EFFECTIVE STRATEGY FOR GROWTH

2012 ANNUAL REPORT
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## Key Performance Indicators

### Key Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue, mn RUB</td>
<td>1,230,266</td>
<td>1,029,803</td>
<td>793,871</td>
<td>641,378</td>
<td>19.5</td>
</tr>
<tr>
<td>Adjusted EBITDA, mn RUB</td>
<td>323,106</td>
<td>300,077</td>
<td>220,812</td>
<td>191,512</td>
<td>7.7</td>
</tr>
<tr>
<td>Net income relating to Gazprom Neft, mn RUB</td>
<td>176,296</td>
<td>160,362</td>
<td>95,692</td>
<td>95,994</td>
<td>9.9</td>
</tr>
<tr>
<td>Net cash from operations, mn RUB</td>
<td>231,073</td>
<td>180,871</td>
<td>163,718</td>
<td>110,999</td>
<td>27.8</td>
</tr>
<tr>
<td>Capital investments, mn RUB</td>
<td>158,102</td>
<td>130,788</td>
<td>100,247</td>
<td>83,590</td>
<td>20.9</td>
</tr>
<tr>
<td>Dividends paid, mn RUB</td>
<td>35,195</td>
<td>29,911</td>
<td>22,109</td>
<td>29,725</td>
<td>18.1</td>
</tr>
<tr>
<td>Price per share at year-end, RUB (MICEX)</td>
<td>142.52</td>
<td>148.18</td>
<td>128.27</td>
<td>163.64</td>
<td>–3.8</td>
</tr>
</tbody>
</table>

### Key Financial Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base and diluted income per common share, RUB per share</td>
<td>37</td>
<td>34</td>
<td>20</td>
<td>20</td>
<td>9.9</td>
</tr>
<tr>
<td>Dividends per share, RUB</td>
<td>–</td>
<td>7.30</td>
<td>4.44</td>
<td>3.57</td>
<td>–</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE), %4</td>
<td>19.49</td>
<td>20.58</td>
<td>15.83</td>
<td>15.44</td>
<td>–1.1 pp</td>
</tr>
<tr>
<td>Adjusted EBITDA per barrel produced, RUB/BOE</td>
<td>735.97</td>
<td>711.69</td>
<td>566.99</td>
<td>520.58</td>
<td>3.4</td>
</tr>
</tbody>
</table>

1. The data presented in the Annual Report can insignificantly deviate from the previously published data due to rounding differences of the values.
2. IFRS financial indicators (RUB statements).
3. US GAAP financial indicators (USD statements). Yearly indicators are expressed in RUB at an average annual exchange rate. Year-end indicators are expressed in RUB at the exchange rate as of the date.
4. 2010 and 2009 ratio calculations are based on US GAAP statements without RUB equivalents.

### Key Operating Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon reserves (PRMS-SPE), mn TOE</td>
<td>1,200</td>
<td>1,130</td>
<td>1,023</td>
<td>1,018</td>
<td>6.3</td>
</tr>
<tr>
<td>Marketable hydrocarbon production by dependent companies, mn TOE</td>
<td>40.32</td>
<td>37.86</td>
<td>33.60</td>
<td>32.44</td>
<td>6.5</td>
</tr>
<tr>
<td>Marketable hydrocarbon production including share in production of affiliates, calculated by share in equity (Slavneft, Tomskneft VNK, SeverEnergia, SPD), mn TOE</td>
<td>19.39</td>
<td>19.41</td>
<td>19.21</td>
<td>17.73</td>
<td>–0.1</td>
</tr>
<tr>
<td>Marketable hydrocarbon production by Gazprom Neft Group of Companies</td>
<td>59.71</td>
<td>57.27</td>
<td>52.81</td>
<td>50.17</td>
<td>4.3</td>
</tr>
</tbody>
</table>

### Oil Refining

<table>
<thead>
<tr>
<th>Type</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>at own refineries, mn t</td>
<td>33.8</td>
<td>33.1</td>
<td>30.8</td>
<td>26.6</td>
<td>2.1</td>
</tr>
<tr>
<td>at contracted refineries, mn t</td>
<td>9.6</td>
<td>7.4</td>
<td>7.2</td>
<td>6.8</td>
<td>29.7</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data
ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS, INVESTORS & COLLEAGUES

Last year Gazprom Neft once again demonstrated a high level of efficiency. The Company developed all business segments, achieving new records and moving closer to the targets set out in Gazprom Neft’s development strategy through 2020.

The growing scale of our operations and the conscious efforts made by management to focus on higher Company efficiency had a positive impact on Gazprom Neft’s financial performance. Year-end revenue in 2012 grew by 20% (to RUB 1.2 tn), operating income by 8% and, net income by 10%. At the same time, the growth rate of our unit production costs remains among the lowest in the industry. Along with a large-scale investment program, enabling the Company to create a solid basis for further business development, Gazprom Neft has also delivered annual growth in dividend payouts. On the basis of our 2012 results the Company will for the first time pay out to its shareholders 25% of its net income under IFRS, or in absolute figures – nearly one third more than the previous year.

In 2012 the Company focused heavily on implementing large-scale projects in the production sector, including the development of oil fields received from OJSC Gazprom.
The Company is making progress in new promising regions, such as the northern part of the Yamal-Nenets Autonomous District, Eastern Siberia, as well as outside Russia, where Gazprom Neft is actively expanding its presence and exploring possibilities for further growth. Through the use of new drilling technologies and approaches, in 2012 the Company became Russia’s leading oil company in terms of hydrocarbon production growth rates.

In 2012 Gazprom Neft considerably increased its share in the motor fuel retail market. The Company is already benefiting from the success of its rebranding program and is now the market leader (by volume) for fuel sold through filling stations.

Gazprom Neft is also actively developing its refining assets: as early as 2013 it will produce only Euro-5 gasoline and diesel fuel, two years ahead of the regulatory deadline. With the production of low emission fuels already underway, Gazprom Neft is entering the next important phase of its modernization plans: the implementation of a program aimed at increasing its refining capabilities in order to boost production of light petroleum products and improve the efficiency of its refinery operations. The further expansion of premium distribution channels including fuel sales through its own filling station network, ship bunkering and aircraft refueling is an important development. In 2012 Gazprom Neft increased its share in the motor oil retail market to become the largest supplier of light petroleum products in the Russian market. In 2012 Gazprom Neft considerably increased its share in the motor fuel retail market. The Company is already benefiting from the success of its rebranding program and is now the market leader (by volume) for fuel sold through filling stations.

Looking to 2013, Gazprom Neft will continue to increase production and control its costs closely. Our company’s goal is to continue to create value for its shareholders through the implementation of our long-term development strategy.

ALEXEY MILLER
Chairman of the Board of Directors
DEAR SHAREHOLDERS, INVESTORS, & PARTNERS

The past year, 2012, was another record year for Gazprom Neft with the Company demonstrating growth in all business lines. Production grew by over 4%, refining by 7%, and average petroleum product sales per filling station by almost a quarter. External factors, such as global oil prices, ruble-to-dollar exchange rates, and the new 60/66 tax regime have undoubtedly had a positive impact on Gazprom Neft’s performance.

At the same time, I am confident that efforts by the Company’s employees have had an equally important impact.

Over the last year we have continued to consolidate our assets in the Orenburg region, a relatively new area of operations for Gazprom Neft.

Gas production was launched at the SeverEnergia fields in the Yamal-Nenets Autonomous District, while oil production at the Priobskoye field in the Khanty-Mansiysk Autonomous District is growing. The Messoyakhskoye field in the northern part of the Yamal-Nenets Autonomous District produced its first oil, and in 2012 Gazprom Neft received a license for another major field in that area, Novoportovskoye. The Company is continuing its international expansion after extending its range of oil exploration and production projects outside Russia, particularly in the Middle East. Gazprom Neft is closely monitoring the emergence of new technologies in the market to pinpoint optimal solutions for its operations. We are currently industry leaders in terms of volume of multistage hydraulic fracturing, despite having only started using this process one year ago. Thanks to the implementation of new approaches to optimize our drilling processes we are now able to access complex oil territories and have successfully added over eight million tonnes of hard-to-recover oil reserves to our development programme. By 2015 our hard-to-recover reserves program will add another 60 million tonnes of reserves to our development portfolio.
The past year became another year of financial and production records for the Company. Gazprom Neft is implementing new major projects: last year the first oil was produced by the Novoportovskoye and Messoyakhskoye fields in the Yamal-Nenets Autonomous District, oil production was launched in Venezuela, and we are actively implementing our hard-to-recover reserves development program. All of the Company’s refineries switched over to the production of Euro-4 and Euro-5 fuels – earlier than required by the State technical regulations. The next step in refinery modernization will be increasing the refining depth and the yield of light petroleum products. As a result, our refineries will be equipped according to the most up-to-date Western standards. As such, in the petroleum products segment, we have already partially achieved some of the objectives set our in our 2020 strategy. Gazprom Neft holds a leading position on Russia’s retail market by volumes handled per retail filling station. All this enables us to set for ourselves longer-term goals, and this year we plan to outline development guidelines through 2025.

In the past year we have also made significant advances in oil refining. The quality of fuel produced by our refineries met to Euro-4 and Euro-5 in 2012, and in 2013 we will be in a position to switch over to the production of the lowest-emission petroleum products, Euro-5, two years ahead of the deadline set by the State technical regulations. In 2012 Gazprom Neft became the largest supplier of light petroleum products in the domestic market. Having completed the first stage of refinery modernization aimed at improving the quality of petroleum products, we are proceeding to the next stage which will focus on increasing refining depth and further enhancing the efficiency of our refining operations.

The Company is increasing fuel sales through its filling stations with an average daily fuel volume handled per filling station having reached 17.7 tonnes during the year, which represents the best performance in Russia.

Petroleum product sales through premium high-margin distribution channels, such as filling stations, bunkering and aircraft refueling, grew 15% in 2012. This strong performance was due to the expansion of our sales network, the company’s entry into new markets, the successful implementation of rebranding and loyalty programs, as well as an effective advertising campaign.

The strength of our financial performance in 2012 reflects our successful developments in the year across all business lines. As a result of our efforts we have already reached some of our key performance indicator targets as set out in our 2020 development strategy. On the back of this success we will start to develop our 2025 strategy and set new targets.

A.V. DYUKOV
Chairman of the Management Board, OJSC Gazprom Neft
GAZPROM NEFT AND KHANTY-MANSIYSK AUTONOMOUS DISTRICT – YUGRA SIGN AN AGREEMENT ON SOCIAL AND ECONOMIC COOPERATION IN 2012

Pursuant to this Agreement, Gazprom Neft will continue its support to social, economic and cultural projects currently underway in Yugra. In particular, the Agreement provides for the Company to participate in financing programs and projects such as sports, healthcare, support to small- and medium-scale businesses, development and modernization of public housing utilities, and a rural municipal road network in the Khanty-Mansiysk District.

ALSO IN THIS MONTH:
- A deparaffinization unit is fitted to the diesel hydrotreatment facility at the Omsk Refinery.
- NIS opens its first filling station under the NIS Petrol brand.

GAZPROM NEFT ACQUIRES A CHAIN OF FILLING STATIONS IN CHELYABINSK REGION

Gazprom Neft has acquired a filling station chain consisting of 36 stations and two petroleum tank farms in the Chelyabinsk Region. The filling stations are located in the city of Chelyabinsk and other cities of the region.

ALSO IN THIS MONTH:
- Gazprom Neft opens the Unified Research and Development Center for Innovative Technologies.
- NIS and RAG begin exploration drilling in Hungary.
- Gazprom Neft selects a contractor to build crude oil collection and treatment facilities at the Badra field in Iraq.
- Gazprom Neft opens an alternative fuel supply complex at Sheremetyevo Airport in Moscow.

GAZPROM NEFT ACQUIRES A NEW VESSEL FOR ITS BUNKERING FLEET

The vessel has been named Gazprom Neft-Nord West. A fuel tanker with a carrying capacity of 2,500 tonnes and unrestricted navigation was built in 2011 in Tuzla (Turkey) and meets the requirements of all international shipping conventions.

ALSO IN THIS MONTH:
- Gazprom Neft-Lubricants signs an agreement with Chevron for marine oil production.
- Gazprom Neft triples the number of its filling stations in the Nizhny Novgorod Region.
- Gazprom Neft starts work on a third well at the Badra field in Iraq.

THE COMPANY’S MOSCOW REFINERY SWITCHES TO EURO-4 FUEL PRODUCTION

In April Gazprom Neft’s Moscow Refinery switched to production of high-octane gasolines that correspond to emission Euro-4 of the Motor Fuel Regulations. As of now all high-octane gasolines produced by the Moscow Refinery meet Euro-4 specifications.

ALSO IN THIS MONTH:
- SeverEnergia starts commercial gas production.
- Gazprom Neft fulfills its investment obligations under the sales contract for 51% interest in NIS.
- CJSC Gazpromneft-Aero starts refueling Russian aircraft in Italy and the Seychelles.
- Gazpromneft-Angara announces the first commercial oil flow at the Tympuchikansk field.
SALYM PETROLEUM DEVELOPMENT COMMISSIONS AN APG PROCESSING FACILITY

Salym Petroleum Development, RussNeft and Monolit commission an integrated processing facility for associated petroleum gas at the Salym group of fields in Western Siberia. When the facility reaches its projected capacity, it will enable SPD and RussNeft to utilize fully all APG produced at the Salym and Shapshin groups of fields.

ALSO IN THIS MONTH:
- The first Gazpromneft-branded filling station opens in Ukraine.
- Gazprom Neft commissions a catalytic cracking gasoline hydrotreatment unit and an integrated oil production complex at its Omsk Refinery.
- Muravlenkovskneft affiliate commissions a pipeline for APG transportation from the Severo-Yanginskytoye field.
- CJSC Gazpromneft-Aero starts in-flight aircraft refueling in Kazan and Barnaul.

JUNE

GAZPROM NEFT HOLDS ANNUAL GENERAL SHAREHOLDER MEETING ON 8 JUNE, 2012

Gazprom Neft finished 2011 as the most successful Russian oil company in terms of operating income growth (EBIT) and total return to shareholders. The Company’s consolidated net income grew by 70% to USD 5.35 bn. The Company’s 2011 performance indicators were also the best in its history having exceeded significantly those of 2010.

ALSO IN THIS MONTH:
- Gazprom Neft becomes a guaranteed supplier of the Saint-Petersburg International Mercantile Exchange.
- Gazprom Neft and Japan’s JOGMEC start joint exploration of the Igunalin area.
- CJSC Gazpromneft-Aero signs an agreement with Galp Energia on aircraft refueling in airports in Portugal and Spain.
- The first development well-drilling starts at the Novoportovskoye field.

JULY

GAZPROM NEFT’S FILLING STATION CHAIN RECEIVES A THIRD ANNUAL CONSUMER RIGHTS AND SERVICE QUALITY AWARD IN RETAIL SERVICES AS PART OF THE “CONSUMER CHOICE 2012” POPULAR VOTE

The “Consumer Choice 2012” award seeks to identify consumer towards companies in the commodity and service markets. Winners of the award were chosen through an online poll of some 1.5 million people. Voting was held with the support of ROMIR Research Holding, and its results were verified by BDO independent auditing group.

ALSO IN THIS MONTH:
- Gazprom Neft-Aero expands into the Greek market.
- Gazprom Neft begins a new phase in its drilling operations project in the eastern section of the Orenburg field.
- CJSC Gazpromneft-Aero starts aircraft refueling in Vladivostok.
- Gazprom Neft expands its presence in the Republic of Iraq; the Company joins projects in Kurdistan.

AUGUST

GAZPROM NEFT SIGNS AN AGREEMENT FOR A 10-YEAR 258 MILLION EURO LOAN

Gazprom Neft has reached an agreement with a group of international banks for a ten-year club unsecured loan for 258 million euros with the support of an export credit agency. The loan has been issued against guarantees of the Czech Republic’s Export Guarantee and Insurance Corporation (EGAP). This is one of the largest loan facilities extended against guarantees of an export credit agency to a Russian contracting party in 2012.
GAZPROM NEFT ACQUIRES NOVOPORTOVSKOYE FIELD
Gazprom Neft acquires Novoportovskoye field C,- and C2-grade recoverable reserves at the Novoportovskoye oil and gas condensate field which are expected to produce over 230 million tonnes of oil and 270 billion cubic meters of gas.

ALSO IN THIS MONTH:
▶ Omsk Refinery starts production of Euro-5 diesel fuel.
▶ Gazpromneft-Aero starts aircraft refueling in Jordania and Vietnam.
▶ Gazprom Neft signs a cooperation agreement with the Kemerovo regional administration.
▶ Omsk Refinery is named the best in Russia and the CIS.
▶ NIS starts a green energy project with the construction of a wind power plant.
▶ Gazprom Neft opens its first multifuel filling station.
▶ The first Gazprom-branded filling station opens in Romania.
▶ Gazprom Neft acquires LLP Bitumniy Zavod, an asset with a capacity of 280,000 tonnes of bitumen products per year in the vicinity of the city of Shymkent in Southern Kazakhstan.
## EVENTS FOLLOWING THE REPORTING DATE

<table>
<thead>
<tr>
<th>JANUARY 2013</th>
<th>FEBRUARY 2013</th>
<th>MARCH 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Neft starts drilling its first appraisal well for commercial research and testing at the Bazhenovsko-Abalakskiy horizon of the Krasnoleninskiy field (developed by Gazpromneft-Khantos).</td>
<td>Gazprom Neft expands production at the Senomanskiye gas deposits.</td>
<td>Gazprom Neft’s integrated fueling facility at Sheremetyevo receives the highest IATA quality status.</td>
</tr>
<tr>
<td>Gazprom Neft’s filling station chain completes the New Year Miracle, its third federal charity campaign focusing on helping vulnerable children. Gazprom Neft will allocate over RUB 25 million raised during its campaign for childcare centers, in the regions where its filling stations are located.</td>
<td>Gazprom Neft Marine Bunker, which operates Gazprom Neft’s marine fuel marketing business, updates its long-term development strategy and sets targets to 2025.</td>
<td>Gazprom Neft is named as the best Russian company to work for in the energy sector. Gazprom Neft is included in the top ten Employers of Russia 2012, a rating compiled annually by HeadHunter recruiting company and published by Vedomosti newspaper.</td>
</tr>
<tr>
<td>Gazpromneft-Aero starts aircraft refueling in Jamaica.</td>
<td>Gazpromneft-Aero updates its development strategy and expands its planning horizon to 2025. Gazpromneft-Aero expands its presence in India.</td>
<td>Gazprom Neft-Lubricants, which operates Gazprom Neft’s lubricant production and marketing business, starts selling automobile oils under the Gazprom Neft brand.</td>
</tr>
</tbody>
</table>
COMPANY PROFILE

MISSION

Gazprom Neft is one of the fastest-growing oil producers in Russia today. Gazprom Neft is a major player in today’s energy market. The Company produces and supplies a wide range of products for a variety of industries both in Russia and around the world.

OJSC Gazprom Neft (together with its subsidiaries) is a vertically integrated oil company (VIOC), whose main activities include the exploration, development, production and sale of crude oil and gas, as well as oil refining and the marketing of petroleum products. As per the PRMS-SPE classification, the Company’s proved reserves of hydrocarbons amount to more than 1.2 bn TOE, placing Gazprom Neft in the top 20 global producers of crude oil.

The Company operates in Russia’s largest oil- and gas-producing regions: Khanty-Mansiysk and Yamal-Nenets Autonomous Districts, and Tomsk, Omsk and Orenburg Regions. The Company’s main refining facilities are located in Omsk, Moscow and Yaroslavl Regions, and also in Serbia. In addition, OJSC Gazprom Neft has production projects outside Russia, in Iraq, Venezuela and elsewhere.

COMPANY MISSION

To offer consumers high quality energy resources, to conduct business fairly and responsibly, to take care of our employees, and to be a leader in efficiency, guaranteeing long-term, stable growth for the company.
COMPANY HISTORY

1995
Siberian Oil Company ("OJSC Sibneft") was established by Decree of the President of the Russian Federation. The state acted as the Company’s founder contributing to its authorized capital state-owned portfolio of shares in some of the country’s largest oil companies: OJSC Noyabrskneftegaz, OJSC Noyabrskneftegazgeofizika, OJSC Omsk Refinery and OJSC Omsknefteprodukt.

1996–1997
The Russian Government privatized Sibneft as part of a program to develop the market economy. Private investors bought 49% of Sibneft stock at auctions in 1996.

In 1997 the Financial Petroleum Company won the state share in Sibneft at auction, as part of the Government’s Shares for Loans program.

1998–2004
The Company developed rapidly owing to its high resource potential, efficient refining capacities and professional management. Sibneft management focused on modernizing production, introducing the latest technology and optimizing business processes. A proactive acquisition policy allowed the Company to expand rapidly its production territory (in Tomsk and Omsk Regions, and Chukotka Autonomous District) and its sales network (Sverdlovsk and Tyumen Regions, Krasnoyarsk Territory, and the cities of St. Petersburg and Moscow). One of the Company’s major purchases during this period was its acquisition of 49.9% of the shares in JSC Slavneft Oil Company, which produced oil and gas in Western Siberia and Krasnoyarsk Territory.

2005
OJSC Sibneft’s controlling interest (75.68 %) was acquired by Gazprom Group. On May 13, 2006, the Company was renamed Open Joint Stock Company (OJSC) Gazprom Neft. The new strategic objectives of Gazprom Neft were to become a global company with regionally diversified assets along the entire value chain.

2006
Gazprom Neft entered the retail market in Central Asia by creating a subsidiary – Gazprom Neft Asia – to sell the Company’s petroleum products in Kyrgyzstan, Tajikistan and Kazakhstan.

In the same year, the Company took part in government-level international projects for the first time after becoming a shareholder (jointly with JSC Rosneft and JSC Transneft) in the Burgas-Alexandroupolis Trans-Balkan Oil Pipeline construction project.

2007
Business units were set up within the company to focus on activities in specific segments: Gazprom Neft Nefteservis, Gazprom Neft Marine Bunker, Gazprom Neft-Lubricants, and Gazprom Neft-Aero. In December 2007, to further expand its resource base, Gazprom Neft acquired a 50% stake in Tomskneft, a company producing oil and gas in the Tomsk Region and Khanty-Mansiysk Autonomous District.
Gazprom Neft acquired new assets for its resource portfolio and refinery capacities: the Serbian oil company, NIS, and a controlling stake in Sibir Energy. The latter acquisition increased the Company’s ownership stake in the Moscow Refinery and provided access to the Salym oilfields.

In April 2009, the Company concluded a deal with Chevron Global Energy to purchase the Chevron Italia S.p.A. oils and lubricants production plant in Bari (Italy). Another significant development for Gazprom Neft in 2009 was the launch of a large-scale rebranding program for the Company’s filling station chain.

Gazprom Neft expanded its presence in the global oil and gas market. The Company closed a deal to acquire the production division of STS-Service, which is owned by Sweden’s Malka Oil. Gazprom Neft signed a contract to develop the Badra field in Iraq, containing more than 2 bn bbl of oil reserves. Gazprom Neft became the leader of a consortium of Russian vertically integrated oil companies in a project to develop the Junin-6 oil block in Venezuela; it also joined, on the basis of production sharing, an offshore project in Equatorial Guinea at a geological exploration stage, and acquired stakes in an offshore geological exploration project in Cuba. Gazprom Neft joined a project to develop fields under a development license held by SeverEnergia (via subsidiaries). A retail filling station chain was acquired in Kazakhstan. Moreover, the Company commissioned two Cenomanian gas deposits at the Muravlenkovskoye and Novogodneye fields in Russia.
Gazprom Neft improved its operating performance substantially by purchasing new assets and increasing the efficiency of existing fields. The Company purchased 5.15% of NIS shares, bringing its stake to 56.15%, and also became the sole shareholder of Sibir Energy; it also acquired the Tsarichanskoje and Kapitonovskoje fields in Orenburg Region, as well as the Eastern part of the Orenburgskoje field. The Company concluded a deal to join a project in the exclusive economic zone of the Republic of Cuba in the Mexican Gulf; started drilling at the Badra field in Iraq; and conducted 3D offshore seismic exploration in the Niger delta basin in Equatorial Guinea. This year was also marked by highly successful oil refining and petroleum product campaigns. Gazprom Neft commercialized Euro-4 and Euro-5 fuels at its refineries and launched sales of a new premium class motor fuel under the brand G-Drive through its own filling station chain. Gazprom Neft expanded the geographic reach of its filling stations by entering the market in Russia’s Southern Federal District. Gazprom Neft-Aero, a subsidiary of the Company, began the refueling of aircraft at 12 Ministry of Defense airfields, obtaining the status of exclusive jet fuel supplier and aircraft fueling service provider to the Russian Armed Forces. It also started aircraft refueling operations at the international airports of Bishkek and Manas in Kyrgyzstan. The Omsk Refinery started producing bituminous polymer materials.

2012

Today, Gazprom Neft is one of Russia’s largest volume producers and refiners, and has established itself as the industry leader in efficiency. The Company started crude oil production in a pilot operation project at the Vostochno-Messoyakhskoye field, and also began commercial operations of the first stage of the Samburgskoje oil-gas condensate field owned by Russian-Italian company SeverEnergia, and continued to develop a production cluster in Orenburg Region, which included the Baleykinskoje field and the Uranskaya area following the acquisition of LLC Zhivoy Istok. At the end of the year the Company became the owner of the Novoportovskoje field and participated in some new hydrocarbon reserve exploration and development projects in Iraq. The company’s Moscow Refinery started producing Euro-4 Ai-92 and Ai-95 automotive gasolines, and the Omsk Refinery began production of Euro-4 and Euro-5 Ai-92 and Ai-95 automotive gasolines and Euro-5 diesel fuel. Joint venture OJSC Slavneft-YaNOS completely switched over to the production of high-octane Euro-5 Ai-92 and Ai-95 automotive gasolines. Gazprom Neft also gained access to the refining assets in the Republic of Belarus, as well as proceeding with the development of a distribution network in Ukraine under the Gazprom Neft brand and in Europe (Serbia and Romania) under the Gazprom brand.
### Gazprom Neft Group’s Operating Geography

#### Table: Operating Geography

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<th>Production</th>
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<th>Gazprom Neft–Aero Refining</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>86</td>
<td>Khanty-Mansiysk Autonomous District – Yugra</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>Chelyabinsk region</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Republic of Chuvashia</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>89</td>
<td>Yamalo-Nenets Autonomous District</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>Yaroslavl region</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

International:
- Angola
- Bulgaria
- Iraq
- Italy
- Kazakhstan
- Cuba
- Kyrgyzstan
- Republic of Belarus
- Romania
- Serbia
- Tajikistan
- Ukraine

See overleaf for continuation and legend.
COMPETITIVE POSITION

OJSC Gazprom Neft is one of Russia’s leading oil companies in terms of hydrocarbon production and refining. Gazprom Neft is the fifth largest global producer of hydrocarbons, with total production amounting to 60 million tonnes. Gazprom Neft's production grew by 4.9% over the last year, making it the fastest-growing vertically integrated oil company in Russia.

The Company ranks third among Russian oil companies in terms of refining output. Gazprom Neft accounts for 10% of Russia's total refining output.

Gazprom Neft is also among the largest crude oil exporters, accounting for 5.6% of total Russian crude oil exports via Transneft.

TOTAL CRUDE OIL & GAS OUTPUT IN RUSSIA BY OIL & GAS PRODUCERS*, '000 TOE

<table>
<thead>
<tr>
<th>Company</th>
<th>Production in 2012</th>
<th>Share in 2012, %</th>
<th>Production in 2011</th>
<th>Share in 2011, %</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft**</td>
<td>139,566</td>
<td>22.1</td>
<td>135,321</td>
<td>22.1</td>
<td>3.1</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>99,157</td>
<td>15.7</td>
<td>99,717</td>
<td>16.3</td>
<td>–0.6</td>
</tr>
<tr>
<td>TNK-BP***</td>
<td>94,475</td>
<td>15.0</td>
<td>93,907</td>
<td>15.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>71,353</td>
<td>11.3</td>
<td>71,141</td>
<td>11.7</td>
<td>–0.1</td>
</tr>
<tr>
<td>Gazprom Neft***</td>
<td>60,048</td>
<td>9.5</td>
<td>57,233</td>
<td>9.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Tatneft</td>
<td>27,042</td>
<td>4.3</td>
<td>26,886</td>
<td>4.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Others</td>
<td>140,193</td>
<td>22.1</td>
<td>126,520</td>
<td>20.7</td>
<td>10.8</td>
</tr>
<tr>
<td>RUSSIA (NOT INCLUDING GAS PRODUCTION BY GAZPROM AND NOVATEK)</td>
<td>631,834</td>
<td>100</td>
<td>610,994</td>
<td>100</td>
<td>3.4</td>
</tr>
</tbody>
</table>

* Crude oil, gas condensate, petroleum (associated) and natural gas production in the Russian Federation according to monthly statistics by InfoTEK. For the purpose of compatibility of data, gas production is understood as the total volume of gas extracted from the Company’s fields (gas resource), which may differ from the Company’s official gas output as the latter may reflect the volume of gas production less flare gas (gas utilization) or the volume of gas sales (marketable gas).

** Including share in production of Tomskneft.

*** Including shares in production of Slavneft, Tomskneft, SPO, SeverEnergia; not including production outside Russia (NIS).

