FINANCIAL REPORT 2010

CONTENTS

REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of JSC Gazprom Neft and its subsidiaries as of December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

ZAO PricewaterhouseCoopers Audit

February 18, 2011

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Consolidated Balance Sheets As of December 31, 2010 and 2009 (Currency – US$ millions)

	Notes	December 31, 2010	December 31, 2009
Assets			
Current assets:			
Cash and cash equivalents	4	$ 1,146	$ 868
Short-term investments		110	45
Short-term loans receivable		108	108
Accounts receivable, net	5	2,566	2,827
Inventories	6	1,862	1,596
Assets held for sale	7	189	-
Other current assets, net	8	1,112	1,147
Total current assets		**7,093**	**6,591**
Long-term investments and loans receivable	9	6,994	6,972
Property, plant and equipment, net	10	15,914	14,417
Goodwill and other intangible assets	11	1,274	1,317
Other non-current assets		569	491
Non-current deferred income tax assets	19	220	124
Total assets		**$ 32,064**	**$ 29,912**
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans and current portion of long-term debt	12, 15	$ 1,694	$ 2,148
Accounts payable and accrued liabilities	13	1,906	2,372
Income and other taxes payable	14	874	694
Dividends payable		293	416
Liabilities associated with assets held for sale	7	84	-
Total current liabilities		**4,851**	**5,630**

	Notes	December 31, 2010	December 31, 2009
Long-term debt	15	4,942	4,162
Asset retirement obligations	16	415	367
Other long-term liabilities		280	341
Deferred income tax liabilities	19	778	755
Total liabilities		**11,266**	**11,255**
Equity:			
Common stock (authorized, issued and outstanding: 4,741,299,639 shares, 0.0016 Ruble par value)		2	2
Additional paid-in-capital		507	573
Retained earnings		18,223	15,621
Less: Common stock held in treasury, at cost (23,359,582 shares as of December 31, 2010)		(45)	(45)
Total shareholders' equity		**18,687**	**16,151**
Non-controlling interest		2,111	2,506
Total equity		**20,798**	**18,657**
Total liabilities and shareholders' equity		**$ 32,064**	**$ 29,912**

A. V. Dyukov
Chief Executive Officer
JSC Gazprom Neft

V. V. Yakovlev
Chief Financial Officer
JSC Gazprom Neft

Consolidated Statements of Income (in millions of US Dollars) For the years ended December 31, 2010, 2009 and 2008 (except per share data)

	Note	2010	2009	2008
Revenues				
Refined products and oil and gas sales		$ 32,044	$ 23,648	$ 33,205
Other		728	518	665
Total	**22**	**32,772**	**24,166**	**33,870**
Costs and other deductions				
Cost of purchased oil, gas and petroleum products		7,459	5,335	8,022
Operating expenses		2,111	1,883	2,015
Selling, general and administrative expenses		1,649	1,280	1,046
Transportation expenses		2,886	2,262	2,046
Depreciation, depletion and amortization		1,619	1,475	1,309
Export duties		6,631	3,948	7,328
Taxes other than income tax	14	5,240	3,982	5,353
Exploration expenses		91	147	193
Cost of other sales		428	283	309
Loss on sale of assets, net		–	142	–
Total		**28,114**	**20,737**	**27,621**
Operating income		**4,658**	**3,429**	**6,249**
Other (expense) / income				
Share in income of equity affiliates	9	229	212	407
Gain on investment		9	470	–
Interest income		48	108	100
Interest expense		(336)	(369)	(167)
Other (expense) / income, net		(309)	(1)	89
Foreign exchange (loss) / gain, net		(22)	48	(517)
Total		**(381)**	**468**	**(88)**
Income before income taxes		4,277	3,897	6,161
Provision for income taxes		884	804	1,425
Deferred income tax (benefit) / expense	19	(40)	12	39
Total		**844**	**816**	**1,464**
Net income		**$ 3,433**	**$ 3,081**	**$ 4,697**
Less: Net income attributable to non-controlling interest		(285)	(68)	(39)
Net income attributable to Gazprom Neft		**$ 3,148**	**$ 3,013**	**$ 4,658**
Basic and Diluted Net income per Common Share attributable to Gazprom Neft (US$ per share)		0.67	0.64	0.98
Weighted-average number of common shares outstanding Basic and Diluted (millions)		4,718	4,718	4,736

Consolidated Statements of Changes in Shareholders' Equity (in millions of US Dollars)
For the years ended December 31, 2010, 2009 and 2008

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance as of December 31, 2007	**$ 2**	**$ 573**	**$ 9,858**	–	**$ 10,433**	–	**$ 10,433**
Net income for the period	–	–	4,658	–	4,658	39	4,697
Common stock dividends	–	–	(1,085)	–	(1,085)	–	(1,085)
Acquisition of treasury shares	–	–	–	(45)	(45)	–	(45)
Changes in non-controlling interest	–	–	–	–	–	100	100
Balance as of December 31, 2008	**$ 2**	**$ 573**	**$ 13 431**	**$ (45)**	**$ 13,961**	**$ 139**	**$ 14,100**
Net income for the period	–	–	3,013	–	3,013	68	3,081
Common stock dividends	–	–	(823)	–	(823)	–	(823)
Changes in non-controlling interest	–	–	–	–	–	2,299	2,299
Balance as of December 31, 2009	**$ 2**	**$ 573**	**$ 15,621**	**$ (45)**	**$ 16,151**	**$ 2,506**	**$ 18,657**
Net income for the period	–	–	3,148	–	3,148	285	3,433
Common stock dividends	–	–	(546)	–	(546)	–	(546)
Changes in non-controlling interest	–	(66)	–	–	(66)	(680)	(746)
Balance as of December 31, 2010	**$ 2**	**$ 507**	**$ 18 223**	**$ (45)**	**$ 18,687**	**$ 2,111**	**$ 20,798**

Consolidated Statements of Cash Flows (in millions of US Dollars)
For the years ended December 31, 2010, 2009 and 2008

	2010	2009	2008
Operating activities			
Net income	$ 3,433	$ 3,081	$ 4,697
Reconciliation of net income to net cash provided by operating activities:			
Share in income of equity affiliates, net of dividends received	49	11	(230)
Gain on investment	(5)	(470)	–
Deferred income tax (benefit) / expense	(40)	12	39
Depreciation, depletion and amortization	1,619	1,475	1,309
Asset retirement obligation accretion expense, net of spending on existing obligations	(17)	28	13
Allowance for doubtful accounts	36	(26)	44
Allowance for inventory obsolescence	19	11	(7)
Loss / (gain) on disposal of property, plant and equipment	37	(6)	(16)
Loss on disposal of investments and assets	14	142	–
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	321	(393)	413
Inventories	(322)	(259)	(166)
Other current assets	(209)	(290)	89
Other non-current assets	68	(185)	(60)
Accounts payable, accrued and other long-term liabilities	217	156	(70)
Income and other taxes payable	172	188	(572)
Net cash provided by operating activities	**5,392**	**3,475**	**5,483**

	2010	2009	2008
Investing activities			
Purchase of investments, net of cash acquired (Note 3)	(1,624)	(2,282)	(33)
Acquisition of investments held-to-maturity	(209)	(361)	(143)
Proceeds from sales of investments held-to-maturity	91	458	342
Loans issued	(233)	(345)	(414)
Loan proceeds received	209	247	30
Proceeds from disposals of property, plant and equipment	9	10	82
Proceeds from sales of investments	206	–	–
Capital expenditures	(3,301)	(2,607)	(3,366)
Net cash used in investing activities	**(4,852)**	**(4,880)**	**(3,502)**
Financing activities			
Short and long-term loan proceeds received	4,003	5,702	2,367
Short and long-term loans repaid	(3,584)	(4,580)	(2,096)
Dividends paid	(728)	(937)	(792)
Purchase of treasury shares	–	–	(45)
Net cash (used in) / provided by financing activities	**(309)**	**185**	**(566)**
Effect of foreign exchange on cash and cash equivalents	**47**	**13**	**(61)**
Increase / (decrease) in cash and cash equivalents	278	(1,207)	1,354
Cash and cash equivalents as of the beginning of the period	868	2 075	721
Cash and cash equivalents as of the end of the period	**$ 1,146**	**$ 868**	**$ 2,075**
Supplemental disclosures of cash flows information			
Cash paid for interest, net of amount capitalized	325	329	159
Cash paid for income taxes	744	528	1,819

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD, MLN)

1. General

Description of Business

JSC Gazprom Neft (formerly OAO Siberian Oil Company) and its subsidiaries (the “Company”) is a vertically integrated oil company operating in the Russian Federation, CIS and Europe. The Company’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.

OAO Siberian Oil Company (‘’Sibneft”) was created by Presidential Decree Number 872 dated August 24, 1995. On September 29, 1995 Sibneft’s charter was approved when the Government of the Russian Federation issued Resolution Number 972. The Omsk Registration Chamber officially registered Sibneft on October 6, 1995. In October 2005 OAO Gazprom (“Gazprom”) completed its acquisition of a 75.68 % stake in Sibneft which became a subsidiary of Gazprom. On May 30, 2006 Sibneft was renamed “JSC Gazprom Neft”. In April 2009, Gazprom acquired an additional 20.00 % interest in the Company and increased its interest to 95.68 %.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company 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 consolidated financial statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Subsequent events occurring after December 31, 2010 were evaluated through February 18, 2011, the date these financial statements were available to be issued.

Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet as well as the revenues and expenses during the reporting periods. Certain significant estimates and assumptions for the Company include: recoverability and useful lives of long-term assets and investments; identifying assets acquired and liabilities assumed in business combinations and determining fair value; allowances for doubtful accounts receivable and inventory obsolescence; asset retirement obligations; legal and tax contingencies; depreciation, depletion and amortization; environmental remediation obligations; oil reserves; and recognition and disclosure of guarantees and other commitments. While management uses its best estimates and judgments, actual results could differ from those estimates and assumptions used.

Foreign Currency Translation

The management of the Company has determined the US Dollar is the functional and reporting currency of the Company as the majority of its revenues, debt and trade liabilities are either priced, incurred, payable or otherwise measured in US Dollars. Monetary assets and liabilities have been translated into US Dollars at the exchange rate as of the balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows are translated into US Dollars at average rates for the period or exchange rates prevailing on the transaction dates where practicable. Gains and losses resulting from the re-measurement into US Dollars are included in the consolidated statements of income.

The official exchange rates of the Ruble to the US Dollar as of December 31, 2010, 2009 and 2008 were 30.48 Rubles, 30.24 Rubles and 29.38 Rubles per US $1.00, respectively.

The translation of local currency denominated assets and liabilities into US Dollars for the purpose of these consolidated financial statements does not indicate that the Company could realize or settle, in US Dollars, the reported values of these assets and liabilities. Likewise, it does not indicate that the Company could return or distribute the reported US Dollar value of capital to its shareholders.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of majority-owned subsidiaries where no minority shareholder or group of minority shareholders exercise a majority of the substantive participating rights, and variable interest entities for which the Company is determined to be the primary beneficiary. Investments in entities that the Company does not control, but has the ability to exercise significant influence over their operating and financial policies, are accounted for under the equity method. Accordingly, the Company's share of net earnings from these companies is included in the consolidated statements of income as share in income from equity affiliates. All other investments are recorded at cost and adjusted for impairment, as appropriate.

Business Combinations

From January 1, 2009, the Company accounts for its business combinations according to FASB ASC 805, *Business Combinations*, and FASB ASC 810, *Consolidation*. The Company applies the acquisition method of accounting and recognizes the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions.

Investments in shares or interests in companies where the Company has less than 20 % equity interest and does not have significant influence, which are not publicly traded, and their market value cannot be calculated directly, are recorded at cost and adjusted for impairment, as appropriate.

Goodwill and Other Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of net assets acquired. The excess of the fair value of net assets acquired over acquisition cost represents negative goodwill which is recognized as a gain in the consolidated statement of income during the period of the acquisition.

In accordance with FASB ASC 350, *Intangibles – "Goodwill and Other"*, goodwill and intangible assets with indefinite useful lives are not amortized. Instead, they are tested for impairment at least on an annual basis. An impairment loss is recognized when the carrying value of goodwill exceeds its fair value. Impairment testing is a two-step process. The first step compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, no impairment is recognized. Otherwise, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss resulting from the excess of the reporting unit's carrying value over its fair value. The loss recognized cannot exceed the carrying amount of goodwill. Subsequent reversal of previously recognized goodwill impairment loss is prohibited.

Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful lives or the period set by legislation. Useful lives with respect to intangible assets are determined as follows:

Intangible Asset Group	Average Life
Licenses and software	1–5 years
Land rights	25 years

Non-Controlling Interest

Certain changes in a parent's ownership interest are to be accounted for as equity transactions and when a subsidiary is deconsolidated, any non-controlling equity investment in the former subsidiary will be initially measured at fair value. In addition ownership interests in the Company's subsidiaries held by parties other than the parent are presented separately from the parent's equity on the consolidated balance sheet. The amount of consolidated net income attributable to the parent and the non-controlling interests are both presented on the face of the consolidated statements of income.

Cash and Cash Equivalents

Cash represents cash on hand and in bank accounts, which can be effectively withdrawn at any time without prior notice. Cash equivalents include all highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. They are recognized based on the cost of acquisition, which approximates fair value.

Loans and Accounts Receivable

Loans and accounts receivable are stated at net realizable value. Allowances are provided for estimated losses and for doubtful debts based on estimation of uncollectible amounts. Estimation is made based on aging of the receivable, past history of settlements with the debtor and existing economic conditions. Estimates of allowances require the exercise of judgment and the use of assumptions.

Inventories

Inventories, consisting primarily of crude oil, refined oil products and materials and supplies are stated at the lower of weighted average cost or market value. Market value should not exceed net realizable value (i.e. estimated selling price less reasonable predictable costs of completion and disposal), and should not be less than net realizable value reduced by an allowance for an estimated normal profit margin. Costs include both direct and indirect expenditures and charges incurred in bringing an item or product to its existing condition and location.

