related tax returns. In addition to mitigate potential risks the Group negotiates with the tax authorities pricing approaches in major controllable transactions for advance pricing agreements conclusion, one of the agreement between Group and tax authorities, regarding the most significant intercompany transaction, has been concluded in 2012. Given that the practice of implementation of the new transfer pricing rules has not yet developed and some clauses of the new law have contradictions and cannot be called unambiguous, the impact of any challenge to the Group's transfer prices cannot be reliably estimated.

The transfer pricing legislation that is applicable to transactions on or prior to December 31, 2011 also allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if transaction price differs from the market price by more than 20%. Management believes it has adequately provided for any probable losses that might arise and that the probability the Group can be challenged by tax authorities is remote.

### Operating Environment

While there have been improvements in the economic situation in the Russian Federation in recent years, the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the Russian Federation, restrictive currency controls, and a high level of inflation. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

Environmental Matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its potential obligations under environmental regulation. Management is of the opinion that the Group has met the government's requirements concerning environmental matters, and the Group does not therefore have any material environmental liabilities.

Capital Commitments

As of March 31, 2013 the Group has entered into contracts to purchase property, plant and equipment for RUB 48,575 million (December 31, 2012: RUB 28,683 million; January 1, 2012: RUB 16,794 million).

**17. Group Entities**

The most significant subsidiaries of the Group and the ownership interest are presented below:

Subsidiary	Country of incorporation	Ownership interest		
		March 31, 2013	December 31, 2012	January 1, 2012
OJSC "Gazpromneft-Omsk"	Russian Federation	100%	100%	100%
OJSC "Gazpromneft-Tumen"	Russian Federation	100%	100%	100%
OJSC "Gazpromneft-Ural"	Russian Federation	100%	100%	100%
OJSC "Gazpromneft-Novosibirsk"	Russian Federation	100%	100%	100%
OJSC "Gazpromneft-Yaroslavl"	Russian Federation	91%	91%	91%
OJSC "Gazpromneft-Noyabrskneftegaz"	Russian Federation	100%	100%	100%
OJSC "Uzhuralneftegaz"	Russian Federation	88%	88%	88%
OJSC "Gazpromneft-ONPZ"	Russian Federation	100%	100%	100%
OJSC "CNT"	Russian Federation	100%	100%	100%
CJSC "Gazpromneft-Severo-Zapad"	Russian Federation	100%	100%	100%
CJSC "Gazpromneft-Kuzbass"	Russian Federation	100%	100%	100%
CJSC "Gazpromneft-Aero"	Russian Federation	100%	100%	100%
CJSC "Gazpromneft-Orenburg"	Russian Federation	62%	62%	62%
LLC "Gazpromneft Marin Bunker"	Russian Federation	100%	100%	100%
LLC "Gazpromneft-Center"	Russian Federation	100%	100%	100%
LLC "Gazpromneftfinance"	Russian Federation	100%	100%	100%
LLC "Gazpromneft-Smazochnye Materialy"	Russian Federation	100%	100%	100%
LLC "Gazpromneft-Vostok"	Russian Federation	100%	100%	100%
LLC "Zapolyarneft"	Russian Federation	100%	100%	100%
LLC "Gazpromneft-Hantos"	Russian Federation	100%	100%	100%
LLC "Gazprom neft Novy Port"	Russian Federation	90%	90%	-
Gazpromneft Trading GmbH	Austria	100%	100%	100%
NAFTNA INDUSTRIJA SRBIJE (NIS)	Serbia	56%	56%	56%
Tomskneft	Russian Federation	50%	50%	50%
Salym Petroleum Development	Russian Federation	50%	50%	50%

## 18. Related party transactions

For the purpose of these Interim Condensed Consolidated Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 *Related Party Disclosures*. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group has applied the exemption as allowed by IAS 24 not to disclose all government related transactions, as the parent of the Company is effectively being controlled by the Russian Government. The table below summarises transactions in the ordinary course of business with either the parent company or associates and joint ventures.

### Transactions with key management personnel

Key management received remunerations: salaries, bonuses and other contributions amounted to RUB 234 million for the period ended March 31, 2013 and to RUB 118 million for the period ended March 31, 2012.

### Other related party transactions

The Group enters into transactions with related parties based on market or regulated prices.