**** Including share in production of Slavneft.
14.6 %
of total refining output in Russia

5.6 %
of total crude oil exports in Russia via Transneft

CRUDE OIL REFINING IN RUSSIA IN 2012, ’000 T

<table>
<thead>
<tr>
<th>Company</th>
<th>Crude oil refining in 2012</th>
<th>Share in 2012, %</th>
<th>Crude oil refining in 2011</th>
<th>Share in 2011, %</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft</td>
<td>51,450</td>
<td>19.2</td>
<td>51,052</td>
<td>19.8</td>
<td>0.8%</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>44,710</td>
<td>16.7</td>
<td>45,491</td>
<td>17.6</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Gazprom Neft*</td>
<td>39,260</td>
<td>14.6</td>
<td>38,132</td>
<td>14.8</td>
<td>2.8%</td>
</tr>
<tr>
<td>TNK-BP**</td>
<td>32,588</td>
<td>12.2</td>
<td>31,621</td>
<td>12.3</td>
<td>3.1%</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>20,629</td>
<td>7.7</td>
<td>21,161</td>
<td>8.2</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Ufa Refineries</td>
<td>20,774</td>
<td>7.7</td>
<td>21,062</td>
<td>8.2</td>
<td>-1.4%</td>
</tr>
<tr>
<td>TAIF Oil Company</td>
<td>8,383</td>
<td>3.1</td>
<td>8,318</td>
<td>3.2</td>
<td>0.8%</td>
</tr>
<tr>
<td>Tatneft</td>
<td>7,231</td>
<td>2.7</td>
<td>2,213</td>
<td>0.9</td>
<td>226.8%</td>
</tr>
<tr>
<td>Others</td>
<td>43,246</td>
<td>16.1</td>
<td>38,846</td>
<td>15.1</td>
<td>11.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>268,214</strong></td>
<td><strong>100.0</strong></td>
<td><strong>257,895</strong></td>
<td><strong>100.0</strong></td>
<td><strong>4.0%</strong></td>
</tr>
</tbody>
</table>

* Includes share in refining by Slavneft, but excludes refining outside Russia (NIS).
** Includes share in refining by Slavneft.

Source: INFOTEK

CRUDE OIL EXPORTS BY RUSSIAN OIL COMPANIES VIA TRANSNEFT IN 2012, ’000 T

<table>
<thead>
<tr>
<th>Company</th>
<th>Crude oil exports 2012*</th>
<th>Share in 2012, %</th>
<th>Crude oil exports 2011*</th>
<th>Share in 2011, %</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft</td>
<td>60,915.9</td>
<td>28.7</td>
<td>58,974.1</td>
<td>27.8</td>
<td>3.3%</td>
</tr>
<tr>
<td>TNK-BP</td>
<td>30,133.4</td>
<td>14.2</td>
<td>29,763.5</td>
<td>14.0</td>
<td>1.2%</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>26,718.2</td>
<td>12.6</td>
<td>27,010.1</td>
<td>12.7</td>
<td>-1.1%</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>24,642.7</td>
<td>11.6</td>
<td>23,823.2</td>
<td>11.2</td>
<td>3.4%</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>11,945.2</td>
<td>5.6</td>
<td>12,718.9</td>
<td>6.0</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Tatneft</td>
<td>11,881.0</td>
<td>5.6</td>
<td>15,565.6</td>
<td>7.3</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Others</td>
<td>46,235</td>
<td>21.8</td>
<td>44,355</td>
<td>20.9</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>212,471</strong></td>
<td><strong>100</strong></td>
<td><strong>212,210</strong></td>
<td><strong>100</strong></td>
<td><strong>0.1%</strong></td>
</tr>
</tbody>
</table>

* Crude oil exports from the Russian Federation to non-CIS countries via Transneft, according to InfoTEK monthly statistics. Information may differ from official crude oil export data, which may also include exports to CIS and non-CIS countries outside Transneft, as well as sales by companies’ trading units registered abroad.

Source: INFOTEK
The development strategy for OJSC Gazprom Neft was adopted in early 2010. It defines the main principles, goals and directions for strategic development, as well as the performance that the Company, together with its subsidiaries and associates, expects to achieve. All long- and medium-term plans and associated task-setting until 2020 will continue to be based on this current Development Strategy. However, in view of changing internal and external factors, the Company plans to update the Development Strategy in 2013. More details can be found on page 46.

**Strategic Goal of the Company**

To become a large, Russian-based international player, owning a regionally-diversified portfolio of assets across the entire value chain, actively participating in regional development, and with a high degree of social and environmental responsibility.

**Business targets for the Company**

Gazprom Neft’s key operational performance targets through 2020 are focused on: production, refining and sales to end consumers.

<table>
<thead>
<tr>
<th><strong>Production</strong></th>
<th><strong>Refining</strong></th>
<th><strong>Sales to End Consumers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>100 million tonnes of oil equivalent per year production</td>
<td>70 million tonnes per year refining</td>
<td>40 million tonnes of oil equivalent per year annual sales to Russian and foreign end-users including:</td>
</tr>
<tr>
<td>20 years reserves-to-production ratio</td>
<td>40 million tonnes per year refining volumes in Russia</td>
<td>22 million tonnes sales of automotive fuels (in Russia and the CIS)</td>
</tr>
<tr>
<td>a minimum of 50% field production share at initial phases of development</td>
<td>90% increasing refining depth rate in Russia</td>
<td>18 million tonnes product-related premium sales (aviation fuel, bunkering, lubricants, bitumens and petrochemicals)</td>
</tr>
<tr>
<td>10% share of production to come from foreign projects</td>
<td>77% increased yield of light petroleum products in Russia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25-30 million tonnes per year increasing access to refining facilities outside Russia</td>
<td></td>
</tr>
</tbody>
</table>
EFFICIENT GROWTH STRATEGY

BROADENING THE RESOURCE BASE

1.2 billion tonnes of oil equivalent

- Implement geological survey programs
- Pilot drilling

1.2% growth of proven hydrocarbon reserves in 2012 by PRMS-SPE category, net of new acquisitions

INCREASING HYDROCARBON PRODUCTION

59.7 million tonnes of oil equivalent

- Increase oil yield at existing fields
- Implement a program to increase the rate of associated petrochemical use
- Add hard-to-recover reserves to development operations
- Launch new projects

5.2% versus 2011

DEVELOPING OIL REFINING IN RUSSIA

39.3 million tonnes

- Increase production efficiency
- Modernize and expand oil refining facilities
- Implement programs to increase the depth and quality of refinement

3.1% versus 2011

INCREASING ACCESS TO REFINING FACILITIES OUTSIDE RUSSIA

4.1 million tonnes

- Obtain access to refining facilities in the Republic of Belarus
- Modernize refineries in Serbia

74.5% versus 2011

GAZPROM NEFT OF THE FUTURE

2.1 billion tonnes of oil equivalent

- Proven hydrocarbon reserves

1.2% versus 2011

100 million tonnes of oil equivalent

- Hydrocarbon production

4.2% versus 2011

40 million tonnes of oil per year

- Oil refining volumes in Russia

5.3% versus 2011

25-30 million tonnes of oil per year

- Increasing access to refining facilities outside Russia
Gazprom Neft Group
2012 Annual Report

**Growing Automotive Fuel Sales in Russia and the CIS**
- 17.74 million tonnes (↑13.4% versus 2011)
  - Sales of automotive fuels, Russia and the CIS, 2012
- + Develop the retail fuel network in Russia and abroad
- + Grow automotive fuel sales at filling stations
- + Promote branded fuel aggressively
- + Expand the loyalty program

**Expanding the Filling Station Network**
- 1,265 filling stations (↑1.6% versus 2011)
  - Existing filling stations, Russia and CIS, year-end 2012
- + Expand the geographic reach of retail motor fuels sales
- + Build and commission branded filling stations
- + Develop associated businesses at filling stations intensively

**Growing Sales Through Premium Business Segments**
- 7.1 million tonnes (↑6.0% versus 2011)
  - Petroleum products sold through business units, 2012
- + Enter new Russian and foreign markets
- + Develop our own infrastructure
- + Launch a new Gazprom Neft oil brand

**Improving Production Performance**
- 1st place
- Highest ranking performer in the industry for operating income per 1 BOE, 2012
- + Implement an operating improvement program

**Growing Automotive Fuel Sales in Russia and the CIS**
- 22 million tonnes per year
  - Automotive fuel sales, Russia and CIS

**Expanding the Filling Station Network**
- 2,100 filling stations
  - Number of filling stations, Russia and CIS

**Growing Sales Through Premium Business Segments**
- 18 million tonnes per year
  - Premium sales through product business units

**In the Top-3**
- Maintaining leadership as the most efficient company among vertically-integrated Russian oil companies
In 2012, OJSC Gazprom Neft achieved a number of its 2020 targets ahead of schedule:

**Gazprom Neft Today**

- 25% increase in average pumping at filling stations
- 100 number of airports locations
- 2x increase in average turnover of tank farms
- 33% Gazprom Neft's share of the Russian bitumen market

**Implementing the Company’s Efficient Growth Strategy**

**Gazprom Neft Tomorrow**

A large, Russian-based global market player, with a regionally-diversified portfolio of assets across the entire value chain, actively participating in regional development and with a strong commitment to social and environmental responsibility.
PROGRESS UPDATE ON IMPLEMENTATION OF COMPANY STRATEGY IN 2012

2012 was a breakthrough year for OJSC Gazprom Neft. During the reporting year, sustainable growth in operating performance was achieved in all major areas of Gazprom Neft’s businesses. This was demonstrated through reaching a number of targets laid out in the Company’s 2020 Development Strategy ahead of plan.

The Company’s broadening resource base, increased production and growth in refining and sales all contributed to its improved operating performance.

In 2012, Gazprom Neft’s resource base increased by 500 million tonnes of oil equivalent in Category ABC, an increase of 22.4% compared to 2011. The additional main reserves (460 million tonnes of oil equivalent) were achieved by acquiring new assets (the Baleyinskoye, Yuzhno-Kinyaminskoye and Novoportovskoye fields). In addition, following the successful execution of an appraisal program, additional reserves of 52 million tonnes of oil equivalent were recorded; while production drilling and oil recovery recount produced another 101 million tonnes of oil equivalent. In 2012, Gazprom Neft’s incremental proven hydrocarbon reserves at PRMS standards were 70 million tonnes of oil equivalent.

Increased production and acquisition of assets in the Orenburg Region in the autumn of 2011, initial production at the SeverEnergy fields and the implementation of a program to increase APG utilization, allowed the Company to record production volumes of 59.7 million tonnes of oil equivalent, a 4.2% increase over 2011. The rate of production growth achieved by the Company was well above the industry average in 2012.

In 2012, the Company continued to improve its refining volumes. During the reporting year, OJSC Gazprom Neft was among Russia’s top three companies by refining volumes, and the Omsk Refinery was the leading domestic refinery in terms of refining volumes. At year-end 2012, the Omsk Refinery also retained its position as one of the domestic oil industry leaders in terms of refining depth (88.8%) and was ranked first in the Russian Federation in terms of light petroleum product yield (67.5%).

In addition, obtaining access to refining capacity in Belarus has become one of the important factors in refining growth, which has been 7% annually.

Given the above factors, despite routine repairs and maintenance at the Moscow refinery and a decrease in refining volumes at the NIS refinery (due to reduced market demand), OJSC Gazprom Neft’s refining volumes reached 43.3 million tonnes (including shares in joint ventures). This surpasses the targets set in the 2020 Development Strategy.
During 2012, the Company’s focus on maintaining high refining margins influenced its sales and marketing policy. For example, sales of petroleum products on the domestic market increased, due to it being more profitable than foreign markets. The Company continued the intensive development of business units operating in the premium retail product segments, such as in-plane filling, bunkering, production and sales of oils and lubricants. In 2012, the Russian-based product business units of OJSC Gazprom Neft sold 22% more aviation fuel, 28% more bunker fuel, and 25% more oils than in 2011. The reporting year saw a 33% increase in the volume of petroleum products sold at filling stations. In 2012, the Company strengthened its position as the largest supplier of light petroleum products to the Russian market, having increased its market share to 21.6%. The total increase in premium sales (including those by product business units and the NIS) was 15% in 2012.

OJSC Gazprom Neft’s performance also improved in 2012 compared with the previous year – adjusted EBITDA increased by 8%, and net income increased by 10%, which was the result of the integration of new acquisitions, organic growth in production and refining, improved production configurations, the sales of petroleum products, as well as measures implemented to improve production efficiency and reduce costs.

At the end of the year the Company carried out an analysis of the financial results of its competitors, which confirmed that OJSC Gazprom Neft’s strong performance was one of the best in the industry. At year-end 2012, the Company was ranked first in terms of operating income per BOE, second in terms of operating cash flow per BOE, and second in terms of return on investments.
BROADENING THE RESOURCE BASE

GAZPROM NEFT’S TOTAL PROVEN AND PROBABLE HYDROCARBON RESERVES TOTALED 2,128 MILLION TONNES OF OIL EQUIVALENT*.

The reserves replacement ratio for Gazprom Neft reserves in proven and probable hydrocarbons was 438%.

Significant changes in hydrocarbon reserves were due to:

- the acquisition of the Novoportovskoye, Baleykinskoye and Yuzhno-Kinyaminskoye fields with total reserves of 455.8 million tonnes of oil equivalent;
- the production, writing-off and sale of a share of assets;
- the re-evaluation of Group reserves (+128 million tonnes of oil equivalent).

* As defined by PRMS-SPE global standards and including the Company’s share in subsidiaries, calculated by % equity shareholding.

CHANGES IN PROVEN HYDROCARBON RESERVES ACCORDING TO PRMS-SPE CLASSIFICATION, MILLION TONNES OF OIL EQUIVALENT

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes within the Group</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Re-evaluation of reserves</td>
<td>0</td>
<td>128</td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td>58</td>
</tr>
</tbody>
</table>

>20 years
Number of years of production from proven hydrocarbon reserves

+214%
Rate of proven reserve organic replacement

83%
Exploration drilling success rate
Gazprom Neft Group
2012 Annual Report

Gazprom Neft Group
2012 Annual Report

Gazprom Neft Acquires
The Novoportovskoye Field

Gazprom Neft has acquired the Novoportovskoye field as part of the Company’s strategy to develop a number of OJSC Gazprom oil assets.

OJSC Gazprom Neft has already been operating the field for a number of years. In 2012, the Company successfully tested the first production well drilled at Novoportovskoye. Commencement of year-round commercial oil production at the field is scheduled for 2014.

Next year, three horizontal wells will be drilled at Novoportovskoye’s second field cluster.
IN 2012, GAZPROM NEFT HAD THE HIGHEST HYDROCARBON PRODUCTION GROWTH RATE AMONG RUSSIAN-BASED OIL PRODUCERS. THE COMPANY SUCCEEDED IN ACHIEVING INDUSTRY-LEADING CRUDE OIL PRODUCTION BY EXCEEDING ITS WELL COMMISSIONING TARGET BY 10% AND ORGANIZING AN EFFICIENT FORMATION PRESSURE SYSTEM.

The Company’s subsidiaries performed above target due to the drilling of new horizontal wells, including multi-stage fracturing, and the use of effective techniques to expand production. The increase in marketable gas supply was due to both the successful implementation of the production project at the Muravlenkovskoye field and projects for utilizing associated gas. Of these, the main project was the Noyabrsky Integrated Project, which completed its initial phase in October 2012.

**HYDROCARBON PRODUCTION, MILLION TONNES OF OIL EQUIVALENT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hydrocarbon production, million tonnes of oil equivalent</th>
<th>Daily oil production, million tonnes of oil equivalent per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>59.712</td>
<td>0.55</td>
</tr>
<tr>
<td>2011</td>
<td>57.250</td>
<td>0.54</td>
</tr>
<tr>
<td>2010</td>
<td>52.812</td>
<td>0.49</td>
</tr>
</tbody>
</table>

**Key Figures**

- **60 million tonnes**
  - Number of hard-to-recover hydrocarbon reserves scheduled for development between 2013 and 2015

- **7,859 wells**
  - Performance stock of oil production wells totaled 2012

- **95%**
  - Targets for the utilization of associated gas between 2013 and 2015
LLC Gazprom Neft Khantos is the industry leader in terms of production growth rates. Intensive development at the Priobskoye field, operated by Gazprom Neft Khantos, began in 2004 and, by 2008, the field was already producing more than 23% of Gazprom Neft’s total output. In 2012, the output accounted for 35.6% of crude oil production from the Company’s fields. Company output totaled 12.3 million tonnes, a 12.0% increase on figures for 2011. Priobskoye is a key asset that will play a strategic role in the Company’s future growth.
DEVELOPING OIL REFINING IN RUSSIA

GAZPROM NEFT IS A TOP PERFORMER IN CRUDE OIL REFINING GROWTH RATES AMONG RUSSIAN COMPANIES. TODAY, GAZPROM NEFT’S PRODUCTION UNITS ARE AHEAD OF SCHEDULE TO SWITCH OVER TO NEW PRODUCTS THAT COMPLY WITH INTERNATIONAL QUALITY STANDARDS AND ARE SIGNIFICANTLY MORE ENVIRONMENTALLY-FRIENDLY.

Since 2009, the Company has been implementing a large-scale refinery modernization program. The first results of the refinery modernization program have significantly increased the proportion of Euro-4 and Euro-5 motor fuels in the Company’s product mix.

In future, the Company will focus on expanding its facilities for deep crude oil refining and high-octane component production.

PRODUCTION OF PETROLEUM PRODUCTS, MILLION TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>Petroleum products output</th>
<th>Crude oil refining</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>37.5</td>
<td>39.2</td>
</tr>
<tr>
<td>2011</td>
<td>36.1</td>
<td>38.1</td>
</tr>
<tr>
<td>2010</td>
<td>33.2</td>
<td>35.1</td>
</tr>
<tr>
<td>2009</td>
<td>29.4</td>
<td>31.0</td>
</tr>
</tbody>
</table>

88.8% Oil refining depth at the Omsk Refinery

41.1 million tonnes Installed production capacity of Russian-based Refinery Companies

5.6 million tonnes Output of Euro-4 and Euro-5 petros at Group-owned refineries
In 2012, the World Refinery Association (WRA) acknowledged the OJSC Gazprom Neft-Omsk Refinery as the best in Russia and CIS countries, praising projects implemented by the Omsk refinery under its modernization program to 2020.

Products from the Omsk Refinery, once again, won Russia's 100 Best Products contest: honorary certificates were awarded to Super Euro-98 automotive gasoline and BND 90/130 viscous construction bitumen; other products won special prizes in the industrial and technology products category.
INCREASING ACCESS TO REFINING FACILITIES OUTSIDE RUSSIA

IN ADDITION TO CRUDE OIL REFINING IN RUSSIA, THE COMPANY HAS ACCESS TO REFINING FACILITIES BELONGING TO NIS A. D. NOVY SAD IN SERBIA, ALONG WITH THE FOLLOWING BELARUSIAN REFINERIES (UNDER THE SAME PROCESSING CONTRACTS): OJSC MOZYR REFINERY AND OJSC NAFTAN.

By the end of 2016, the Company plans to have implemented a project to construct a base oil production unit. The company has nearly finished designing a NIS refinery development program that will run until 2022, resulting in the configuration for a petroleum residue recycling facility at the Panchevo refinery. The NIS refineries treated a total of 2.1 million tonnes of crude oil in 2012. Crude oil refining at OJSC Mozyr Refinery in 2012 totaled 1.6 million tonnes of oil.

CRUDE OIL PRODUCTION AND REFINING BY REFINERIES OUTSIDE RUSSIA, MILLION TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude Oil Refining</th>
<th>Petroleum Products Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>2011</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>2010</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>2009</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

100% Level of Serbian market demand that can be satisfied by NIS capacity

7.3 million tonnes per annum Maximum capacity of the NIS refinery

EURO-5 100% of products made by NIS meet the requirements of Euro-5
An upgrade program implemented at the NIS refinery in Panchevo in November 2012 included the commissioning of a mild hydrocracking / diesel hydrotreatment (MHC/DHT) facility, hydrogen generation unit and black sulphuric acid regeneration unit. Construction of the facility allowed production to be switched over to high-octane gasolines and diesel fuels that meet Euro-5 standards.
GROWING AUTOMOTIVE FUEL SALES IN RUSSIA AND THE CIS

IN 2012 GAZPROM NEFT STRENGTHENED ITS POSITION IN THE PETROCHEM RETAIL MARKET, BECOMING THE LARGEST SUPPLIER OF LIGHT PETROLEUM PRODUCTS IN THE RUSSIAN MARKET WITH A SHARE OF 21.6%.

Having its own nationwide brand, that is highly recognizable and trusted for its product quality, is instrumental in achieving one of the Company’s strategic goals – to become the market leader for sales of petroleum products in Russia.

Going the Same Way, a loyalty program launched by the Company in 2010, has become a highly effective tool for increasing sales volumes and brand confidence.

AUTOMOTIVE FUEL SALES THROUGH THE COMPANY’S FILLING STATION CHAIN IN RUSSIA & THE CIS

<table>
<thead>
<tr>
<th>Year</th>
<th>Automotive fuel sales, million tonnes</th>
<th>Number of filling stations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8.10 million tonnes</td>
<td>1,265</td>
</tr>
<tr>
<td>2011</td>
<td>6.17 million tonnes</td>
<td>1,245</td>
</tr>
<tr>
<td>2010</td>
<td>4.53 million tonnes</td>
<td>1,128</td>
</tr>
<tr>
<td>2009</td>
<td>4.70 million tonnes</td>
<td>1,073</td>
</tr>
</tbody>
</table>

3.2 million
Number of members of the Going the Same Way federal loyalty program

17.7 tonnes
Average daily sales per filling station in Russia

29%
Share of G-95 petrol in Al-95 sales in filling stations offering branded fuel
A compound of active additives which feature in the next generation of G-Drive fuel provides specialized protection of the engine fuel system, increased engine performance and improved accelerating power. This new formula of active additives uses the latest components, developed by leading engine efficiency experts.

The successful promotion of the G-Drive premium motor fuel has been a major factor in the diversification of the branded fuel market. A pilot project for selling G-Diesel branded diesel fuel was launched in 2012.
EXPANDING THE FILLING STATION NETWORK

DEVELOPING RETAIL PETROLEUM PRODUCTS IS A KEY BUSINESS LINE FOR THE COMPANY. HAVING ITS OWN HIGHLY RECOGNIZABLE AND TRUSTED NATIONWIDE BRAND IS INSTRUMENTAL IN ACHIEVING ONE OF THE COMPANY’S STRATEGIC GOALS – TO BECOME THE MARKET LEADER FOR SALES OF OIL PRODUCTS IN RUSSIA.

Over four years (2009-2012), the Company has built 95 new filling stations, refitted 255 and re-branded 552. In 2012, the Company focused mainly on G-Drive petrol promotion. From now on, the Company plans to place greater emphasis on the following products: branded fuels, cafés and goods under its own trademarks.

**COMPANY’S FILLING STATION CHAIN**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of filling stations</th>
<th>Average daily sales per filling station in Russia (tonnes per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,609</td>
<td>17.4</td>
</tr>
<tr>
<td>2011</td>
<td>1,670</td>
<td>16.2</td>
</tr>
<tr>
<td>2010</td>
<td>1,596</td>
<td>15.3</td>
</tr>
<tr>
<td>2009</td>
<td>1,546</td>
<td>14.2</td>
</tr>
</tbody>
</table>

**27**
Number of Russian regions with filling stations from the Company’s chain

**+33%**
Growth in retail sales of petroleum products

**+49%**
Revenue growth from selling associated products and services
The Company has entered Ukraine's petroleum product retail market through a franchising scheme. By the end of 2012, there were four Gazprom Neft branded filling stations operating along the Kiev-Odessa Route. Fuel to Gazprom Neft filling stations in the Ukraine is supplied by the Mozyr Refinery. All filling stations meet the Gazprom Neft chain standards and comply with Company retail brand guidelines.

Gazprom Neft’s specialists carry out regular audits of Ukraine-based filling stations operating in the franchising scheme, checking fuel quality and the level of service at filling stations, as well as the compliance of Ukrainian stations with the high operational standards of the corporate retail network.
GROWING SALES THROUGH PREMIUM BUSINESS SEGMENTS

THE COMPANY IS THE MARKET LEADER IN AVIATION FUEL BUNKERING AND SALES AND, AS AN OILS MANUFACTURER, IS ABLE TO COMPETE COMPETITIVELY ON THE GLOBAL MARKET.

The Company’s strategy for its premium business segments incorporates both strengthening positions in the domestic market and expanding geographically into Europe, the Middle East and Asia, and other regions.

The ambitious strategic plans are based on internal company infrastructure development, technological leadership and geographical expansion.

SALES OF PETROLEUM PRODUCTS THROUGH PREMIUM BUSINESS SEGMENTS, MILLION TONNES

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.5 million tonnes</td>
<td>2.07 million tonnes</td>
<td>149,000 tonnes</td>
</tr>
<tr>
<td>2011</td>
<td>3.9 million tonnes</td>
<td>2.6 million tonnes</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>2.6 million tonnes</td>
<td>2.5 million tonnes</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>2.5 million tonnes</td>
<td>2.5 million tonnes</td>
<td></td>
</tr>
</tbody>
</table>
Gazprom Neft Group
2012 Annual Report

Gazprom Neft Buys Its First Fuel Tanker for Operations in Primorye

Gazprom Neft Marine Bunker, which operates the Company’s bunkering business, has bought its first fuel tanker for operations in the marine ports of the Primorye Territory. The vessel has been named Gazprom Neft-Nord West.

The fuel tanker, built in 2012, is designed for unrestricted navigation and meets the requirements of all international shipping conventions. The vessel has a maximum capacity of 6,800 tonnes.
IMPROVING PRODUCTION PERFORMANCE

THE INTRODUCTION OF UP-TO-DATE TECHNOLOGIES AT ALL PHASES – FROM GEOLOGICAL EXPLORATION TO OIL REFINING AND PETROLEUM PRODUCT SALES – DRIVES GROWTH IN PRODUCTION AND REFINING AND IMPROVES PRODUCTION PERFORMANCE.

One of the factors behind the Company's consistent, industry-leading performance in terms of efficiency is its ability to create and make the best use of the latest technical solutions and technologies.

Gazprom Neft is continuously developing innovative in-house pilot projects, interacting with major research institutions and actively implementing new technologies. Plans for 2013 to 2020 include the investment of over RUB 15 billion to develop innovations in exploration and production, and up to RUB 450 million for R&D activities in oil refining and petrochemical production by 2015.

- **15 billion RUB**
  Investment in innovative exploration and production from 2012 to 2020

- **50%**
  Target percentage of oil produced using new technologies by 2020

- **450 million RUB**
  Amount of annual R&D investment for oil refining and petrochemical production until 2015
Gazprom Neft has identified the main lines of business that require innovative solutions and are of high priority.

Gazprom Neft has identified that innovative solutions are required as a priority for the long-term development of exploration and production, and has shaped an enlarged portfolio of innovative projects, which are already underway.

For the oil refining and petrochemical production businesses, principles and key indicators for innovative activities have been determined in logistics, refining and sales. Objectives to develop innovative technologies in petroleum refining and petrochemical production have also been set.
MEDIUM-TERM PLANS

The Company’s plans for the next three years project a strong performance against key financial indicator targets (revenues, EBITDA) across all operating segments.

**PRODUCTION**

- Focus on new projects and technologies
  - Launch major projects in the northern part of the Yamal-Nenets region
  - Develop the northern continental shelf. Commencing production at the Prirazlomnoye field
  - Optimize commercial production conducted using the current resource base, including production from complex reserves
  - Test new technologies for developing unconventional reserves
  - Further international development

**REFINING**

- Focus on increasing efficiency
  - Migrate the Moscow Refinery to the production of Euro-5 grade motor fuels
  - Increase the production of Euro-5 motor and diesel fuels
  - Further growth in oil refining depth
  - Increase in light petroleum product yield and considerable reduction in irretrievable losses
  - Further reduction in energy consumption for oil refining

Commissioning new refineries plants and implementing an operational improvement program will allow Gazprom Neft refineries to approach the average level of European refineries in terms of crude oil refinement efficiency (energy efficiency, personnel index, production availability) by 2015, and will become the main drivers of performance growth in the crude oil refining segment.

**SALES TO END CONSUMERS**

- Focus on increasing sales
  - Further increase in sales volumes through premium channels (aviation fuel, ship fuel and lubricants)
  - Significant increase in sales of the G-Drive fuel through the retail network
  - Market launch of new products for selling to end consumers
  - Expand the refueling facility chain at airports
  - Expand the filling station chain
  - Expand the bunkering infrastructure

REFINING THE COMPANY’S STRATEGY

In 2013, Gazprom Neft plans to update the Strategy adopted in 2010 to address changing internal and external factors. Since the adoption of the current Strategy the Company has achieved high levels of operating performance, the portfolio of its assets has changed dramatically, refinery development programs have been implemented, market conditions have changed significantly, and the tax system has been frequently amended. The Company plans to incorporate the above factors into the revised Strategy, reviewing some of the targets in the production segment and the refining and marketing segment. However, Gazprom Neft’s general drivers of growth will not undergo significant changes. The horizon for the updated Strategy will extend through 2025.

Some of the main challenges to be addressed during the course of the Strategy update include:

In the production segment, there is a detailed strategy for developing the resource base, prioritizing prospective reserves and making long-term plans based on operating indicators. In addition, the Company plans to place greater importance on projects related to testing breakthrough technologies for developing unconventional reserves.

In the refining segment – OJSC Gazprom Neft plans to focus on the technological development of refineries by implementing refining quality and depth programs, as well as programs for operational improvements and environmental protection.
OJSC Gazprom Neft is a vertically integrated company. The VIOC structure is characterized by a considerable number of assets managed by a parent company.

The effective management of companies within the VIOC structure requires a wide range of measures aimed at creating additional value for OJSC Gazprom Neft by increasing efficiency and facilitating decision-making procedures within the Group, establishing clear and transparent rules and regulations governing the behavior of managers of the Group. The ability to manage individual Company assets effectively affects overall business performance and the achievement of Gazprom Neft’s strategic objectives. In order to improve the operating efficiency of its subsidiaries, Gazprom Neft continually implements measures aimed at optimizing the asset management structure, improving quality control and accelerating the integration of newly acquired assets.
SIBIR ENERGY

At the time of its acquisition in 2009, Sibir Energy's corporate structure was organized to satisfy private interests, and was characterized by a minimum level of transparency and openness. The corporate structure has since been optimized, and the group's assets have been reassigned by function and geography.