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

Financial Investments

In accordance with FASB ASC 825, *"Fair value option for financial assets and financial liabilities"* including amendment to ASC 320, financial investments are recorded at fair value. The fair value of investments is based on market quotes, if any, or on present value of expected cash flow with discount rates applied for their calculation in accordance with the level of risks associated with these investments.

All debt and equity securities held by the Company are classified as follows: trading securities, available-for-sale securities or held-to-maturity securities.

Trading securities are purchased and held primarily for resale in the nearest future. Held-to-maturity securities represent financial instruments that the Company has both the intent and the ability to hold to maturity. All other securities, which do not fall into these two categories, are classified as available-for-sale securities.

Unrealized gains or losses on trading securities and held-to-maturity securities are included in the consolidated statements of income. Unrealized gains or losses on available-for-sale securities less the related tax effect are recorded up to the date of their sale as a separate element of comprehensive income. Realized gains and losses on sale of securities designated as available for sale are determined separately for each type of security. Dividends and interest receivable are recorded on accrual basis.

Oil and Gas Properties

In accordance with FASB ASC 932, *"Extractive Activities - Oil and Gas"*, oil and gas acquisition, exploration and development costs are recognized under the successful efforts method.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration costs include:

- Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

Exploration drilling costs are capitalized until it is determined that the well has proved oil and gas reserves and the reserves found are sufficient to justify its development. If the well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well. The field is a cost centre. If proved reserves are not found, the capitalized drilling costs are charged to exploration expenses incurred in the period when it is determined that such cost would not bring additional proved oil and gas reserves.

Other exploration costs are charged to expense when incurred.

Development costs, which are capitalized within property plant and equipment, include expenditures incurred to:

- Gain access to and prepare well locations for drilling;
- Drill and equip development wells and service wells;
- Acquire, construct, and install production facilities; and
- Provide improved recovery systems.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation. The cost of maintenance, repairs and replacement of minor items of property is charged to expense; renewals and betterments of assets are capitalized.

Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are recorded in the consolidated statements of income.

Depreciation, Depletion and Amortization

Depletion of acquisition and development costs of proved oil and gas properties is calculated using the unit-of-production method based on the proved reserves and proved developed reserves, respectively. Acquisition costs of unproved properties are not amortized. These costs are reclassified as proved properties when the relevant reserve reclassification is made.

The provision for depreciation and amortization with respect to operations other than oil and gas producing activities is calculated using the straight-line method based on estimated economic lives. Depreciation rates are applied to similar types of buildings and equipment having similar economic characteristics, as shown below:

Asset Group	Average Life
Buildings and constructions	8-35 years
Machinery and equipment	8-20 years
Vehicles and other equipment	3-10 years

Impairment of Long-Lived Assets

Long-lived assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with FASB ASC 360 *"Property, Plant and Equipment"*. ASC 360-10-35 provides a list of events or changes in circumstances that may indicate the need to conduct a test for impairment of long-lived assets: (1) a significant decrease in the market price of a long-lived asset; (2) a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition; (3) a significant adverse change in legal factors or in the business climate; (4) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of a long-lived asset; (5) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a negative projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset; or (6) a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

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

Oil and gas properties are assessed whenever events or changes in circumstances indicate potential impairment. If the carrying value of oil and gas properties is not recoverable through undiscounted cash flows, an impairment is recognized. The impairment is determined on the basis of the estimated fair value of oil and gas properties which, in turn, is measured by discounting future net cash flows.

Discounted future net cash flows from oil and gas fields are based on management's best estimate of future prices, which are determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including risk-adjusted probable and possible reserves, expected to be produced based on a stipulated amount of capital expenditure. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information.

Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets - generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at an operating unit level for other assets. Long-lived assets committed by management for disposal within one year are accounted for at the lower of amortized cost or fair value, less cost to sell. Acquisition costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

No impairment has been recognized for the years ended December 31, 2010, 2009 and 2008.

Capitalized Interest

Interest is capitalized on expenditures made in connection with capital projects that could have been avoided if expenditures for the assets had not been made. Interest is only capitalized for the period when construction activities are actually in progress and until the resulting properties are put into operation. During 2010, 2009 and 2008 interest capitalized related to capital projects amounted to US $ 40 million, US $ 22 million and US $ 16 million, respectively.

Asset Retirement Obligations

The Company has asset retirement obligations associated with its core activities. The nature of the assets and potential obligations are as follow:

Exploration and Production: the Company's activities in exploration, development and production of oil and gas in the deposits are related to usage of such assets as wells, well equipment, oil gathering and processing equipment, oil storage tanks and infield pipelines. Generally, licenses and other permissions for mineral resources extraction require certain actions to be taken by the Company in respect of liquidation of these assets after oil field closure. Such actions include liquidation of wells, dismantling of equipment, soil recultivation and other remediation measures. Upon entire depletion of an oil field the Company will incur costs related to well retirement and environmental protection measures associated with abandonment of such wells in accordance with ASC 410-20 *"Asset Retirement Obligations"*.

Refining, Marketing and Distribution: the Company's oil refining operations are carried out at large manufacturing facilities. Such manufacturing facilities have been operated for several decades. Based on principles of operations of such facilities, it is impossible to determine the ultimate date of decommissioning of sites and facilities, although some functioning parts and equipment have definite useful lives. Current regulatory and licensing rules do not provide for liabilities related to liquidation of such manufacturing facilities and retail outlets. Therefore, the Company's management believes that there are no apparent legal or contractual obligations related to decommissioning or other disposal of these assets.

FASB ASC 410-20 calls for measurements of asset retirement obligations to include, as a component of expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties and unforeseeable circumstances inherent in the obligations, sometimes referred to as a market-risk premium. To date, the oil and gas industry in the Russian Federation has few examples of credit-worthy third parties who are willing to assume this type of risk, for a determinable price, on major oil and gas production facilities and pipelines. Therefore, because determining such a market-risk premium would be an arbitrary process, it has been excluded from the Company's asset retirement obligation estimates.

As the regulatory and legal environment in the Russian Federation continues to evolve, there could be future changes to the requirements and costs associated with abandoning long-lived assets.

Income Taxes

Russian legislation does not contain the concept of a "consolidated tax-payer" and, accordingly, the Company is not subject to taxation on a consolidated basis. Current income taxes are provided on taxable profit of each subsidiary as determined under mostly the Russian Federation Tax Code at a rate of 20% after adjustments for certain items which are not deductible for taxation purposes. Subsidiaries operating in countries other than the Russian Federation are chargeable to income at the applicable statutory rate in the country in which they operate.

Deferred income tax assets and liabilities are recognized in the accompanying consolidated financial statements in the amounts determined by the Company using the liability method in accordance with FASB ASC 740 *"Income Taxes"*. This method takes into account future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purpose of the consolidated financial statements and their respective tax bases and in respect of operating loss and tax credit carry-forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets recovered and liabilities settled. A valuation allowance for deferred tax asset is recorded when management believes that it is more likely than not that this tax asset will not be realized in the future.

Derivative Instruments

The Company uses derivative instruments to manage its exposure to changes in foreign currency exchange rates. A substantial portion of the Company's sales revenues are received in US Dollars. Additionally, a significant portion of the Company's financing and investing activities is also undertaken in US Dollars. However, the Company's operating expenditures and capital spending are primarily denominated in Russian Rubles. Accordingly, a decline in the value of the US Dollar against the Russian Ruble will negatively impact the Company's operating results and cash flows. Therefore the Company enters into forward contracts to manage this risk.

Derivative instruments are recorded at fair value in either other assets or liabilities on the consolidated balance sheet. Realized and unrealized gains and losses are presented in the consolidated statements of income on a net basis. These transactions are not accounted for as hedges pursuant to FASB ASC 815 *"Derivatives and Hedging"*.

Common stock

Common stock represents the authorized capital of the Company, as stated in its charter document. The common shareholders are allowed one vote per share. Dividends paid to shareholders are determined by the Board of directors and approved at the annual shareholders' meeting.

Treasury stock

Common shares of the Company owned by the Group as of the balance sheet date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Earnings per Share

Basic and diluted earnings per common share have been determined by dividing the available income to common shareholders by the weighted average number of shares outstanding during the year. There are no potentially dilutive securities.

Contingencies

Certain conditions may exist as of the date these financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities. The assessment of loss contingencies necessarily involves an exercise of judgment and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. If loss contingencies can not be reasonably estimated, management recognizes the loss when information becomes available that allows a reasonable estimation to be made.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to shareholders or others.

Retirement and Other Benefit Obligations

The Company and its subsidiaries do not have any substantial pension arrangements separate from the State pension scheme of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such contributions are charged to expense as incurred. In addition, the Company has no post-retirement benefits or significant other compensated benefits requiring accrual.

Stock–Based Compensation

In accordance with ASC 718-30 *"Compensation – Stock Compensation, Awards Classified as Liabilities"*, the Company accounts for its best estimate of the obligation under cash-settled stock-appreciation rights ("SARs") granted to employees at fair value on the date of grant. The estimate of the final liability is re-measured to fair value at each reporting date and the compensation charge recognized in respect of SARs in the income statement is adjusted accordingly. Expenses are recognized over the vesting period.

Recognition of Revenues

Revenues from the sales of crude oil, petroleum products, gas and all other products are recognized when deliveries of products to final customers are made, title passes to the customer, collection is reasonably assured and sales price to final customers is fixed or determinable. Specifically, domestic crude oil sales and petroleum product and materials sales are recognized when they are shipped to customers, which is generally when title passes. For export sales, title generally passes at the border of the Russian Federation and the Company is responsible for transportation, duties and taxes on those sales.

Other revenues consist primarily of sales of services such as processing services, transportation, construction, utilities and other services and are recognized when goods are provided to customers and services are performed providing that the price for the service can be determined and no significant uncertainties regarding realization exist.

Buy/Sell Transactions

The Company accounts for buy/sell transactions in accordance with FASB ASC 845-10-15 *"Non-monetary Transactions"* which requires that two or more legally separate exchange transactions with the same counterparty, including buy/sell transactions, should be combined and considered as a single arrangement. The Company accounts for matching buy/sell arrangements entered into as exchanges of inventory.

Transportation Costs

Transportation expenses recognized in the consolidated statements of income represent all expenses incurred in the transportation of crude oil and oil products through the Transneft pipeline network, as well as cost incurred by maritime vessel and railway. Transportation expenses also include all other shipping and handling costs.

Maintenance and Repair

Maintenance and repair cost, which are not significant improvements, are expensed when incurred. The costs of overhauls and preventive maintenance performed with respect to oil refining assets are expensed when incurred.

Accounting Standards Adopted

Effective January 1, 2010 the Company adopted provisions related to accounting for transfers of financial assets (Topic 820). These provisions require that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. The provisions also require additional disclosures about any transfers of financial assets and a transferor's continuing involvement with transferred financial assets. Adoption did not have an effect on the Company's consolidated financial statements.

Effective January 1, 2010 the Company adopted provisions related to how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated (Topic 810). The provisions also require additional disclosures about a reporting entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. Adoption did not have an effect on the Company's consolidated financial statements.

In January 2010 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards updated 2010-06 Fair Value Measurements and Disclosures (Topic 820). The new provisions require that a reporting entity disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. Furthermore in reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). The amendments also clarify the existing disclosures as to the requirement for management of a reporting entity to use judgment in determining the appropriate classes of assets and liabilities. The new provisions also require a reporting entity to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. The provisions are effective for annual and interim reporting periods beginning after December 15, 2010, except for the requirement to provide the Level 3 disclosure. This requirement is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Adoption of the first part of the update did not have an effect on the Company's consolidated financial statements.

In January 2010 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards updated 2010-02 Consolidation (Topic 810). The update addresses implementation issues related to the changes in ownership provisions in the Consolidation – Overall Subtopic 810-10 of the FASB codification. The amendments in this update affect accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary that is a business or nonprofit activity. The amendments also affect accounting and reporting by an entity that exchanges a group of assets that constitutes a business or non-profit activity for an equity interest in another entity. The amendments in this update expand the disclosures about the deconsolidation of a subsidiary or derecognition of a group of assets within the scope of Subtopic 810-10. The provisions are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted Statement 160. Adoption did not have an effect on the Company's consolidated financial statements.

In March 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-11, Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives that amends Topic 815, Derivatives and Hedging, of the FASB Codification. ASU 2010-11 clarifies that scope exception for embedded credit derivative features relates to the transfer of credit risk in the form of subordination of one financial instrument to another. ASU 2010-11 is effective at the beginning of the first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each first fiscal quarter beginning after issuance of ASU 2010-11. Adoption did not have an effect on the Company's consolidated financial statements.

In April 2010 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards updated 2010-13 Compensation (Topic 718). This Update clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendment is effective for interim or annual periods beginning on or after December 15, 2010 and should be applied on a prospective basis. The management does not believe the adoption will have a significant impact on the Company's financial position, results of operations and cash flows.

In July 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses that amends Topic 310, Receivables, of the FASB Codification. ASU 2010-20 amends existing disclosures and requires the entity to provide the following additional disclosures about its financing receivables: 1) credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables; 2) the aging of past due financing receivables at the end of the reporting period by class of financing receivables; 3) the nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses ; 4) the nature and extent of financing receivables modified as troubled debt restructurings within the previous 12 months that defaulted during the reporting period by class of financing receivables and their effect on the allowance for credit losses; 5) significant purchases and sales of financing receivables during the reporting period disaggregated by portfolio segment. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The management does not believe the adoption will have a significant impact on the Company's financial position, results of operations and cash flows.

Reclassifications

Certain reclassifications have been made to previously reported amounts to conform to the current year's presentation; such reclassifications have no effect on net income, net cash flow or shareholders' equity.