As of March 31, 2013; December 31, 2012 and January 1, 2012 the outstanding balances with related parties were as follows:

<b>March 31, 2013</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Short-term financial assets	-	-	4,008
Trade and other receivables	654	3,459	1,802
Other assets	375	2,315	1,334
Cash and cash equivalents	-	3,358	-
Long-term financial assets	-	8,385	3,870
<b>Total assets</b>	<b>1,029</b>	<b>17,517</b>	<b>11,014</b>
Other current financial liability	1,031	-	-
Trade and other payables	663	2,782	1,625
Other current liabilities	-	44	276
Long-term debt and other non-current financial liability	4,860	-	1,422
<b>Total liabilities</b>	<b>6,554</b>	<b>2,826</b>	<b>3,323</b>

<b>December 31, 2012</b> <b>Restated</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Short-term financial assets	-	1,210	4,010
Trade and other receivables	744	1,926	3,679
Other assets	-	1,117	678
Cash and cash equivalents	-	23,958	-
Long-term financial assets	-	-	5,675
<b>Total assets</b>	<b>744</b>	<b>28,211</b>	<b>14,042</b>
Trade and other payables	1,378	1,250	1,555
Other current liabilities	79	35	722
Long-term debt and other non-current financial liability	4,231	-	1,162
<b>Total liabilities</b>	<b>5,688</b>	<b>1,285</b>	<b>3,439</b>



<b>January 1, 2012 Restated</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Short-term financial assets	-	242	10,016
Trade and other receivables	921	309	4,438
Other assets	-	361	679
Cash and cash equivalents	-	4,089	-
Long-term financial assets	-	-	2,095
<b>Total assets</b>	<b>921</b>	<b>5,001</b>	<b>17,228</b>
Short-term debt and other current financial liability	1,222	-	527
Trade and other payables	439	319	2,017
Other current liabilities	260	41	1,864
Long-term debt and other non-current financial liability	3,207	-	573
<b>Total liabilities</b>	<b>5,128</b>	<b>360</b>	<b>4,981</b>

For the periods ended March 31, 2013 and 2012 the following transactions occurred with related parties:

<b>Three months ended March 31, 2013</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Crude oil, gas and oil products sales	1,883	5,396	11,026
Other revenue	-	48	1,538
Purchases of crude oil, gas and oil products	-	6,466	21,473
Production related services	-	2,958	3,495
Transportation costs	1,160	563	1,933
Interest income	-	131	123

<b>Three months ended March 31, 2012 Restated</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Crude oil, gas and oil products sales	1,504	844	13,700
Other revenue	-	53	1,238
Purchases of crude oil, gas and oil products	-	4,128	24,625
Production related services	262	2,163	2,091
Transportation costs	1,139	906	3,025
Interest income	-	-	205

## **19. Segment information**

Presented below is information about the Group's operating segments for the periods ended March 31, 2013 and 2012. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas (including joint ventures results), oil field services. Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and products, and other adjustments.

Intersegment revenues are based upon estimated market prices.

Adjusted EBITDA represents the Group's EBITDA and its share in equity accounted investments' EBITDA. Management believes that adjusted EBITDA represents useful means of assessing the performance of the Group's ongoing operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, foreign exchange gain (loss), other non-operating expenses and includes the Group's share of profit of equity accounted investments. EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

**Three months ended March 31, 2013**

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
<b>Segment revenues</b>				
Refined products, oil and gas sales and other revenues :				
External parties	5,471	286,424	-	291,895
Inter-segment	104,020	2,006	(106,026)	-
<b>Total revenues</b>	<b>109,491</b>	<b>288,430</b>	<b>(106,026)</b>	<b>291,895</b>
<b>Segment results</b>				
Adjusted EBITDA	35,459	41,234	-	76,693
Depreciation, depletion and amortisation	13,838	4,155	-	17,993
Segment assets as of March 31, 2013	862,468	731,299	(232,424)	1,361,343
Capital expenditure	27,838	9,019	-	36,857