Retail assets, including 130 filling stations in Moscow and the Moscow Region, production (OJSC Magma) and refining assets (a stake in OJSC Gazpromneft Moscow Refinery) have been transferred to the relevant services and organizations within OJSC Gazprom Neft and its subsidiaries and affiliates. Smaller assets are being reassigned gradually. During the time it has owned Sibir Energy, Gazprom Neft has changed the company's registered capital structure, having bought out shares of minority shareholders, including those of the Government of Moscow. The company has switched from open joint stock status to closed joint stock status and, as a result, the size of registered share capital has been reduced.

Improving Sibir Energy's corporate structure continued in 2012. The winding-down of non-performing Sibir Energy companies is now in progress and in the reporting year 12 foreign and four Russian companies were closed.

A retail consolidation process is underway and the company's stake in OJSC Mosnefteprodukt was increased to 100%.

NIS A.D. NOVI SAD

NIS is the largest oil company in the Balkans and one of the largest in southeastern Europe, with a 56% stake owned by OJSC Gazprom Neft.

In 2012, the company took an active part in new projects in the energy sector, expanded its sales network, and production operations.

The reporting year saw NIS launch a number of projects in the energy sector associated with the use of both conventional and alternative energy sources. The largest project in the field of renewable energy sources in Serbia was the construction of a wind farm in Plandiste, Serbia with capacity of 102 MW. On December 14, 2012, an agreement was signed to acquire a 50% stake in NIS Energovind d.o.o. by O ZONE a.o. Belgrad (a 100% subsidiary of NIS a.d. Novi Sad).

In early 2013, the deal to purchase 100% of the registered capital of OMV BH d.o.o. (Sarajevo) by NIS PETROL d.o.o. Banja Luka (a subsidiary of NIS a.d. Novi Sad) was completed, securing the acquisition of 28 filling stations in Bosnia and Herzegovina. The new name of OMV BH d.o.o. is G-Petrol d.o.o. Sarajevo.

In 2012, agreements were signed to expand the Novi Sad Free Zone and carry out activities in the Free Zone were signed. As a result, the Novi Sad Free Zone territory was extended to the NIS-owned Novi Sad Refinery property, which allows tax benefits from the sales of goods produced by the Novi Sad Refinery within the Novi Sad Free Zone.

On December 20, 2012, NIS signed a Call Option agreement with the Hungarian company, RAG Hungary Limited, for the potential acquisition of 50% of the rights under the license of Kelebija (Hungary) through the acquisition of 50% of the registered capital of RAG Kiha or RAG Kelebija in 2013, subject to obtaining the necessary corporate approvals and making a corresponding decision on the acquisition.

In the reporting year, a Romanian subsidiary of NIS concluded agreements to acquire a 50% share in an exploration license for the EX 12 – Crai Nou block (with Moesia Oil and Gas plc, counterparty) and a 51% share in an exploration license for the Jimbolia block (with Zeta Petroleum srl – 39% and Armex – 10%, as counterparties).
In 2012, Sever Energia which holds licenses for the development and production of oil and gas condensate fields in the Yamal-Nenets Autonomous Okrug (YaNAD), and is a joint venture between LLC Yamal-razvitie (50% of which is owned by OJSC Gazprom Neft and 50% by OJSC NOVATEK) and Arctic Russia B.V. (whose registered capital is divided between Eni (60%) and Enel (40%)), implemented a restructuring program. As a result of this program three entities were wound-down by way of merger and all SeverEnergia assets were transferred to Arcticgaz’s balance sheet.

**BUNKERING BUSINESS**

Gazprom Neft expanded its foreign presence through a transaction to acquire 100% of the shares of Marine Bunker Balkan S.A., a Romanian bunker company.

**BITUMEN BUSINESS**

During the reporting year, Gazprom Neft implemented a number of projects associated with its bitumen business. In particular, it established Gazpromneft-PMB with the aim to significantly increase margins on sales and to form a new segment in the premium market by offering a high-tech innovative product that is unique in Russia – premium polymer-modified bitumens (hereinafter referred to as PMB) produced using Total’s proprietary Stryelf technology.

In December 2012, a deal to acquire 100% of LLP Bitumny Zavod, a Kazakhstan-based bitumen-producing plant with in-house refining facilities, was completed. The plant is a new, modern processing facility (commissioned in 2010) designed to produce a wide range of bitumens both to Russian and European quality standards, and is located in close proximity to the transit corridor of Western Russia to Western China.

**OJSC GAZPROM NEFT PRODUCTION ASSETS**

In 2011, OJSC Gazprom Neft purchased 61.8% in the registered capital of CJSC Gazprom Neft Orenburg. The remaining 38.2% of the registered capital was placed under management in a trust in 2012. CJSC Gazprom Neft Orenburg holds a subsoil license for the eastern section of the Orenburg oil and gas condensate field.

In December 2012, OJSC Gazprom Neft joined LLC Gazprom Neft Novy Port by increasing the registered capital through a third party contribution.

At the end of the reporting year, a 100% interest in LLC Zhivoy Istok was acquired (a license for the exploration and production of hydrocarbons within the Baleyinskoye field, with an approximate production volume of 7,500 thousand tonnes per year).

In 2012, the transferring of licenses from OJSC Gazprom Neft to the subsidiaries of the Group – the Romanovskoye, Vorgenskoye and Volynskoye fields to OJSC Gazprom Neft-Novyanskneftegaz, and the Krapivinskoye field to LLC Gazprom Neft-East – continued, enabling the production assets of the Gazprom Neft Group to be structured by function and geography.

In 2012, Gazprom Neft Group completed a deal to sell a 100% share in the registered capital in the company LLC NGK Razvitie Regionov.

Due to the geographic expansion of Gazprom Neft, and in accordance with its 2020 development strategy envisaging annual production volumes of 90-100 million tonnes, Gazprom Neft Middle East B.V. became a party to three PSAs in the Kurdish Autonomous Region and Iraq (the Shakal, Garmanian and Halabja projects).

**OTHER ENTITIES IN THE GROUP**

The Group merged its LLC NK Sibneft-Yugra production unit (previously 50%-50% owned by Gazprom Neft and LLC Gazprom Neft-Khantos) with LLC Gazprom Neft-Khantos, which will improve the efficiency of production asset management.
In line with the Company’s 2020 Development Strategy covering exploration and production, Gazprom Neft intends to increase hydrocarbon production to 100 million tonnes per year. The reserves-to-production ratio should remain at this level for at least 20 years. Projects in the initial stages of development should represent at least 50% of all production by 2020.

This target will be achieved by utilizing existing assets, projects in which Gazprom Neft has a share, and oil fields transferred to Gazprom Neft by Gazprom. The Company also plans to expand its asset portfolio by acquiring as yet unallocated rights to sub-soil areas, purchasing assets in the Russian market, and developing projects outside Russia. The implementation of the Company’s long-term plan is based, inter alia, on achieving medium-term goals and focusing on current priorities.
Reserves

For more than 15 years, the Company’s reserves have been audited in accordance with PRMS-SPE standards and the even more conservative standards of the US SEC (the US Securities and Exchange Commission). The audits, which were carried out at all Gazprom Neft fields, covered 95% to 98% of the reserves at the Company’s fields in the Russian ABC1 category.

As reported by the independent petroleum appraisers, DeGolyer & MacNaughton (in 2006 and 2007 the Company’s reserves were appraised by Miller and Lents, Ltd), Gazprom Neft’s total reserves in proved and probable hydrocarbons categories as per the PRMS-SPE international standards (including the Company’s share in reserves of its affiliates, calculated proportionately to the equity share holding)...

| CHANGES IN HYDROCARBON RESERVES AS PER THE PRMS-SPE STANDARDS PROVED RESERVES*, MILLION TONNES OF OIL EQUIVALENT |
|---|---|---|
| 2012 | 1,200 |
| Changes within the Group** | 0 |
| Reviewing of reserves | 221 % reserve replacement ratio | 128 |
| Production | 58 |
| 2011 | 1,130 |

As reported by the independent petroleum appraisers, DeGolyer & MacNaughton (in 2006 and 2007 the Company’s reserves were appraised by Miller and Lents, Ltd), Gazprom Neft’s total reserves in proved and probable hydrocarbons categories as per the PRMS-SPE international standards (including the Company’s share in reserves of its affiliates, calculated proportionately to the equity share holding)...

# REVIEW OF RESERVES, MILLION TONNES OF OIL EQUIVALENT

| Traditional fields | 19 |
| GPN Orenburg | 51 |
| Slavneft | 9 |
| Tomskneft | 2 |
| SPO | 5 |
| SeverEnergia | 42 |
| Total | 128 |

Source: Company data

* Net of production performance and the reserves of NIS a.d. Nosy Sad
** Changes within the Group cover the reserves of the Noveport project and the Balykinskoye field.

The in-house production of crude oil and liquid hydrocarbons can be converted to barrels by using factors which characterize the density of hydrocarbons, depending on the field where they were produced, as well as the actual density of products developed by the Group’s gas processing plants.

The volumes of purchased crude oil, as well as other indicators expressed in tonnes, can be converted to barrels using an average rate of 7.33 barrels per tonne.

The conversion of cubic feet to cubic meters is calculated using a ratio of 35.31 cubic feet per cubic meter.

One barrel of crude oil is equivalent to 1 BOE, and the conversion of a BOE to cubic feet is calculated using a ratio of 6,000 cubic feet per BOE.
As of December 31, 2012, Gazprom Neft’s total reserves in proven and probable hydrocarbons, as per the PRMS-SPE international standards, were 2,128 million tonnes of oil equivalent as of December 31, 2012, (1,666 million tonnes of oil, 577 billion cubic meters, 15,773 million barrels of oil equivalent), excluding NIS.

The current indicator for the coverage of Company production by proven hydrocarbon reserves as per the PRMS-SPE standards is in excess of 20 years.

Net of new acquisitions, Gazprom Neft’s incremental proven hydrocarbon reserves as per the PRMS-SPE standards was 128 million tonnes of oil equivalent in 2012.

The Company’s rate of proven reserve organic replacement was 214% in 2012.

Gazprom Neft’s incremental proven and probable hydrocarbon reserves as per the PRMS-SPE standards, based on reviewing existing reserves and new acquisitions (the Novoportovskoye and Baleykinskoye fields), were 262 million tonnes of oil equivalent in 2012.

Given the 2012 production volume, Reserves Replacement Ratio for Gazprom Neft’s reserves in proven and probable hydrocarbons have amounted to 438%, including acquisitions, or 230% excluding acquisitions.

Geological surveying for exploration purposes.

During the reporting period, 18 prospecting and exploration wells were completed in license areas owned by OJSC Gazprom Neft and its wholly-owned subsidiaries, of which 15 yielded industrial hydrocarbon flows. Total exploration drilling was 64,482 meters in 2012, which is close to the level of 2011. The success rate of exploration drilling was 83% with a hydrocarbon output of 277 tonnes per meter drilled, and a specific cost ratio for the Category C reserves increment of RUB 343 per tonne.

Exploration drilling and follow-up exploration during 2012 led to the discovery of the Yuzhno-Shinginskoye field with 1.2 million tonnes of C1+C2 oil reserves, and the Severo-Romanovskoye field with 6.0 million tonnes of C1+C2 oil reserves. There were 39 discoveries of new hydrocarbon deposits, mostly at the Yety-Purovkoye (14) and Vyngapurskoye (7) fields, with recoverable C1 oil reserves of 17.9 million tonnes, and 10.0 million tonnes of C2 reserves. Gazprom Neft 2012 turned out to be one of the most successful years for Gazprom Neft in terms of exploration drilling, with an 83% success rate.

In 2013, we expect to continue this trend and to increase reserves by about 62 million tonnes of oil equivalent, net of new acquisitions, through active geological exploration, production drilling and reserves re-evaluation at our existing operations.

Vadim Yakovlev
First Deputy CEO
increased C1 recoverable oil reserves by 3.7 million tonnes in the Tsarichansky license area, Orenburg Region.

Seismic survey work during the reporting period in Gazprom Neft’s license areas, and those of its subsidiaries, totaled: 3D – 3,089 km\(^2\) and 2D – 952 running km.

In 2012, 27 out of the 56 geological targets tested yielded industrial flows of oil, condensate and gas; 19 yielded non-commercial flows of oil and gas; six targets yielded no flows; and the remaining four yielded flows of formation water, or formation water with minor quantities of crude oil.

Companies in which Gazprom Neft has an interest (OJSC NGK Slavneft, OJSC Tomskneft VNK, Messoyakhaneftegas, Salym Petroleum Development, SeverEnergia, Cuba) finished the construction of 17 exploration wells, while total drilling progress amounted to 81,364 meters in 2012. Seven new deposits were discovered. Category C\(_1\) oil reserves increased by 12.5 million tonnes, and those of Category C\(_2\) by 5.3 million tonnes.

During the reporting period, seismic survey jobs were completed in the license areas of the above companies as follows: 3D – 2,519 km\(^2\) and 2D – 481 running km.

In 2012, Gazprom Neft Group’s resource potential increased by 22.4%, that is, 498.2 million tonnes of oil equivalent. The resulting increments fully offset asset production, write-downs and sales. Following the results of geological survey work, the increase in reserves totaled 93 million tonnes of oil equivalent – 46.1 million tonnes of oil equivalent due to production drilling recounting reserves – 53.2 million tonnes of oil equivalent. Underperforming reserves in the Messoyakha group, the Novogodne, Umseyskoye and Orekhovoye fields totaling 47.8 million tonnes of oil equivalent were written off.

### Absolute reserves increment in 2012

**93.1** million tonnes of oil equivalent

An integrated geological survey program was created for Gazprom Neft Group in 2013, and is now being implemented, with total investments of

**24.3** RUB billion

The Yuzhno-Toraveyskoye oil field with 13 million tonnes of reserves was sold. Consequently, with the production of 60 million tonnes of oil equivalent, asset write-downs and a sales volume of 67.1 million tonnes of oil equivalent, the absolute increase totaled more than 93.1 million tonnes of oil equivalent.

An integrated geological survey program for the Gazprom Neft Group in 2013 was created and is now being implemented. The total planned investment is RUB 24.3 billion, which is 25% higher than in the previous year.

In 2012, the Company acquired three assets: the Novoportovskoye, Baleykinskoye and Yuzhno-Kinyaminskoye fields with total reserves of 455.8 million tonnes of oil equivalent.
Licensing

74 LICENSE AREAS
(within the Russian Federation, as of December 31, 2012)

GEOLOGICAL SURVEY
12 LICENSES

EXPLORATION & PRODUCTION
62 LICENSES

LICENSES ARE MANAGED BY OPERATING COMPANIES

OJSC Gazprom Neft-Noyabrskneftegaz
OJSC Gazprom Neft-Khantos
OJSC Gazprom Neft-East
OJSC Gazprom Neft-Angara
CJSC Gazprom Neft Orenburg

SUBSIDIARIES AND ASSOCIATES – LICENSE OWNERS

OJSC NGK Slavneft
31 licenses
OJSC Tomskneft VNK
35 licenses
CJSC Messoyakha Neftegaz
2 licenses
LLC SeverEnergia
4 licenses
Salym Petroleum Development
3 licenses
CJSC Gazprom Neft Orenburg
1 license
OJSC Yuzhuralneftegaz
1 license
CJSC Technology Research Center
1 license
LLC Zhivoy Istok
1 license
LLC Gazprom Neft Novy Port
1 license

69 PERMITS (LICENSES)
(within Serbia, Romania, and the Republic of Srpska
(Bosnia and Herzegovina))
As of December 31, 2012, OJSC Gazprom Neft and its subsidiaries possessed sub-soil usage rights for 74 license areas across 9 regions of the Russian Federation. Internationally, the Company’s subsidiary, NIS, holds 69 permits (analogous to licenses) across Serbia, Romania, and Republic of Srpska (Bosnia and Herzegovina).

These licenses give various rights: 12 licenses are for the geological survey of mineral areas during a five-year period, while 62 licenses allow exploration and hydrocarbon production for periods between 20 and 50 years.

The sub-soil usage rights are held by 15 subsidiaries, but license management is carried by the operating companies as follows: OJSC Gazprom Neft-Noyabrskneftegaz, LLC Gazprom Neft-Khantos, LLC Gazprom Neft-East, OJSC Gazprom Neft-Angara, CJSC Gazprom Neft Orenburg.

OJSC Gazprom Neft-Noyabrskneftegaz performs full-cycle hydrocarbon operations at 41 license areas owned by four license holders.

In 2012, the Licensing Panel of the Federal Sub-Soil Agency (Rosnedra) considered and approved amendments to 19 sub-soil licenses held by the Company: the terms of the licenses and geological survey phases were extended for 13 areas and updated for six areas.

OJSC NGK Slavneft and its subsidiaries hold licenses for oil and gas prospecting, exploration and extraction at 31 license areas within Western Siberia and the Krasnoyarsk Territory.

OJSC Tomskneft VNK holds 33 licenses for developing over 40 oil and gas fields within the Tomsk Region and the Khanty-Mansiysk Autonomous District (KhMAD) – Yugra. The licenses were reassigned to OJSC Tomskneft VNK in 2009.

CJSC Messoyakhaneftegaz holds two licenses for geological survey, exploration and production within the Yamal-Nenets Autonomous District (YaNAD).

Subsidiaries of OJSC Magma and CJSC Sibirskaya Geologicheskaya Kompania hold two licenses for exploration and production in sub-soil areas, and six licenses for geological studies in the Khanty-Mansiysk Autonomous District (at the Yuzhnoye and Orekhovskoye fields, and the Koltogorskiye prospecting areas). In addition, Gazprom Neft Group holds a 50% share of the Salym Petroleum Development joint venture, which holds three licenses for additional exploration and development of the Salym oil field cluster, also located in KhMAD.

LLC SeverEnergia, part of OJSC Arktika, holds two licenses for geological survey, exploration and hydrocarbon production and two licenses for exploration and hydrocarbon production. All the license areas are located in the YaNAD (Samburgsky, Evo-Yakhinsky, Yaro-Yakhinsky and Severo-Chaselsky areas).

CJSC Gazprom Neft Orenburg holds a license for development and hydrocarbon production within the eastern section of the Orenburg oil and gas condensate field, Orenburg Region.

OJSC Yuzhuralneftegaz holds a license at the Kapitonovskoye field.

CJSC Technology Research Center holds a license for exploration and hydrocarbon production at the Tsarichanskoye field, and a geological survey license within the Tsarichanskoye prospecting area.

LLC Zhivoy Istok holds a license for exploration and hydrocarbon production at the Baleykinskoye field and a geological survey license within the Uranskaya area.

LLC Gazprom Neft Novy Port holds a license for the production of oil, gas and condensate within the Novy Port field.
FIELD DEVELOPMENT AND CRUDE OIL PRODUCTION

Most of the Company’s crude oil in Russia is produced by its subsidiaries: OJSC Gazprom Neft-Noyabrskneftegaz, LLC Gazprom Neft-Khantos, and LLC Gazprom Neft-East, and CJSC Gazprom Neft Orenburg (since October 2011). The companies are developing fields in the Yamal-Nenets Autonomous District (YaNAD) and the Khanty-Mansiysk Autonomous District (KhMAD), and within the Omsk, Tomsk, Tyumen, Orenburg, and Irkutsk Regions.

The Company’s foreign subsidiary, NIS, explores and produces oil and gas in Serbia, Angola, Bosnia and Herzegovina, and Hungary.

Gazprom Neft is also a party to a number of production sharing agreements and hydrocarbon exploration and production projects in Iraq, Venezuela, Cuba, and Equatorial Guinea.

In addition to its own production, OJSC Gazprom Neft obtains production from three affiliates (in which the Company has 50% interest) proportionate to the equity share: OJSC Slavneft, OJSC Tomskneft VNK and Salym Petroleum Development (SPD).

The Company’s fields with the largest hydrocarbon reserves in the Yamal-Nenets Autonomous District are: Sugmutskoye, Sutorminskoye, Vyngapurovskoye, Sporyshevskoye and Muravlenkovskoye.

The Company’s share of production at these fields represented 32.7% of its total crude oil production (net of the output by consolidated entities) in 2012. These fields are operated by the oil and gas production companies as follows:

OJSC Gazprom Neft-Noyabrskneftegaz, its subsidiary LLC Zapoliar-Neft (holder of a development license at the Vingapursoye, Yaraynerskoye, and Novogodnaye fields), and the Muravlenkovsky branch, OJSC Gazprom Neft-Noyabrskneftegaz.

In the Khanty-Mansiysk Autonomous District, the Company’s largest and most promising
### Oil Production, *MN T*

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude oil production Gazprom Neft</th>
<th>Slavneft share of crude oil production</th>
<th>Tomskneft VKM share of crude oil production</th>
<th>SPD share of crude oil production</th>
<th>SeverEnergia share of crude oil production</th>
<th>Crude oil daily production by the Gazprom Neft Group, total, thousands of tons per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>30.8</td>
<td>0.4</td>
<td>0.4</td>
<td>47.6</td>
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<tr>
<td>2010</td>
<td>31.1</td>
<td>0.2</td>
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<td>2.0</td>
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<tr>
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<td>0.0</td>
<td>0.2</td>
<td>50.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>32.9</td>
<td>0.9</td>
<td>1.4</td>
<td>50.8</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data

Oil field is Priobskoye (with a development license held by the Company’s subsidiary, LLC Sibneft-Yugra), which is operated by LLC Gazprom Neft-Khantos.

LLC Gazprom Neft-Khantos’ total output was 12,304 thousand tonnes in 2012, which is 12% more than in 2011, and 3.8% above 2012 Business Plan targets.

LLC Gazprom Neft-Khantos is the leader in terms of production growth rates. Intensive development began at Priobskoye in 2004, and the field produced more than 23% of Gazprom Neft’s total output in 2008, and increased to 35.6% of total crude oil production from the Company’s fields in 2011. Priobskoye is a key asset that will play a strategic role in the Company’s future growth.

A total of 585 interventions were conducted by LLC Gazprom Neft-Khantos, resulting in 2,091 thousand tonnes of additional crude oil production.

The Company achieved this high level of performance due to exceeding its new well commissioning target by 10% (with 381 new wells brought into operation), and as a result of efficiently organizing the formation pressure system.
The north-eastern section of the Palyanovskaya area of the Krasnoleninskoye field is also located within the KhMAD, as is a cluster of license areas which the Company bought in early 2005 (Salym-2, Salym-3, and Salym-5), and the Zimnene field in the Tyumen Region. In 2008, LLC Gazprom Neft-Khantos won an auction for the rights to the section of the Zimnene field located within the KhMAD.

A cluster of regional fields in the Omsk and Tomsk Regions represents another new production center. Crude oil production operations at the Krapivinskoye field in the Omsk Region, and at the Archinskoye, Shinginskoye and Urmanskoye fields in the Tomsk Region, are conducted by LLC Gazprom Neft-East.

The Luginetskiye field cluster, purchased in 2010, has created a new production node which has yielded incremental crude oil production every year. Most of these reserves are at an early stage of development, and offer great potential for future production growth.

Assets in the Orenburg Region, purchased in 2011 – CJSC Gazprom Neft Orenburg, which is developing the eastern section of the Orenburg oil and gas condensate field; CJSC Technology Research Center, the license holder for the Tsarichanskoye field; OJSC Yuzhuralneftegaz, developer of the Kapitonovskoye field; and, in late 2012, LLC Zhivoy Istok, which conducting production at the Baleykinskoye field, totaled 2.2% of OJSC Gazprom Neft’s total output in 2012, or 1.1 million tonnes. Production is estimated to reach 6 million tonnes by 2018. Forecasted recoverable reserves (C1 + C2) – 113 million tonnes of oil, 53 billion cubic meters of free gas.

Since late 2007, OJSC Gazprom Neft and OJSC Rosneft have been equal joint venture partners with alternating management of OJSC Tomskneft VNK (in accordance with their shareholder agreement). Starting in January 2011, operating control of OJSC Tomskneft VNK was transferred to Gazprom Neft for a three-year period.

OJSC Tomskneft VNK produced 10.226 million tonnes of oil in 2011, which exactly matched the business plan and 0.5% more than in 2010; Gazprom Neft’s share was 5.113 million tonnes of oil.

OJSC NGK Slavneft is a joint venture between OJSC Gazprom Neft and TNK-BP. The company is developing reserves in the Khanty-Mansiysk Autonomous District – Yugra and conducts exploration in the Krasnoyarsk Territory.

The company produced 17.864 million tonnes of oil in 2012, which is 1.2% less than in 2011; Gazprom Neft’s share was 8.932 million tonnes of oil and 0.421 billion cubic meters of gas.

Since June 2009, OJSC Gazprom Neft has held a 50% interest in Salym Petroleum Development, a joint venture with Royal Dutch Shell.

Gazprom Neft Group’s consolidated oil production in 2012

50.78 million tonnes

In 2012, Salym Petroleum Development produced 7.622 million tonnes, of which 3.811 million tonnes were naturally attributable to Gazprom Neft, an 11% reduction from 2011.

Gazprom Neft’s overseas business, though Serbia-based NIS, succeeded in considerably increasing its oil output. In 2012, NIS produced 1.223 thousand tonnes, which is 7.9% more than in 2011 (1.133 thousand tonnes).

Gazprom Neft maintained its leading position among Russian producers as measured by levels of oil and gas output in 2012.

Gazprom Neft’s consolidated crude oil production was 50.78 million tonnes of oil in 2012, a 1.6% increase over 2011, and also 0.25% ahead of the 2011 Business Plan.

GAS FIELD DEVELOPMENT & PRODUCTION

The Company is rapidly developing its gas business, which is focused on commercializing associated and natural gas reserves at oil fields and realizing the maximum value of gas.

The Gazprom Neft Group’s gas production program envisions rapid growth of gas production in Russia. The target is to raise the production and use of gas from 11.1 billion cubic meters in 2012, to 18.4 billion cubic meters in 2015.

In 2012, the total production and use of gas by Gazprom Neft Group (including its shares in production from joint ventures) was 11.1 billion cubic meters (0.86 million cubic feet per day).

Total natural gas was 5.4 billion cubic meters, including 5.3 billion cubic meters of marketable gas. The supply of marketable natural gas increased by 1.1 times, which is due to the expansion of the Muravlenkovskoye gas field in Q4 2012.

The peak annual performance by natural gas production at Muravlenkovskoye rose from 3.2 billion cubic meters to 4.2 billion cubic meters per year. In 2013, an additional 1 billion cubic meters of gas will be placed on the market, which will result in a production increase of 0.8 million tonnes of oil equivalent.
Compared to 2011, the average daily supply of marketable gas increased by 11%.

The initial phase of the Noyabrsky Integrated Project included a simultaneous expansion of associated petroleum gas transport and utilization facilities, which were held by Gazprom Neft and SIBUR and allowed for increasing amounts to be sent for processing. In particular, Gazprom Neft laid new pipelines and partially reconstructed the existing gas collecting facilities at the Vyngapurovskiye field cluster. The total length of reconstructed and newly built pipelines was 111 km. The Company’s total investment was RUB 3 billion.

SIBUR expanded the capacity of the regional Vyngayakhinskaya compressor station (CS) and Vyngapurovsky gas processing plant. The existing processing capacity was more than 2.5 billion cubic meters of gas per year. Developing the infrastructure for both companies allowed as much as 1 billion cubic meters of gas to be sent to processing per year.

The average total production and use of gas by the Gazprom Neft Group (including its share of production from joint ventures) in 2012

0.86 million cubic feet per day
The following were also built and commissioned:
- a gas pipeline connecting the Severo-Yangtinskoye field and the Muravlenkovskoye gas refinery, additional APG utilization in 2012 – 29 million cubic meters;
- a gas pipeline connecting the Shinginskoye field and the Luginetskaya compressor station, additional APG utilization – up to 55 million cubic meters per year.

Compared to 2011, the average utilization increased 5.2% (from 60.5% to 65.7%), and a more significant increase was achieved if evaluated against monthly trends: a 12% increase from December 2011 to December 2012 (63% and 75%, respectively).

In 2013, initiating another joint project (with Sibur) at the Yuzhno-Priobskoye field, Gazprom Neft will be able to boost APG utilization to more than 80% on average across the Company.

OJSC Tomskneft VNK produced 1.67 billion cubic meters of gas, and Gazprom Neft’s share was 0.84 billion cubic meters.

OJSC Slavneft produced 0.84 billion cubic meters of gas, and Gazprom Neft’s share was 0.42 billion cubic meters.

The total APG utilization rate (including joint venture operations) was 69.3% in 2012, compared with 64.5% in 2011 (including the full year effect with respect to the projects implemented in 2012, the utilization rate is projected to reach about 81% in 2013). This improvement reflects investment projects for transporting and utilizing associated oil gas (progress in the Noyabrsk integrated projects) and the expansion of processing facilities by Company partners.

OJSC Gazprom Neft expects to have a 30% share of gas in its production portfolio by 2020, through developing oil and gas condensate fields with a high content of dissolved gas, and from increasing the associated gas utilization rate.

The development of small gas deposits in fields where Gazprom Neft has production operations will contribute to more efficient utilization of the Company’s reserves, helping to raise annual hydrocarbon output to 100 million tonnes of oil equivalent, in line with the Company’s Development Strategy through 2020.