3. Business Combinations

Acquisition of Naftna Industrije Sjrbije

On February 3, 2009, the Company acquired a 51% interest in Serbia's Naftna Industrija Srbije (NIS) for € 400 million (US $ 521 million). As part of the purchase agreement the Company pledged to invest € 547 million (approximately US $ 712 million) to rebuild and upgrade NIS's refining facilities by 2012. NIS is one of the largest vertically integrated oil companies in central Europe, operating two oil refineries in Pancevo and Novi Sad, Serbia with a total processing capacity of 7.2 million tonnes per year. NIS also has crude oil and gas production of approximately 6.3 million barrels of oil equivalent per year from its oil and gas exploration and production operations in Serbia, holds a minority share in a PSA in Angola and operates a network of retail stations throughout Serbia.

The following table summarizes the consideration transferred to acquire NIS, as well as the fair value of the non-controlling interest as of the acquisition date:

Cash	521
Fair value of the non-controlling interest in NIS	501
Total fair value	**1,022**

The Company previously finalized the assessment of the estimated fair values of the assets and liabilities acquired. There were no changes compared to the estimated fair values disclosed as of December 31, 2009.

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

(USD, MLN)

The following table summarizes the finalized estimates of fair value of the assets and liabilities acquired as of February 3, 2009.

	As of the acquisition date
Cash and cash equivalents	$ 22
Accounts receivable, net	198
Inventories	235
Other current assets	53
Intangible assets	150
Property, plant and equipment	1,485
Other non-current assets	4
Total assets acquired	**$ 2,147**
Short term loans and current portion of long-term debt	$ (645)
Other current liabilities	(307)
Long-term debt	(186)
Other long-term liabilities	(336)
Total liabilities assumed	**$ (1,474)**
Total identifiable assets acquired and liabilities assumed	**$ 673**
Consideration paid	**$ (1,022)**
Goodwill	**349**

The primary reasons for the acquisition and the principal factors contributing to goodwill are the potential for deliveries of the Company's own crude oil to the NIS refineries and the expected increase in refining throughput and improvement of product mix, which will allow for future increases in refined product sales in the international market. All of the goodwill has been assigned to the Company's NIS refining reporting unit. The goodwill is not deductible for tax purposes.

The fair value of the non-controlling interest of US $ 501 million was estimated by applying the income approach as there are no market comparatives. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined by the Business Combinations Topic of the Codification. The fair value estimate is based on discount rates between 15.2 % and 17.3 %, financial forecasts prepared in nominal US Dollars and publicly available macroeconomic and industry information.

The acquisition of NIS contributed revenues of approximately US $ 2,293 million and net income of approximately US $ 5 million during the period February 3, 2009 through December 31, 2009. The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2009 after applying the Company's accounting policies:

	Pro forma December 31, 2009
Revenues	24,293
Net income	3,012

Presenting unaudited pro forma information for the comparative period ending December 31, 2009 is impractical as NIS has not historically prepared US GAAP information and does not have data to objectively determine adjustments to statutory accounts to derive US GAAP financial information for any period during 2008.

Acquisition of Sibir Energy

In the period from April 23, 2009, being the date of the Company's first acquisition of shares in Sibir Energy plc ("Sibir "), until June 23, 2009, the Company invested J1,057 million (approximately US $ 1,662 million) to acquire 54.71 % of the ordinary shares of Sibir. This acquisition of shares of Sibir provided the Company with effective control over Sibir and indirect control over Moscow Refinery, having increased its effective interest in Moscow Refinery from 38.63 % to 59.75 %. The Company previously accounted for its 38.63 % interest in Moscow Refinery as an equity method investment.

Sibir is a vertically integrated oil company operating in the Russian Federation. Sibir's primary upstream assets include JSC Magma Oil Company (95 % Sibir owned) and a 50 % interest in Salym Petroleum Development (a joint venture with Royal Dutch Shell). Sibir's upstream assets are located in Khanti-Mansiysky Autonomous Region and comprise annual production interest of over 80,000 barrels of oil per day (bopd). Sibir also holds a 38.63 % stake in JSC Moscow Oil Refinery ("Moscow Refinery"), which is jointly managed with Gazprom Neft, and a network of 134 retail stations in the City of Moscow and the Moscow region through JSC Moscow Fueling Company and JSC Mosnefteproduct.

The following table summarizes the consideration transferred to acquire Sibir, including the fair value of the non-controlling interests in both Sibir and Moscow Refinery at the acquisition date as well as the fair value of the Company's pre-existing interest in Moscow Refinery at the acquisition date:

Cash paid	$ 1,662
Fair value of the non-controlling interest in Sibir	1,015
Fair value of the non-controlling interest in Moscow Refinery	839
Fair value of the Company's investment in Moscow Refinery held before the business combination	806
Total fair value	$ 4,322

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes the estimates of fair value of the assets and liabilities acquired as of June 23, 2009:

	As of the acquisition date
Cash and cash equivalents	$ 181
Accounts receivable, net	461
Inventories	60
Other current assets, net	246
Intangible assets	618
Property, plant and equipment	2,421
Other non-current assets	1,621
Total assets acquired	**$ 5,608**
Short-term and current portion of long-term debt	$ (233)
Other current liabilities	(460)
Long-term debt	(174)
Other long-term liabilities	(559)
Total liabilities assumed	**$ (1,426)**
Total identifiable assets acquired and liabilities assumed	**$ 4,182**
Consideration transferred	**$ (4,322)**
Goodwill	**140**

The purchase price allocation was finalized in the three-month period ended June 30, 2010. The main changes to fair value estimates compared to those disclosed as of December 31, 2009 related to revisions to the estimated fair value of accounts receivable previously fully provided in the initial purchase price allocation but in respect of which partial recovery was made in the year ended December 31, 2010, and prior to the finalisation of the purchase price allocation.

As a result of the Company obtaining control over Moscow Refinery, the Company's previously held 38.63 % interest was re-measured to fair value at the date of acquisition, resulting in a gain of US $ 470 million. This has been recognized in the line item "Gain on investment" in the consolidated statement of income for the year ended December 31, 2009.

The fair values of the non-controlling interests in Sibir and Moscow Refinery of US $ 1,015 million and US $ 839 million respectively were estimated by applying an income approach as there are no market comparatives. The fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 measurements as defined by the Business Combinations Topic of the Codification. The fair value estimates are based on discount rates between 10.8 % and 13.6 %, financial forecasts prepared in nominal US Dollars and publicly available macroeconomic and industry information.

The acquisition of Sibir contributed revenues of approximately US $ 1,345 million and net income of approximately US $ 96 million during the period June 23, 2009 through December 31, 2009. The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2008:

	Pro forma December 31, 2008	Pro forma December 31, 2009
Revenues	25,189	37,589
Net income	3,073	4,669

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Sibir and Moscow Refinery to reflect the additional depreciation and amortization arising from the purchase accounting that would have been charged assuming the fair values adjustments to property plant and equipment and intangible assets had been applied from January 1, 2008.

The goodwill recognized as a result of the business combination is attributable to the Company's ability to increase the delivery of its own crude to the Moscow Refinery and the expected increase in refining throughput and improved flexibility of product sales which will increase access to various product sales channels and result in higher net back prices. All of the goodwill arising on the business combination has been assigned to the Company's Refining and Marketing Segment. The goodwill is not deductible for tax purposes.

Acquisition of Orton Oil Limited

On July 21, 2009 the Company acquired 100 % of Orton Oil Limited ("Orton"), an un-listed investment and financing company registered in Cyprus. The purchase consideration comprised US $109 million in cash. The only asset held by Orton is a 50 % investment in Bennfield Limited ("Bennfield") which, in turn, holds a 25.66 % interest in Sibir.

The following table summarizes the estimates of fair value of the assets and liabilities acquired as of July 21, 2009.

	As of the acquisition date
Other current assets, net	$ 206
Long-term Investment	741
Total assets acquired	**$ 947**
Other long-term liabilities	(872)
Total liabilities assumed	**(872)**
Total identifiable assets acquired and liabilities assumed	**$ 75**
Consideration paid	**$ (109)**
Goodwill	**34**

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

The primary reasons for the acquisition and the principal factors contributing to goodwill relate to the Company's ability to increase its influence on Sibir. All of the goodwill has been assigned to the Company's Refining and Marketing Segment. The goodwill is not deductible for tax purposes. The purchase price allocation is now finalized.

Acquisition of STS Service

On February 4, 2010 the Company completed the acquisition of 100 % of the share capital of STS-Service LLC, a company previously owned by Malka Oil AB, for a cash consideration of 820,000,000 Swedish Kroner (approximately US $ 114 million). STS-Service owns Block 87 in the Tomsk Region comprising Zapadno-Luginetskoye field (currently under development), Nizhneluginetskoye and a part of Shinginskoye field. C1+C2 category reserves comprise 11.5 mln tons, and there are 11 prospective structures within the area.

The following table summarizes the estimates of fair value of the assets and liabilities acquired as of February 4, 2010.

	As of the acquisition date
Current assets	3
Property, plant and equipment	125
Total assets acquired	$ 128
Current liabilities	(10)
Long-term liabilities	(4)
Total liabilities assumed	$ (14)
Total identifiable assets acquired and liabilities assumed	$ 114
Consideration transferred	$ (114)
Goodwill	–

The primary reasons for the acquisition are that these fields are located in the immediate vicinity of Shinginskoye field developed by the Company's subsidiary, Gazpromneft-Vostok LLC, which will integrate these operations. The purchase price allocation is now finalized.

Acquisition of Bennfield

On May 18, 2010 the Company acquired the remaining 50 % stake in Bennfield Limited ("Bennfield") for a consideration of US $ 741 million of which US $ 525 million was paid in cash and US $ 216 million related to the forgiveness of a loan between the Company and the former holder of the shares acquired. The acquisition increased the Company's share in Bennfield to 100 %. Bennfield is an un-listed investment and financing company registered in the Isle of Man. The only asset held by Bennfield is a 25.66 % interest in Sibir.

The Company has accounted for the acquisition of the additional interest in Sibir gained in the Bennfield acquisition as an acquisition of non-controlling interest where control is maintained. The difference between the fair value of the non-controlling interest acquired and its carrying value at the date of acquisition of US $ 75 million has been recognized in equity and is included within additional paid-in-capital.

Sale of interest in Sibir to Moscow Central Fuel Company

On July 19, 2010 the Company sold a 3.02 % interest in Sibir to the Moscow Central Fuel Company, a company owned by the Moscow Government. The consideration received was US $ 101 million. Under the terms of the agreement Moscow Central Fuel Company has the option to acquire an additional 2.69 % subject to certain conditions precedent. Control of Sibir is maintained by the Company following the transaction. Certain of the conditions precedent have not yet been satisfied and therefore the option is currently not effective.

As a result of the sale of the 3.02 % interest in Sibir to the Moscow Central Fuel Company the Company recognized a credit of approximately US $ 5 million in additional paid in capital in the year ended December 31, 2010. The US $ 5 million represents the excess of the consideration received over the carrying value of the investment that was sold to Moscow Central Fuel Company.

Following the acquisition of Bennfield and the subsequent sale of the interest in Sibir to the Moscow Central Fuel Company the Company has increased its interest in Sibir from 54.71 % to 77.61 %. In addition, the Company's effective interest in Moscow refinery has increased from 59.75 % to 69.02 %. These transactions have resulted in a net decrease of US $ 71 million in additional paid-in-capital.

4. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2010 and 2009 comprise the following:

	2010	2009
Cash in bank – Rubles	$ 120	$ 119
Cash in bank – foreign currency	101	172
Bank deposits and other cash equivalents	918	455
Cash on hand	7	122
Total cash and cash equivalents	**$ 1,146**	**$ 868**

As of December 31, 2010 and 2009 the majority of bank deposits are held in Russian Ruble and US Dollars, respectively. Bank deposits represent deposits with original maturities of less than three months.

(USD, MLN)

5. Accounts Receivable, net

Accounts receivable as of December 31, 2010 and 2009 comprise the following:

	2010	2009
Trade receivables	$ 1,616	$ 1,772
Value added tax receivable	682	974
Related party receivables	83	44
Other receivables	541	483
Less allowance for doubtful accounts	(356)	(446)
Total accounts receivable	**$ 2,566**	**$ 2,827**

Trade receivables represent amounts due from customers in the ordinary course of business, denominated primarily in US Dollars, and are short-term in nature. Other receivables consist of taxes receivable and other miscellaneous receivables.

6. Inventories

Inventories as of December 31, 2010 and 2009 consist of the following:

	2010	2009
Crude oil	$ 339	$ 259
Petroleum products	807	618
Materials and supplies	575	636
Other	141	83
Total inventories	**$ 1,862**	**$ 1,596**

As part of the management of crude inventory, the Company 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 in the period is as follows:

	2010	2009	2008
Buy / sell crude oil transactions	$ 1,698	$ 1,227	$ 2,178

7. Assets held for sale

In April 2010, the Company's management approved the decision to sell the Company's oil field services business. The oil field services business of the Group consists of one holding company Gazpromneft-Nefteservice LLC and nine subsidiaries. In July 2010 the Company started the marketing stage of the process and as a result, the assets of oil field services entities and liabilities associated with these assets were classified as held for sale for the purposes of these consolidated financial statements.

The following table summarizes the financial information of oil field services business as of December 31, 2010:

	2010
Accounts receivable, net	22
Inventories	36
Other current assets	22
Property, plant and equipment, net	108
Other intangible assets	1
Assets held for sale	**$ 189**
Accounts payable and accrued liabilities	56
Income and other taxes	24
Deferred income tax liabilities	4
Liabilities associated with assets held for sale	**$ 84**

8. Other Current Assets, net

Other current assets as of December 31, 2010 and 2009 consist of the following:

	2010	2009
Prepaid customs duties	$ 499	$ 411
Advances paid	476	440
Prepaid expenses	28	57
Other assets	109	239
Total other current assets	**$ 1,112**	**$ 1,147**

(USD, MLN)

9. Long-Term Investments and Loans Receivable

Long-Term Investments

None of the companies listed below are publicly traded in Russia. The significant equity and other long-term investments as of December 31, 2010 and 2009 are summarized below:

	Ownership Percentage	Net book value as of	
	December 31, 2010	December 31, 2010	December 31, 2009
Investments in equity affiliates:			
JSC Slavneft	49.9	$ 2,798	$ 2,792
JSC Tomskneft VNK	50.0	1,334	1,470
Salym Petroleum Development N.V.	50.0	1,287	1,205
SeverEnergy	25.5	894	0
Others		13	–
Total investments in equity affiliates		**$ 6,326**	**$ 5,467**
Total long-term investments, at cost		**336**	**1,097**
Long-term loans receivable		**332**	**408**
Total long-term investments		**$ 6,994**	**$ 6,972**

As of December 31, 2009 total long-term investments at cost includes the Company's investment in Bennfield, acquired as part of the acquisition of Orton in 2009 (Note 3 "Business Combinations").