**Three months ended March 31, 2012**

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
<b>Restated</b>				
<b>Segment revenues</b>				
Refined products, oil and gas sales and other revenues :				
External parties	4,338	274,096	-	278,434
Inter-segment	122,074	1,208	(123,282)	-
<b>Total revenues</b>	<b>126,412</b>	<b>275,304</b>	<b>(123,282)</b>	<b>278,434</b>
<b>Segment results</b>				
Adjusted EBITDA	56,805	22,457	-	79,262
Depreciation, depletion and amortisation	11,881	4,581	-	16,462
<b>Segment assets as of December 31, 2012</b>	<b>812,661</b>	<b>734,937</b>	<b>(219,388)</b>	<b>1,328,210</b>
<b>Capital expenditure</b>	<b>21,351</b>	<b>12,613</b>	<b>-</b>	<b>33,964</b>

The geographical segmentation of the Group's revenue and capital expenditures for the periods ended March 31, 2013 and 2012 are presented below:

Three months ended March 31, 2013	Russian Federation	CIS	Export and international sales	Total
Sales of crude oil	2,964	12,267	57,439	72,670
Sales of petroleum products	134,440	12,068	122,920	269,428
Sales of gas and gas condensate	5,728	-	619	6,347
Other sales	6,570	185	754	7,509
Less custom duties and sales related excises	-	(727)	(63,332)	(64,059)
<b>Revenues from external customers, net</b>	<b>149,702</b>	<b>23,793</b>	<b>118,400</b>	<b>291,895</b>
<b>Three months ended March 31, 2012</b>				
<b>Restated</b>				
Sales of crude oil	3,072	9,871	75,633	88,576
Sales of petroleum products	126,097	13,545	103,645	243,287
Sales of gas and gas condensate	5,000	-	1,422	6,422
Other sales	5,997	106	605	6,708
Less custom duties and sales related excises	-	(1,448)	(65,111)	(66,559)
<b>Revenues from external customers, net</b>	<b>140,166</b>	<b>22,074</b>	<b>116,194</b>	<b>278,434</b>
	Russian Federation	CIS	Export and international sales	Total
Non-current assets as of March 31, 2013	837,784	8,105	104,220	950,109
Capital expenditures for three months ended March 31, 2013	31,897	378	4,582	36,857
Non-current assets as of December 31, 2012	820,217	7,442	94,061	921,720
Capital expenditures for three months ended March 31, 2012	33,683	93	188	33,964

Adjusted EBITDA for the periods ended March 31, 2013 and 2012 is reconciled below:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Profit for the period	40,527	50,088
Total income tax expense	9,424	11,377
Finance expense	3,090	2,342
Finance income	(1,511)	(533)
Depreciation, depletion and amortization	17,993	16,462
Net foreign exchange (loss) / gain	1,172	(2,831)
Other (loss) / gain, net	943	(190)
<b>EBITDA</b>	<b>71,638</b>	<b>76,715</b>
less Share of profit of equity accounted investments	(2,337)	(6,965)
add Share of EBITDA of equity accounted investments	7,392	9,512
<b>Total adjusted EBITDA</b>	<b>76,693</b>	<b>79,262</b>

## **20. Subsequent Events**

On April 19, 2013 the Group signed an unsecured term and revolving loan agreement with several banks for the amount of US\$ 1 billion (31,715 RUB million). The agreement comprises two loan facilities being an amortizing USD 700 million term loan facility with a maturity date falling 5 years and a USD 300 million revolving loan facility with a bullet repayment after 3 years. The term loan facility bears a floating interest rate of LIBOR plus 1.75% per annum while for the revolving part the interest rate is the sum of LIBOR and spread ranging from 1,2% to 1,5% per annum depending on the level of utilization of the revolving loan facility.

On April 26, 2013 the Group raised EURO 750 million (30,637 RUB million) financed by 2.933% Loan Participation Notes (LPN) due 2018 (Series 2). The interest is to be paid annually at par.

**The Group's office is:**

3-5 Pochtamtskaya St.,  
St. Petersburg, Russian Federation  
190000

Telephone: 7 (812) 363-31-52

Hotline: 8-800-700-31-52

Fax: 7 (812) 363-31-51

[www.gazprom-neft.ru](http://www.gazprom-neft.ru)

**Investor Relations**

Tel.: +7 (812) 385-95-48

Email: [ir@gazprom-neft.ru](mailto:ir@gazprom-neft.ru)