The Company has a 2013-2015 program for associated petroleum gas utilization by subsidiaries and affiliates which it approved in 2012. The program includes a project portfolio that will ensure achievement of a 95% target utilization rate across all of the Company’s key assets, with the exception of remote fields with inherently negative economics where the issue of associated gas utilization will be resolved through Government regulation.
TOTAL HYDROCARBON OUTPUT

Total production by OJSC Gazprom Neft rose by 4.3% in 2012, to 59.7 million tonnes of oil equivalent. Oil-equivalent production growth has been achieved thanks to recently purchased (in 2011-2012) production assets (CJSC Gazprom Neft Orenburg, LLC Technology Research Center, OJSC Yuzhuralneftegaz, and LLC Zhivoy Istok), and highly efficient interventions at Western Siberian fields. The Company’s total production growth from newly purchased assets has been 1.6 million tonnes of oil equivalent.

In 2012, Gazprom Neft became the leader in hydrocarbon production among Russian oil producers.

In 2012, the Company’s subsidiaries conducted a total of 2,611 interventions, of which 1,453 were intended to increase crude oil production and 1,149 were intended to maintain base production. This resulted in producing 252 thousand tonnes more than in the 2012 Business Plan; additional crude oil production due to the above actions totaled 4.693 million tonnes.

STRONG PERFORMANCE IN 2012

The Company’s subsidiaries outperformed targets due to drilling new horizontal wells, including multi-stage fracturing, and utilizing effective techniques to boost production.

The subsidiary resource base is characterized by a deteriorating structure of remaining reserves as the majority of high-yielding fields entered into the advanced development phase, bringing some lagging fields into development. Efficiency improvements in reserves development are possible with horizontal drilling.

In 2012, drilling in more complex (from a geological point of view) deposits occurred where horizontal drilling technologies and multilateral wells were utilized.

Excluding activities by affiliated companies, Gazprom Neft commissioned 690 wells during the reporting year, of which 87 were horizontal wells (compared with 61 in the Business Plan, that is, 43%
Multi-stage fracturing was utilized for 29 horizontal wells located in drilling areas with low porosity and permeability, which resulted in a peak yield of 92 tonnes per day. In addition, five dual wells were completed in 2012.

This increase in the number of new wells reflects the expansion of the production drilling program to 2,516 thousand meters, 262 thousand meters above the Business Plan, including through a 3-fold increase in drilling horizontal wells (total drilling distance of 315.6 thousand meters).

By the end of 2012, the Company’s performance stock of oil production wells totaled 7,859 wells.

By the end of 2012, the Company’s performance stock of oil production wells (not including affiliates) had risen by 582 to a total of 7,859 wells.

The plan for 2013 is to drill 625 new wells with a target yield of 29.4 tonnes per day. This will include 144 horizontal wells and applying the multi-stage fracturing technique at 75 wells, which is 65% higher than the actual horizontal drilling in 2012. Most of the drilling will be performed at the Priobskoye, Vyngapurskoye, Vyngayakhskoye, Sugmutskoye, Zimneye, Shinginskoye, Archinskoye, Zapadno-Luginetskoye, Umseyskoye, Yety-Purovskoye and Romanovskoye fields.
The rates of hydrocarbon output growth in the coming years will remain at 4% to 5%.

This performance is to be achieved by phased commissioning of explored oil fields belonging to OJSC Gazprom Neft, thanks to the commissioning of the Yamal fields and the resource base expansion through commissioning oil fields on the balance sheets of other companies within the Group.

The main challenge for the next two or three years will be the updating of the Group's hydrocarbon production strategy by boosting operations on a depleted resource base.

Plans for 2013 to 2015 include further projects to bring 60 million tonnes of hard-to-recover reserves into production. More than 250 million tonnes of hard-to-recover reserves will be included in a program for test-mode development.

The Target Production Profile for 2013 includes:

- development of existing Gazprom Neft assets: OJSC Gazprom Neft-Khantos (including NK Magma), OJSC Gazprom Neft-Noyabrskneftegaz, OJSC Gazprom Neft-East; with acquisition of open acreage licenses;
- shares of production in joint ventures with OJSC NGK Slavneft (50% JV with TNK-BP), OJSC Tomskneft VNK (50% JV with OJSC NK Rosneft), and SPD (50% JV with Royal Dutch Shell);
- obtaining fields from OJSC Gazprom for further development: Novoportovskoye, Orenburgskoye, Prirazlomnoye;
- production of Cenomanian natural gas at OJSC Gazprom Neft-Noyabrskneftegaz fields: Novogodneye and Muravlenkovskoye; development of NGK Slavneft’s Kuyumbinskoye field jointly with TNK-BP (50%);
- entering foreign projects and acquiring areas and assets of open acreage of the Russian Federation.
International Projects

Gazprom Neft is steadily building a portfolio of international assets which should account for no more than 10% of consolidated hydrocarbon production by 2020.

With exploration projects and productive assets in nine countries, three international refineries and an oil and grease production facility, aviation fueling in 30 countries, and a constantly growing network of filling stations in Europe and Asia – Gazprom Neft now has a balanced diversified portfolio of foreign assets. Today it is difficult to imagine that seven years ago, when Gazprom acquired Sibneft, the list of international projects was actually blank.

If converted into figures, Gazprom Neft’s position in the international market already looks quite impressive. The Group produces 1.7 million tonnes of oil equivalent at its overseas fields which have proven reserves totaling 15 million tonnes of oil equivalent in Serbia and Angola (4% – the share of NIS in the two blocks: one for output, the other for geological survey), and, in the near future, it will launch production in Middle East projects with total estimated recoverable reserves of 2.12 billion tonnes of oil equivalent (category C1 + C2).
VENEZUELA

KEY EVENTS OF 2012
- 5 cluster sites for stratigraphic wells arranged; first stratigraphic well completed.
- 2 exploratory wells, 2 multilateral down-holes and 2 horizontal wells bored.
- As part of the Early Production project, the first operational horizontal well was constructed, with a test-mode oil influx of more than 200 tonnes per day. In October, the well was put into routine operation with a yield of 600 barrels per day.
- Concept design for upgrades completed, basic engineering works are in progress, with involvement by SUPSA Company.
- Well construction permits obtained.

OBJECTIVES AND DELIVERABLES FOR 2013
IN 2013, THE COMPANY PLANS TO UPDATE THE ADDITIONAL EXPLORATION PROGRAM, INCLUDING:
- alternating the program timing (for programs associated with drilling, seismic survey, PVT-studies and core survey);
- incorporating well testing programs, core and fluids survey into the contract;
- scheduling pilot surveys on 2D-seismic exploration and electrical prospecting;
- thermal techniques testing

In June 2009, Gazprom Neft purchased 20% of the National Oil Consortium (NOC), an entity created by five large Russian oil companies to pursue oil production projects in Latin America. The companies are: OJSC Gazprom Neft, OJSC NK Rosneft, OJSC NK LUKOIL, OJSC TNK-BP Holding, and OJSC Surgutneftegaz - with equal stakes.

In September 2009, the Government of the Russian Federation along with the Government of the Bolivarian Republic of Venezuela signed an intergovernmental treaty for cooperation on implementing mutual strategic projects.

Under the treaty, in the Spring of 2010, NOC and Corporation Venezolana del Petroleo (CVP), a subsidiary of the Venezuelan government-owned oil company (PDVSA), established a joint venture, Petroleos de Venezuela S.A. (PetroMiranda), for additional exploration and development of the Junin heavy-oil field in the Orinoco River basin in Venezuela.

Recoverable reserves at Junin-6 are estimated at 10.96 billion barrels of oil. Block area – 447.85 km² 14 wells have been drilled at the Junin-6 territory to date.

As required by Venezuelan law, 60% of PetroMiranda is held by the PDVSA subsidiary, CVP, and 40% by NOC. NOC has paid the first part of a USD 600 million bonus to the Bolivarian Republic of Venezuela for the right to become a member of the joint venture.

The Board of Directors of NOC has designated OJSC Gazprom Neft as the consortium leader, with responsibility for coordinating operations and managing the Junin-6 project for the period through the end of 2012.

As the project leader, Gazprom Neft holds a coordinating role on behalf of the Russian party in the Russian-Venezuelan joint venture, PetroMiranda.

The project leader functions as the technical expert on the project and issues directives to the Directors of the joint venture (on the Russian side) regarding project implementation.

NOC member companies have approved the Early Production project, while all the current obligations of NOC to finance the joint venture (in the amount of USD 18.2 million) have been fully met.
IRAQ

In early 2010, the Company became the project operator for developing the Badra field, Iraq. Gazprom Neft signed a contract with the Iraqi government to develop the Badra field as a member of a consortium with government-owned oil companies from other countries – Kogas (Korea), Petronas (Malaysia), and TPAO (Turkey).

Gazprom Neft’s share of the project as operator is 30%, while Kogas has 22.5%, Petronas 15%, and TPAO 7.5%. The Iraqi government is represented by Oil Exploration Company (OEC) with a 25% interest. The consortium will provide 100% of the financing.

The Badra field lies in the province of Wasit in eastern Iraq, bordering Iran’s Azar field. Initial estimates suggest that recoverable reserves at Badra may exceed 700 million barrels of crude oil.

Development of the Badra field is expected to last 20 years, and may be extended for an additional five years. It is expected that peak oil production will reach about 170 thousand barrels per day in 2017.

Under the contract, Gazprom Neft will receive USD 5.5 for each extracted barrel of crude oil (or quantity of crude that is equivalent to the price) after the project achieves an initial production level of 15 thousand barrels per day. This is expected to occur in 2013, and peak production rates should be achieved in 2017.

**KEY EVENTS IN 2012**

- Phase 3 has been completed.
- Well construction is actively in progress: a well bored, and another close to completion.
- The contract for the testing and pumping-in of 11 wells has been signed with Halliburton.
- Key contracts for constructing a CPF (Phase 1), an export oil pipeline, Badra Camp (Phase 2), for rendering Project Management Consultancy services and FDP preparation have been signed.
- Contracts for water treatment and water supply for the CPF, as well as for the construction of the oil gathering facilities have been awarded.
- The work for preparing the CPF site and sulfur storage has been completed.

**OBJECTIVES AND DELIVERABLES FOR 2013 TO 2015:**

- Drilling and development of wells, commissioning thereof.
- Completing the main part of the designed field development.
- First oil discovery (Q4 2013).
- Commissioning of the initial oil refining line, gathering facilities and oil pipeline.
- Commissioning of the second line, first gas treatment line, gas pipeline.
IRAQ

In August 2012, Gazprom Neft joined some new hydrocarbon reserve exploration and development projects in Iraq. The Company signed two production sharing agreements (PSA) with the Kurdistan Government, covering the Garmian and Shakal blocks, with a total area of 2,054 km², located in south-west Kurdistan.

According to the Gazprom Neft estimates, the joint resource potential for the two fields exceeds 500 million tonnes of oil equivalent (3.6 billion BOE). Over the next 8 years, the blocks are expected to achieve peak production of at least 130 thousand barrels per day.

At present, a geological survey of the blocks is still in progress, to be completed no later than 2015 and followed by the commencement of production.

Gazprom Neft’s share of the Garmian block is 40%. The Company is expected to become the block operator at the full field development stage, provisionally in 2014. In the Shakal block, with its share of 80%, the Company functions as the project operator.

The share of the Kurdistan Regional Government in both agreements is 20%.

The total payments to be made by Gazprom Neft for joining the projects, including compensation for historical costs incurred, will amount to some USD 260 million.

The investments in geological surveys in both projects prior to 2015, naturally attributable to Gazprom Neft, are estimated at USD 1 billion. The PSA mode provides for compensation for costs incurred by the investor after the commencement of field production.

OBJECTIVES AND DELIVERABLES FOR 2013 TO 2015:

- Geological survey implementation at both blocks: completion of 3D-seismic survey at the Shakal block and drilling Well 1. In addition to the two exploration wells drilled at the Garmian block, drilling at another three exploration wells is expected to begin (including one to be completed in 2013) jointly with Western Zagros. The expanded geological survey program also provides for a 3D-seismic survey in the northern part of the block.

- Further development of Gazprom Neft in the most promising oil and gas Kurdistan regions.

Block
GARMIAN, south-west Kurdistan

Block
SHAKAL, south-west Kurdistan

Total estimated recoverable reserves (C1 + C2), million tonnes of oil equivalent

173
At the end of 2010, Gazprom Neft and the Malaysian oil company, Petronas, signed an agreement for the reassignment of an interest and key provisions for joint work related to geological exploration and subsequent development of four offshore blocks on the continental shelf near Cuba.

The signed documents provide for the reassignment of 30% of the project to Gazprom Neft. The Company shall compensate Petronas part of the costs incurred, and will participate in the financing of the current activities in proportion to its stake.

Prior to joining the OJSC Gazprom Neft project, Petronas was the only participant in the project. The agreement provides for exploration at four sites with the possibility of further oil production up to 2037 and gas production – up to 2042. In the framework of the existing agreement the seismic survey has been held 2D, for 2012, it was planned to drill of the first exploration well.

The results of drilling have identified no commercial quantities of oil and gas – until 2042. No commercial oil quantities have been identified in the course of drilling.

KEY EVENTS OF 2012
- Drilling of the first exploration well (August 2012) completed.
- Analysis of first exploration well drilling results performed.

OBJECTIVES AND DELIVERABLES FOR 2013 TO 2015:
- Exploring new opportunities for developing the Cuban resource base.

4
sea blocks (geological exploration)
OJSC Gazprom Neft share
30%
Being a vertically integrated company, Gazprom Neft is, inter alia, focused on refining crude oil and producing petroleum products. Gazprom Neft produces a wide range of oil-refining products and petrochemicals. The Company’s main product lines include automotive gasoline, diesel fuel, lube products, construction and road bitumen, marine fuels, boiler fuel (fuel oil), aviation jet fuel, paraffin wax products, and also a whole range of aromatic hydrocarbons, liquefied petroleum gases, and catalysts.
The Company's main priority in the course of hydrocarbon production is higher production efficiency, improving the environmental performance of fuels, increasing the depth of refining, and broadening volumes and product range (high-octane gasolines, diesel fuels, aromatic hydrocarbons, coke, modern bituminous materials, petrochemicals). Since 2009, OJSC Gazprom Neft has had a program to upgrade and retrofit production facilities and to build new ones.

Modernization programs at the Company’s refineries and product line optimization based on 2012 results increased the output of automotive gasoline by 10.6%, jet fuel by 3.9%, and Euro-4 and Euro-5 diesel fuel by 26.1%.

Increasing crude oil refining volumes during the reporting year enabled the Company to increase oil production by 7.0% to 41.0 million tonnes. Gazprom Neft remained among Russia’s leaders in terms of growth in crude oil refining volumes in 2012. During the reporting year, the Company increased crude oil refining volumes and petroleum product output by 7.0%, to 43.3 and 41.0 million tonnes, respectively.

Gazprom Neft currently possesses five refining assets. The main assets are the Omsk and Moscow refineries (the Company’s share of refining – 100%), YANOS (the Company’s share of refining – 50%).

**Breakdown of Gazprom Neft’s Petroleum Products Output, Million Tonnes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gasoline, automotive</th>
<th>Gasoline, service</th>
<th>Diesel fuel</th>
<th>Jet fuel</th>
<th>Furnace fuel</th>
<th>Fuel oil</th>
<th>Total</th>
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<tr>
<td>2012</td>
<td>11.5</td>
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<td>0.4</td>
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<td>2011</td>
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<td>1.2</td>
<td>0.6</td>
<td>0.6</td>
<td>0.3</td>
<td>1.7</td>
<td>13.7</td>
</tr>
<tr>
<td>2010</td>
<td>11.4</td>
<td>1.0</td>
<td>0.5</td>
<td>0.6</td>
<td>0.2</td>
<td>1.6</td>
<td>13.1</td>
</tr>
<tr>
<td>2009</td>
<td>9.9</td>
<td>1.0</td>
<td>0.5</td>
<td>0.5</td>
<td>0.1</td>
<td>1.5</td>
<td>12.5</td>
</tr>
</tbody>
</table>

**Volume of Crude Oil Refining, by Refinery, Million Tonnes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Omsk Refinery</th>
<th>Moscow Refinery</th>
<th>YANOS</th>
<th>NIS</th>
<th>Belarussian refineries (including Mozyr Refinery – 1.6, OJSC Naftan – 0.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16.7</td>
<td>10.7</td>
<td>7.6</td>
<td>2.1</td>
<td>43.3</td>
</tr>
<tr>
<td>2011</td>
<td>16.8</td>
<td>10.8</td>
<td>7.3</td>
<td>2.5</td>
<td>40.5</td>
</tr>
<tr>
<td>2010</td>
<td>19.0</td>
<td>9.2</td>
<td>7.4</td>
<td>2.2</td>
<td>37.9</td>
</tr>
<tr>
<td>2009</td>
<td>18.6</td>
<td>5.4</td>
<td>6.0</td>
<td>2.4</td>
<td>33.4</td>
</tr>
</tbody>
</table>

Source: Company data.
The Omsk refinery is among Russia’s most advanced and the world’s largest refineries. The Omsk refinery’s installed annual capacity is 21.4 million tonnes of crude oil.

The plant’s main product lines are automotive gasoline, diesel fuel, construction and road bitumen, marine fuels, boiler fuel (fuel oil), and aviation jet fuel, plus a whole range of aromatic hydrocarbons, liquefied petroleum gases, various lubricant oils, catalysts and others.

The Omsk refinery retained its leadership in Russia in 2012, in terms of light petroleum and aromatic hydrocarbon output. Its crude oil refining output was 20.9 million tonnes in 2012 (the highest such volume among all Russian refineries). The Omsk refinery’s primary crude oil refining capacities were 97.9% loaded, and refining depth was 88.8%. Light petroleum products accounted for 67.5% of output in 2012.
The Omsk refinery has once again confirmed that it remains one of the country’s best and most advanced oil refineries. The commissioning of a new processing facility will enable Gazprom Neft to achieve higher efficiency in fulfilling the strategic task of supplying high-quality fuels to Russian consumers. Today Gazprom Neft’s plants are ahead of schedule in changing over to new products that comply with international quality standards and dramatically improve upon their environmental protection properties, thus undoubtedly making a beneficial impact on the environment.

The Company’s refining facilities are implementing a large-scale modernization program. Following the completion of its first stage, Gazprom Neft will focus on increasing the crude oil refining depth. This will result in further growth of the Company’s efficiency and further strengthening of Gazprom Neft’s leading positions in the industry.

During the reporting year, the refinery commissioned a motor fuel hydro-skimming facility on a phased basis, which includes a catalytic cracking gasoline hydro-treatment unit and a diesel fuel hydro-treatment unit. The commissioning of this new production facility enabled the refinery to increase the output of Euro-4 and Euro-5 gasolines to 2.38 million tonnes, or over 30 times as much as in 2011.

In 2012, the World Refinery Association (WRA) recognized the OJSC Gazpromneft-Omsk refinery as the best refinery in Russia and the CIS countries, praising the projects implemented by the Omsk refinery under its modernization program which runs through 2020.

In 2012, the Omsk refinery’s products were again named among Russia’s 100 Best Products. Laureate diplomas were awarded to the Super Euro-98 automotive gasoline and the BND 90/130 viscous construction bitumen. Awards for Industrial and Technological Products nominations were given to: automotive unleaded gasoline Regulator-92, low-viscosity marine fuel (DMA) type E, highly purified petroleum benzene and Euro-3 summer diesel fuel. In addition, Euro-3 summer diesel fuel was named the Novelty of the Year.

In 2013, the Omsk refinery will focus on increasing the capacity of its new deep crude oil refining facilities and increasing the capacity of its high-octane component production facilities.
The Moscow refinery is a leader in the production of high-octane gasoline and diesel fuels, and covers about 40% of the demand for petroleum products in the city of Moscow and the surrounding region. The Moscow refinery’s installed annual capacity is 12.15 million tonnes of crude oil.

The refinery’s main products are automotive gasolines, diesel fuel, jet fuel, marine fuels, liquefied hydrocarbon gas and road bitumen.

Refining output was 10.67 million tonnes in 2012. The primary refining capacity at the Moscow refinery was 87.8% loaded. Crude oil refining depth was 67.7% and irretrievable losses during refining were 0.71% during the reporting year.

Light petroleum products made up 55.5% of the total output at the Moscow refinery, or 5.9 million tonnes during the reporting year. The refinery produced 2.23 million tonnes of automotive gasoline, including 2.1 million tonnes of high-octane Ai-95 and Ai-92 fuel.

The optimization of operating conditions for existing equipment in 2012, made it possible to increase Euro-4 automotive gasoline production at the Moscow refinery by 2.1 times compared with 2011, to 1.65 million tonnes. Euro-4 diesel fuel output increased by 8.1% to 1.71 million tonnes. The output of diesel fuel was 2.5 million tonnes in 2012; kerosene – 617,600 tonnes, bitumen – 723,800 tonnes, and commercial fuel oil – 3.3 million tonnes.

The optimization of operating conditions for existing equipment in 2012, made it possible to increase Euro-4 automotive gasoline production at the Moscow refinery by 2.1 times compared with 2011, to 1.65 million tonnes. Euro-4 diesel fuel output increased by 8.1% to 1.71 million tonnes. The output of diesel fuel was 2.5 million tonnes in 2012; kerosene – 617,600 tonnes, bitumen – 723,800 tonnes, and commercial fuel oil – 3.3 million tonnes.

In the first half of 2013, the Moscow refinery will complete the first stage of a retrofit and upgrade program, which will improve product quality. In its entirety, the Moscow refinery upgrade program will be implemented through the end of 2020.
The Moscow refinery is efficiently implementing the first stage of a large-scale upgrade program focused on improving the quality of petroleum products. Global investment is required for solutions to this and other tasks requiring greater refining depths and light petroleum product output, as well as increased production and environmental-protection efficiency. Gazprom Neft will allocate RUB 130 billion to upgrade the Moscow refinery through 2020, or twice the amount stipulated by its previously adopted investment program.

In 2012, the Russian National Quality Organization certified that the Moscow refinery’s products were of the highest level of quality (Ai-92 EKp and Ai-95 EKp automotive gasolines, type C and E diesel fuels, TS-1 grade jet fuel, BND 90/130 and BND 60/90 grade construction bitumens, SPBT grade household gases) and awarded diplomas to the refinery.

In 2013, the Moscow refinery plans to commission new catalytic cracking gasoline isomerization and hydro-treatment units; it also plans to overhaul a diesel fuel hydro-treatment unit. This will enable the refinery to produce Euro-5 fuels for the Moscow Region. By the end of 2013, a configuration for a deep refining facility will be selected. In 2013, upon completion of the reconstructed operating diesel hydro-treatment unit, 50% of the diesel fuel will be produced to Euro-5 standard. Apart from designing and implementing new construction during the next three years, the refinery will implement reconstruction projects for the existing reforming, catalytic cracking and ether producing units.
The NIS refining facility consists of two refineries located in Panchevo and Novi Sad. The maximum capacity for each refinery’s processing lines is 7.3 million tonnes of crude oil per year. The main products of the NIS refineries are liquefied petroleum gas used as an automotive fuel, BMB 95 Premium unleaded motor fuel, BMB 95 Euro Premium motor fuel, Euro diesel fuel, D2 diesel fuel, EL furnace fuel, JAT-A1 jet fuel, lubricants, etc. All products from the NIS refineries conform to international quality standards and specifications.

The two NIS refineries refined a total of 2.142 million tonnes of crude oil in 2012 (not including commissioned refining for third parties).

An upgrade program implemented at the NIS refinery in Panchevo included commissioning of a mild hydrocracking/diesel hydrotreatment (MHC/DHT) facility, a hydrogen generation unit, and a black sulphuric acid regeneration unit in November 2012. The construction of the facility made it possible to switch production over to high-octane gasolines and diesel fuels that meet Euro 5 standards. As of the end of the reporting year, all Gazprom Neft obligations related to financing the NIS upgrade program, as stipulated by an agreement with the Serbian government, were fully discharged.

The plant’s capacities currently enable NIS not only to cover all local demand within the Serbian market, but also to export fuels to Balkan countries. NIS exports motor fuels, benzene, toluene and road and construction bitumen to EU member states, Ukraine, Croatia, Montenegro and Bosnia-Herzegovina.

In 2013, following the completion of the design phase, construction on a base oil production unit is planned to start. This project is scheduled to run through 2016 at the Novi Sad Refinery. In the near future, there are plans to finish formulating a NIS refinery development program that will run through 2022, with subsequent determination of the configuration for a petroleum residue recycling facility at the Panchevo refinery.
Oil refining at third-party refineries

Besides its own petroleum refining capacity, Gazprom Neft has access to refining capacity at the Yaroslavl refinery (YaNOS) and the Mozyr refinery.

Gazprom Neft has proportionate access to the refining capacity of OJSC YaNOS as a shareholder of OJSC Slavneft Oil and Gas Company. OJSC Slavneft-Yaroslavnefteorgsintez (YaNOS) is a producer of fuel and lubricants with a deep crude oil refining system. In 2012, primary refining by YaNOS was 15.3 million tonnes, of which Gazprom Neft’s share was 7.5 million tonnes (50%). Refining depth was 65.5% in 2012, and light petroleum products made up 56% of total output.

In accordance with a detailed export schedule, OJSC Gazprom Neft supplies crude oil to Belarus, including supply for its subsidiary, Gazpromneft-Belnefteprodukt. The Mozyr refinery refines crude oil for Gazpromneft-Belnefteprodukt under a processing contract. Gazpromneft-Belnefteprodukt then sells petroleum products from the Mozyr refinery, including some through its own filling station chain in Belarus, and exports them abroad. In 2012, the Mozyr refinery refined 11.1 million tonnes of crude oil, including 1.6 million tonnes under a contract with FLLC Gazpromneft-Belnefteprodukt. The refining depth was 68.57%.
SALES OF PETROLEUM PRODUCTS

Petroleum product sales are one of the fastest growing business lines for OJSC Gazprom Neft. The Company aims for strong performance in this area. It plans to be one of the top three vertically integrated companies in Russia and the CIS in terms of retail sales by 2020.

Gazprom Neft possesses one of the most developed sales networks in Russia. In 2012, the Company further reinforced its positions in the retail petroleum market when it became the largest supplier of light petroleum products in the Russian market with a 21.6% share. The Company sells petroleum products in Russia and non-CIS countries mainly through its 14 subsidiaries (14 petroleum product suppliers) specializing in the wholesale and retail marketing of petroleum products.

Filling station chain

As of December 31, 2012, the Company’s marketing subsidiaries added 20 new locations to their network of 1,265 filling stations. Average petroleum product sales per filling station in Russia increased by 24% to 17.7 tonnes per day.

Sales of petroleum products in the domestic market grew to 25.2 million tonnes in 2012, a 2% increase compared to 2011.

Small wholesaling of petroleum products via petroleum product suppliers reached 8.2 million tonnes in 2012, an increase of 4% over 2011, and wholesale grew by 58% to 2.0 million tonnes.

The development of retail petroleum products is a key business line for the Company. The availability of its own nationwide brand that is highly recognizable and trustworthy, as far as product quality is concerned, is instrumental for achieving one of the Company’s strategic goals – being the leading seller of petroleum products in Russia.

During a four-year period (2009 to 2012), the Company built 95 new filling stations, refitted 255, and re-branded 552 stations.

In 2012, petroleum product sales through the Company’s filling stations in Russia grew by 34% to 6.6 million tonnes. Sales of gasoline rose by 26% to 4.0 million tonnes, while sales of diesel fuel increased by 51% to 2.4 million tonnes.
We have completed the main stage image building for the filling station chain. From now on we plan to emphasize our products: branded fuels, cafes and goods under our own trademarks. In 2012, we were mainly focused on the G-Drive promotion, for which we selected a motorsports platform. This decision was obviously successful, and we plan to continue working along this direction. In 2013, we will undertake a key project to reorganize the regional sales model to optimize the ratio between wholesale and retail businesses. This is a serious project requiring the involvement of every employee.

Anatoly Cherner
Deputy CEO for Logistics, Refining and Sales, OJSC Gazprom Neft

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### FILLING STATION CHAIN KEY INDICATORS

#### 1,609 stations

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Russia</th>
<th>CIS</th>
<th>Eastern Europe</th>
<th>Forecast</th>
<th>Average daily sales per filling station in Russia (tons/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,680</td>
<td>1,311</td>
<td>251</td>
<td>24</td>
<td>2,100</td>
<td>345</td>
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<tr>
<td>2012</td>
<td>1,660</td>
<td>1,251</td>
<td>209</td>
<td>22</td>
<td>1,609</td>
<td>174</td>
</tr>
<tr>
<td>2011</td>
<td>1,640</td>
<td>1,280</td>
<td>225</td>
<td>17</td>
<td>1,670</td>
<td>174</td>
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<tr>
<td>2010</td>
<td>1,620</td>
<td>1,380</td>
<td>230</td>
<td>11</td>
<td>1,596</td>
<td>184</td>
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<tr>
<td>2009</td>
<td>1,600</td>
<td>1,470</td>
<td>230</td>
<td>11</td>
<td>1,546</td>
<td>184</td>
</tr>
</tbody>
</table>

#### REBRANDING PROGRAM PROGRESS, 2009 TO 2012 (CUMULATIVE)

#### 1,304 stations

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Non rebranded</th>
<th>Provisional branding</th>
<th>Construction</th>
<th>Reconstruction</th>
<th>Re-branding</th>
<th>Average daily sales per filling station in Russia (tons/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,304</td>
<td>1,250</td>
<td>50</td>
<td>95</td>
<td>45</td>
<td>5</td>
<td>345</td>
</tr>
<tr>
<td>2011</td>
<td>1,304</td>
<td>1,250</td>
<td>50</td>
<td>95</td>
<td>45</td>
<td>5</td>
<td>345</td>
</tr>
<tr>
<td>2010</td>
<td>1,304</td>
<td>1,250</td>
<td>50</td>
<td>95</td>
<td>45</td>
<td>5</td>
<td>345</td>
</tr>
<tr>
<td>2009</td>
<td>1,304</td>
<td>1,250</td>
<td>50</td>
<td>95</td>
<td>45</td>
<td>5</td>
<td>345</td>
</tr>
</tbody>
</table>

Source: Company data
One of the highly efficient tools that has a positive impact on increasing sales volumes and brand confidence is a federal loyalty program for individuals entitled Going the Same Way, which was launched by the Company in 2010.