The Company's share in income of equity affiliates including share in non-controlling interest consists of the following for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Equity affiliates:			
JSC Slavneft	$ 92	$ 113	$ 353
JSC Tomskneft VNK	55	138	39
JSC Moscow Oil Refinery*	–	5	15
Salym Petroleum Development N.V.	82	(44)	–
SeverEnergy	(5)	–	–
Others	5	–	–
Total share of income in equity affiliates	**$ 229**	**$ 212**	**$ 407**

* As a result of the acquisition of Sibir on June 23, 2009 the Company gained control of JSC Moscow Oil Refinery and, accordingly, JSC Moscow Oil Refinery is now consolidated within these financial statements (Note 3 "Business Combinations").

The Company's investment in JSC Slavneft and various minority stakes in Slavneft subsidiaries ("Slavneft") are held through a series of off-shore entities and an investment trust. During 2005, the Company and TNK-BP agreed to jointly manage the production and the refineries of the Slavneft group with each party purchasing its share of production, refer also to Note 21 "Related Party Transactions".

The following table summarizes the financial information of Slavneft as of December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009:

	2010	2009
Current assets	$ 1,158	$ 1,011
Long-term assets	6,807	6,508
Total liabilities	2,589	1,901
Revenues	4,311	3,666
Net income including non-controlling interest	185	227

In December 2007 the Company acquired a 50 % equity interest in JSC Tomskneft VNK ("Tomskneft") and its subsidiaries from a subsidiary of OJSC Oil Company Rosneft ("Rosneft"). As part of this transaction, the Company and Rosneft agreed to jointly manage the business operations of Tomskneft and to each purchase their respective share of Tomskneft's annual production.

The following table summarizes the financial information of Tomskneft as of December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009:

	2010	2009
Current assets	$ 631	$ 858
Long-term assets	3 420	3,596
Total liabilities	2,093	2,180
Revenues	2,652	2,259
Net income	111	277

As part of the acquisition of Sibir (Note 3 "Business Combinations") the Company acquired a 50 % equity interest in Salym Petroleum Development N.V. ("Salym"). Salym is owned 50 % by Sibir and 50 % by Shell Salym Development B.V., a member of the Royal Dutch / Shell group of companies. The operations of Salym relate to the development of the Salym group of oil fields located in the Khanti-Mansiysky autonomous region of the Russian Federation.

(USD, MLN)

The following table summarizes the financial information of Salym as of December 31, 2010 and 2009. Revenue and net income are shown for the years ended December 31, 2010 and 2009:

	2010	2009
Current assets	$ 294	$ 272
Long-term assets	934	964
Total liabilities	798	980
Revenues	1,567	1,372
Net income	162	74

In December 2010 Yamal Rasvitie LLC (a joint venture between the Company and JSC Novatek) acquired a 51 % equity interest in SeverEnergy LLC (SeverEnergy) from JSC Gazprom for US $ 1.9 billion. The respective purchase price paid by the Company comprised US $ 898 million. SeverEnergy is developing through its subsidiaries the Samburgskoye, 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 summarizes the financial information of SeverEnergy as of December 31, 2010 and for the period ended December 31, 2010:

	2010
Current assets	$ 162
Long-term assets	4,671
Total liabilities	1,232
Net loss	(18)

Long-Term Loans Receivable

Long-term loans receivable of US $ 332 million and US $ 408 million are mostly due from related parties as of December 31, 2010 and 2009, respectively. These loans bear interest at rates ranging from nil to 15 %. The fair value of these loans is approximately US $ 279 million and US $ 318 million as of December 31, 2010 and 2009 assuming an average discount rate of 8.03 % and 9 % for the periods ended December 31, 2010 and 2009, respectively (CBR interbank refinancing rate).

10. Property, Plant and Equipment

As of December 31, 2010 property, plant and equipment comprise the following:

	Cost	Accumulated DD&A	Net book value
Exploration and production	$ 21,910	$ (11,634)	$ 10,276
Refining	4,709	(1,948)	2,761
Marketing and distribution	1,802	(277)	1,525
Other	143	(16)	127
Assets under construction	1,225	–	1,225
Total	**$ 29,789**	**$ (13,875)**	**$ 15,914**
Comparative balance as of December 31, 2009	**$ 27,550**	**$ (13,133)**	**$ 14,417**

11. Goodwill and intangible assets

Changes in the carrying value of goodwill for the period ended December 31, 2010 by reportable segment are as follows:

	Exploration and Production	Refining, Marketing and Distribution	Total
Balance as of December 31, 2008	–	–	–
Acquisitions	–	$ 523	$ 523
Balance as of December 31, 2009 and 2010	**–**	**$ 523**	**$ 523**

The goodwill balance of US $ 523 million as of December 31, 2010 relates to acquisitions of NIS, Sibir Energy and Orton for which goodwill in the amount of US $ 349 million, US $ 140 million and US $ 34 million, was recognized, respectively. The goodwill recognized for these acquisitions was assigned to the respective downstream assets acquired. The Company assessed the carrying value of goodwill related to each acquisition for impairment as of December 31, 2010. No impairment of goodwill was recognized as of December 31, 2010.

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

(USD, MLN)

Other intangible assets as of December 31, 2010 and 2009 comprise the following:

	2010	2009
Licenses	$ 20	$ 16
Software	172	160
Land rights	535	571
Other intangible assets	24	47
Total other intangible assets	**$ 751**	**$ 794**

Land rights relate to the right to use land plots at the Moscow Refinery location and certain other retail and wholesale sites in Moscow and the Moscow region where the Company owns and operates refining and other assets. Accumulated depreciation with respect to land rights is US $ 33 million and US $ 10 million as of December 31, 2010 and 2009.

12. Short-Term Debt

As of December 31, 2010 and 2009 the Company has short-term loans outstanding as follows:

	2010	2009
Banks	$ 25	$ 251
Related parties	244	428
Other	10	3
Total short-term loans	$ 279	$ 682

As of December 31, 2010 short-term loans were provided by international and Russian banks for funding of working capital and consisted of unsecured facilities.

As of December 31, 2010, the Company has US $ 25 million in short-term loans from a number of European and Russian banks (US $ 251 million as of December 31, 2009), primarily repayable in US Dollars. These loans bear interest rates fluctuating from BELIBOR plus margin of 1.1 to fixed rate of 5.5 %.

As of December 31, 2010 the Company has several interest-free loans from Tomskneft in the amount of US $ 231 million (US $ 346 million as of December 31, 2009), repayable in Rubles which mature in the period to November 2011. Tomskneft is a related party to the Company.

As of December 31, 2010 weighted average interest rates related to the short-term loans in foreign currency and in Rubles were BELIBOR + 1 % and 0 %, respectively. As of December 31, 2009 weighted average interest rates related to the short-term loans in foreign currency and Rubles were 4.4 % and 0 %, respectively.

13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2010 and 2009 comprise the following:

	2010	2009
Trade accounts payable	$ 853	$ 943
Advances received from customers	342	287
Related party accounts payable	156	101
Accrued interest	46	46
Other payables	509	995
Total accounts payable	**$ 1,906**	**$ 2 372**

14. Income and Other Taxes Payable

Income and other taxes payable as of December 31, 2010 and 2009 comprise the following:

	2010	2009
Mineral extraction tax	$ 336	$ 224
Value added tax	207	198
Excise tax	99	127
Income tax	137	62
Property tax	46	44
Other taxes	49	39
Total income and other taxes payable	**$ 874**	**$ 694**

Taxes other than income tax expense for the year ended December 31, 2010, 2009 and 2008 comprise the following:

	2010	2009	2008
Mineral extraction tax	$ 3,051	$ 2,215	$ 4,202
Excise tax	1,743	1,412	828
Property tax	177	123	107
Other taxes	269	232	216
Total taxes other than income tax expense	**$ 5,240**	**$ 3,982**	**$ 5,353**

(USD, MLN)

15. Long-Term Debt

As of December 31, 2010 and 2009 the Company has long-term outstanding loans as follows:

	2010	2009
Bonds	$ 1,247	$ 595
Bank loans outstanding	4,955	4,900
Other borrowings	155	133
Less current portion of long- term debt	(1,415)	(1,466)
Total long-term debt	**$ 4,942**	**$ 4,162**

Bank loans are primarily comprised of loan facilities in US Dollars from major foreign banks and their affiliates.

On April 21, 2009, the Company placed ten-year Ruble Bonds (04 series) with the total par value of RUR 10 billion (US $ 328 million all current as of December 31, 2010 and US $ 331 million as of December 31, 2009). The bonds bear interest of 16.7 % per year with a 2 year put option and have semi-annual coupon payments.

On July 21, 2009, the Company placed seven-year Ruble Bonds (03 series) with the total par value of RUR 8 billion (US $ 263 million all non-current as of December 31, 2010 and US $ 264 million as of December 31, 2009). The bonds bear interest of 14.75 % per year with 3 year put option and have semi-annual coupon payments.

On April 13, 2010, the Company placed three-year Ruble Bonds (05 and 06 series) with the total par value of RUR 20 billion (US $ 656 million all non-current as of December 31, 2010). The bonds bear interest of 7.15 % per year and have semi-annual coupon payments.

During 2007 the Company obtained a US $ 2.2 billion syndicated loan from Calyon, ABN-AMRO, Commerzbank and Citibank maturing in September 2010, bearing a floating interest rate of LIBOR plus 0.75 %. The loan was fully repaid during 2010. As of December 31, 2009 the amount outstanding under the loan was US $ 600 million (all current).

During 2008 the Company obtained a US $ 1 billion syndicated loan in two tranches from BBVA Bank, BTMU Bank, Barclays Capital, Sumitomo Mutsui Banking Corporation and WestLB Bank. The first tranche in the amount of US $ 315 million bears a floating interest rate of LIBOR plus 1.5 % and matures in May 2011. The second tranche in amount of US $ 685 million bears a floating interest rate of LIBOR plus 1.75 % and matures in May 2013. As of December 31, 2010 the Company has US $ 842 million outstanding under the syndicated loan (including current portion of US $ 526 million). As of December 31, 2009 the amount outstanding under the loan was US $ 1 billion (including current portion of US $ 158 million).

During 2008 the Company was granted a credit line from the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) for a total of US $ 750 million repayable in US Dollars bearing an interest rate of LIBOR plus 5 % which matures in September 2011. The loan was fully repaid during 2010. As of December 31, 2009 the amount outstanding under the credit line was US$ 750 million (including current portion of US $ 150 million as of December 31, 2009).

During 2009 the Company obtained several loans from Sberbank for a total of US $ 857 million repayable in US Dollars bearing an interest rate of 8.46 % which mature in September 2012. By the end of 2010 the interest rate was decreased up to 6.21 %. As of December 31, 2010 the Company has US $ 545 million outstanding under the loans (including current portion of US $ 312 million). As of December 31, 2009 the amount outstanding under the loan was US $ 857 million (including current portion of US $ 312 million).

During 2009 the Company obtained a loan from a Club of banks (The Bank of Tokyo-Mitsubishi UFJ, Raiffeisenbank, Nordea Bank, UniCredit Bank and Societe Generale) in the amount of US $ 500 million repayable in US Dollars. This loan bears a floating interest rate of LIBOR plus 2.65 % and matures in September 2013. As of December 31, 2010 the Company has US $ 500 million outstanding under the loan (all non-current). As of December 31, 2009 the amount outstanding was US $ 500 million (including current portion of US $ 111 million).

During 2009 the Company obtained a loan from Gazprombank (Switzerland) Ltd. (former Russian Commercial Bank) in the amount of US $ 624 million repayable in US Dollars. This loan bears a fixed interest rate of 6.5 % and matures in December 2012. As of December 31, 2010 and December 31, 2009 the Company has US $ 624 million outstanding under the loan (all non-current). Gazprombank (Switzerland) Ltd. is a related party to the Company.

In June 2010 the Company obtained a loan from Credit Agricole CIB in the amount of US $ 250 million repayable in US Dollars (all non-current as of December 31, 2010). This loan bears a floating interest rate of LIBOR plus 2.15 % and matures in June 2013.

In July 2010 the Company completed the Senior Syndication under the five-year Pre-Export Finance Facility for the amount of up to US $ 1.5 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 2.1 % and matures in July 2015. As of December 31, 2010 the Company has US $ 1.5 billion outstanding under the loan (all non-current). Arrangement fees and other issuance costs associated with the Pre-Export Finance Facility amounted to $ 32 million and are included in financing activities in the statement of cash flows.

As of December 31, 2010 the Company has US $ 694 million in long term loans from a number of banks (including current portion of US $ 222). These loans bear interest rates fluctuating from LIBOR / EURIBOR plus 0.5 % to fixed interest rate of

(USD, MLN)

6.75 %. As of December 31, 2009 the amount outstanding under the loans was US $ 569 million (including current portion of US$ 108 million). Interest rates under the loans varied from LIBOR / EURIBOR plus 3.2 % to fixed interest rate of 6.6 %.

The loan agreements contain financial covenants that require the Company'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 Company is in compliance with these covenants as of December 31, 2010 and December 31, 2009, respectively.