The program offers a system of deferred discounts: after buying products and services from Gazprom Neft filling stations, participants are entitled to discounts that are recorded as bonuses on their card. The cardholders can use the bonuses they accumulate to pay for other products and services. At present, the program has been adopted in 26 regions where Gazprom Neft has network filling stations, including Moscow, St. Petersburg, Omsk, Ekaterinburg and elsewhere. Since the loyalty program was launched, it has already been joined by 3.2 million people all over the country.

**GAS MOTOR FUELS (LPG, CNG)**

Increasing attention has recently been placed on environmental friendliness and cost efficient transportation. These are key criteria for public and commercial transport in large cities. So these segments of the transportation market could be a natural starting point and showcase for the large-scale use of natural gas fuel. Along these lines, Gazprom Neft puts particular emphasis on boosting sales of the two main gas motor fuels, liquefied petroleum gas (LPG) and compressed natural gas (CNG).

LPG and CNG represent less than 4% of total motor fuel sales in Russia. LPG has proved more popular as a motor fuel, accounting for 3.3% of total fuel consumption. The share of CNG is only 0.3%.

Forecasts show LPG sales continuing to grow in Russia at approximately the same rate as liquid motor fuels until 2020, while the share of CNG in fuel sales is expected to rise from 0.3% to about 2.2%.

In 2012, 121 gas filling stations out of all multi-fuel filling facilities were branded as Gazpromneft. LPG and CNG sales were approximately 93,000 tonnes and about 8,000 tonnes in 2012, respectively.

The Company plans to increase the number of multi-fuel stations selling LPG to 285 stations by 2020, when total annual sales should be in excess of 260,000 tonnes.

**LPG SALES VOLUMES, 2012-2020 (PLAN)**

<table>
<thead>
<tr>
<th>Year</th>
<th>LPG sales volumes (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>93</td>
</tr>
<tr>
<td>2020</td>
<td>260</td>
</tr>
</tbody>
</table>

**SHARE OF MOTOR FUEL CONSUMPTION IN RUSSIA**

| LPG and CNG | 4% |

**INTEGRATED RETAIL SALES PROJECTS (IMPLEMENTED AS PART OF THE SALES STRATEGY FOR PETROLEUM PRODUCTS BY OJSC GAZPROM NEFT IN RUSSIA AND THE CIS THROUGH 2020)**

<table>
<thead>
<tr>
<th>№</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>In 2012, retail sales of petroleum products grew by 33%, average daily sales per filling station increased by 24%, and revenue from sales of associated products and services rose by 49%.</td>
</tr>
<tr>
<td>2.</td>
<td>Launch of G-Drive Racing, a joint project between OJSC Gazprom Neft and the Signatech Nissan racing team aimed at promoting G-Drive new generation fuel.</td>
</tr>
<tr>
<td>3.</td>
<td>Entry into Ukraine’s retail petroleum product market based on franchising. As of the end of the year, there are four Gazpromneft branded filling stations operating on the Kiev-Odessa highway.</td>
</tr>
<tr>
<td>4.</td>
<td>The number of participants in the Going the Same Way loyalty program for individuals reached 3.2 million people.</td>
</tr>
<tr>
<td>5.</td>
<td>Promotion of G-Drive premium motor fuel. The share of G-95 in Ai-95 sales across filling stations offering branded fuel was 29% as of year-end. Start of a pilot project on G-Diesel fuel sales.</td>
</tr>
<tr>
<td>6.</td>
<td>Launch of a gas motor fuel development program, which included the opening of the first multi-fuel filling facility branded under Gazpromneft.</td>
</tr>
</tbody>
</table>
Supplies of liquefied gas for the retail network will come from the Company’s own refineries (in Omsk, Moscow, and Yaroslavl), from Gazprom’s gas-processing plants (in Astrakhan, Orenburg, and Surgut), and from SIBUR.

Most of the potential CNG consumption is concentrated in major cities, particularly Moscow and St. Petersburg, and could be up to 3 billion cubic meters per year, or 10 times current consumption.
Gazprom Neft actively supports the development of commodity exchange sales of petroleum products in Russia as a mechanism to ensure efficient, fair and transparent pricing and sales of petroleum products. OJSC Gazprom Neft views commodity exchange trading as a mechanism for the wholesale marketing of petroleum products that helps to build a market indicator (index) that is recognized by everyone, including the regulators.

Gazprom Neft is a co-founder of CJSC St. Petersburg International Mercantile Exchange (SPIMEX) and has traded petroleum products there on a regular basis since November 2009. The Company regularly informs the Exchange of its petroleum product sales and production targets.

In 2012, the Company sold over 2 million tonnes of petroleum products in exchange trading, or 14.5% of its domestic market sales and 7.5% of its petroleum product output. Petroleum product exchange sales for 2012 break down as follows: automotive gasolines – 441,000 tonnes, diesel fuel – 879,000 tonnes, fuel oil – 605,000 tonnes, and jet fuel – 164,000 tonnes. These figures include SPIMEX transaction data. Based on results from 2012, the Company was recognized by the Exchange as the largest petroleum product seller.

In 2012, the Company registered over 15,000 off-exchange transactions, or 20% of the total number of off-exchange transactions registered by the SPIMEX for all other companies.

The Company regularly upgrades its automated off-exchange transaction registration system.

In 2012, Gazprom Neft became the first company in the history of the Exchange to receive the Last Resort Supplier status for forward market transactions on the SPIMEX at the closing of summer diesel fuel future contracts.

On an ongoing basis, the Company works to improve its business processes associated with the development of exchange trading technologies and instruments. Throughout 2012, the Company was actively involved in the drafting of a new version of the SPIMEX General Exchange Specification. It is expected to be adopted for use in the beginning of 2013.

2012 PETROLEUM PRODUCT EXCHANGE SALES BY OJSC GAZPROM NEFT

Source: Company data
Exports of crude oil & petroleum products

In 2012, Gazprom Neft Group exported 16.44 million tonnes of petroleum products, including 13.54 million tonnes to non-CIS countries and 2.90 million tonnes to CIS countries. Exports to non-CIS countries grew by 14.43% compared with 2011. Exports to CIS countries rose by 5.30% over 2011. Overall growth in petroleum product exports during the reporting year was 12.70%.

In the reporting year, crude oil exports by Gazprom Neft Group reached 16.7 million tonnes in absolute terms, or 0.6 million tonnes more than in 2011. Crude oil exports to non-CIS countries increased by 8.4% as compared with 2011. Crude oil exports to CIS countries were 2.5 million tonnes, or less than in 2011. An 18.0% drop in revenues from crude oil sales in CIS countries from 2011 to 2012 was due to lower sales volumes (down by 16.5%).

The Company has identified the following advantages of channeling crude oil and petroleum product exports through Gazprom Neft Trading GmbH:

1. Geographical proximity to the main international oil trading centers, optimized administrative costs in customer negotiations, less paperwork and faster decision making.
2. The employment of both Russian and foreign experts backed by experience with international companies and deep knowledge of world oil markets creates competitive advantages for Gazprom Neft Trading that enable it to export the Company’s oil to international markets in an efficient manner.
3. Potentially expeditious mutual settlements with contractors with no need for currency regulation and control procedures.

GAZPROM NEFT TRADING GMBH

Oil is exported to non-CIS countries through Gazprom Neft Trading GmbH, Austria, a foreign trading company within the Group that supplies petroleum products manufactured by the Company to end consumers. The establishment of a trading subdivision for centralized exports of products is in line with common practices by the majority of the largest international vertically integrated companies (BP, SHELL, ExxonMobil, TOTAL, ENI, etc.), national oil companies (Petro China, Aramco, Kuwait Petroleum, etc.) and leading Russian companies: Rosneft, Bashneft, Lukoil.

PETROLEUM PRODUCT EXPORTS, 2009-2012, MILLION TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-CIS countries</th>
<th>CIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>15.5</td>
<td>1.9</td>
<td>16.4</td>
</tr>
<tr>
<td>2011</td>
<td>11.8</td>
<td>2.8</td>
<td>14.6</td>
</tr>
<tr>
<td>2010</td>
<td>12.8</td>
<td>2.2</td>
<td>14.2</td>
</tr>
<tr>
<td>2009</td>
<td>12.3</td>
<td>2.5</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Source: Company data
4. A more flexible access to hedge operations through both leading international commodity exchanges (ICE, NYMEX) and off-exchange contractors due, inter alia, to the absence of currency regulation and control procedures.

5. Expeditious oil tanker tonnage chartering.

6. Favorable terms of cooperations with leading international banks: ING, BNP Paribas, RBI, and Credit Agricole, owing to the trader’s long-term record in the EU zone.

7. Minimized risks from not submitting documents required by Russian laws to confirm a VAT zero rate for petroleum product exports, and optimized costs for collecting a full package of documents.

In 2012, Gazprom Neft Trading sold 14.23 million tonnes of oil, or 8.5% more than in 2011.

In 2012, GPN Trading exported 12.80 million tonnes of petroleum products, including 12.44 million tonnes to non-CIS countries and 0.36 million tonnes to CIS countries.

Exports to non-CIS countries grew by 14.5% over 2011. Petroleum product exports to CIS countries dropped by 46.7% compared with 2011.

CRUDE OIL EXPORTS TO NON-CIS AND CIS COUNTRIES, 2009-2012, MILLION TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-CIS</th>
<th>CIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>14.19</td>
<td>2.50</td>
<td>16.69</td>
</tr>
<tr>
<td>2011</td>
<td>13.66</td>
<td>2.94</td>
<td>16.07</td>
</tr>
<tr>
<td>2010*</td>
<td>15.04</td>
<td>3.02</td>
<td>18.96</td>
</tr>
<tr>
<td>2009*</td>
<td>15.58</td>
<td>3.30</td>
<td>18.88</td>
</tr>
</tbody>
</table>

* Including SE

Source: Company data

BREAKDOWN OF CRUDE OIL EXPORTS FROM RUSSIA BY TYPE OF TRANSPORTATION, 2009-2012, MILLION TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>Druzhba</th>
<th>East Siberia-Pacific</th>
<th>Novorossiysk</th>
<th>Baltic Pipeline System-2</th>
<th>Tuapse</th>
<th>Novorossiysk SE Morskoy Novorossiysk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>11,945</td>
<td>12,751</td>
<td>15,425</td>
<td>15,796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>11,945</td>
<td>12,751</td>
<td>15,425</td>
<td>15,796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>11,945</td>
<td>12,751</td>
<td>15,425</td>
<td>15,796</td>
<td></td>
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<td>11,945</td>
<td>12,751</td>
<td>15,425</td>
<td>15,796</td>
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</tr>
</tbody>
</table>

Source: Company data
In 2012, overall petroleum product exports by GPN Trading rose by 10.9% compared with 2011.

### Crude Oil Exports to Non-CIS Countries, Million Tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>14.23</td>
</tr>
<tr>
<td>2011</td>
<td>13.11</td>
</tr>
<tr>
<td>2010*</td>
<td>15.09</td>
</tr>
<tr>
<td>2009*</td>
<td>14.54</td>
</tr>
</tbody>
</table>

* Including SE

**Source:** Company data

### Sales by GPN Trading, Million Tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>12.80</td>
</tr>
<tr>
<td>2011</td>
<td>10.87</td>
</tr>
<tr>
<td>2010</td>
<td>9.82</td>
</tr>
<tr>
<td>2009</td>
<td>9.26</td>
</tr>
</tbody>
</table>

**Source:** Company data
**PREMIUM BUSINESS SEGMENTS**

Gazprom Neft has distinct goals for increasing petroleum product sales efficiency for each sub-segment of its petroleum product business: aviation fuel; lubricants; bituminous materials; petrochemicals; and ship bunkering.

Last year witnessed a significant milestone in the development of Gazprom Neft’s premium sales. Five years had passed since a decision was made to delegate control of the marketing business lines to independent business entities. This is a sufficiently long period to make an objective assessment of the results. The fact that Gazprom Neft has a strong lead in domestic bunkerage and jet fuel markets, and that the Company’s oils compete successfully with lubricants from the leading international producers, is an indication that we made the right decision. The strategic planning horizon for Aero, Marine Bunker and Lubricants has been extended by another five years, while targets that have been established are more ambitious than previously. Once Gazprom Neft achieves these targets, it will strengthen its positions in the domestic jet and bunker fuel markets, become a technology leader among Russian oil and lubricant producers, and ensure successful expansion of the Company’s brands into new markets, including international ones. The Company has formulated individual strategic development plans for each business line. The main challenges facing the product business entities are increasing sales efficiency, expanding geographical reach and increasing shares of the premium segments of the market.
Ship bunkering

Sales of light and heavy fuels and oils for marine and inland water transport are handled by LLC Gazpromneft Marine Bunker, a subsidiary of the Company established in 2007. Petroleum products are sold on a 24-hour basis all year round in all key marine and river ports of Russia. The Company currently holds a leading position in the Russian bunkering market.

Gazpromneft Marine Bunker is comprised of nine regional offices and two subsidiaries, Gazpromneft Shipping and Gazpromneft Terminal SPb. Gazpromneft Shipping operates the Company’s own fleet of seven refueling vessels (four vessels in Saint-Petersburg, two more in the Black Sea and another one in the Russian Far East). Gazpromneft Terminal SPb operates a bunker terminal in proximity to the Kirovskiy Plant in Saint-Petersburg.

In 2012, Gazprom Neft Marine Bunker strengthened its leadership in the Russian bunker fuel market, raising its market share from 18.25% to 18.60%. ‘Direct-to-ship’ sales of fuel rose by 37% compared to 2011, and reached 1.8 million tonnes.

The Company’s total annual sales of ship fuel grew by 13.6% to 2.5 million tonnes.

<table>
<thead>
<tr>
<th>SALES OF SHIP FUEL, MILLION TONNES</th>
<th>MARKET SHARE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5 million tons</td>
<td>18.6 %</td>
</tr>
<tr>
<td>2019</td>
<td>18.0</td>
</tr>
<tr>
<td>2018</td>
<td>16.0</td>
</tr>
<tr>
<td>2017</td>
<td>14.0</td>
</tr>
<tr>
<td>2016</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Source: Company data

Source: Company data
Petroleum products are shipped from the Omsk refinery and the Moscow refinery. The Omsk refinery accounts for the majority of the shipments.

The Company’s customers include major Russian and international shipping companies. Gazpromneft Marine Bunker has the strongest presence of all domestic bunkering companies in Russia, operating in all Russian key ports, including 15 sea ports and nine river ports. In addition, the Company continued its operations in international ports.

In the reporting year LLC Gazpromneft Marine Bunker tapped new sales markets in Russia and abroad. In Russia, the Company started ship bunkering in the ports of Sheksna and Taman, while internationally it began active retail sales in Baltic ports, including Klaipeda, Tallinn and Riga.

In line with the Company’s ongoing growth, Gazpromneft Marine Bunker updated its long-term development strategy and set targets through 2025.

The implementation of Gazpromneft Marine Bunker’s wide-scale strategic plans requires continuous strengthening of its competitive advantages, which include a large fleet of its own vessels. In support of its bunkering program for major container shippers in Russian Far Eastern ports, Gazpromneft-Shipping, a subsidiary of Gazpromneft Marine Bunker, commissioned a new vessel – Gazpromneft South-East – at the beginning of the year.

The Company’s plans envision further additions to its own fleet, which should expand to 20 vessels by 2025.

Bunker fuel sales should grow to 8.2 million tonnes by 2025, or 16.7% beyond the 2020 target.

Another competitive advantage enabling Gazpromneft Marine Bunker to implement its ambitious plans is a network developed from both its own terminals and those that are leased. Gazpromneft Marine Bunker plans to build a complete bunker infrastructure cycle.

The Company’s development strategy envisions active growth in international markets over the next three years: in Europe, the Middle East and Asia. It plans to bring its market share in Russia up to 27% by 2025.
Aircraft Refueling

The main business lines of CJSC Gazpromneft-Aero, a subsidiary of the Company established in 2008, are small wholesale and retail jet fuel, as well as integrated services for aircraft fuel and lubricant supply.

CJSC Gazpromneft-Aero’s sales network is the largest among Russian-based vertically integrated oil companies and consists of 31 integrated fueling facilities located in Russia and CIS countries. Gazpromneft-Aero’s subsidiaries provide aircraft fueling services in the airports of Moscow, Saint-Petersburg, Novosibirsk, Murmansk, Tomsk, Bryansk, Ulyanovsk, Kemerovo, Krasnoyarsk, and Bishkek (Kyrgyzstan). Gazpromneft-Aero is the sole supplier of jet fuel at 22 aerodromes owned by the Defense Ministry.

Gazpromneft-Aero’s own infrastructure enables it to ensure uninterrupted jet fuel supplies to airports, high-quality fuel, current aircraft fueling technologies, as well as flight safety.

Summarizing the results of the year, Gazprom Neft-Aero is the absolute leader in aircraft fuel retailing in Russia. Retail jet fuel sales grew by 2.07 million tonnes (+29% over 2011).

<table>
<thead>
<tr>
<th>AIRCRAFT FUEL SALES, MILLION TONNES</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>2007</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKET SHARE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2009</td>
</tr>
</tbody>
</table>

Source: Company data
The Company’s share of Russia’s retail market grew from 18% in 2011, to 19% in 2012. Total sales of jet fuel for the Russian Defense Ministry’s aircraft reached 357,000 tonnes in 2012.

The Company has ongoing partnership programs for aircraft refueling with 97 airports in South-East Asia, Europe, Africa, Australia, and North and Latin Americas. Since 2008, Gazprom Neft-Aero has been a designated strategic partner of the International Aviation Transportation Association (IATA) for supplying aircraft fuel.

In the past year, the Company significantly expanded its geographic scope for sales in both domestic and international markets. The Company started to provide refueling services at the airports in Kemerovo and Krasnoyarsk. Aircraft refueling services are offered by Gazpromneft-Aero in 38 countries (88 cities) as compared with 30 countries (49 cities) in 2011.

Gazpromneft-Aero’s strategic goal is to be among the world’s top ten jet fuel suppliers.

In order to strengthen its positions in both domestic and international markets, Gazpromneft-Aero intends to continue intensive development of its own chain of modern integrated fueling facilities. By 2025, the Company plans to form a network of 58 integrated fueling facilities (5 more than the 2020 target) located at domestic and international airports and to increase jet fuel sales to 5.3 million tonnes, or 6% over the 2020 target. The Company’s plans include expanding its international sales network up to 220 airports, while its share in the domestic market should exceed 31% by the year 2025.

Corporate Video
Production and Sale of Motor Oils

The Company places great importance on the production and sales motor oils, as is evidenced by its dedicated vertically integrated oil company, LLC Gazprom Neft-Lubricants.

Gazprom Neft – Lubricants has production assets in Western Siberia (Omsk), European Russia (Yaroslavl), Moscow Region (Fryazino), Western Europe (Bari, Italy) and Serbia (Novi Sad). The Company has received ISO international quality certificates that confirm its compliance with international standards (ISO 9001:2008, 14001:2004, OHSAS 18001:2007). At the present time the Company is preparing for the ISO/TS 16949 certification (requirements for the suppliers of automotive manufacturer assembly line components).

LLC Gazprom Neft – Lubricants sells its products through the extensive Gazprom Neft filling station chain, and also supplies retailers and online stores, service stations, and assembly lines for automotive manufacturers. Gazprom Neft – Lubricants sells its products both inside and outside of Russia.

By year-end 2012, the Company’s market share of packaged oils in Russia had increased from 9 to 16%. Sales of G-Family premium-grade oils in domestic and foreign markets increased 2.5 times. Overall, Gazprom Neft – Lubricants sold 149 thousand tonnes of packaged oils.

In the reporting year, the Company continued to expand its motor oils sales channels. The Company began delivering oils to the Avtotor assembly lines (General Motors, Hyundai), Mercedes Benz Trucks Vostok and Derveis (Lifan), as well as to the GAZ main assembly line.

### Dynamics of Packaged Oils Sales, Thousand Tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>149</td>
</tr>
<tr>
<td>2011</td>
<td>115</td>
</tr>
<tr>
<td>2010</td>
<td>76</td>
</tr>
<tr>
<td>2009</td>
<td>63</td>
</tr>
</tbody>
</table>

↑ 29.57 %

Source: Company data
LLC Gazprom Neft – Lubricants fulfilled half of OJSC Gazprom business units demand for lubricants. The Company began delivering premium-grade oils to the Volga Pipe Works, the Chusovoy and Taganrog Steel Works, and VSMPO-AVISMA. It also succeeded in increasing sales through premium retail channels. The customer base of service stations was expanded from 300 to 1,500 customers, with deliveries made to the largest service station chains – RRT (Subaru, Honda), Truck Center (MAN, IVECO), and Avtomir (AvtoVAZ, Daewoo, Geely, Chery). The Company starting supplying O’KEY, Lenta, and PRIZMA hypermarket chains, the EXIST.RU online store, the AGA chain in Russia and eight hypermarket chains in Italy (totaling 500 outlets) – Auchan, Carrefour, and PUNTO LEGNO.

In 2012, Gazprom Neft – Lubricants continued expanding into international markets by broadening the geography of lubricant sales outside Russia. The Company began delivering oils to Turkey, Bulgaria, Iraq, and Turkmenistan. The Company now sells products in 38 different countries.

A high-profile advertising campaign continued in 2012, which promoted the image of the new G-Family brands as international-quality products for both consumer and business markets. A program promoting the G-Energy premium brand through international motor racing was launched; the Company ran a large-scale ATL advertising campaign for the G-Energy brands in March and April (TV, outdoor advertising, radio) and released a new TV commercial for the G-Energy Adaptive Components Formula.

Gazprom Neft – Lubricants has set itself a stretching goal – to create a national lubricant company, which is a recognized as a leader in technologies, marketing and services related to high-specification premium-grade oils, lubricants and service fluids under a global brand. In pursuit of these objectives, LLC Gazprom Neft – Lubricants is planning to add new, premium-grade lubricants to the product line, increase market share in Russia and enable further expansion into foreign markets by building up a strong distribution network.
Bitumen Materials and Coke

All Gazprom Neft refineries are involved in the production and sale of bitumen materials. At the end of the reporting year, Gazprom Neft maintained its leadership in the Russian bitumen market, with a 26% share.

In 2012, overall sales of bituminous materials totaled 1,445 thousand tonnes. By the end of the year, Gazprom Neft had increased sales of polymer-bitumen binding materials and bitumen emulsions (PBV and BE) nine times compared to 2011.

Sales of oil coke increased by 4% compared to 2011. Sales of bitumen materials to end consumers increased by 10%.

Building up its brand awareness, Gazprom Neft started shipping bitumen from the Moscow refinery using branded bitumen carriers, and took part in Europe’s largest trade fair, Asphaltica, which was held in Padua (Italy). The forum promotes innovative manufacturing processes, technologies, raw materials, equipment and services for the road construction sector and Gazprom Neft had its own exhibition stand, dedicated to its bitumen business. During the exhibition, representatives of Gazprom Neft and NIS conducted a series of negotiations with consumers of bituminous materials; leading manufacturers of bitumens, polymer-bituminous binding materials and bitumen emulsions; and with manufacturers of additives, polymers and equipment.

In late 2012, as part of expanding its presence in international markets, the Company purchased a bitumen plant in Kazakhstan.

Gazprom Neft intends to increase its presence in target markets of Russia, Central and Southern Europe, Central Asia. The Company is planning to expand its PBV-producing capacities and develop the bitumen business at the NIS facilities.
PETROCHEMICAL INDUSTRY

Gazprom Neft is Russia’s largest producer of a range of basic petrochemical products: aromatic hydrocarbons (benzene, paraxylene, orthoxylene, toluene) and propane-propylene fraction (propylene liquefied petroleum gas).

Gazprom Neft’s petrochemical-producing business units are located at the refineries in Russia (Omsk, Yaroslavl, Russia) and Serbia. The Company’s share of overall Russian consumption of aromatic hydrocarbons in 2012, was 19%, while its share of exports totaled 35%.

Sales of the Company’s aromatics were 383 thousand tonnes in 2012, of which 286 thousand tonnes were sold in Russia. The output of propane-propylene fraction by the Company’s refineries was 317 thousand tonnes in 2012, which corresponded to 47% of total domestic production.

In 2012, OJSC Gazprom Neft started work on detailed plans to expand the production and further refining of aromatic hydrocarbons and olefin liquefied hydrocarbon gases.

Gazprom Neft is planning a significant expansion of its petrochemical production and a deeper processing of basic petrochemical products by upgrading existing refinery facilities and by implementing major capital projects for the construction of large-scale production facilities.
New technologies are increasingly influencing all areas of our business. Our ability to remain at the forefront of innovation in our industry brings about significant commercial benefits: stimulating growth, improving business performance and giving us a tangible competitive advantage.

Contrary to the perception that the oil and gas industry in Russia is not considered innovative, companies in the industry are constantly developing pilot projects in the field of innovations, interacting with leading research & development institutions and actively introducing the latest technologies at all stages of the business process – from exploration to refining processes, and even in the sale of petroleum products.

Gazprom Neft is a recognized industry leader in terms of introducing new technology. Its ability to find and use state-of-the-art technical solutions and technologies is a key criterion for the Company’s competitiveness. The Company’s introduction of new technologies is making a significant contribution to its growth in production and refining. Given this fact, the Company is planning to allocate over RUB 15 billion to innovation in development, exploration and production from 2013 to 2020. It is projected that by 2020, more than 50% of oil extractions will be performed using new technologies.

Gazprom Neft also understands the importance of developing oil refining and production technologies in the petrochemical industry. The main goals of Gazprom Neft’s innovation and scientific research in petroleum refining are: to make competitive products, raise product quality, reduce production costs, invent and apply new technologies, products and services, and to resolve current production problems. The 2020 Strategy for Innovation and R&D Development in Oil Refining and Petrochemical Processing envisions annual financing of up to RUB 450 million until 2015.
Gazprom Neft has identified the main areas of business that require innovative solutions and which have been given top priority for the long-term development of exploration and production. Among them:

- increasing the efficiency of oil production from depleted resources at aging fields;
- developing new regions in Yamal and Eastern Siberia;
- offshore exploration and use, including operations beyond the Arctic Circle;
- implementing projects outside Russia;
- developing non-conventional hydrocarbons;
- reducing the industrial burden on the environment, improving energy efficiency.

In 2012, the Company widened its portfolio of innovative projects, including technological improvements such as:

- intelligent well operation systems (EDA Project);
- production of shale oil (Bazhenov and Frolovskaya suites);
- technology of soda-surfactant-polymer (ASP) water flooding;
- developing oil rims;
- developing carbonate fractured reservoirs;
- energy efficiency program;
- high-tech wells;
- integrated support for drilling;
- expansion of the laboratory and methodological basis for research;
- state-of-the-art technologies for remedial cementing;
- production operations beyond the Arctic Circle;
- developing a Technology Management System (knowledge management, adaptation of external technology and cooperation with external experts).

One of the key success factors in the development and introduction of new technologies is an effective system to identify the business areas which would benefit most from innovation.
REGIONAL CENTERS OF COMPETENCE

By collaborating pro-actively with domestic and international oil and gas companies in various projects, Gazprom Neft is able to reduce time and costs associated with industry-wide challenges. For example, the Company has successfully adopted an initiative already used in global companies: it has been decided to establish a regional Center of Competence (RCC) at each subsidiary and affiliate to address the Company’s key technological challenges. The main purposes for establishing these RCCs were to share best practices among Gazprom Neft’s subsidiaries and affiliates, analyze negative practices and exchange experiences with other oil companies.

Currently, the Company has four RCCs:
1. LLC Gazprom Neft-Khantos (Developing formations with low permeability reservoirs);  
2. LLC Gazprom Neft-East (Developing fractured reservoirs);  
3. Gazprom Neft-Muravlenko Branch (Operating pipelines);  
4. OJSC Gazprom Neft-Noyabrskneftegaz (Enhanced oil recovery at the late stages of field development).

LLC Gazprom Neft-Khantos accounts for more than half of the reserves in low permeability reservoirs. The Company is planning to develop 125 million tonnes and produce 300 thousand tonnes in 2013.

The reliability index of pipeline systems across the Company (the specific index of ruptures per km of pipeline) should be reduced from 0.21 to 0.20 in 2013. At Gazprom Neft-Muravlenko Branch this index is expected to reach 0.26 and so the RCC is focused on initiatives to reduce this in order to meet company targets.

In 2012, following the successful adoption of the latest sidetracking technology, OJSC Gazprom Neft-Noyabrskneftegaz carried out 57 operations that added over 230 thousand tonnes to the designed production. The Company is planning to increase the number of such operations to 80 in 2013, to yield an additional 300 million tonnes of oil per year.

LLC Gazprom Neft-East has more than 15 million tonnes of oil concentrated in fractured reservoirs. Projected production totals for 2013: Urmanskoie field – almost 126 thousand tonnes (Business Plan); Archinskoye field – nearly 10 thousand tonnes (Business Plan) and some 6 thousand tonnes at a production site for the pilot project on developing geologically-complex reserves (not included in the Business Plan), which ultimately amounts to 16 thousand tonnes. This will involve the development of more than 9 million tonnes, but the intensity of involvement will depend on the technologies applied.

Under the supervision of LLC Gazprom Neft R&D Center, a working group has been formed to monitor activities of the RCC that provide organizational support. In addition, the R&D Center is actively developing expert institutions in certain fields of knowledge and technologies extensively adopted by the RCC. This applies primarily to the following areas: offshoot spudding-in, multi-stage fracturing, geologically-complex reserves, chemicalization of production processes, and artificial lift. In 2012, as part of the RCC development, experts together with working groups from subsidiaries and affiliates designed, proposed and scheduled a number of pilot projects.

SODA-SURFACTANT-POLYMER (ASP) WATER FLOODING

In addition to its in-house solutions, the Company adopts positive experiences from introducing innovations obtained in collaboration with world’s largest oil and gas companies. Last year, a joint company of OJSC Gazprom Neft and Shell, SPD, launched a pilot project for introducing a technology for soda-surfactant-polymer (ASP) water flooding to increase oil yield from formations at the Zapadno-Salymskoye field. Experiments on core material have confirmed the effectiveness of the selected chemical agent composition to produce additional oil volumes.

The project implementation is scheduled from 2013 to 2016, with a total investment between RUB 2.0 billion and 2.5 billion. The main advantage of this technology is the ability to significantly increase oil recovery (up to 15-20% above the projected figures) from depleted and highly watered fields, which means a production potential of up to 200 million tonnes, or 7-15 million tonnes per year starting in 2020.
DEVELOPING THE BAZHENOV AND FROLOVSKAYA SUITES

As explained above each identified technological challenge has been addressed through the development and introduction of new technologies at the Company’s fields. Above all, these technologies allow for a more qualitative approach to the localization and enhanced recovery of remaining reserves during the late stages of field development, as well as to the Company’s new, as yet undeveloped assets – the development of the Bazhenov and Frolovskaya suites.

In 2012, LLC Gazprom Neft R&D Center, with the participation of Beicip Franlab’s experts, conducted an areal study of the non-conventional reserve potential of the Bazhenov Suite covering over 44 thousand km², including the western part of the Khanty-Mansi Depression, Salymskoye and Demyanskoye Elevations, as well as the adjacent Sytominskaya and Ust-Demyanskaya depressions, Salymsky Trough and the eastern part of the Krasnoleninsk Depression.

In 2012, the initial directional well was drilled in the fracture zone of the fault-block structure of the Bazheno-Abalak complex, at the Palyanovskoye field, with a planned yield of 35 tonnes of oil.

In 2013 and 2014, The Company is planning to implement a pilot project at the Zapadno-Salymskoye field for drilling five horizontal wells of different lengths and bore orientations and to conduct a multi-stage fracturing to assess more accurately the development potential of geologically-complex reserves in the Bazhenov and Frolovskaya suites.

EDA PROJECT

In addition to innovations in technologies directly related to exploration and production, OJSC Gazprom Neft applies innovation in the areas of building and managing business processes. Among the Company’s key projects is an integrated program Electronic Development of Assets (EDA Project). Its initial phase will include the development and implementation of a set of software modules at the Company subsidiaries and affiliates: Hiding Chart + TechMode Information System, Energy-Efficient Design Software Package, and a Well Servicing & Workover Module. The management and control system chosen, including the projects mentioned above will automate key business processes, standardize and systematize information sources, generate quality analytical reports, and attain a maximum level of oil production. The developed modules, related to development and production technologies, aim to reduce the total cost of owning submersible equipment and to maintain productivity in well killing. They also target the prompt resolution of problems associated with choosing the optimal system for new assets evaluation and investment decision-making.

As part of the project, the following projects are scheduled for 2013–2014:
- module and database for under-performing wells;
- well killing and cleanout module;
- database of failures/records associated with the operation of submersible centrifugal pump units (including ground equipment) and tubing;
- automating the process of selecting candidates for optimization;
- downhole equipment operational efficiency analysis system;
- selection pattern for optimal development systems;
- Base Production Analysis & Control module;
- automation of reserves localization and well selection for primary interventions;
- tools for rapid geological structure assessment and data verification;
- integrated module for geological support of well drilling;
- automated qualitative analysis and expertise for 3D geological models;
- module for integrated quality control of geological information;
- spatial data system.
CONSTRUCTION OF HIGH-TECH WELLS

Drilling Support Center

In January 2012, based on interaction with Schlumberger’s drilling support expert group, the Company launched a project to establish a Center for Geological Support of High-Tech Well Construction (for wells with horizontal tailing-in, multilateral wells, with subsequent multi-stage fracturing, etc.). As of early 2013, high-tech well drilling is supported at the fields developed by OJSC Gazprom Neft-Noyabrskneftegaz, Gazprom Neft-Muravlenko Branch, LLC Gazprom Neft-Khantos, CJSC Gazprom Neft Orenburg, and LLC Gazprom Neft Development. In 2012, the construction of more than 150 high-tech wells received support (including well reconstruction by sidetracking), the drilling effectiveness for horizontal well sections in relation to the targeted production interval reached 85%, and the average daily yield of new wells totaled 107 tonnes. Plans for 2013 include increasing high-tech well drilling volumes, expanding the geography of works performed, and developing a corporate standard for geological approval of high-tech well construction.

Multi-phase fracturing

In 2012, projects to introduce multi-stage fracturing assemblies at horizontal wells were initiated at the Company’s four major fields to enable reserves with low filtration properties to produce cost-effective oil yields during the development process. Applying fracturing phases 4 to 6 at the horizontal well section at 400 to 700 meters in length allowed the formation coverage area to increase without increasing the costs associated with drilling additional wells. By applying this technology at 29 wells at the Vyngapurskoye field, OJSC Gazprom Neft-Noyabrskneftegaz, the Yuzhno-Priobskoye field, LLC Gazprom Neft-Khantos, and the Vyngayakhinskoye and Yety-Purovskoye fields, OJSC Gazprom Neft-Noyabrskneftegaz (branch of Muravlenkovskneftegaz) a success rate of 98% was achieved with an average increase in daily oil yield of 79.2 tonnes. Additional oil production totaled 640.6 thousand tonnes as of January 1, 2013.

Rotary steerable systems and oil-based muds

Rotary steerable systems (RSS) are a new generation of downhole equipment for drilling wells. Applying the RSS enables directional wells drilling with a constantly rotating drillstring, thus greatly reducing the local torsion of the borehole and improving the quality of horizontal section cleaning. The direction of the boring head for extended reach drilling is set by directional drilling engineers without the need to lift assemblies onto the surface, thus simplifying geo-steering within thin layers. Reaching the remote target intervals allows the total number of wells and cluster sites to be reduced for field development. The commercial introduction of RSS facilitates the following processes:

- drilling wells with extremely large waste (ERD);
- extended reach drilling to discover previously inaccessible objects;
- drilling vertical wells (with a maximum deviation angle of 0.2°).

CRUDE OIL PRODUCTION IN WELLS BORED WITH THE RSS

In 2012, the RSS reduced capital costs by 1.4%, while increasing hydrocarbon production by 0.5 million tonnes. The total incremental increase between 2012 and 2015 is expected to reach 5.6 million tonnes.

The use of oil-based muds (OBM) at Company fields solves the problem of discovering productive formations, preserves reservoir permeability and porosity to the fullest extent possible, and reduces the risk of accidents in the course of overbalanced drilling. Capital costs decreased by 1.1% as a result of applying OBM in 2012, while yielding an additional 0.3 million tonnes of hydrocarbon production. The total incremental increase between 2012 and 2015 is expected to be 3.6 million tonnes.
Offshoot spudding-in

At present, most of Gazprom Neft’s fields are in stages 3 and 4 of development. It needs to be taken into consideration that some fields have adverse geological conditions which, given the late stages of development, create an imbalance in the proportion of reserves recovered from watering. Sidetracking solves the problem of recovering geologically-complex reserves and immovable oil recovery in the development process, and helps to avoid high watercuts.

The following projects were key for OJSC Gazprom Neft-Noyabrskneftegaz in 2012:

- localization of reserves – creating a proxy model for the ЕВ8 formation of the Vyngapurskoye field;
- using milling bits for sidetracking wells in one drilling session (a well at the Vyngapurskoye field was successfully drilled using equipment from OJSC NPP Burservice). The technology is designed to bypass the emergency section of the well by sidetracking with a minimum of technical and economic costs, and can also be used for uncontrolled sidetracking;
- Sidetracking with oil based muds (OBM) was successfully implemented at two wells at the Vyngapurskoye field. The use of OBM was used to address the instability of boreholes (cap rocks of productive formations) with drilling mud losses, and to obtain a high-quality initial penetration at abnormally low formation pressures;
- sidetracking with multi-zone fracturing (MZF) (was successfully conducted on a well at the Vyngapurskoye field after sidetracking; a bridge plug was used to isolate sections of the productive formation. The assemblies by CJSC OKB Zenith have been proposed for implementation. Testing and introducing sidetracking technology with multi-zone fracturing for the effective involvement of immovable oil in development for areas with low permeability and porosity will be carried out.

OJSC Gazpromneft-Noyabrskneftegaz’s plans for 2013 include:

- testing and introducing sidetracking well technology in one drilling session (bypassing emergency areas, barrel length of 300 m). The assemblies by CJSC OKB Zenith will be used with wells under repair with the need to bypass emergency areas;
- introducing the sidetracking technology with the use of OBM. Plans include works for three wells at the Chatylnskoye, Vorgenskoye and Kholmistoye fields;
- using CJSC OKB Zenith assemblies in the course of multi-zone fracturing. Plans also include sidetracking operations with running MZF assemblies in holes for three wells at the Vyngapurskoye field; commencement period – March 2013.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Actual 2011</th>
<th>Actual 2012</th>
<th>Business Plan 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshoot spudding-in, pcs</td>
<td></td>
<td>57</td>
<td>80</td>
</tr>
<tr>
<td>Additional yield, thousand tonnes per year</td>
<td>99.7</td>
<td><strong>233.1</strong></td>
<td>297.2</td>
</tr>
</tbody>
</table>

Source: Company data
CONSTRUCTION OF HIGH-TECH WELLS  (continued)

Maintaining the current level of asset production

In 2012, efforts continued to implement a tool for oil production with enhanced energy efficiency – electric single-screw progressive cavity pump (ESP unit with thyatron motors). Reduced energy consumption was noted in all of the Company’s subsidiaries and affiliates. The greatest impact was achieved in wells operated using domestic equipment. On average, a 20% decrease in electricity consumption was recorded at each well. In addition to a higher efficiency, thyatron motors have smaller dimensions than common asynchronous motors. The smaller size allows for increased oil production by burying the equipment to record the geological potential of wells.

To maintain the current production on the depleted resource base of Company subsidiaries and affiliates, the Company, along with R&D experts, tested best practices in operating and controlling wells with low yields in the intelligent control mode during 2011 and 2012. The difference between this method and the conventional batch mode is that the performance of the pumping equipment far exceeds that of the well, and, as a result, requires more careful mode tuning. In 2012, R&D experts developed the ‘Selecting the Regular Short-Time Actuation Mode’ methodology to ensure the successful implementation of the intelligent well control mode. This methodology was incorporated in the corporate standard ‘Operations with Submersible Centrifugal Pump Units.’ Following testing procedures, positive results were achieved at wells operating in the batch mode, as well as at underperforming wells. An increase in yield per well was recorded compared with operating in the batch mode. The MTBF also increased 1.5 to 2.0 times with energy cost savings at the same level. The forecasted impact of the full-scale adoption of this technology in low-yield complex wells and in variable flow stock is RUB 148 million between 2014 and 2016.

In 2011, work was carried out as part of Gazprom Neft’s Integrated Exploration and Research Program on 14 production wells at the Sutorminskoye field, OJSC Gazprom Neft-Noyabrskneftegaz (branch of Gazprom Neft-Muravlenko), in an attempt to deactivate a formation in order to transition to a lower horizon. The technologies for injecting compounds based on polymers F100 and WGA111 were applied and a success rate of 93% was achieved. Daily average oil production rose by 6.5 tonnes as a result. As of January 1, 2013, an additional 21.6 tonnes of crude oil had been produced, and 10 wells were involved.

As of February 1, 2013, the project to seal multiple gaps in the production string resulted in an additional production of 15.3 thousand tonnes of oil, with an average daily increase in yield of 25.5 tonnes.

In 2012, in the area of production chemicalization, as part of the project ‘Studying Deposits of Asphalts, Resins, and Paraffins on Aboveground Pipelines at the Zimnyeye Field, LLC Gazprom Neft-Khatno,’ laboratory studies were conducted on the chemical composition of deposits at complex facilities, and the selection of compounds and their optimal concentration was determined in order to prevent the occurrence of asphalt, resin, and paraffin deposits on overground pipelines at the Zimnyeye field (three selected out of 12), and to eliminate them (four selected out of 15). Given the conditions at the OJSC Gazprom Neft-Noyabrskneftegaz facilities, physical-chemical and filtration studies of ‘heavy’ kill fluids (10 samples) were conducted. Following these studies, three samples were used in pilot projects. Comparative physical, chemical and filtration studies of fortifying surfactant additives (three samples) were carried out. From 2008 to 2012, despite a 147% growth in the proportioning unit stock (to 920 units):

- overall reagent consumption decreased by 51% (a two-fold decrease, of 3,848 tonnes);
- Aquatech-525 consumption decreased by 76% (a four-fold decrease, of 5,040 tonnes from 6,620 t to 1,580 tonnes);
- the range of scale inhibitors grew from a single compound to 10 compound brands.

TRENDS IN APPLYING SCALE INHIBITORS, 2008 TO 2012

Source: Company data
In 2012, the Inter-Ministerial Commission for Technological Development, under the Presidium of the Presidential Council on Economic Modernization and Innovative Development of the Russian Federation, approved the Program for Innovative Development at OJSC Gazprom Neft in the area of Oil Refining and Petrochemical Production until 2020. The principles and key performance indicators for innovations in logistics, refining and sales were determined, along with key guidelines to develop innovative technologies in the area of oil refining and petrochemical production. These guidelines include: improving the product quality (in particular, reducing sulfur content and aromatic hydrocarbons in petrols and diesel fuels), increasing the depth of oil refining, developing new products, and increasing the efficiency and sustainability of production.

R&D in petroleum refining and petrochemical processing is being conducted in partnership with Russia’s major research entities which have experience in the production areas which Gazprom Neft regards as its priorities.

The Company’s partners include Topchiev Institute of Petrochemical Synthesis, RAS, Gubkin Russian State University of Oil and Gas, Institute for Problems of Hydrocarbon Refining, SB RAS, OJSC VNIINP, OJSC NPP Neftekhim, etc.

During 2012, the Company’s petroleum refining units implemented both large long-term innovative projects to develop strategically important technologies (nano-catalized tar oil hydrocracking, solid-acid alkylation), and workshop-level R&D to meet the production needs of a specific refinery. One large-scale innovative project, conducted jointly with the Siberian Chapter of the Institute for Problems of Hydrocarbon Refining under the Russian Academy of Science, involved the development and production launch of a biceolyte catalyst for catalytic cracking at Gazprom Neft-Omsk Refinery. Use of the new catalyst helped the Omsk refinery to increase its output of light petroleum products, achieve deeper refining, and lower the sulfur content in products, while also cutting production costs. Gazprom Neft is currently Russia’s largest manufacturer of microspheric catalysts for catalytic cracking. In 2012, a group of authors from OJSC Gazprom Neft-Omsk Refinery received three positive opinions for patents on new brands of cracking catalysts.

In 2012, the Company initiated a number of projects related to high-quality motor fuel component production to develop in-house high-performance catalysts to be incorporated in diesel fraction isodewaxing and oligomerization, and to create a technology for low-octane fraction (raffinate) conversion into a high-octane petrol component (isomerize) with a yield of at least 90%, etc.

The Company conducted research into the development of new bitumen formulations, including polymer-bituminous binding materials.

All patentable R&D results are supported by patent applications.

Further improvement in petroleum refining and petrochemical technologies is needed in order to comply with Russian Government requirements to enhance fuel quality, to address the implications of leveling customs duties payable on dark and light petroleum products, to meet the demand for new petroleum refining and petrochemical products (premium-grade branded fuels, lubricants, new grades of bitumen and coke), to optimize and reduce production costs and to reduce dependence on foreign-made catalysts and technologies.
Gazprom Neft’s fundamental investment principles are as follows:
- comply with the investment plans set out in the Company’s approved Strategy;
- implement the most efficient projects, and create an optimized investment portfolio;
- implement collaborative decision-making and delegate investment decision-making through a hierarchy of responsibility;
- minimize the risks associated with project implementation;
- adopt a differentiated decision-making approach to projects and control over their progress, depending on the type and complexity of each project; and
- undertake mandatory periodical monitoring of project implementation.

The investment activities of Gazprom Neft aim to maximize value, increase efficiency, and help the Company achieve its strategic goals.

<table>
<thead>
<tr>
<th>Year</th>
<th>M&amp;A</th>
<th>Other</th>
<th>Refining</th>
<th>Exploration and Production</th>
<th>Marketing and Sales</th>
<th>New Projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>16.1</td>
<td>2.2</td>
<td>16.2</td>
<td>7.3</td>
<td>9.9</td>
<td>40.3</td>
<td>166.7</td>
</tr>
<tr>
<td>2010</td>
<td>16.9</td>
<td>1.7</td>
<td>6.2</td>
<td>10.6</td>
<td>16.4</td>
<td>64.2</td>
<td>148.9</td>
</tr>
<tr>
<td>2011</td>
<td>16.3</td>
<td>5.3</td>
<td>16.9</td>
<td>31.0</td>
<td>9.9</td>
<td>73.8</td>
<td>168.03</td>
</tr>
<tr>
<td>2012</td>
<td>27.4</td>
<td>27.6</td>
<td>11.6</td>
<td>39.3</td>
<td>27.6</td>
<td>126.0</td>
<td>240.0</td>
</tr>
</tbody>
</table>

Source: Company data
The medium-term investment program consists of investment projects with broadly defined financing needs and economic and operating performance, and with a scope that is proportional to the Company’s investment capacities.

Large-scale development plans in all business segments will require considerable investments. Total investments were RUB182.2 million in 2012, an 8% increase over 2011. Investment grew both in oil production and refining. These increases were due to the implementation of several large projects in oil production and projects within the framework of a motor fuel quality program in oil refining.

Capital investment totaled RUB 158.7* billion in 2012.
- Capital investment in oil production totaled RUB 90.8 billion in 2012. Compared with 2011, investments in this business increased by 29% due to new asset purchases in the Orenburg Region at year-end 2011, and also investments in the Novoportovskoye field and development activities in Kurdistan.
- In 2012, RUB 41.8 billion were allocated for oil refining operations, which is 34% higher than the amount allocated to developing this business in 2011. This growth was due to increased investments in the Moscow Refinery, where the active construction stages of quality-related and environmental projects are now in progress.
- Gasoline and diesel hydrotreating units were put into operation at the company’s Omsk refinery, while the main refining project completed in 2012 at NIS was the construction of a MHC/DHT gas oil hydrocracking plant.
- Capital investment in petroleum products sales totaled RUB 16.2 billion in 2012, which is comparable to 2011. The main area of investment in sales was the development of a filling station chain in the Moscow region and St. Petersburg, where active construction and reconstruction of stations is under way. A total of 76 new stations (38 stations built and 38 acquired) were added to the network in 2012. In addition, 87 stations were renovated and 55 were rebranded.
- Other capital investment totaled RUB 9.8 billion.

Longer-term investment projects totaled RUB 23.5 billion in 2012.
- Exploration and production projects accounted for RUB 12.2 billion, the bulk of which consists of major development projects at the Prirazlomnoye and Messoyakhnoye fields in the Russian Federation.
- Projects for petroleum product sales accounted for RUB 0.9 billion.
- Projects to acquire assets (M&A) accounted for RUB 7.40 billion; the bulk of these projects were aimed at acquiring licenses to develop new areas of oil production in the Russian Federation and the consolidation of shares of the Company’s subsidiaries.
- Investments in other activities amounted to RUB 3.0 billion.

The Company’s plans for 2013 involve increasing its investments to RUB 240.0 billion, including a 44% increase in exploration and production investments, and a 47% increase in investments for petroleum product sales. The Company intends to reduce oil refining investments by 34%, due to completing the quality program for refineries.

*capital costs are shown exclusive of changes in advances paid.

**THE LARGE-SCALE INVESTMENT PROGRAM FOR 2013 IS AIMED AT ACHIEVING THE FOLLOWING:**

- Maintain the current level of production at conventional assets;
- Increase geological survey activity in Eastern Siberia, engage in production operations on the Arctic shelf, commence production at the Prirazlomnoye field, commence sea bound oil shipments from the Novoportovskoye field in 2013;
- Implement major foreign petroleum production projects in Venezuela, Iraq and Kurdistan;
- Convert production at the Moscow refinery to production of Emission Euro-4 and Euro-5 motor fuels; introduce projects for deeper refining at the Omsk refinery and deeper refining at the Moscow refinery;
- Reconstruct and rebrand filling stations, mostly in Moscow and St. Petersburg, bring the tank farm network into compliance with the Company’s formats and standards;
- Develop an aviation fueling network and the bunkering business, and
- Increase production capacity for mixing and packaging of lubricant products in Omsk and Central Russia.
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2012 AND 2011

DEFINITIONS AND CONVERSIONS

The following discussion is an overview of the Group’s financial position as of December 31, 2012 and its financial results for the years ended December 31, 2012 and 2011, and should be read in conjunction with the Consolidated Financial Statements and notes, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

In this report the terms “Gazprom Neft”, “Company” and “Group” represent JSC Gazprom Neft and its consolidated subsidiaries. This report represents the Group’s financial position and results of operations on a consolidated basis.

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

FORWARD-LOOKING STATEMENTS

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

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

Interactive Report
## KEY FINANCIAL AND OPERATING DATA

<table>
<thead>
<tr>
<th>FINANCIAL RESULTS (RUB MILLION)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,230,266</td>
<td>1,029,803</td>
<td>19.5</td>
</tr>
<tr>
<td>Adjusted EBITDA1</td>
<td>323,106</td>
<td>300,077</td>
<td>7.7</td>
</tr>
<tr>
<td>RUB per toe of production</td>
<td>5,411.3</td>
<td>5,239.7</td>
<td>3.3</td>
</tr>
<tr>
<td>USD2 per boe of production</td>
<td>23.7</td>
<td>24.2</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Profit attributable to Gazprom Neft</td>
<td>176,296</td>
<td>160,362</td>
<td>9.9</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>231,073</td>
<td>180,871</td>
<td>27.8</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>158,102</td>
<td>130,788</td>
<td>20.9</td>
</tr>
<tr>
<td>Net debt</td>
<td>149,105</td>
<td>191,628</td>
<td>(22.2)</td>
</tr>
</tbody>
</table>

**OPERATIONAL RESULTS**

| Hydrocarbon production including share in equity associates (MMboe): | 439.02 | 421.64 | 4.1 |
| Daily hydrocarbon production (MMboepd) | 1.20 | 1.16 | 3.8 |
| Crude oil production including share in equity associates (MMbbl) | 373.64 | 368.27 | 1.5 |
| Gas production including share in equity associates (bcf) | 392.31 | 320.20 | 22.5 |
| Refining throughput at own and equity associates refineries (MMtonnes) | 43.34 | 40.49 | 7.0 |

1 EBITDA is a non-IFRS measure. A reconciliation of adjusted EBITDA to profit before income taxes is provided in the appendix.  
2 Translated to USD at average exchange rate for the period.

### 2012 HIGHLIGHTS

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

### 2012 RESULTS VS. 2011 RESULTS

- Total hydrocarbon production including the Group’s share in equity associates increased 4.1% to 439.02 million boe (oil production increased 1.5% to 373.64 million bbl and gas production increased 22.5% to 592.31 bcf) due to continued production growth at the Priobskoye field, higher associated gas output, and new production sources (Orenburg assets, SeverEnergia);  
- Refining throughput increased 7.0% in response to higher domestic downstream margins compared to export alternatives; and  
- Higher oil products prices, increased hydrocarbon production and refining throughput combined with growth in premium segment sales improved the Group’s financial results: revenue increased 19.5% year-on-year, while growth in EBITDA (up 7.7% year-on-year) and profit attributable to shareholders (up 9.9% year-on-year) was held back by higher taxes (MET, excise) and higher natural monopoly tariffs.
ANALYSIS OF OPERATING RESULTS

### Exploration Drilling and Discoveries

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED SUBSIDIARIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration drilling ('000 meters)</td>
<td>64</td>
<td>63</td>
<td>1.6</td>
</tr>
<tr>
<td>Exploration wells drilled</td>
<td>21</td>
<td>25</td>
<td>(16.0)</td>
</tr>
<tr>
<td>New fields discovered</td>
<td>2</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td>New reservoirs discovered</td>
<td>39</td>
<td>23</td>
<td>–</td>
</tr>
<tr>
<td><strong>EQUITY ASSOCIATES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration drilling ('000 meters)</td>
<td>65</td>
<td>63</td>
<td>3.2</td>
</tr>
<tr>
<td>Exploration wells drilled</td>
<td>23</td>
<td>27</td>
<td>(14.8)</td>
</tr>
<tr>
<td>New reservoirs discovered</td>
<td>6</td>
<td>16</td>
<td>–</td>
</tr>
</tbody>
</table>

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

---

**EXPLORATION DRILLING ('000 METERS')**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>129</strong></td>
<td>64</td>
<td>63</td>
<td>1.6</td>
</tr>
<tr>
<td>129 '000 meters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>↑ 2.4 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Consolidated subsidiaries
- Equity associates

Source: Company data

**EXPLORATION WELLS DRILLED**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>44</strong></td>
<td>21</td>
<td>25</td>
<td>(15.4)</td>
</tr>
<tr>
<td>44 wells</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>↓ 15.4 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Consolidated subsidiaries
- Equity associates

Source: Company data

**NEW RESERVOIRS DISCOVERED**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>45</strong></td>
<td>39</td>
<td>6</td>
<td>15.4 %</td>
</tr>
<tr>
<td>45 new reservoirs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>↑ 15.4 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Consolidated subsidiaries
- Equity associates

Source: Company data
Oil and Gas Reserves

<table>
<thead>
<tr>
<th>(MMboe)</th>
<th>Gazprom Neft</th>
<th>Slavneft</th>
<th>Tomskneft</th>
<th>SPD</th>
<th>Sever-Energy</th>
<th>Messoyakhaneftegaz</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROVED RESERVES (DECEMBER 31, 2010)</td>
<td>5,280</td>
<td>926</td>
<td>616</td>
<td>250</td>
<td>455</td>
<td>–</td>
<td>7,526</td>
</tr>
<tr>
<td>Production</td>
<td>(267)</td>
<td>(69)</td>
<td>(43)</td>
<td>(31)</td>
<td>–</td>
<td>–</td>
<td>(410)</td>
</tr>
<tr>
<td>Revision of previous estimates</td>
<td>339</td>
<td>84</td>
<td>89</td>
<td>15</td>
<td>355</td>
<td>–</td>
<td>883</td>
</tr>
<tr>
<td>Purchases of licenses</td>
<td>320</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>320</td>
</tr>
<tr>
<td>PROVED RESERVES (DECEMBER 31, 2011)</td>
<td>5,672</td>
<td>940</td>
<td>663</td>
<td>234</td>
<td>810</td>
<td>–</td>
<td>8,319</td>
</tr>
<tr>
<td>Production</td>
<td>(284)</td>
<td>(68)</td>
<td>(43)</td>
<td>(28)</td>
<td>(3)</td>
<td>–</td>
<td>(426)</td>
</tr>
<tr>
<td>Revision of previous estimates</td>
<td>515</td>
<td>70</td>
<td>18</td>
<td>39</td>
<td>338</td>
<td>–</td>
<td>979</td>
</tr>
<tr>
<td>Purchases of licenses</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>PROVED RESERVES (DECEMBER 31, 2012)</td>
<td>5,904</td>
<td>942</td>
<td>638</td>
<td>244</td>
<td>1,145</td>
<td>–</td>
<td>8,873</td>
</tr>
<tr>
<td>Total Group probable reserves</td>
<td>3,872</td>
<td>1,457</td>
<td>409</td>
<td>96</td>
<td>704</td>
<td>355</td>
<td>6,893</td>
</tr>
<tr>
<td>Total Group possible reserves</td>
<td>2,529</td>
<td>1,285</td>
<td>389</td>
<td>71</td>
<td>795</td>
<td>489</td>
<td>5,559</td>
</tr>
</tbody>
</table>

Total reflects 49.9% ownership of Slavneft, 50% of Tomskneft, Salym Petroleum Development and Messoyakhaneftegaz and 25.5% of SeverEnergia.

- The Company’s proved reserves as of December 31, 2012 totaled 5,904 MMboe, including 4,824 MMbbl of crude oil and 6,476 bcf of gas.
- Including shares in equity associates, proved reserves were 8,873 MMboe as of December 31, 2012, including 6,782 MMbbl of crude oil and 12,545 bcf of gas.
- Proved reserves figures do not include reserve volumes related to the Company’s Serbian subsidiary, NIS, as there are limitations on disclosure of such information in Serbia.
- Reserve estimates are made by DeGolyer and MacNaughton on the basis of the standards of the Society of Petroleum Engineers (SPE) Petroleum Reserves Management System (PRMS).
- The PRMS reserves figures provided in the table differ from those reported in the supplementary information on oil and gas activities included with our consolidated financial statements. Oil and gas reserves reported in the supplementary information are prepared using definitions provided by the US Securities and Exchange Commission (SEC), which require the use of a 12-month average of the price on the first day of the month for each month within the reporting period. The PRMS reserves in the above table use management’s best estimate of future crude oil and natural gas prices.