Maturities of long-term loans as of December 31, 2010 are as follows:

Year due	Amount due
2011	$ 1,415
2012	1 873
2013	2,181
2014	509
2015 and further	379
	$ 6,357

16. Asset Retirement Obligations

The following table summarizes the activity of the Company's asset retirement obligations:

	2010	2009
Beginning balance as of January 1	$ 367	$ 330
Change in estimate	49	(1)
New obligations incurred	16	11
Spending on existing obligations	(44)	(1)
Accretion expense	27	28
Ending balance as of December 31	$ 415	$ 367

17. Cash-settled Stock Appreciation Rights

On January 12, 2010 the Board approved the implementation of a cash-settled stock appreciation rights (SAR) compensation plan. The plan forms part of the long term growth strategy of the Company and is designed to reward management for increasing shareholder value over a specified period. Shareholder value is measured by reference to the Company's market capitalization. The plan is open to selected management provided certain service conditions are met. The awards are fair valued at each reporting date and are settled in cash at the conclusion of the vesting period which expires on December 31, 2011. The awards are subject to certain market and service conditions that determine the amount that may ultimately be paid to eligible employees. The expense recognized is based on the vesting period.

The fair value of the liability under the plan is estimated using the Black-Scholes-Merton option-pricing model by reference primarily to the Company's share price, historic volatility in the share price, dividend yield and interest rates for periods comparable to the remaining life of the award. Any changes in the estimated fair value of the liability award will be recognized in the period the change occurs subject to the vesting period.

The following assumptions are used in the Black-Scholes-Merton model as of December 31, 2010:

	2010
Volatility	11.21 %
Risk-free interest rate	5.96 %
Dividend yield	3.83 %

In the consolidated statement of income for the period ended December 31, 2010, the Company recognized compensation expense, net of the deferred tax benefit, of US $ 38 million related to the SAR plan. This expense is included within selling, general and administrative expenses. A provision of US $ 47 million has been recorded within other long-term liabilities in respect of the Company's estimated obligations under the plan at December 30, 2010. The unrecognized compensation cost of US $ 47 million, based on the December 31, 2010 valuation, related to unvested SAR awards will be recognized in the year to December 31, 2011.

18. Fair Value of Financial Instruments

The estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate, however considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market situation. Certain of these financial instruments are with major financial institutions and expose the Company to market and credit risk. The creditworthiness of these institutions is routinely reviewed and full performance is anticipated.

The net carrying values of cash and cash equivalents, short-term investments, short-term loans receivable, accounts receivable and payable approximate their fair values because of the short maturities of these instruments.

As discussed in Note 9 "Long term investments and loans receivable", the Company has investments mostly in certain Russian and CIS companies. There are no quoted market prices for these instruments and a precise estimate of fair value could not be made without incurring excessive costs.

Loan arrangements on short-term and long-term debt have both fixed and variable interest rates that reflect the currently available terms for similar debt. Management believes the carrying values of short-term and long-term debt are not materially different from their fair values.

The Fair Value Measurement and Disclosure Topic of the Codification establishes a formal fair value hierarchy based on the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Valuations utilizing significant, unobservable inputs. This provides the least objective evidence of fair value and requires a significant degree of judgment.

The Company's only assets and liabilities measured at fair value on a recurring basis are its derivative financial instruments and the obligation under SAR's, which have been valued using Level 2 inputs under the fair value hierarchy.

The Company uses derivative financial instruments to manage its exposure to changes in foreign currency exchange rates. A majority of Company's revenues are received in US Dollars, a growth or a decline in the value of the US Dollar against the Russian Ruble impacts the Company's operating results and cash flows. These transactions are not accounted for as hedges pursuant to the Fair Value Measurements and Disclosures Topic of the Codification.

The Company does not purchase, hold or sell derivative financial instruments unless it has an existing asset or obligation or anticipates a future activity that is likely to occur that will result in an exposure to foreign exchange risk. The Company does not enter into any derivative instruments for speculative purposes. As of December 31, 2010 and 2009 the Company has outstanding currency exchange derivative contracts for a total notional value of US $ 1,265 million and US $ 592 million respectively.

The following table presents the fair values and corresponding balance sheet captions of the Company's derivative instruments as of December 31, 2010 and 2009:

	2010	2009
Assets		
Other current assets	$ 96	$ 13
Other non-current assets	97	121
Total assets	**$ 193**	**$ 134**

During the years ended December 31, 2010, 2009 and 2008 the Company recognized US $ 59 million and US $ 143 million in unrealized gains and US $ 9 million in unrealized losses, respectively, in foreign exchange (loss) gain, net in the consolidated statements of income.

19. Income Taxes

The Company's provision for income taxes as reported in the accompanying consolidated statements of income for the years ended December 31 is as follows:

	2010	2009	2008
Current income taxes expense	$ 884	$ 804	$ 1,425
Deferred income tax (benefit) / expense	(40)	12	39
Total provision for income taxes	**$ 844**	**$ 816**	**$ 1,464**

(USD, MLN)

The current portion of income taxes represents the total income tax expense for the Company and each of its subsidiaries. Although the Company does not pay tax on a consolidated basis, a reconciliation of expected income tax expense to the actual tax expense for the years ended December 31 is as follows:

	2010	2009	2008
Income before income taxes	$ 4,277	$ 3,897	$ 6,161
Statutory income tax rate	20.0 %	20.0 %	24.0 %
"Expected" income tax expense	855	779	1,479
Add (deduct) tax effect of:			
Foreign income taxed at different rates	(7)	(4)	5
Difference between enacted tax rate and taxes to be withheld from dividends	(21)	(15)	(1)
Non-deductible expenses and other permanent accounting differences	17	56	(19)
Income taxes	**844**	**816**	**1,464**
Effective tax rate	**19.7 %**	**20.9 %**	**23.8 %**

Effective January 1, 2009 the income tax rate in Russia was reduced to 20 %.

Temporary differences between the Russian and other local statutory accounts and these financial statements give rise to the following deferred income tax assets and liabilities as of December 31:

	2010	2009
Assets and liabilities arising from the tax effect of:		
Allowance for doubtful accounts	–	4
Prepaid expenses	–	7
Current deferred income tax assets	**–**	**$ 11**
Asset retirement obligation	84	70
Tax loss carryforward	18	3
Fixed assets and other non-current assets and liabilities	118	51
Non-current deferred income tax assets	**$ 220**	**$ 124**
Equity investments	(10)	(20)
Fixed assets and other non-current assets	(768)	(735)
Deferred income tax liability	**$ (778)**	**$ (755)**
Net deferred income tax liability	**(558)**	**(620)**

For income tax purposes, certain subsidiaries of the Company have accumulated tax losses totaling US $ 90 million and US $ 17 million as of December 31,2010 and 2009, resulting in associated deferred income tax assets of US $ 18 million and US $ 3 million, respectively. Tax loss carryforward as of December 31, 2010 expire between 2012 and 2020.

20. Commitments and Contingencies

Taxes

During 2008, the Russian Tax Authorities completed reviews over the operations of the Company and its Russian subsidiaries for the year ended December 31, 2008. There were no significant findings as a result of these reviews.

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation, including the allocation of tax payments to the Federal and Regional budgets, as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for the preceding three calendar years. Under certain circumstances reviews by tax authorities may cover longer periods. The years 2008, 2009 and 2010 are currently open for review. Management believes it has adequately provided for any probable losses that might arise from these matters.

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 in any countries 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.

Although the financial crisis appears to have eased in 2010, management is unable to reliably determine the effects on the Company's future financial position, results of operations or cash flows as a result of the ongoing crisis or a worsening in the crisis. Management believes the Company's current and long-term investment and capital expenditures program can be funded through cash generated from existing operations. Management also believes the Company has the ability to obtain syndicated loans and other financings as needed to fund business acquisitions and other transactions that may arise in the future (Refer to Note 23 Subsequent Events).

(USD, MLN)

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 Company periodically evaluates its potential obligations under environmental regulation. Management is of the opinion that the Company has met the government's requirements concerning environmental matters, and therefore believes that the Company does not have any material current environmental liabilities.

21. Related Party Transactions

JSC Moscow Oil Refinery (Moscow Refinery)

For the year ended December 31, 2009 up to the date control was obtained the Company processed crude oil based on processing agreements in Moscow Refinery. Such transactions were in the ordinary course of business and on terms available to other suppliers.

	2009	2008
Processing fees	$ 34	$ 100
Crude, gas and oil products purchased	1	8
Crude and oil products sales	–	10

Following the acquisition of Sibir on June 23, 2009, the results of operations, cash flows and financial position of Moscow Refinery are included in the consolidated financial statements.

Slavneft Group (Slavneft)

The Company conducts a number of transactions with Slavneft or its subsidiaries. The Company and TNK-BP have agreed in principle to split Slavneft's production based on each party's respective interest. The information on transactions with Slavneft for the years ended December 31 is presented below:

	2010	2009	2008
Processing fees	$ 258	$ 218	$ 234
Crude, gas and oil products purchased	1,750	1,729	3,199
Crude and oil products sales	1,160	720	609

As of December 31, 2010 the Company has US $ 46 million in payables to Slavneft and US $ 41 million in receivables from Slavneft. As of December 31, 2009 the Company had US $ 77 million in payables to Slavneft and US $ 21 million in receivables from Slavneft.

Gazprom Group (Gazprom)

The Company conducted a number of transactions with Gazprom, the primary shareholder of the Company, or its subsidiaries. The information on transactions with Gazprom for the years ended December 31 is presented below:

	2010	2009	2008
Crude, gas and oil products purchased	–	2	64
Crude and oil products sales	22	32	67

As of December 31, 2010 the Company has US $ 9 million in payables to Gazprom and US $ 27 million in receivables from Gazprom. As of December 31, 2009 the Company had US $ 7 million in payables to Gazprom and US $ 17 million in receivables from Gazprom.

The Company has cash deposits in Gazprombank of US $ 176 million and US 30 million as December 31, 2010 and as of December 31,2009, respectively.

Tomskneft Group (Tomskneft)

The Company conducted a number of transactions with Tomskneft and its subsidiaries. The information on transactions with Tomskneft for the years ended December 31 is presented below:

	2010	2009	2008
Crude, gas and oil products purchased	1,148	997	1,326

As of December 31, 2010 the Company has US $ 15 million in payables to Tomskneft and US $ 11 million in receivables from Tomskneft. As of December 31, 2009 the Company had US $ 16 million in payables to Tomskneft and US $ 5 million in receivables from Tomskneft.

Salym Petroleum Development (SPD)

Since June 23, 2009 (the date of acquisition of Sibir), the Company conducts a number of transactions with Salym Petroleum development (SPD). For the year ended December 31, 2010, the Company purchased crude oil from SPD amounting to US $ 871 million (US $ 554 million for the year ended December 31, 2009). As of December 31, 2010 the Company has US$ 86 million in payables to SPD and US $ 4 million in receivables from SPD). As of December 31, 2009 the Company had US $ 1 million in payables to SPD and US $ 1 million in receivables from SPD.

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

(USD, MLN)

22. Segment Information

Presented below is information about the Company's operating segments for the years ended December 31, 2010, 2009 and 2008. The Company determined its operating segments based on differences in the nature of their operations considering the regular review by the Company's Chief Executive Office to make decisions about resources to be allocated and to assess performance of the Company.

The exploration and production segment explores, develops and produces crude oil and natural gas and sells its production to the refining, marketing and distribution segment. The refining, marketing and distribution segment processes crude oil into refined products and purchases, sells and transports crude oil and refined petroleum products.

Adjusted EBITDA represents the Company's EBITDA and its share in equity affiliates' EBITDA. Management believes that adjusted EBITDA represents useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA represents earnings before interest, income tax, depreciation and amortization. EBITDA (Earnings Before Interest, Income Tax, Depreciation and Amortization) is a supplemental non-GAAP financial measure used by management to evaluate operations.

Operating Segments as of and for the year ended December 31, 2010 are presented below:

	Exploration and Production	Refining, Marketing and Distribution	Elimination	Consolidated
Revenues from external customers	$ 153	$ 32,619	–	$ 32,772
Inter-segment revenues	7,207	392	(7,599)	–
Total	**7,360**	**33,011**	**(7,599)**	**32,772**
Adjusted EBITDA	3,064	4,162	–	7,226
Capital expenditures	2,430	871	–	3,301
Depreciation, depletion and amortization	1,262	357	–	1,619
Income tax expense	186	658	–	844
Segment assets as of December 31, 2010	18,371	24,621	(10,928)	32,064

Operating Segments as of and for the year ended December 31, 2009 are presented below:

	Exploration and Production	Refining, Marketing and Distribution	Elimination	Consolidated
Revenues from external customers	$ 76	$ 24,090	–	$ 24,166
Inter-segment revenues	6,519	66	(6,585)	–
Total	**6,595**	**24,156**	**(6,585)**	**24,166**
Adjusted EBITDA	3,241	2,736	–	5,977
Capital expenditures	2,025	582	–	2,607
Depreciation, depletion and amortization	1,302	173	–	1,475
Income tax expense	152	664	–	816
Segment assets as of December 31, 2009	17,237	22,706	(10,031)	29,912

Operating Segments for the year ended December 31, 2008 are presented below:

	Exploration and Production	Refining, Marketing and Distribution	Elimination	Consolidated
Revenues from external customers	$ 127	$ 33,743	–	$ 33,870
Inter-segment revenues	8,250	102	(8,352)	-
Total	**8,377**	**33,845**	**(8,352)**	**33,870**
Adjusted EBITDA	2,810	5,800	–	8,610
Capital expenditures	2,979	387	–	3,366
Depreciation, depletion and amortization	1,193	116	–	1,309
Income tax expense	281	1,183	–	1,464

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Adjusted EBITDA for the years ended December 31, 2010, 2009 and 2008 is reconciled below:

	2010	2009	2008
Adjusted EBITDA	**$ 7,226**	**$ 5,977**	**$ 8,610**
The Company's share in EBITDA of equity affiliates	(949)	(931)	(1,052)
Gain on investment	9	470	–
Share in income of equity affiliates	229	212	407
Foreign exchange (loss)/ gain, net	(22)	48	(517)
Other (expense)/ income, net	(309)	(143)	89
Interest expense	(336)	(369)	(167)
Interest income	48	108	100
Depreciation, depletion and amortization	(1,619)	(1,475)	(1,309)
Income before income taxes	**$ 4,277**	**$ 3,897**	**$ 6,161**

For the years ended December 31, 2010 and 2009 the Company had one customer which accounted for approximately 13.5 %, 18.5 %, and 20.3 % of the Company's sales, respectively. Management does not believe the Company is reliant on any particular customer.