Production Drilling

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSOLIDATED SUBSIDIARIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling (’000 meters)</td>
<td>2,516</td>
<td>2,254</td>
<td>11.6</td>
</tr>
<tr>
<td>New production wells</td>
<td>690</td>
<td>735</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Average well flow (tonnes per day)</td>
<td>14.34</td>
<td>15.26</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Watercut, %</td>
<td>83.93</td>
<td>83.63</td>
<td>0.4 pp</td>
</tr>
<tr>
<td>EQUITY ASSOCIATES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling (’000 meters)</td>
<td>1,518</td>
<td>1,611</td>
<td>(5.7)</td>
</tr>
<tr>
<td>New production wells</td>
<td>401</td>
<td>487</td>
<td>(17.7)</td>
</tr>
</tbody>
</table>

The Group has been reorienting its drilling toward horizontal wells, which are more complex than vertical wells, but deliver greater yields. As a result the number of new production wells decreased 6.1% year-on-year.
Production

### CRUDE OIL

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noyabrskneftegaz</td>
<td>15.49</td>
<td>16.30</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Yugra</td>
<td>11.39</td>
<td>10.19</td>
<td>11.8</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>1.07</td>
<td>1.41</td>
<td>(24.1)</td>
</tr>
<tr>
<td>Orenburg</td>
<td>1.10</td>
<td>0.19</td>
<td>478.9</td>
</tr>
<tr>
<td>Others</td>
<td>2.60</td>
<td>2.30</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>CRUDE OIL PRODUCTION IN RUSSIA</strong></td>
<td><strong>31.65</strong></td>
<td><strong>30.39</strong></td>
<td><strong>4.1</strong></td>
</tr>
<tr>
<td>Crude oil production outside Russia (NIS)</td>
<td>1.22</td>
<td>1.13</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>CRUDE OIL PRODUCTION BY CONSOLIDATED SUBSIDIARIES</strong></td>
<td><strong>32.87</strong></td>
<td><strong>31.52</strong></td>
<td><strong>4.3</strong></td>
</tr>
<tr>
<td>Share in Slavneft</td>
<td>8.93</td>
<td>9.04</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Share in Tomskneft</td>
<td>5.11</td>
<td>5.18</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Share in Salym Petroleum Development (SPD)</td>
<td>3.81</td>
<td>4.23</td>
<td>(9.9)</td>
</tr>
<tr>
<td>Share in SeverEnergia (SE)</td>
<td>0.06</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL SHARE IN CRUDE OIL PRODUCTION OF EQUITY ASSOCIATES</strong></td>
<td><strong>17.91</strong></td>
<td><strong>18.45</strong></td>
<td><strong>(2.9)</strong></td>
</tr>
<tr>
<td><strong>TOTAL CRUDE OIL PRODUCTION</strong></td>
<td><strong>50.78</strong></td>
<td><strong>49.97</strong></td>
<td><strong>1.6</strong></td>
</tr>
<tr>
<td>MMtonnes</td>
<td>50.78</td>
<td>49.97</td>
<td>1.6</td>
</tr>
<tr>
<td>MMbbl</td>
<td>373.64</td>
<td>368.27</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### GAS*

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noyabrskneftegaz</td>
<td>7.32</td>
<td>6.88</td>
<td>6.4</td>
</tr>
<tr>
<td>Yugra</td>
<td>0.08</td>
<td>0.08</td>
<td>–</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>0.07</td>
<td>0.08</td>
<td>(12.5)</td>
</tr>
<tr>
<td>Orenburg</td>
<td>1.12</td>
<td>0.23</td>
<td>387.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.13</td>
<td>0.05</td>
<td>160.0</td>
</tr>
<tr>
<td><strong>GAS PRODUCTION IN RUSSIA</strong></td>
<td><strong>8.72</strong></td>
<td><strong>7.32</strong></td>
<td><strong>19.1</strong></td>
</tr>
<tr>
<td>Gas production outside Russia (NIS)</td>
<td>0.56</td>
<td>0.54</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>GAS PRODUCTION BY CONSOLIDATED SUBSIDIARIES</strong></td>
<td><strong>9.28</strong></td>
<td><strong>7.86</strong></td>
<td><strong>18.1</strong></td>
</tr>
<tr>
<td>Share in Slavneft</td>
<td>0.42</td>
<td>0.43</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Share in Tomskneft</td>
<td>0.84</td>
<td>0.72</td>
<td>16.7</td>
</tr>
<tr>
<td>Share in Salym Petroleum Development (SPD)</td>
<td>0.13</td>
<td>0.05</td>
<td>160.0</td>
</tr>
<tr>
<td>Share in SeverEnergia (SE)</td>
<td>0.45</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL SHARE IN GAS PRODUCTION OF EQUITY ASSOCIATES</strong></td>
<td><strong>1.84</strong></td>
<td><strong>1.20</strong></td>
<td><strong>53.3</strong></td>
</tr>
<tr>
<td><strong>TOTAL GAS PRODUCTION</strong></td>
<td><strong>11.12</strong></td>
<td><strong>9.06</strong></td>
<td><strong>22.7</strong></td>
</tr>
<tr>
<td><strong>TOTAL HYDROCARBON PRODUCTION BY CONSOLIDATED SUBSIDIARIES (MMTOE)</strong></td>
<td><strong>40.32</strong></td>
<td><strong>37.86</strong></td>
<td><strong>6.5</strong></td>
</tr>
<tr>
<td><strong>TOTAL HYDROCARBON PRODUCTION BY EQUITY ASSOCIATES (MMTOE)</strong></td>
<td><strong>19.39</strong></td>
<td><strong>19.41</strong></td>
<td><strong>(0.1)</strong></td>
</tr>
<tr>
<td><strong>TOTAL HYDROCARBON PRODUCTION:</strong></td>
<td><strong>59.71</strong></td>
<td><strong>57.27</strong></td>
<td><strong>4.3</strong></td>
</tr>
<tr>
<td>MMtoe</td>
<td>59.71</td>
<td>57.27</td>
<td>4.3</td>
</tr>
<tr>
<td>MMboe</td>
<td>439.02</td>
<td>421.64</td>
<td>4.1</td>
</tr>
</tbody>
</table>

### DAILY HYDROCARBON PRODUCTION (MMBOEPD)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.20</td>
<td>1.16</td>
<td>3.8</td>
</tr>
</tbody>
</table>

* Production volume includes marketable gas plus utilized gas.

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

### Crude Oil Purchases

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil purchases, Russia*</td>
<td>7.82</td>
<td>5.77</td>
<td>35.5</td>
</tr>
<tr>
<td>Crude oil purchases, international</td>
<td>3.24</td>
<td>1.68</td>
<td>92.9</td>
</tr>
<tr>
<td><strong>TOTAL CRUDE OIL PURCHASES</strong></td>
<td><strong>11.06</strong></td>
<td><strong>7.45</strong></td>
<td><strong>48.5</strong></td>
</tr>
</tbody>
</table>

* Crude oil purchases in Russia exclude purchases from the Group’s equity associates Slavneft, Tomskneft, Salym Petroleum Development (SPD) and SeverEnergia (SE).

Increased trading in crude oil resulted in higher crude oil purchases, which rose 48.5% year-on-year.
### Refining, mn tonnes

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omsk</td>
<td>20.95</td>
<td>19.95</td>
<td>5.0</td>
</tr>
<tr>
<td>Moscow</td>
<td>10.67</td>
<td>10.80</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Share in Yaroslavl</td>
<td>7.64</td>
<td>7.39</td>
<td>3.4</td>
</tr>
<tr>
<td>REFINING THROUGHPUT IN RUSSIA</td>
<td><strong>39.26</strong></td>
<td><strong>38.14</strong></td>
<td><strong>2.9</strong></td>
</tr>
<tr>
<td>Pancevo and Novi Sad</td>
<td>2.14</td>
<td>2.35</td>
<td>(8.9)</td>
</tr>
<tr>
<td>Share in Mozyr</td>
<td>1.94</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL REFINING THROUGHPUT</td>
<td><strong>43.34</strong></td>
<td><strong>40.49</strong></td>
<td><strong>7.0</strong></td>
</tr>
</tbody>
</table>

### PRODUCTION OF PETROLEUM PRODUCTS

<table>
<thead>
<tr>
<th>Product</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>8.96</td>
<td>8.10</td>
<td>10.6</td>
</tr>
<tr>
<td>Below Euro-2</td>
<td>0.40</td>
<td>0.44</td>
<td>(9.1)</td>
</tr>
<tr>
<td>Euro-2</td>
<td>0.76</td>
<td>0.14</td>
<td>442.9</td>
</tr>
<tr>
<td>Euro-3</td>
<td>2.24</td>
<td>6.65</td>
<td>(66.3)</td>
</tr>
<tr>
<td>Euro-4</td>
<td>3.46</td>
<td>0.82</td>
<td>322.0</td>
</tr>
<tr>
<td>Euro-5</td>
<td>2.10</td>
<td>0.05</td>
<td>4,100.0</td>
</tr>
<tr>
<td>Naphtha</td>
<td>1.30</td>
<td>1.15</td>
<td>13.0</td>
</tr>
<tr>
<td>Diesel</td>
<td>11.51</td>
<td>11.49</td>
<td>0.2</td>
</tr>
<tr>
<td>Below Euro-2</td>
<td>0.74</td>
<td>4.46</td>
<td>(83.4)</td>
</tr>
<tr>
<td>Euro-2</td>
<td>4.89</td>
<td>2.45</td>
<td>99.6</td>
</tr>
<tr>
<td>Euro-3</td>
<td>1.30</td>
<td>0.95</td>
<td>36.8</td>
</tr>
<tr>
<td>Euro-4</td>
<td>1.96</td>
<td>2.12</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Euro-5</td>
<td>2.62</td>
<td>1.51</td>
<td>73.5</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>8.78</td>
<td>8.34</td>
<td>5.3</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>2.67</td>
<td>2.57</td>
<td>3.9</td>
</tr>
<tr>
<td>Other</td>
<td>7.79</td>
<td>6.69</td>
<td>16.4</td>
</tr>
<tr>
<td>TOTAL PRODUCTION</td>
<td><strong>41.01</strong></td>
<td><strong>38.34</strong></td>
<td><strong>7.0</strong></td>
</tr>
</tbody>
</table>

- Refining throughput grew 7.0% year-on-year due to increased production at the Mozyr refinery, growing demand, higher effective capacity following the removal of logistical bottlenecks, and differences in refinery maintenance schedules. The 8.9% reduction in refining throughput at Pancevo and Novi Sad was planned in response to changing local market conditions.
- Production of Euro-2 gasoline increased year-on-year due to maintenance of the catalytic cracking unit in July and scheduled maintenance of the primary refining unit between September-November at the Moscow refinery.
- Fuel oil production grew 5.3% year-on-year due to increased refining throughput at Omsk and Yaroslavl.
- Production of Euro-4 and Euro-5 gasoline and Euro-5 diesel fuel increased year-on-year as a result of production capacity modernization.

Source: Company data
International Purchases of Petroleum Products

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MMtonnes</td>
<td>RUB million</td>
</tr>
<tr>
<td>Naphtha</td>
<td>3,518</td>
<td>0.12</td>
<td>2,382</td>
</tr>
<tr>
<td>Diesel</td>
<td>28,411</td>
<td>0.93</td>
<td>15,830</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>2,438</td>
<td>0.12</td>
<td>2,804</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>7,102</td>
<td>0.20</td>
<td>4,266</td>
</tr>
<tr>
<td>Other</td>
<td>811</td>
<td>0.01</td>
<td>546</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>42,280</strong></td>
<td><strong>1.38</strong></td>
<td><strong>25,828</strong></td>
</tr>
</tbody>
</table>

Purchases on international markets increased 50.0% year-on-year due to an improved market environment and increased trading activity.

Petroleum Products Purchases in the CIS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MMtonnes</td>
<td>RUB million</td>
</tr>
<tr>
<td>High octane gasoline</td>
<td>1,374</td>
<td>0.04</td>
<td>4,377</td>
</tr>
<tr>
<td>Low octane gasoline</td>
<td>–</td>
<td>–</td>
<td>850</td>
</tr>
<tr>
<td>Diesel</td>
<td>1,045</td>
<td>0.03</td>
<td>3,800</td>
</tr>
<tr>
<td>Other</td>
<td>660</td>
<td>0.04</td>
<td>475</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,079</strong></td>
<td><strong>0.11</strong></td>
<td><strong>9,502</strong></td>
</tr>
</tbody>
</table>

Purchases in CIS decreased 75.6% year-on-year due to an increase in supply of our own products as a result of a higher refining throughput at Mozyr.

Domestic Purchases of Petroleum Products

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MMtonnes</td>
<td>RUB million</td>
</tr>
<tr>
<td>High octane gasoline</td>
<td>23,469</td>
<td>0.91</td>
<td>22,625</td>
</tr>
<tr>
<td>Low octane gasoline</td>
<td>–</td>
<td>–</td>
<td>252</td>
</tr>
<tr>
<td>Diesel</td>
<td>5,562</td>
<td>0.21</td>
<td>6,688</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>4,565</td>
<td>0.26</td>
<td>3,248</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>8,081</td>
<td>0.34</td>
<td>4,172</td>
</tr>
<tr>
<td>Other</td>
<td>3,145</td>
<td>0.13</td>
<td>2,747</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>44,822</strong></td>
<td><strong>1.85</strong></td>
<td><strong>39,732</strong></td>
</tr>
</tbody>
</table>

Domestic purchases declined 4.1% year-on-year mostly due to a higher refining throughput.
Products Marketing

<table>
<thead>
<tr>
<th>ACTIVE RETAIL STATIONS</th>
<th>2012 (UNITS)</th>
<th>2011 (UNITS)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Russia</td>
<td>1,060</td>
<td>1,043</td>
<td>1.6</td>
</tr>
<tr>
<td>In CIS</td>
<td>205</td>
<td>202</td>
<td>1.5</td>
</tr>
<tr>
<td>In Eastern Europe</td>
<td>344</td>
<td>425</td>
<td>(19.1)</td>
</tr>
<tr>
<td>TOTAL RETAIL STATIONS (AS AT THE END OF THE PERIOD)</td>
<td>1,609</td>
<td>1,670</td>
<td>(3.7)</td>
</tr>
</tbody>
</table>

| AVERAGE DAILY SALES PER RETAIL SITE IN RUSSIA (TONNES PER DAY) | 17.7 | 14.2 | 24.1 |

<table>
<thead>
<tr>
<th>SALES VOLUME THROUGH PREMIUM CHANNELS</th>
<th>(MMTONNES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline and Diesel</td>
<td>17.74</td>
</tr>
<tr>
<td>Jet</td>
<td>2.07</td>
</tr>
<tr>
<td>Bunkering</td>
<td>2.45</td>
</tr>
<tr>
<td>Lubricants</td>
<td>0.15</td>
</tr>
<tr>
<td>TOTAL SALES VOLUME THROUGH PREMIUM CHANNELS</td>
<td>22.41</td>
</tr>
</tbody>
</table>

- The total number of active retail stations decreased by 3.7% year-on-year primarily as a result of retail network optimization in Eastern Europe.
- Average daily sales per retail site in Russia increased 24.1% year-on-year due to higher domestic demand for petroleum products and the successful results of our rebranding campaign, new promotions and customer loyalty program.
- Sales volumes through premium channels increased 14.6% year-on-year due to:
  - Growing jet fuel market, expanding jet fuel network in Russia (and abroad) and new airline customers;
  - Growing bunkering market in the Far East, new long-term contracts with Russian and foreign shipping companies; and
  - Expansion into new lubricants markets (Turkey, Northern Europe) and entrance into new customer segments.
# RESULTS OF OPERATIONS

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1,517,067</td>
<td>1,291,596</td>
<td>17.5</td>
</tr>
<tr>
<td>Less export duties and excise tax*</td>
<td>(286,801)</td>
<td>(261,795)</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>1,230,266</td>
<td>1,029,803</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>COSTS AND OTHER DEDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of oil, gas and petroleum products</td>
<td>(430,485)</td>
<td>(314,199)</td>
<td>37.0</td>
</tr>
<tr>
<td>Production and manufacturing expenses</td>
<td>(123,367)</td>
<td>(107,523)</td>
<td>14.7</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(66,115)</td>
<td>(51,430)</td>
<td>28.6</td>
</tr>
<tr>
<td>Transportation expenses</td>
<td>(93,813)</td>
<td>(81,935)</td>
<td>14.5</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>(58,461)</td>
<td>(55,799)</td>
<td>4.8</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>(251,128)</td>
<td>(208,196)</td>
<td>20.6</td>
</tr>
<tr>
<td>Exploration expenses</td>
<td>(3,263)</td>
<td>(2,105)</td>
<td>55.0</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>(1,026,632)</td>
<td>(821,187)</td>
<td>25.0</td>
</tr>
<tr>
<td>Other (loss) / gain, net</td>
<td>(4,891)</td>
<td>925</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong></td>
<td>198,743</td>
<td>209,541</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Share of profit of equity accounted investments</td>
<td>28,281</td>
<td>6,874</td>
<td>311.4</td>
</tr>
<tr>
<td>Net foreign exchange gain</td>
<td>953</td>
<td>740</td>
<td>28.78</td>
</tr>
<tr>
<td>Finance income</td>
<td>3,174</td>
<td>1,956</td>
<td>62.3</td>
</tr>
<tr>
<td>Finance expense</td>
<td>(11,160)</td>
<td>(11,446)</td>
<td>(2.5)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME / (EXPENSE)</strong></td>
<td>21,248</td>
<td>(1,876)</td>
<td></td>
</tr>
<tr>
<td><strong>PROFIT BEFORE INCOME TAX</strong></td>
<td>219,991</td>
<td>207,665</td>
<td>5.9</td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>(30,085)</td>
<td>(33,728)</td>
<td>(10.8)</td>
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<tr>
<td>Deferred income tax expense</td>
<td>(5,754)</td>
<td>(6,268)</td>
<td>(8.2)</td>
</tr>
<tr>
<td><strong>TOTAL INCOME TAX EXPENSE</strong></td>
<td>(35,839)</td>
<td>(39,996)</td>
<td>(10.4)</td>
</tr>
<tr>
<td><strong>PROFIT FOR THE PERIOD</strong></td>
<td>184,152</td>
<td>167,669</td>
<td>9.8</td>
</tr>
<tr>
<td>Less: Profit attributable to non-controlling interest</td>
<td>(7,856)</td>
<td>(7,307)</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>PROFIT ATTRIBUTABLE TO GAZPROM NEFT</strong></td>
<td>176,296</td>
<td>160,362</td>
<td>9.9</td>
</tr>
</tbody>
</table>

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

## OPERATING PROFIT, RUB MILLION

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>198,743</td>
<td>209,541</td>
</tr>
</tbody>
</table>

* 5.2 %

Source: Company data

### Revenues

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CRUDE OIL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>195,567</td>
<td>153,272</td>
<td>27.6</td>
</tr>
<tr>
<td>Export sales</td>
<td>346,213</td>
<td>304,758</td>
<td>13.6</td>
</tr>
<tr>
<td>Less related export duties</td>
<td>(150,646)</td>
<td>(151,486)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>International markets</td>
<td>1,740</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Export to CIS</td>
<td>29,783</td>
<td>36,259</td>
<td>(17.9)</td>
</tr>
<tr>
<td>Domestic</td>
<td>12,988</td>
<td>2,052</td>
<td>532.9</td>
</tr>
<tr>
<td><strong>TOTAL CRUDE OIL REVENUE</strong></td>
<td>240,078</td>
<td>191,583</td>
<td>25.3</td>
</tr>
<tr>
<td><strong>GAS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International markets</td>
<td>6,281</td>
<td>5,366</td>
<td>17.1</td>
</tr>
<tr>
<td>Domestic</td>
<td>17,540</td>
<td>12,809</td>
<td>36.9</td>
</tr>
<tr>
<td><strong>TOTAL GAS REVENUE</strong></td>
<td>23,821</td>
<td>18,175</td>
<td>31.1</td>
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</table>
Revenues

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PETROLEUM PRODUCTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>240,381</td>
<td>210,612</td>
<td>14.1</td>
</tr>
<tr>
<td>Export sales</td>
<td>349,049</td>
<td>287,753</td>
<td>21.3</td>
</tr>
<tr>
<td>Less related export duties</td>
<td>(108,668)</td>
<td>(77,141)</td>
<td>40.9</td>
</tr>
<tr>
<td>International markets</td>
<td>69,876</td>
<td>66,672</td>
<td>4.8</td>
</tr>
<tr>
<td>Sales on international markets</td>
<td>92,725</td>
<td>91,424</td>
<td>1.4</td>
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<tr>
<td>Excise*</td>
<td>(22,849)</td>
<td>(24,752)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>CIS</td>
<td>54,539</td>
<td>38,394</td>
<td>42.1</td>
</tr>
<tr>
<td>Export sales and sales in CIS</td>
<td>59,177</td>
<td>46,808</td>
<td>26.4</td>
</tr>
<tr>
<td>Less related export duties</td>
<td>(4,638)</td>
<td>(8,414)</td>
<td>(44.9)</td>
</tr>
<tr>
<td>Domestic</td>
<td>571,020</td>
<td>478,172</td>
<td>19.4</td>
</tr>
<tr>
<td>TOTAL PETROLEUM PRODUCTS REVENUE</td>
<td>935,816</td>
<td>793,850</td>
<td>17.9</td>
</tr>
<tr>
<td>OTHER REVENUE</td>
<td>30,551</td>
<td>26,195</td>
<td>16.6</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>1,230,266</td>
<td>1,029,803</td>
<td>19.5</td>
</tr>
</tbody>
</table>

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

Sales Volumes

<table>
<thead>
<tr>
<th></th>
<th>2012 (MMTONNES)</th>
<th>2011 (MMTONNES)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRUDE OIL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>14.12</td>
<td>13.08</td>
<td>8.0</td>
</tr>
<tr>
<td>Sales on international markets</td>
<td>0.07</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export to CIS</td>
<td>2.50</td>
<td>2.99</td>
<td>(16.4)</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>1.23</td>
<td>0.20</td>
<td>515.0</td>
</tr>
<tr>
<td>TOTAL CRUDE OIL SALES</td>
<td>17.92</td>
<td>16.27</td>
<td>10.1</td>
</tr>
<tr>
<td>GAS</td>
<td>(BCM)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International markets</td>
<td>0.46</td>
<td>0.44</td>
<td>4.5</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>10.50</td>
<td>9.31</td>
<td>12.8</td>
</tr>
<tr>
<td>TOTAL GAS SALES</td>
<td>10.96</td>
<td>9.75</td>
<td>12.4</td>
</tr>
<tr>
<td>PETROLEUM PRODUCTS</td>
<td>(MMTONNES)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>14.13</td>
<td>12.63</td>
<td>11.9</td>
</tr>
<tr>
<td>Sales on international markets</td>
<td>2.40</td>
<td>2.43</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Export and sales in CIS</td>
<td>2.35</td>
<td>2.05</td>
<td>14.6</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>25.10</td>
<td>24.29</td>
<td>3.3</td>
</tr>
<tr>
<td>TOTAL PETROLEUM PRODUCTS SALES</td>
<td>43.98</td>
<td>41.40</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Average Realized Sales Prices

<table>
<thead>
<tr>
<th></th>
<th>2012 (RUB PER TONNE)</th>
<th>2011 (RUB PER TONNE)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRUDE OIL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>24,519</td>
<td>23,300</td>
<td>5.2</td>
</tr>
<tr>
<td>Export and sales in CIS</td>
<td>11,913</td>
<td>12,127</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>10,559</td>
<td>10,260</td>
<td>2.9</td>
</tr>
<tr>
<td>PETROLEUM PRODUCTS</td>
<td>(RUB PER TONNE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>24,703</td>
<td>22,783</td>
<td>8.4</td>
</tr>
<tr>
<td>Sales on international markets</td>
<td>38,635</td>
<td>37,623</td>
<td>2.7</td>
</tr>
<tr>
<td>Export and sales in CIS</td>
<td>25,182</td>
<td>22,833</td>
<td>10.3</td>
</tr>
<tr>
<td>Domestic sales</td>
<td>22,750</td>
<td>19,686</td>
<td>15.6</td>
</tr>
</tbody>
</table>
Crude Oil Export Sales
- The 13.6% increase in crude export sales year-on-year was driven by a 5.2% increase in realized oil prices and an 8.0% increase in sales volumes resulting from market expansion.
- The year-on-year decrease in crude export and sales in the CIS was the result of the reallocation of crude oil from export to refining at Mozyr.
- Domestic crude oil sales increased following the acquisition of a subsidiary in Orenburg in 4Q 2011.

Petroleum Products Exports

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MM tonnes</td>
<td>RUB million</td>
</tr>
<tr>
<td>High octane gasoline</td>
<td>9,827</td>
<td>0.32</td>
<td>3,444</td>
</tr>
<tr>
<td>Low octane gasoline</td>
<td>5,585</td>
<td>0.20</td>
<td>800</td>
</tr>
<tr>
<td>Naphtha</td>
<td>33,809</td>
<td>1.19</td>
<td>27,479</td>
</tr>
<tr>
<td>Diesel</td>
<td>117,812</td>
<td>3.93</td>
<td>126,351</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>129,435</td>
<td>6.66</td>
<td>110,607</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>7,545</td>
<td>0.22</td>
<td>4,660</td>
</tr>
<tr>
<td>Other</td>
<td>45,036</td>
<td>1.61</td>
<td>14,412</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>349,049</strong></td>
<td><strong>14.13</strong></td>
<td><strong>287,753</strong></td>
</tr>
</tbody>
</table>

- Gasoline export volumes increased more than three times year-on-year driven by growing refining throughput at the Mozyr refinery.
- Fuel oil export volumes increased 8.3% driven by growing refining throughput combined with decreased domestic sales.
- Jet fuel export volumes increased 46.7% driven by the growing jet fueling network: 35 new airports in 11 countries – Croatia, Ethiopia, Latvia, the Maldives, Nicaragua, Portugal, the Seychelles, Uganda, the United Kingdom, the United States and Vietnam.
- Diesel export volumes decreased 15.7% due to growing domestic demand.

Petroleum Products Sales on International Markets
Sales of petroleum products on international markets increased 1.4% year-on-year driven by a 2.7% increase in prices.

Petroleum Products Export and Sales in CIS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MM tonnes</td>
<td>RUB million</td>
</tr>
<tr>
<td>High octane gasoline</td>
<td>18,928</td>
<td>0.65</td>
<td>15,564</td>
</tr>
<tr>
<td>Low octane gasoline</td>
<td>4,785</td>
<td>0.19</td>
<td>4,401</td>
</tr>
<tr>
<td>Naphtha</td>
<td>1,012</td>
<td>0.06</td>
<td>2,396</td>
</tr>
<tr>
<td>Diesel</td>
<td>14,346</td>
<td>0.54</td>
<td>14,055</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>2,842</td>
<td>0.23</td>
<td>952</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>9,074</td>
<td>0.23</td>
<td>2,696</td>
</tr>
<tr>
<td>Other</td>
<td>8,190</td>
<td>0.45</td>
<td>6,744</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>59,177</strong></td>
<td><strong>2.35</strong></td>
<td><strong>46,808</strong></td>
</tr>
</tbody>
</table>

- Fuel oil volumes sold in the CIS increased nearly threefold driven by increased sales in Kazakhstan.
- Jet fuel volumes sold in the CIS more than doubled because of an expanded sales network.
Domestic Sales of Petroleum Products

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th>2011</th>
<th></th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td>MM tonnes</td>
<td>RUB million</td>
<td>MM tonnes</td>
<td>in RUB</td>
</tr>
<tr>
<td>High octane gasoline</td>
<td>214,569</td>
<td>7.71</td>
<td>180,123</td>
<td>7.11</td>
<td>19.1</td>
</tr>
<tr>
<td>Low octane gasoline</td>
<td>9,147</td>
<td>0.37</td>
<td>16,771</td>
<td>0.74</td>
<td>(45.5)</td>
</tr>
<tr>
<td>Diesel</td>
<td>183,501</td>
<td>7.38</td>
<td>139,954</td>
<td>6.66</td>
<td>31.1</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>21,000</td>
<td>1.91</td>
<td>44,119</td>
<td>3.72</td>
<td>(52.4)</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>62,019</td>
<td>2.65</td>
<td>49,305</td>
<td>2.50</td>
<td>25.8</td>
</tr>
<tr>
<td>Other</td>
<td>80,784</td>
<td>5.08</td>
<td>47,900</td>
<td>3.56</td>
<td>68.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>571,020</td>
<td>25.10</td>
<td>478,172</td>
<td>24.29</td>
<td>19.4</td>
</tr>
</tbody>
</table>

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

Other Revenue

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

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

Purchases of Oil, Gas and Petroleum Products

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

Production and Manufacturing Expenses

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th>2011</th>
<th></th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RUB million</td>
<td></td>
<td>RUB million</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UPSTREAM EXPENSES</strong></td>
<td>50,911</td>
<td></td>
<td>47,795</td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>RUB per toe of production</td>
<td>1,263</td>
<td></td>
<td>1,262</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>USD¹ per boe</td>
<td>5.54</td>
<td></td>
<td>5.86</td>
<td></td>
<td>(5.5)</td>
</tr>
<tr>
<td><strong>DOWNSTREAM EXPENSES</strong></td>
<td>32,737</td>
<td></td>
<td>27,010</td>
<td></td>
<td>21.2</td>
</tr>
<tr>
<td>Refining expenses at own refineries</td>
<td>17,602</td>
<td></td>
<td>15,815</td>
<td></td>
<td>11.3</td>
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<tr>
<td>RUB per tonne</td>
<td>521</td>
<td></td>
<td>478</td>
<td></td>
<td>9.1</td>
</tr>
<tr>
<td>USD¹ per boe</td>
<td>2.29</td>
<td></td>
<td>2.22</td>
<td></td>
<td>3.1</td>
</tr>
<tr>
<td>Refining expenses at equity associates’ refineries</td>
<td>10,530</td>
<td></td>
<td>7,897</td>
<td></td>
<td>33.3</td>
</tr>
<tr>
<td>RUB per tonne</td>
<td>1,099</td>
<td></td>
<td>1,069</td>
<td></td>
<td>2.9</td>
</tr>
<tr>
<td>USD¹ per boe</td>
<td>4.82</td>
<td></td>
<td>4.96</td>
<td></td>
<td>(2.8)</td>
</tr>
<tr>
<td>Lubricants manufacturing expenses</td>
<td>4,605</td>
<td></td>
<td>3,298</td>
<td></td>
<td>39.6</td>
</tr>
<tr>
<td><strong>TRANSPORTATION EXPENSES TO REFINERIES</strong></td>
<td>21,946</td>
<td></td>
<td>17,786</td>
<td></td>
<td>23.4</td>
</tr>
<tr>
<td><strong>OTHER OPERATING EXPENSES</strong></td>
<td>17,773</td>
<td></td>
<td>14,932</td>
<td></td>
<td>19.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>123,367</td>
<td></td>
<td>107,523</td>
<td></td>
<td>14.7</td>
</tr>
</tbody>
</table>

¹ Translated to USD at average exchange rate for the period.