The geographical segmentation of the Company's revenue for the years ended December 31 is presented below:

Export and international sales	$ 18,827	$ 14,154	$ 19,730
Domestic	11,536	8,112	11,442
CIS	2,409	1,900	2,698
Total revenues from external customers	**$ 32,772**	**$ 24,166**	**$ 33,870**

The Company's long-lived assets are mostly located in the Russian Federation.

23. Subsequent Events

On January 31, 2011 the Company submitted an offer to buy out the free float shares in NIS (a maximum 19.12 % of the NIS equity is available for purchase). The offer price is similar to the one at which the Company acquired NIS shares in 2009.

On February 8, 2011 the Company placed five-year Ruble Bonds (08 series), ten-year Ruble bonds (09 and 10 series) for total amount of RUB 30 billion (approximately US $ 1 billion). The bonds (08 and 09 series) bear interest of 8.5 % per year. The bonds 10 series bear interest of 8.9 % per year. The bonds 09 and 10 series have an early redemption offer to be made 5 and 7 years following the placement, respectively.

On February 14, 2011 the Board of Directors of Sibir Energy adopted a resolution to reduce the share capital by 86.25 mln. shares (22.39 %). Starting from February 15, 2011 the Company has 100 % interest in Sibir. Affiliated to the Moscow government, Central Fuel Company took a decision to withdraw membership in Sibir Energy for a compensation of US $ 740 million.

As required by FASB ASC 932.235, *"Extractive Activities—Oil and Gas"*, the Company makes certain supplemental disclosures about its oil and gas exploration and production operations. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgments involved in developing such information. Accordingly, this information may not necessarily represent the current financial condition of the Company or its expected future results.

The proved oil and gas reserve quantities and related information regarding standardized measure of discounted future net cash flows do not include reserve quantities or standardized measure information related to the Company's Serbian subsidiary, NIS, as disclosure of such information is prohibited by the Government of the Republic of Serbia. The disclosures regarding capitalized costs relating to and results of operations from oil and gas activities do include the relevant information related to NIS.

With the exception of NIS and certain PSA's and other contracts, the Company's exploration and development activities are exclusively within the Russian Federation; therefore, all of the information provided in relation to reserve quantities and standardized measure of future net cash flows pertain entirely to the Russian Federation.

(USD, MLN)

Capitalized Costs Relating to Oil and Gas Producing Activities

The following tables set forth information regarding oil and gas exploration and development costs. The amounts reported as costs incurred include both capitalized costs and costs charged to expense during the period ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Consolidated subsidiaries			
Proved oil and gas properties	$ 21,910	$ 19,563	$ 15,181
Less: Accumulated depreciation, depletion and amortization	(11,634)	(10,494)	(7,622)
Net capitalized costs of oil and gas properties	**$ 10,276**	**$ 9,069**	**$ 7,559**
Company's share of equity method investees			
Proved oil and gas properties	$ 6,962	$ 6,092	$ 4,987
Less: Accumulated depreciation, depletion and amortization	(2,215)	(1,693)	(874)
Net capitalized costs of oil and gas properties	$ 4,747	$ 4,399	$ 4,113
Total capitalized costs consolidated and equity interests	**$ 15,023**	**$ 13,468**	**$ 11,672**

Cost Incurred in Oil and Gas Property Acquisition, Exploration and Development

	2010	2009	2008
Consolidated subsidiaries			
Exploration costs	$ 91	$ 147	$ 193
Development costs	2,351	1,976	2,979
Costs incurred	**$ 2,442**	**$ 2,123**	**$ 3,172**
Company's share of equity method investees			
Exploration costs	37	25	52
Development costs	785	722	658
Costs incurred	**$ 822**	**$ 747**	**$ 710**
Total costs incurred consolidated and equity interests	**$ 3,264**	**$ 2,870**	**$ 3,882**

Results of Operations from Oil and Gas Producing Activities

The Company's results of operations from oil and gas producing activities are shown below. Natural gas production does not represent a material portion of the Company's total oil and gas production.

Sales are derived from realized prices applicable to third party crude oil sales to the Company's various markets (export, domestic and CIS). Transfers to the Company's refining operations represent prices equivalent to those that could be obtained in an arm's-length transaction.

Results of operations for oil and gas producing activities do not include general corporate overhead and monetary effects, or their associated tax effects. Income tax is based on statutory rates for the years ended, respectively, adjusted for tax deductions, tax credits and allowances. For the period ended December 31, 2010, 2009 and 2008 results of operations are as follow:

	2010	2009	2008
Consolidated subsidiaries			
Revenues:			
Sales	$ 5,841	$ 5,428	$ 9,996
Transfers	5,190	3,842	4,979
Total revenues	11,031	9,270	14,975
Production costs	(1,236)	(1,217)	(1,371)
Exploration expenses	(91)	(147)	(193)
Depreciation, depletion and amortization	(1,290)	(1,330)	(1,218)
Taxes other than income tax	(6,343)	(4,486)	(8,905)
Pretax income from producing activities	2,071	2,090	3,288
Income tax expenses	(398)	(404)	(637)
Results of oil and gas producing activities	**$ 1,673**	**$ 1,686**	**$ 2,651**
Company's share of equity method investees			
Revenues:			
Sales	$ 3,719	$ 3,071	$ 4,383
Total revenues	3,719	3,071	4,383
Production costs	(783)	(674)	(885)
Exploration expenses	(25)	(16)	(38)
Depreciation, depletion and amortization	(692)	(551)	(429)
Taxes other than income tax	(1,895)	(1,350)	(2,196)
Pretax income from producing activities	324	480	835
Income tax expenses	(62)	(96)	(179)
Results of oil and gas producing activities	262	384	656
Total consolidated and equity interests in results of oil and gas producing activities	**$ 1,935**	**$ 2,070**	**$ 3,307**

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

Proved Oil and Gas Reserve Quantities

Proved reserves are defined as the estimated quantities of oil and gas, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Management believes that proved reserves should include quantities, which are expected to be produced after the expiry dates of the Company's production licenses. These licenses expire between 2013 and 2050, with the most significant licenses expiring in 2013 and 2014. Management believes the licences may be extended at the initiative of the Company and management intends to extend such licenses for properties expected to produce subsequent to their license expiry dates. The Company has disclosed information on total proved oil and condensate and gas reserve quantities and standardized measure of discounted future net cash flows.

Proved developed reserves are those reserves, which are expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered as a result of future investments to drill new wells, to recomplete existing wells and/or install facilities to collect and deliver the production from existing and future wells.

The reserve quantities shown below include 100 % of the net reserve quantities attributable to the Company's consolidated subsidiaries with the exception of NIS.

As determined by the Company's independent reservoir engineers, DeGolyer and MacNaughton, the following information presents the balances of proved oil and gas reserve quantities (in millions of barrels of oil equivalent) as of December 31:

	2010	2009	2008
Consolidated subsidiaries			
Beginning of year	$ 3,660	$ 3,247	$ 4,203
Production	(259)	(250)	(248)
Purchases of minerals in place	–	2	–
Revision of previous estimates and improved recovery	670	661	(708)
End of year	**$ 4,071**	**$ 3,660**	**$ 3,247**
Proved developed reserves	2,306	2,258	2,281
Proved undeveloped reserves	1,765	1,402	966
Company's share of equity method investees			
Beginning of year	$ 2,078	$ 1,676	$ 1,874
Production	(145)	(132)	(123)
Purchases of minerals in place	416	277	–
Revision of previous estimates and improved recovery	(234)	257	(75)
End of year	**$ 2,115**	**$ 2,078**	**$ 1,676**
Proved developed reserves	1,014	1,472	1,278
Proved undeveloped reserves	1,101	606	398
Total consolidated and equity interests in proved reserves – end of year	**$ 6,186**	**$ 5,738**	**$ 4,923**

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows, related to the above oil and gas reserves, is calculated in accordance with the requirements of FASB ASC 932.235. Estimated future cash inflows from production are computed by applying average first-day-of-the-month price for oil and gas for each month within the 12 month period before the balance sheet date to year-end quantities of estimated proved reserves. Adjustment in this calculation for future price changes is limited to those required by contractual arrangements in existence at the end of each reporting period. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end proved reserves based on year-end cost indices, assuming continuation of year end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax cash flows, less the tax bases of related assets. Discounted future net cash flows have been calculated using a 10 % discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

(USD, MLN)

The information provided in tables set out below does not represent management's estimate of the Company's expected future cash flows or of the value Company's proved oil and gas reserves. Estimates of proved reserves quantities are imprecise and change over time, as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The valuation prescribed under FASB ASC 932.235 requires assumptions as to the timing and the amount of future development and production costs. The calculations should not be relied upon as an indication of the Company's future cash flows or of the value of its oil and gas reserves.

	2010	2009	2008
Consolidated subsidiaries			
Future cash inflows	$ 180,418	$ 136,982	$ 84,439
Future production costs	(124,810)	(87,936)	(52,436)
Future development costs	(9,898)	(7,434)	(3,991)
Future income tax expenses	(6,778)	(6,558)	(4,515)
Future net cash flow	38,932	35,054	23,497
10 % annual discount for estimated timing of cash flow	(20,892)	(17,230)	(11,412)
Standardized measure of discounted future net cash flow	**$ 18,040**	**$ 17,824**	**$ 12,085**
Company's share of equity method investees			
Future cash inflows	100,158	80,870	44,441
Future production costs	(77,813)	(38,781)	(21,491)
Future development costs	(6,542)	(20,300)	(13,716)
Future income tax expenses	(2,799)	(4,488)	(1,806)
Future net cash flow	13,004	17,301	7,428
10 % annual discount for estimated timing of cash flow	(6,587)	(8,827)	(3,875)
Standardized measure of discounted future net cash flow	**6,417**	**8,474**	**3,553**
Total consolidated and equity interests in the standardized measure of discounted future net cash flow	**$ 24,457**	**$ 26,298**	**$ 15,638**

Changes in the Standardized Measure of Discounted Cash Flows

	2010	2009	2008
Consolidated subsidiaries			
Discounted present value as of beginning of year	**$ 17,824**	**$ 12,085**	**$ 34,266**
Sales and transfers of oil produced, net of production costs and other operating expenses	(3,451)	(3,568)	(4,507)
Net change in prices received per barrel, net of production costs and other operating expenses	(276)	4,801	(31,333)
Changes in future development costs	(865)	(1,997)	(115)
Development costs incurred during the period	2,442	2,123	2,975
Revisions of previous quantity estimates	4,026	4,064	(838)
Accretion of discount	(264)	(946)	8,687
Net change in income taxes	2,127	2,092	1,780
Other	(3,524)	(830)	1,170
Discounted present value as of the end of year	**$ 18,039**	**$ 17,824**	**$ 12,085**
Company's share of equity method investees			
Discounted present value as of beginning of year	**$ 8,473**	**$ 3,553**	**$ 16,843**
Sales and transfers of oil produced, net of production costs and other operating expenses	(2,447)	(880)	(1,301)
Net change in prices received per barrel, net of production costs and other operating expenses	(3,001)	3,085	(17,437)
Changes in future development costs	(1,532)	(219)	1,168
Development costs incurred during the period	822	661	710
Revisions of previous quantity estimates	258	647	137
Accreation of discount	1,405	(701)	3,732
Net change in income taxes	1,007	1,058	414
Net change due to purchases and sales of minerals in place	767	2,299	–
Other	666	(1,030)	(713)
Discounted present value as of the end of year	**$ 6,418**	**$ 8,473**	**$ 3,553**

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

AUDIT REPORT ON 2010 ACCOUNTING STATEMENTS

Audit Report

Attention of: the Shareholders, Gazprom Neft Joint-Stock Company

Auditee

Gazprom Neft Joint-Stock Company
Certificate of State Registration of a Joint-Stock Company No. 1025501701686, issued on December 11, 2007 by the Interdistrict Inspectorate of the Federal Tax Service No. 15 for St. Petersburg.
lit. A, 5 ul. Galernaya Street, St. Petersburg, 190000, Russia.

Auditor

PriceWaterhouseCoopers Audit Closed Joint-Stock Company (ZAO PwC Audit) located at: 10 ul. Butyrsky Val, Moscow, 125047, Russia.

Certificate of State Registration of a Joint-Stock Company No. 008.890 issued by the Moscow Chamber of Registration on February 28, 1992.

Certificate of Entry in the Uniform State Register of Legal Entities regarding legal entity registered before July 1, 2002, registration No. 1027700148431 dated August 22, 2002, issued by Interdistrict Inspectorate of the Ministry of Taxation No. 39 for Moscow.

Member of Audit Chamber of Russia Nonprofit Partnership (NP ACR), a self-regulating auditing organisation, registration No. 870 with the Member Register of NP ACR.

Main Registration Record Number (ORNZ) with the Register of Auditors and Audit Organisations: 10201003683.

PriceWaterhouseCoopers Audit Closed Joint-Stock Company
(ZAO PwC Audit)
Belaya Ploschad Business Centre, 10 ul. Butyrsky Val, Moscow, 125047, Russia, Phone: +7 (495) 967 60 00,
Fax: +7 (495) 967 60 01, HYPERLINK «http://www.pwc.com»
www.pwc.com

Attention of: the Shareholders, Gazprom Neft Joint-Stock Company

We have audited the attached Accounting Statements of Gazprom Neft Joint-Stock Company (hereinafter referred to as the "Company") comprised of the Balance Sheet as of December 31, 2010, Profit and Loss Statement, Statement of Changes in Equity and Cash Flow Statement for 2010, as well as other attachments to the Balance Sheet and Profit and Loss Statement and an Explanatory Note (hereinafter all the reports are jointly referred to as the "accounting statements").

Company's Responsibility for Accounting Statements

The Company's management is responsible for compiling and authenticity of the above accounting statements in accordance with the Accounting and Reporting Rules established in the Russian Federation and for the system of internal controls that is required for preparation of the accounting statements without material misstatements due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion about the authenticity of these accounting statements based on our audit. We conducted the audit in accordance with the Federal Standards on Auditing and International Standards on Auditing. These standards require that we comply with applicable ethical requirements and plan and perform the audit so as to obtain reasonable assurance that the accounting statements are free of material misstatement.

The audit involved audit procedures to obtain audit evidence supporting the index numbers in the accounting statements and disclosures. The choice of audit procedures is subject to our discretion, which is based on assessment of the risk of material misstatement due to fraud or error. In assessing this risk, we have examined the internal control system ensuring compilation and authenticity of accounting statements in order to select appropriate audit procedures, but not for expressing an opinion about the effectiveness of internal controls. The audit also included assessment of applicability of accounting policies and validity of estimates made by the Company's management, as well as the overall evaluation of the accounting statements' presentation.

We believe that the audit evidence obtained during the audit provides reasonable grounds for expressing an opinion about the accounting statements' authenticity.

Opinion

In our opinion the accounting statements present accurate, in all material aspects, information about the Company's financial situation as of December 31, 2010, the outcome of its financial and economic performance and cash flows in 2010 in accordance with the Accounting and Reporting Rules established in the Russian Federation.

M.E. Timchenko
Director, ZAO PriceWaterhouseCoopers

February 21, 2011

BALANCE SHEET

		CODES
		0710001
		2010.12.31
Organization	JSC Gazprom Neft	42045241
Taxpayer Identification Number		5504036333
Type of Business	Wholesale trade in oil and oil products	51.51
Form of Incorporation/Form of Ownership	Open Joint Stock Company/Joint Private and Foreign Ownership	47/34
Unit of Measure:	thou. rub.	384
Location (Address)	5A Galernaya St., Saint-Petersburg, 190000	

ASSETS	Line code	At the beginning of reporting period	At the end of reporting period
I. NON-CURRENT ASSETS			
Intangible assets	110	113,168	145,679
including:			
patents, licenses, trademarks, other similar rights and assets	111	73,256	71,955
organizational expenses	112	0	0
goodwill	113	0	0
Fixed assets	120	7,860,321	10,695,268
including:			
land plots and environmental facilities	121	16,458	10,302
buildings, structures, plant and equipment	122	7,551,224	10,410,357
Construction in progress	130	7,310,327	5,430,674
Income-bearing investment in tangible assets	135	0	0
Long-term financial investment	140	126,700,119	139,383,995
including:			
investment in subsidiaries	141	54,194,004	107,210,438
investment in associates	142	40,342,260	7,340,819
investment in other organizations	143	299,810	441,913
loans to organizations due beyond 12 months	144	31,803,557	22,866,980
Deferred tax assets	145	1,580,248	1,387,738
Other non-current assets	150	3,883,206	4,347,499
including:			
VAT refundable from the budget	151	160,272	29,882
TOTAL for Section I	**190**	**147,447,389**	**161,390,853**

ASSETS	Line code	At the beginning of reporting period	At the end of reporting period
II. CURRENT ASSETS			
Inventory	210	9,856,095	13,420,356
including:			
raw material, materials, and other similar assets	211	1,756,877	1,633,398
livestock	212	0	0
work in process costs	213	402,183	492,277
finished products and goods for resale	214	3,290,272	6,695,188
goods shipped	215	2,799,975	3,069,023
deferred expenses	216	1,606,788	1,530,470
Value-added tax on acquired assets	220	5,811,228	6,576,815
Receivables (due beyond 12 months after reporting date)	230	91,822,929	193,946,873
including:			
buyers and customers	231	0	0
notes receivable	232	0	0
advances receivable	234	0	0
other debtors	235	91,822,929	193,946,873
Receivables (due within 12 months after reporting date)	240	230,286,033	188,297,004
including:			
buyers and customers	241	43,751,489	45,338,743
notes receivable	242	0	0
due from founders to authorized capital	244	0	0
advances receivable	245	10,362,829	11,611,500
other debtors	246	176,171,715	131,346,761
Short-term financial investment	250	10,519,558	3,481,424
including:			
loans to organizations due within 12 months	251	503,663	281,424
other short-term financial investment	252	10,015,895	3,200,000
Cash	260	1,626,384	3,125,832
including:			
cash in hand	261	421	281
settlement accounts	262	937,803	2,153,214
currency accounts	263	685,723	971,821
other cash	264	2,437	516
Other current assets	270	0	0
TOTAL for Section II	**290**	**349,922,227**	**408,848,304**
BALANCE	**300**	**497,369,616**	**570,239,157**

LIABILITIES	Line code	At the beginning of reporting period	At the end of reporting period
III. EQUITY AND RESERVES			
Authorized capital	410	7,586	7,586
Treasury stock	411	(0)	(0)
Surplus capital	420	7,807,598	7,807,598
Reserve capital	430	379	379
including:			
statutory reserves	431	379	379
Retained earnings (uncovered loss)	470	187,603,463	224,832,271
Government social fund	480	0	0
TOTAL for Section III	**490**	**195,419,026**	**232,647,834**
IV. LONG-TERM LIABILITIES			
Borrowings	510	172,592,153	218,352,828
including:			
bank loans maturing beyond 12 months after reporting date	511	90,741,492	110,446,240
loans maturing beyond 12 months after reporting date	512	81,850,661	107,906,588
Deferred tax liabilities	515	289,795	584,730
Other long-term liabilities	520	0	1,428,687
TOTAL for Section IV	**590**	**172,881,948**	**220,366,245**

LIABILITIES	Line code	At the beginning of reporting period	At the end of reporting period
V. SHORT-TERM LIABILITIES			
Borrowings	610	45,296,476	29,245,335
including:			
bank loans maturing within 12 months after reporting date	611	0	0
loans maturing within 12 months after reporting date	612	50,000	15,900
current maturity of long-term debt	613	45,246,476	29,229,435
Payables	620	70,962,406	72,648,968
including:			
suppliers and contractors	621	47,905,486	45,802,703
due to employees	622	78,459	96,312
due to state extra-budgetary funds	623	12,737	3,668
taxes payable	624	506,917	2,106,429
other creditors	625	22,458,807	24,639,856
including:			
notes payable	626	0	0
advances received	627	9,658,416	9,045,438
other creditors	628	12,800,391	15,594,418
Income due to shareholders (founders)	630	11,520,717	7,472,503
Deferred income	640	2,506	364
Provisions for future expenses	650	1,286,537	7,857,908
Other short-term liabilities	660	0	0
TOTAL for Section V	**690**	**129,068,642**	**117,225,078**
BALANCE	**700**	**497,369,616**	**570,239,157**
Off-balance sheet statement			
Leased fixed assets	910	1,072,868	2,379,108
Including under leasing arrangements	911	59,147	49,928
Inventory in safe custody	920	0	0
Goods on commission	930	0	0
Bad debt written off to losses	940	241,781	247,849
Security for obligations and payments received	950	862,286	10,160
Security for obligations and payments granted	960	8,157,334	5,187,935
Housing stock depreciation	970	0	0
Depreciation of land improvements and other similar assets	980	1,428	1,535
Intangible assets received for use	990	826,245	1,232,501
Intangible assets shared for use	1000	444,008	620,817

PROFIT AND LOSS STATEMENT

		CODES
		0710002
		2010.12.31
Organization	JSC Gazprom Neft	42045241
Taxpayer Identification Number		5504036333
Type of Business	Wholesale trade in oil and oil products	51.51
Form of Incorporation/Form of Ownership	Open Joint Stock Company/Joint Private and Foreign Ownership	47/34
Unit of Measure:	thou. rub.	384
Location (Address)	5A Galernaya St., Saint-Petersburg, 190000	

Item		For reporting period	For same period of previous year
name	code		
Operating income and expenses			
Earnings (net) from sales of goods, products, works, services (net of VAT, excise taxes, and similar mandatory payments)	010	598,380,328	503,807,390
including from sale of:			
oil and oil products	011	571,580,000	481,603,167
other	016	26,800,328	22,204,223
Cost of goods, products, works, and services sold	020	(451,574,230)	(375,424,471)
including from sale of:			
oil and oil products	021	(426,855,266)	(354,714,841)
other	026	(24,718,964)	(20,709,630)
Gross profit	029	146,806,098	128,382,919
Commercial expenses	030	(50,917,179)	(42,156,356)
Administrative expenses	040	(10,604,171)	(8,570,895)
Gain (loss) on sales	050	85,284,748	77,655,668
Other income and expenses			
Interest receivable	060	2,865,245	3,017,893
Interest payable	070	(10,383,925)	(9,537,018)
Income from interests in other organizations	080	1,233,049	0
Other income	090	479,410,655	404,169,740
Other expenses	100	(489,295,908)	(406,228,749)
Profit (Loss) before tax	**140**	**69,113,864**	**69,077,534**

Item name	code	For reporting period	For same period of previous year
Deferred tax assets	141	(192,510)	(1,580,248)
Deferred tax liabilities	142	(294,935)	(289,795)
Current income tax	150	(14,707,621)	(15,185,802)
Other expenses out of profit	151	236,450	225,137
Net profit (loss) for reporting period	**190**	**54,155,248**	**55,407,322**
FOR REFERENCE			
Fixed tax assets (liabilities)	200	(1,622,356)	(79,842)
Basic earnings per share (rub)	201	11	12
Diluted earnings (loss) per share	202	0	0

BREAKDOWN OF SOME PROFITS AND LOSSES

Item		For reporting period		For same period of previous year	
name	code	profit	loss	profit	loss
Penalties, fines, forfeits recognized or subject to collection by courtruling (arbitration award)	210	107,729	286,485	62,675	152,937
Profit (loss) of previous years	220	287,547	528,138	533,075	849,122
Payment of damages caused by non-performance or improper performance of obligations	230	10	0	36	0
Foreign exchange rate differences	240	7,392,370	8,159,808	22,828,492	23,307,931
Deductions to valuation reserves	250	X	207,349	X	807
Write-off of statute-barred receivables and payables	260	1,333	5,497	360,822	17,289

STATEMENT OF CHANGES IN EQUITY

		CODES
		0710003
		2010.12.31
Organization	JSC Gazprom Neft	42045241
Taxpayer Identification Number		5504036333
Type of Business	Wholesale trade in oil and oil products	51.51
Form of Incorporation/Form of Ownership	Open Joint Stock Company/Joint Private and Foreign Ownership	47/34
Unit of Measure:	thou. rub.	384
Location (Address)	5A Galernaya St., Saint-Petersburg, 190000	

Changes in equity

Item name	code	Authorized capital	Treasure stock	Surplus capital	Reserve capital	Retained earnings	Uncovered loss	Total
Balance as of December 31 of the previous year	00	7,586	(0)	7,807,598	379	157,793,242	(0)	165,608,805
2009 (previous year)								
Changes in Accounting Policy	01	X	X	X	X	5,917	0	5,917
Revaluation of fixed assets	02	X	X	0	X	0	0	0
Balance as of January 1 of the previous year	03	7,586	(0)	7,807,598	379	157,799,159	(0)	165,614,722
Exchange rate differences	04	X	0	0	X	X	X	0
Net profit	05	X	0	X	X	55,407,322	0	55,407,322
Dividends	06	X	X	X	X	(25,603,018)	X	(25,603,018)
Other payment	061	X	X	X	X	(0)	X	(0)
Deductions to the Reserve Fund	07	X	X	X	(0)	0	(0)	0
Increase in equity due to:								
additional issue of shares	08	0	0	X	X	X	X	0
increase in par value of shares	09	0	0	X	X	X	X	0
reorganization of legal entity	10	0	0	X	X	0	(0)	0
Decrease in equity due to:								
decrease in par value of shares	11	(0)	0	X	X	X	X	(0)
decrase in number of shares	12	(0)	0	X	X	X	X	(0)
reorganization of legal entity	13	(0)	0	X	X	(0)	(0)	(0)
Treasure stock	131	0	0	0	0	0	0	0
Balance as of December 31 of the previous year	14	7,586	(0)	7,807,598	379	187,603,463	(0)	195,419,026

Item name	code	Authorized capital	Treasure stock	Surplus capital	Reserve capital	Retained earnings	Uncovered loss	Total
2010 (reporting year)								
Changes in Accounting Policy	70	0	0	X	X	0	0	0
Revaluation of fixed assets	80	X	X	0	X	0	0	0
Balance as of January 1 of the reporting year	100	7,586	(0)	7,807,598	379	187,603,463	(0)	195,419,026
Exchange rate differences	101	X	X	0	X	X	X	0
Net profit	102	X	X	X	X	54,155,248	0	54,155,248
Dividends	103	X	X	X	X	(16,926,440)	X	(16,926,440)
Deductions to the Reserve Fund	110	X	X	X	(0)	0	(0)	0
Increase in equity due to:								
additional issue of shares	121	0	0	X	X	X	X	0
increase in par value of shares	122	0	0	X	X	0	0	0
reorganization of legal entity	123	0	0	X	X	0	(0)	0
Decrease in equity due to:								
decrease in par value of shares	131	(0)	0	X	X	X	X	(0)
decrase in number of shares	132	(0)	0	X	X	X	X	0
reorganization of legal entity	133	(0)	0	X	X	(0)	X	(0)
Treasure stock	134	0	0	0	0	0	0	0
Balance as of December 31 of the reporting year	140	7,586	(0)	7,807,598	379	224,832,271	(0)	232,647,834

Reserves and Provisions

Item name	code	Balance	Received	Used	Balance
Statutory reserves: Reserve capital					
(name of reserve) previous year	151	379	0	(0)	379
reporting year	152	379	0	(0)	379
(name of reserve) previous year	153	0	0	(0)	0
reporting year	154	0	0	(0)	0
Reserves set up under Constituent Documents:					
(name of reserve) previous year	161	0	0	(0)	0
reporting year	162	0	0	(0)	0
(name of reserve) previous year	163	0	0	(0)	0
reporting year	164	0	0	(0)	0
Valuation reserves: Provision for investment impairment					
(name of reserve) previous year	165	152	567	(555)	164
reporting year	166	164	8	0	172
Provision for doubtful debts					
(name of reserve) previous year	167	609,775	8,778	(11,445)	607,108
reporting year	168	607,108	241,032	(638,483)	209,657
(name of reserve) previous year	169	0	0	(0)	0
reporting year	170	0	0	(0)	0
Provisions for future expences: Contingency reserve					
(name of reserve) previous year	171	1,776,149	0	(1,776,149)	0
reporting year	172	0	6,527,728	(0)	6,527,728

Item name	code	Balance	Received	Used	Balance
Remuneration reserve					
(name of reserve) previous year	173	599,056	1,485,367	(797,886)	1,286,537
reporting year	174	1,286,537	2,794,482	(1,520,153)	2,560,866
Provision for vacation					
(name of reserve) previous year	175	0	0	(0)	0
reporting year	176	0	524,020	(326,019)	198,001

References

Item name	code	At the beginning of reporting year		At the end of reporting period	
Net assets	200		195,421,532		232,648,198
			From budget		From extra-budgetary funds
		for reporting year	for previous year	for reporting year	for previous year
Received for:	210	–	–	–	–
operating expenses – total					
including:		–	–	–	–
capital investment in non-current assets	220	–	–	–	–
including: Minerals base recovery		–	–	–	–

CASH FLOW STATEMENT

		CODES
		0710004
		2010.12.31
Organization	JSC Gazprom Neft	42045241
Taxpayer Identification Number		5504036333
Type of Business	Wholesale trade in oil and oil products	51.51
Form of Incorporation/Form of Ownership	Open Joint Stock Company/Joint Private and Foreign Ownership	47/34
Unit of Measure:	thou. rub.	384
Location (Address)	5A Galernaya St., Saint-Petersburg, 190000	

Item name	code	For reporting period	For same period of previous year
Beginning Cash Balance	**100**	**1,629,097**	**15,293,987**
Cash flow from operating activities			
Cash received from buyers and customers	110	785,677,776	609,102,280
Other income	120	574,958,438	492,798,122
Cash disbursements (total):	130	(1,384,819,423)	(1,128,145,056)
including:			
payments of goods, works, services, raw materials, and other current assets acquired	150	(542,845,771)	(474,621,873)
salaries and wages	160	(3,658,300)	(2,685,599)
repayment of dividend and interest	170	(20,241,363)	(27,834,593)
taxes	180	(205,270,964)	(146,382,709)
repayment of interest on borrowings	181	(10,333,569)	(9,266,956)
other expenses	190	(602,469,456)	(467,353,326)
Net cash from operating activities	200	(24,183,209)	(26,244,653)
Cash flow from investing activities			
Revenue from sale of fixed and other non-current assets	210	74,059	13,443
Revenue from sale of securities and other financial investments	220	371,693,076	389,358,023
Dividend received	230	1,195,207	
Interest received	240	478,424	1,510,260
Repayment of loans to other organizations	250	1,294,029	136,099

Item name	code	For reporting period	For same period of previous year
Cash disbursements (total):	270	(377,372,892)	(439,593,629)
including:			
Acquisition of subsidiaries	280	(1,945,798)	(64,970,347)
Acquisition of fixed assets, income-bearing investment in tangible and intangible assets	290	(5,113,215)	(8,180,752)
Acquisition of securities and other financial investments	300	(362,992,200)	(362,617,783)
Loans to other organizations	310	(7,321,679)	(3,824,747)
Transfers under investment agreements	320	0	0
Net cash from investing activities	340	(2,638,097)	(48,575,804)
Cash flow from financing activities			
Proceeds from issue of shares and other securities	350	19,996,200	0
Proceeds from borrowings to other organizations	360	314,069,627	246,649,835
Cash disbursements (total):	380	(305,747,786)	(185,496,980)
including:			
Repayment of borrowings (with interest)	390	(0)	(0)
Repayment of borrowings (less interest)	391	(305,726,392)	(185,460,388)
Repayment of finance lease	400	(21,394)	(36,592)
Repayment of interest on borrowings	410	(0)	(0)
Net cash from financing activities	430	28,318,041	61,152,855
Net increase (decrease) in cash and cash equivalents	440	1,496,736	(13,667,602)
Ending cash balance	**450**	**3,125,832**	**1,626,384**
Exchange rate differences balance	460	2,713	185,646

SUPPLEMENT TO THE BALANCE SHEET

		CODES
		0710003
		2010.12.31
Organization	JSC Gazprom Neft	42045241
Taxpayer Identification Number		5504036333
Type of Business	Wholesale trade in oil and oil products	51.51
Form of Incorporation/Form of Ownership	Open Joint Stock Company/Joint Private and Foreign Ownership	47/34
Unit of Measure:	thou. rub.	384
Location (Address)	5A Galernaya St., Saint-Petersburg, 190000	

Intangible assets

Item name	code	At the beginning of reporting year	Additions	Disposals	At the end of reporting period
Intellectual property items (exclusive rights to intellectual property)	010	88,811	23,877	(0)	112,688
including:					
patent holder to invention, industiral design, useful model	011	1	0	(0)	1
right holder to computer software, databases	012	14,707	17,404	(0)	32,111
right holder to microchip technologies	013	0	0	(0)	0
owner to trademark and service mark, name of the place of goods origin	014	74,103	6,473	(0)	80,576
patent holder to achievements in selection	015	0	0	(0)	0
Organizational expenses	020	0	0	(0)	0
Goodwill	030	0	0	(0)	0
Other	040	51,562	39,451	()	91,013

Item name	code	At the beginning of reporting year	At the end of reporting period
Total amortization of intangible assets	**050**	**27,205**	**58,022**
including:			
patent holder to invention, industrial design, useful model	051	1	1
right holder to computer software, databases	052	12,165	17,904
owner to trademark and service mark, name of the place of goods origin	054	847	8,621
Other	**055**	**14,192**	**31,496**

Fixed assets

Item name	code	At the beginning of reporting year	Additions	Disposals	At the end of reporting period
Buildings	060	146,492	160,930	(17,148)	290,274
Structures and transfer mechanisms	070	10,028,125	3,305,947	(406,882)	12,927,190
Machinery and equipment	080	1,181,076	1,027,797	(83,044)	2,125,829
Vehicles	090	5,052	6,633	(3,409)	8,276
Tools and utensils	100	368,530	22,357	(12,215)	378,672
Working livestock	110	0	0	(0)	0
Productive livestock	111	0	0	(0)	0
Perennial plants	112	4,607	12,662	(1,033)	16,236
Other types of fixed assets	120	4,553	32	(1,178)	3,407
Land plots and natural resources	130	16,458	0	(6,156)	10,302
Capital investment in land reclamation	131	0	0	(0)	0
Total		**11,754,893**	**4,536,358**	**(531,065)**	**15,760,186**

Item name	code	At the beginning of reporting year	At the end of reporting period
Total depreciation of fixed assets	**140**	**3,894,572**	**5,064,918**
including:			
buildings and structures	141	3,253,473	4,151,898
machinery, equipment and vehicles	142	552,871	782,906
other	143	88,228	130,114
Total fixed assets leased out	**150**	**587,515**	**886,904**
including:			
buildings	151	37,343	151,495
structures	152	459,730	519,419
machinery, equipment and vehicles	153	82,693	185,519
other	154	7,749	30,471
Suspended fixed assets	155	0	0
Total fixed assets taken on lease	**156**	**1,072,868**	**2,379,108**
including:			
buildings	157	961,762	1,219,817
structures	158	0	63,049
plant	159	4,153	69,566
transport	160	82,677	89,269
Real properties in use and in the process of state registration	161	263,017	2,057,150

For reference.

	code	At the beginning of reporting year	At the beginning of previous year
Revaluation of fixed assets:			
historical (replacement) cost	171	0	0
depreciation	172	0	0
	code	**At the beginning of reporting year**	**At the end of reporting year**
Change in value of fixed assets due to completion of construction, additional equipment installation, reconstruction, partial liquidation	173	0	14,364

Interest-bearing investments in tangible assets

Item name	Item code	At the beginning of reporting year	Additions	Disposals	At the end of reporting period
Assets for leasing	200	0	0	(0)	0
Assets for hire	210	0	0	(0)	0
Other	220	0	0	(0)	0
Total	230	0	0	(0)	0

	code	At the beginning of reporting year	At the end of reporting period
Amortization of interest-bearing investment in tangible assets	240	0	0

Research, development, design and testing expenses

Type of work: name	code	At the beginning of reporting year	Additions	Disposals	At the end of reporting period
Total	310	0	0	(0)	0
including:					
audit of reserves	311	0	0	(0)	0

For reference.

	code	At the beginning of reporting year	At the end of reporting year
Total expenses on research, development, design and testing in progress	320	11,191	33,250
	code	For reporting period	For same period of previous year
Total expenses on failed research, development, design and testing included in non-operating expenses	321	0	0

Natural resource development costs

Item		Balance at the beginning of reporting period	Additions	Disposals	Balance at the end of reporting period
name	code				
Total expenses on natural resource development	410	2,195,726	1,166,496	(703,764)	2,658,458
including:					
seismic survey	413	1,724,758	703,680	(387,420)	2,041,018
other	414	470,968	462,816	(316,344)	617,440

For reference.

	code	At the beginning of reporting year	At the end of reporting period
Total expenses on subsoil plots where field exploration and evaluation, prospecting and (or) hydrological survey, and other similar works are not completed	420	1,773,089	2,393,522
Total expenses on failed natural resource development recognized in the reporting period as non-operating expenses	430	184,369	209,878

Financial investment

Item		Long-term		Short-term	
name	code	at the beginning of reporting year	at the end of reporting period	at the beginning of reporting year	at the end of reporting period
Total investment in third party authorized (share) capital	510	94,836,238	114,993,342	0	0
including: in subsidiaries and affiliates	511	94,536,303	114,551,303	0	0
Government and municipal securities	515	60,488		0	0
Total third-party securities	520	0	1,523,845	0	0
including: debt securities (bonds, notes)	521	0	1,523,845	0	0
Loans extended	525	31,803,557	22,866,980	503,663	281,424
Deposits	530	0		10,015,895	3,200,000
Other	535	0	0	0	0
Total	**540**	**126,700,283**	**139,384,167**	**10,519,558**	**3,481,424**
Investment carried at market value, of the total financial investment:					
Total investment in third-party authorized (share) capital	550	224,790	286,895	0	0
including: in subsidiaries and affiliates	551	0	0	0	0
Government and municipal securities	555	0	0	0	0
Total third-party securities	560	0	0	0	0
including: debt securities (bonds, notes)	560	0	0	0	0
Other	561	0	0	0	0
Total	**570**	**224,790**	**286,895**	**0**	**0**
For reference.					
For financial investment carried at current market value, value changes due to appraisal adjustment	580	(138,460)	(62,105)	0	0
For debt securities, the difference between historical cost and par value is recognized in the financial result of reporting period	590	0	0	0	0

Receivables and payables

Item name	code	Balance at the beginning of reporting year	Balance at the end of reporting year
Receivables:			
short-term total	610	230,893,141	188,506,661
including:			
from buyers and customers	611	43,751,605	45,547,763
advances extended	612	10,365,935	11,612,131
other	613	176,775,601	131,346,767
long-term total	620	91,822,929	193,946,873
including:			
from buyers and customers	621	0	0
advances extended	622	0	0
other	623	91,822,929	193,946,873
Total	**630**	**322,716,070**	**382,453,534**
Payables:			
short-term total	640	116,258,882	101,894,303
including:			
due to suppliers and contractors	641	47,905,486	45,802,703
advances received	642	9,658,416	9,045,438
taxes due to government extra-budgetary funds	643	519,654	2,110,097
credits	644	42,118,881	25,670,013
loans	645	3,177,595	3,575,322
other	646	12,878,850	15,690,730
long-term total	650	172,592,153	219,781,515
including:			
credits	651	90,741,492	110,446,240
loans	652	81,850,661	107,906,588
other	653	0	1,428,687
Total	**660**	**288,851,035**	**321,675,818**

Operating expenses (by cost element)

Item name	code	For reporting year	For previous year
Material costs	710	498,629,101	393,669,509
Salaries and wages	720	5,371,448	3,333,308
Social payments	730	144,710	192,398
Depreciation	740	1,377,749	1,082,064
Other costs	750	9,332,427	29,580,681
Total by cost element	760	514,855,435	427,857,960
Changes in balances (increase [+], decrease [–]):			
work in process	765	90,094	219,287
deferred expenses	766	(76,318)	169,391
provisions for future expenses	767	6,571,371	(1,088,668)

Collaterals

Item name	code	Balance at the beginning of reporting year	Balance at the end of reporting period
Received – total	810	862,286	10,160
including:			
notes	811	0	0
Pledged assets	820	0	0
of which:	821	0	0
fixed assets			
securities and other financial investments	822	0	0
other	823	0	0
Issued – total	830	8,157,334	5,187,935
including:			
notes	831	0	0
Pledged assets	840	0	0
of which:			
fixed assets	841	0	0
securities and other financial investments	842	0	0
other	843	0	0

Government assistance

Item name	code	For reporting period	For same period of previous year
Total budget appropriations received in reporting year	910	0	0
including:			

		at the beginning of reporting year	received for reporting period	returned for reporting period	at the end of reporting period
Total budget loans	920	0	0	0	0
including:					

By offering this Report for your attention we hope to receive your feedback: your opinion on the issues discussed in this Report is very important for the Company. Taking part in the discussion you can help increase the operational efficiency of Gazprom Neft.

You can find other contact details on the Company's website:
http://www.gazprom-neft.ru/contacts/

You can send an email on the Company's feedback page:
http://www.gazprom-neft.ru/feedback/

We will consider all your questions and opinions to prepare the next Company Report on sustainability.

To express your opinion or ask any questions, please, can call, write a letter or an e-mail or send a fax using the following contact details:

JSC GAZPROM NEFT

The audit of accounting (financial) reports for 2008 was done by the independent audit firm CJSC PriceWaterhouseCoopers Audit (ZAO PwC Audit). Address: 125047, Russia, Moscow, Butyrsky Val Str., 10, "White Square" Business Centre.

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REGISTRAR

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