- Upstream expenses include expenditure on raw materials and supplies, maintenance and repairs of extraction equipment, labor costs, fuel and electricity costs, activities to enhance oil recovery, and other similar costs at the Group’s Upstream subsidiaries.
- Upstream expenses increased 6.5% year-on-year due to increased hydrocarbon production and the acquisition of the Orenburg assets.
Refining expenses at our own refineries include expenditure on raw materials and supplies, maintenance and repairs of production equipment, labor and electricity costs, and other similar costs.

Refining expenses at our own refineries increased 11.3% year-on-year primarily due to natural monopolies charging higher tariffs, the launch of new processing units at Omsk, and scheduled maintenance at the primary refining unit in Moscow (performed every two years).

Refining expenses at equity associates’ refineries increased 33.3% year-on-year due to higher throughput at the Yaroslavl and Mozyr refineries.

Lubricants manufacturing expenses increased 39.6% year-on-year due to differences in maintenance schedules at the Omsk lubricants plant, and increased production of packaged lubricants.

Transportation expenses to refineries increased 23.4% year-on-year due to 7.0% higher refining throughput and increases in tariffs.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses include general business expenses, wages, salaries (except wages and salaries at our production and refining subsidiaries), insurance, banking commissions, legal fees, consulting and audit services, allowances for doubtful accounts and other expenses.

Selling, general and administrative expenses increased by 28.6% year-on-year due to business expansion, including higher premium sales, and inflation.

**Transportation Expenses**

Transportation expenses include costs to transport crude oil and petroleum products to end customers. These costs consist of pipeline transportation, sea freight, railroad, shipping, handling, and other transportation costs.

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

**Depreciation, Depletion and Amortization**

Depreciation, depletion and amortization expenses include depreciation of oil and gas properties, refining and other assets.

Depreciation, depletion and amortization expenses increased 4.8% year-on-year in line with the increase in depreciable assets driven by capital expenditure.

**Taxes Other than Income Tax**

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral extraction taxes</td>
<td>156,164</td>
<td>133,335</td>
<td>17.1</td>
</tr>
<tr>
<td>Excise</td>
<td>76,408</td>
<td>58,308</td>
<td>31.0</td>
</tr>
<tr>
<td>Property tax</td>
<td>7,029</td>
<td>6,140</td>
<td>14.5</td>
</tr>
<tr>
<td>Other taxes</td>
<td>11,527</td>
<td>10,413</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>TOTAL TAXES OTHER THAN INCOME TAX</strong></td>
<td><strong>251,128</strong></td>
<td><strong>208,196</strong></td>
<td><strong>20.6</strong></td>
</tr>
</tbody>
</table>

Mineral extraction tax (MET) expenses increased 17.1% year-on-year due to higher tax rates for both gas and crude oil:

− The MET rate for gas doubled from January 1, 2012; and
− The MET rate for crude oil increased in proportion to oil prices, and the base rate also increased from 419 RUB/tonne to 446 RUB/tonne.

Excise tax expenses increased 31.0% year-on-year due to the introduction of higher rates on January 1, 2012. Excise rates on gasoline increased 31%, naphtha 28%, diesel 55% and lubricants 30%.

**Share of Profit of Equity Associates**

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profit / (loss) of Slavneft</td>
<td>12,229</td>
<td>(140)</td>
<td>-</td>
</tr>
<tr>
<td>Share of profit of Tomskneft</td>
<td>7,078</td>
<td>2,972</td>
<td>138.2</td>
</tr>
<tr>
<td>Share of profit of SPD</td>
<td>8,436</td>
<td>3,188</td>
<td>164.6</td>
</tr>
<tr>
<td>Share of loss of SE</td>
<td>(170)</td>
<td>(294)</td>
<td>42.2</td>
</tr>
<tr>
<td>Share of profit of other companies</td>
<td>708</td>
<td>1,148</td>
<td>(38.3)</td>
</tr>
<tr>
<td><strong>SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTMENTS</strong></td>
<td><strong>28,281</strong></td>
<td><strong>6,874</strong></td>
<td><strong>311.4</strong></td>
</tr>
</tbody>
</table>

The Group’s share of profit of equity investments increased more than fourfold due to the adoption of the 60/66 tax regime in 4Q 2011 (the regime reduced export duty rates for crude oil from 65% to 60%), which resulted in higher domestic crude oil prices and consequently an increase in the profit of associated entities selling crude oil domestically.
Other Financial Items

- Foreign exchange gains/losses were mainly driven by a revaluation of the portion of the Group’s debt portfolio that is denominated in foreign currencies.
- Finance income increased year-on-year due to more efficient cash management.
- Finance expenses declined 2.5% year-on-year as a result of the Group’s success in reducing its effective interest rate.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>231,073</td>
<td>180,871</td>
<td>27.8</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>166,615</td>
<td>142,289</td>
<td>17.1</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>16,032</td>
<td>45,505</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS</strong></td>
<td>48,426</td>
<td>(6,923)</td>
<td>-</td>
</tr>
</tbody>
</table>

Net Cash Provided by Operating Activities

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities before changes in working capital</td>
<td>259,034</td>
<td>277,321</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Net changes in working capital</td>
<td>9,179</td>
<td>57,302</td>
<td>(84.0)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>25,361</td>
<td>43,047</td>
<td>(41.1)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>11,302</td>
<td>9,657</td>
<td>17.0</td>
</tr>
<tr>
<td>Dividends received</td>
<td>17,881</td>
<td>13,556</td>
<td>31.9</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>231,073</td>
<td>180,871</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Net Cash Used in Investing Activities

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(158,102)</td>
<td>(130,788)</td>
<td>20.9</td>
</tr>
<tr>
<td>Acquisition of subsidiaries and shares in equity affiliates</td>
<td>(2,261)</td>
<td>(17,745)</td>
<td>(87.3)</td>
</tr>
<tr>
<td>Net changes in deposits</td>
<td>(4,239)</td>
<td>3,395</td>
<td>-</td>
</tr>
<tr>
<td>Other transactions</td>
<td>(2,013)</td>
<td>2,849</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td>(166,615)</td>
<td>(142,289)</td>
<td>17.1</td>
</tr>
</tbody>
</table>

Net Cash Used in Financing Activities

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net changes in debt</td>
<td>25,418</td>
<td>8,334</td>
<td>205.0</td>
</tr>
<tr>
<td>Payment of dividends to shareholders</td>
<td>(34,433)</td>
<td>(29,157)</td>
<td>18.1</td>
</tr>
<tr>
<td>Acquisition of non-controlling interest in subsidiaries</td>
<td>(5,572)</td>
<td>(23,722)</td>
<td>(76.5)</td>
</tr>
<tr>
<td>Other transactions</td>
<td>(1,445)</td>
<td>(960)</td>
<td>50.5</td>
</tr>
<tr>
<td><strong>NET CASH USED IN FINANCING ACTIVITIES</strong></td>
<td>(16,032)</td>
<td>(45,505)</td>
<td>(64.8)</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities increased 27.8% year-on-year due to a 9.9% increase in profit and improved working capital management.

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012 (RUB million)</th>
<th>2011 (RUB million)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>90,812</td>
<td>70,606</td>
<td>28.6</td>
</tr>
<tr>
<td>Refining</td>
<td>41,844</td>
<td>31,227</td>
<td>34.0</td>
</tr>
<tr>
<td>Marketing and distribution</td>
<td>16,224</td>
<td>16,259</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Others</td>
<td>9,802</td>
<td>7,102</td>
<td>38.0</td>
</tr>
<tr>
<td><strong>SUBTOTAL CAPITAL EXPENDITURE</strong></td>
<td><strong>158,682</strong></td>
<td><strong>125,194</strong></td>
<td><strong>26.7</strong></td>
</tr>
<tr>
<td>Change in advances issued and material used in capital expenditures</td>
<td>(580)</td>
<td>5,594</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL EXPENDITURE</strong></td>
<td><strong>158,102</strong></td>
<td><strong>130,788</strong></td>
<td><strong>20.9</strong></td>
</tr>
</tbody>
</table>

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

Debt and Liquidity

<table>
<thead>
<tr>
<th></th>
<th>2012 (RUB million)</th>
<th>2011 (RUB million)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans and borrowings</td>
<td>66,195</td>
<td>44,330</td>
<td>49.3</td>
</tr>
<tr>
<td>Long-term loans and borrowings</td>
<td>166,417</td>
<td>176,979</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(76,012)</td>
<td>(29,435)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>(7,495)</td>
<td>(246)</td>
<td>38.0</td>
</tr>
<tr>
<td><strong>NET DEBT</strong></td>
<td><strong>149,105</strong></td>
<td><strong>191,628</strong></td>
<td><strong>26.7</strong></td>
</tr>
<tr>
<td>Short-term debt / total debt, %</td>
<td>28.5</td>
<td>20.0</td>
<td>8.5 pp</td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>0.51</td>
<td>0.71</td>
<td></td>
</tr>
</tbody>
</table>

- The Group has a diversified debt structure that includes pre-export financing, syndicated and bilateral loans, bonds, and other instruments.
- The average maturity of the Group’s debt increased from 2.68 years in 4Q 2011 to 3.81 years in 4Q 2012 as a result of the USD 1.5 billion 10-year Eurobonds issued in September 2012. However, this also resulted in a slight increase in the average interest rate to 3.48% as at December 31, 2012.
**EBITDA Reconciliation**

<table>
<thead>
<tr>
<th>(RUB million)</th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROFIT FOR THE PERIOD</td>
<td>184,152</td>
<td>167,669</td>
<td>9.8</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>35,839</td>
<td>39,996</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Finance expense</td>
<td>11,160</td>
<td>11,446</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Finance income</td>
<td>(3,174)</td>
<td>(1,956)</td>
<td>62.3</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>58,461</td>
<td>55,799</td>
<td>4.8</td>
</tr>
<tr>
<td>Net foreign exchange gain</td>
<td>(953)</td>
<td>(740)</td>
<td>28.8</td>
</tr>
<tr>
<td>Other (loss) / gain, net</td>
<td>4,891</td>
<td>(925)</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>290,376</td>
<td>271,289</td>
<td>7.0</td>
</tr>
<tr>
<td>Less share of profit of equity accounted investments</td>
<td>(28,281)</td>
<td>(6,874)</td>
<td>311.4</td>
</tr>
<tr>
<td>Share of EBITDA of equity accounted investments</td>
<td>61,011</td>
<td>35,662</td>
<td>71.1</td>
</tr>
<tr>
<td>ADJUSTED EBITDA</td>
<td>323,106</td>
<td>300,077</td>
<td>7.7</td>
</tr>
</tbody>
</table>

**Profitability**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, pp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA margin, %</td>
<td>26.26</td>
<td>29.14</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Net profit margin, %</td>
<td>14.97</td>
<td>16.28</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Return on assets (ROA), %</td>
<td>15.23</td>
<td>16.17</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Return on equity (ROE), %</td>
<td>22.91</td>
<td>24.99</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE), %</td>
<td>19.49</td>
<td>20.58</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

**Liquidity**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>1.87</td>
<td>1.98</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>0.82</td>
<td>0.79</td>
<td>2.9</td>
</tr>
<tr>
<td>Cash ratio</td>
<td>0.47</td>
<td>0.32</td>
<td>47.0</td>
</tr>
</tbody>
</table>

**Leverage**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt/ Total assets, %</td>
<td>11.47</td>
<td>17.14</td>
<td>(5.7) pp</td>
</tr>
<tr>
<td>Net debt/ Equity, %</td>
<td>17.05</td>
<td>26.17</td>
<td>(9.1) pp</td>
</tr>
<tr>
<td>Gearing, %</td>
<td>15.17</td>
<td>20.76</td>
<td>(3.6) pp</td>
</tr>
<tr>
<td>Net debt/ Market capitalization</td>
<td>0.22</td>
<td>0.27</td>
<td>(19.1) %</td>
</tr>
<tr>
<td>Net debt/ EBITDA</td>
<td>0.51</td>
<td>0.71</td>
<td>(27.3) %</td>
</tr>
<tr>
<td>Total debt/ EBITDA</td>
<td>0.80</td>
<td>0.82</td>
<td>(1.8) %</td>
</tr>
</tbody>
</table>
KEY RISK FACTORS

RISK MANAGEMENT HAS BECOME AN INTEGRAL PART OF THE CORPORATE ENVIRONMENT OF GAZPROM NEFT, BY VIRTUE OF THE FOLLOWING PROCESSES:

- Implementing a risk-oriented approach in all aspects of production and management;
- Undertaking systematic analysis of identified risks;
- Building a system to control risks and monitor the efficiency of risk-management activities;
- Making all employees aware of Gazprom Neft's basic principles and approaches to risk management;
- Ensuring the required regulatory and methodological support; and
- Distributing authority and responsibility for risk management between the Company’s business units.

RISK MANAGEMENT OBJECTIVES

Gazprom Neft has a Risk Management Policy that defines the goals and principles of risk management in order to make the Company’s business more secure in both the short and the long term.

The Company’s goal in risk management is to ensure that Gazprom Neft can achieve its strategic goals, as far as possible, by identifying and guarding against risks, and by putting effective mechanisms in place to deal with them.

Gazprom Neft’s risk management system ensures the smooth operation of the Company’s production and business processes by anticipating threats and mitigating the impact of adverse external and internal factors.

IRMS DEPLOYMENT

The Company has developed and formalized a uniform approach to handling risk-management processes, which is fully contained in the ‘Integrated Risk Management System’ (IRMS) corporate standard.

Gazprom Neft’s IRMS is a systematic continuous process that identifies, assesses and manages risks.

Its key principle is that responsibility for the management of various risks is assigned to various management levels depending on the expected financial impact of the specific risks.

As of late 2011, the Company had implemented basic IRMS processes at most of its major subsidiaries and affiliates, and was thus able to develop a detailed corporate risk map for 2011 by consolidating risk events from individual subsidiary and affiliate levels to the entire Company.

In 2012, the scope of the IRMS was extended as the portfolio grew, with 11 new assets in the Exploration and Production Segment (EPS) and 4 assets added to the Logistics, Refinement and Sales Segment (LRSS).

This approach made it possible to outline responsibility areas for risk management and monitoring at every level of corporate management, and to have customised response plans to address material risks at each subsidiary/affiliate and throughout the Company.

Risk-related hierarchical structures for the key EPS business areas (production, industrial safety, procurement, projects) have been developed along the same lines for the LRSS key business areas (refinement, sales). This approach enables consistency in the regular re-evaluation of risks, and analysis of root risk factors that impact the achievement of financial targets.
In 2012, the IRMS legal and methodological framework was completely updated with newly developed and implemented tools:

- Risk management policy;
- The corporate standard 'Integrated Risk Management System. Procedure for identifying and assessing risks, preparing responses, and monitoring compliance'; and
- Guidelines for the risk management process, including the Risk Registry, Card and Matrix templates.

The Company continuously works to improve its approach to the basic IRMS processes with particular emphasis on efforts to assess risks and integrate risk management processes into key corporate processes such as business planning, project management and M&A.

**KEY IRMS DEPLOYMENT STAGES**

**IMPLEMENTATION OF THE INTEGRATED RISK MANAGEMENT SYSTEM AT GAZPROM NEFT BEGAN IN AUGUST 2008, WHEN THE COMPANY’S MANAGEMENT BOARD APPROVED THE CONCEPT**

**2008–2010**
- Developed the IRMS implementation concept and received the Management Board’s approval.
- Introduced a new corporate standard, 'IRMS: Procedure for identifying and assessing risks, preparing responses, and monitoring compliance.'
- Expanded the scope of the IRMS to cover 29 business entities (20 subsidiaries and affiliates, and 9 sub-divisions of the corporate center).

**2011–2012**
- Expanded the scope of the IRMS – subsidiaries and affiliates, joint ventures and major projects. Arranged risk management procedures for major projects.
- Introduced risk-oriented planning for internal audit.
- Commenced integration of the risk management system into the business planning process – systematized information on risks and activities considered during the business planning process.
- Analyzed the IRMS to ascertain its compliance with best international practices (Ernst & Young). The development of the IRMS was recognized as compliant with the best trends. Integrated IRMS processes into executive decision-making procedures, a distinctive feature of the current stage of corporate development.

**2013–2014 (targets)**
Continued integration of the IRMS into business planning process, including:
- improved methods for quantitative risk assessment;
- improved risk analysis methods in the course of designing and revising integrated plans for field development; and
- IRMS integration with objective-related management (justifying target performance, taking account of risk assessment).

Continued integration of risk management procedures into operational management.
Developing an IT system to support IRMS processes.
Integration of the IRMS into the business planning process

In the course of 2012, risk assessment became an integral part of the business planning process. EPS- and LRSS-related business plans for 2013 to 2015 are, therefore, distinguished by a more detailed approach to risk assessment.

The existing assessment and description of risk factors has been revised at the subsidiary and affiliate level taking changing conditions and new plans into account.

Information on the key risks facing subsidiaries, affiliates and business blocks, as well as risk mitigation measures, have been incorporated in the respective business plans.
INDUSTRY RISKS

The main businesses of Gazprom Neft are the production of crude oil and gas, oil refining, and the sale of crude oil and petroleum products. The risks that confront the Company are typical for the oil and gas industry, specifically:

- Risks related to possible changes in prices for purchased materials and services;
- Risks related to possible changes in prices for crude oil and petrochemicals;
- Risks related to competition within the industry; and
- Risks related to geological exploration.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
</table>
| RISKS RELATED TO POSSIBLE CHANGE IN PRICES FOR PURCHASED MATERIALS AND SERVICES | In the course of its business, Gazprom Neft utilizes the transportation infrastructure of monopolistic providers of crude oil and petroleum transportation services, and monopolistic suppliers of electrical energy. The Company has no control over the infrastructure of these monopolistic providers, nor can it control the tariff rates payable. Tariff rates are controlled by Russian Government agencies, but the rates increase from year to year, creating additional costs for the Company. | The Company takes various steps to mitigate such risks:  
- Long-term planning of commodity flows, timely reservation of capacity for crude oil and product transport, and of rolling stock;  
- Optimizing the distribution of commodity flows between different types of transportation; and  
- Using alternative energy and the Company’s own sources of power generation. These efforts reduce the risks related to services and products purchased from monopolists to acceptable levels, and ensure the continuity of the Company’s operations. |
| RISKS RELATED TO POSSIBLE CHANGES IN PRICES FOR CRUDE OIL AND PETROCHEMICALS | The Company’s financial performance directly relates to prices for crude oil and petrochemicals. The Company is unable to fully control the prices of its products, which depend on the balance of supply and demand in global and domestic markets for crude oil and petroleum products, and on the actions of regulatory agencies. | The Company uses a range of actions to reduce mineral extraction costs.  
A business planning system is used to calculate different scenarios for the Company’s key performance factors depending on global oil prices. This approach enables cost cutting by reducing or rescheduling investment programs, and by other mechanisms. Such activities help to lower risks to an acceptable level and ensure that the Company can perform as planned. |
### Risks Associated with Competition within the Industry

- The acquisition of sub-soil usage licenses for hydrocarbon production in auction sales arranged by the Russian Government;
- The purchase of other companies that own sub-soil licenses or assets related to hydrocarbon production;
- The implementation of foreign projects;
- Contracting with major third-party service providers;
- The purchase of high-tech equipment;
- The purchase of existing retail chains and of land to build new retail outlets; and
- Expanding sales markets and sales volumes.

Management implements a portfolio of strategic projects for developing Gazprom Neft’s business in its main segments, ensuring the gradual strengthening of the Company’s positions in the competitive oil and gas industry, and lowering of risks associated with industry competition.

### Risks Associated with Geological Exploration

- A key strategic objective for the Company is to increase the quantity and quality of its hydrocarbon resource base in order to ensure satisfactory production levels. This in turn is largely dependent on the success of geological exploration. The main risk associated with geological exploration is that target levels of hydrocarbon reserves will fail to be confirmed. An important factor is that geological surveying is carried out in various geographical regions, including some with harsh climates, which frequently involves the risk of additional costs.

Gazprom Neft has extensive experience in geological surveying and in using the most advanced geophysical methods for hydrocarbon exploration and surveying, and also has modern technologies for drilling and deposit development. These capabilities reduce risk levels due to geological factors.
## COUNTRY & REGIONAL RISKS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POLITICAL RISKS</strong></td>
<td>The political situation in Russia is stable at present, with strong executive branches at the federal and regional levels of government. OJSC Gazprom Neft is a registered taxpayer in the city of St. Petersburg, the second-largest city in the Russian Federation, and the capital of the Northwest Federal District, which has enormous natural resource potential, advanced industries, and a dense transportation network. Subsidiaries of OJSC Gazprom Neft are present in the following Federal Districts: Central, Northwest, Ural, Volga, Siberia, and the Russian Far East.</td>
<td>On the whole, the Company views the political situation in Russia as stable and does not see any risk of negative developments at present.</td>
</tr>
<tr>
<td><strong>RISKS RELATED TO FOREIGN ASSETS</strong></td>
<td>The Company has undertaken a number of foreign projects with the aim of expanding its production geography. Expansion into new regions is associated with both the possibility of obtaining extra competitive advantages, and with the risk of underestimating the economic and political situation in the countries where the Company has its assets. This could then lead to a failure to achieve performance targets.</td>
<td>Currently, Gazprom Neft sees the level of risks related to its foreign assets as acceptable; however, adverse changes cannot be ruled out, since such risks are beyond the Company’s control.</td>
</tr>
<tr>
<td><strong>CORRUPTION RISKS</strong></td>
<td>As the Company actively enters new international markets, there are increasing risks of anti-corruption laws in the US and UK being extended to the Company. Meanwhile, new anti-corruption rules are being introduced into Russian law, along with developing practice of holding organizations liable for violations thereof.</td>
<td>Gazprom Neft is working on a program to control corruption risks. Essentially, the strategy is to make proactive efforts that minimize the risks of liability for any lack of procedures to avert bribery. The program will assess the role of corruption risk in the Company’s risk management system, design a corporate regulation, and devise a strategy for communication support and appropriate employee training.</td>
</tr>
</tbody>
</table>

## ENVIRONMENTAL RISKS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL RISKS</strong></td>
<td>Gazprom Neft’s operations have an inherent risk of damage to or pollution of the natural environment. This may give rise to civil law liability and require action to mitigate such damage. The Company is fully aware of its responsibility before the public, and its obligation to ensure safe working conditions and protection of the natural environment. The Company ensures that its operations comply with applicable environmental standards and that it implements environmental protection programs.</td>
<td>The environmental policy of Gazprom Neft aims to comply with the effective provisions of environmental regulations by investing considerable funds in environmental activities, including the use of technologies that minimize adverse impacts on the environment. As a result, risks related to environmental pollution have been greatly reduced.</td>
</tr>
</tbody>
</table>
FINANCIAL RISKS

Management of the Company's financial risks is the responsibility of employees acting within the scope of their respective professional activities.


<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDIT RISK</td>
<td>Company management pays significant attention to managing credit risk.</td>
<td>Gazprom Neft has taken a number of steps to manage credit risk, including: counterparty solvency evaluation; individual lending limits depending on the counterparty’s financial situation; control of advance payments; control of accounts receivable by lines of business, etc.</td>
</tr>
<tr>
<td>RISKS ASSOCIATED WITH BORROWINGS</td>
<td>Gazprom Neft efficiently controls risks associated with its borrowing activities.</td>
<td>The Company actively uses alternative sources of debt financing in addition to bank loans. The Company’s stable financial situation (affirmed by international rating agencies) helps it to mobilize funds in Russian and foreign banks with comparative ease.</td>
</tr>
<tr>
<td>CURRENCY RISK</td>
<td>Gazprom Neft generates most of its gross revenues from export sales of crude oil and petroleum products. This means that fluctuations in ruble exchange rates may impact the Company’s financial and business performance.</td>
<td>The Company’s currency risk is considerably mitigated by its foreign currency liabilities. The Company takes a large part of its loans on the international credit market in US dollars, and associated debt servicing costs are also in US dollars. The currency structure of revenues and liabilities acts as a hedging mechanism where opposite factors offset each other. A balanced structure of currency claims and liabilities minimizes the impact of currency risk factors on the Company’s financial and business performance.</td>
</tr>
<tr>
<td>INTEREST RISK</td>
<td>As a major borrower, the Company is exposed to the risk of changing interest rates. The international financial market remains the main source of loans. Most of the Company’s debt portfolio is denominated in US dollars. The interest rates on a portion of the Company’s debt (this exact share is not fixed and may vary) is based on LIBOR rates. Increases in LIBOR may cause the cost of debt servicing to increase for the Company. Higher borrowing costs could potentially have a negative impact on the Company’s ability to meet its liabilities and on its liquidity.</td>
<td>In the last year, the LIBOR rate has declined slightly, and the need for further growth stimulus in the world economy made the probability of substantial increases (more than 1%) negligible. Therefore, taking account of the structure of OJSC Gazprom Neft’s current loan portfolio, the Company believes it faces low interest risks at present.</td>
</tr>
</tbody>
</table>
**LEGAL RISKS**

Gazprom Neft acts in strict compliance with the standards of Russian law and those of other jurisdictions where it operates. However, the Company cannot rule out adverse changes in Russian law at some point in the future, since most such risk factors are beyond the Company’s control.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISKS RELATED TO CHANGES IN TAX LAW</strong></td>
<td>Gazprom Neft is one of the largest taxpayers in the Russian Federation; it pays federal taxes, regional and local taxes, including the value-added tax, corporate income tax, mineral extraction taxes, corporate property taxes and land taxes.</td>
<td>In the course of its business, the Company constantly monitors all changes in tax law, and changes in the interpretation and application of existing tax law. The Company also advises the Government on improving legislation and on creating new regulatory acts in the field of taxation.</td>
</tr>
<tr>
<td><strong>RISKS RELATED TO CHANGES IN CUSTOMS REGULATIONS AND DUTIES</strong></td>
<td>The Company is engaged in foreign trade, and is thus exposed to risks related to changes in laws and government regulation in the sphere of foreign trade, and to customs laws which specify procedures for the passage of commodities across the customs border of the Russian Federation, adoption and enforcement of customs regimes, and the introduction and collection of customs duties. Risks include the possibility that the Russian Government might change the level of customs duties (both import and export duties) payable on various commodities for which Gazprom Neft has signed foreign contracts. The main consequence of such risk would be higher costs and a lower efficiency of exports.</td>
<td>OJSC Gazprom Neft complies with customs control procedures and processes all documents required for both export and import operations. It has sufficient financial and human resources to ensure compliance with customs-related rules and regulations.</td>
</tr>
<tr>
<td><strong>RISKS RELATED TO CHANGES IN LICENSE COMPLIANCE FOR MAIN BUSINESS LINES</strong></td>
<td>Sub-soil legislation is evolving towards detailed regulation of sub-soil usage by the Government, more rational use of sub-soil areas, and strict compliance with legal standards for environmental protection.</td>
<td>Gazprom Neft operates its license areas in strict conformity with the requirements of Russian sub-soil law, and updates its license agreements to keep them compliant with relevant laws. The Company analyzes and assesses legislative initiatives by relevant ministries and departments in the sphere of sub-soil law and licensing. Gazprom Neft is not aware of any legal risks associated with the loss of sub-soil rights or violation of current law due to changes in the law.</td>
</tr>
<tr>
<td><strong>RISKS RELATED TO CHANGES IN COURT PRACTICE ON ISSUES RELEVANT TO COMPANY BUSINESS</strong></td>
<td>Under the current system of enforcement, in the Russian Federation the highest courts have the most significant legal positions (the Constitutional Court of the Russian Federation, the Supreme Court, and the Supreme Arbitration Court), which can influence the company’s business activities.</td>
<td>Gazprom Neft regularly monitors verdicts by high courts, and assesses the impact of trends in legal interpretation by district arbitration courts. The Company proactively uses the results of such monitoring to protect its lawful rights and interests in court, and to resolve legal issues that arise from its operations. Therefore, risks related to changes in court practices are viewed as negligible.</td>
</tr>
</tbody>
</table>
SUSTAINABILITY DATA

Sustainable development is an integral part of the Company’s long-term strategy. Gazprom Neft aims to combine strong growth with the optimal balance of the economic, environmental and social components of the Company’s business, to continue creating an environment conducive to business and to developing the innovative potential of employees. This approach helps to mitigate against environmental and social risks, and creates margins for steady growth and high competitiveness in the future.

The Company has developed and adopted a set of corporate regulations on industrial and environmental safety, human resources, and regional policy. It is introducing advanced management systems in these business segments that meet international standards. The Company places great emphasis on meaningful discussions and active cooperation with a wide range of interested third parties - the government, shareholders, employees, customers and suppliers, and residents of regions where the Company is an important player in the local economy.

The Company assigns high priority to the transparency of its business activities. In line with global best practice, Gazprom Neft, in addition to its Annual and Financial Statements, publishes annual Sustainable Development Reports.

As part of its sustainability efforts in 2012, the Company aimed to improve the efficiency of key social and environmental programs. In 2012, the Company focused on:
- implementing large-scale programs aimed at improving industrial and environmental safety;
- improving its incentivisation and professional development system, providing social support to employees;
- introducing a comprehensive approach to the practice of social investment in its regions of operation.

Gazprom Neft’s social and environmental initiatives contribute significantly to its long-term corporate development strategy. Many of them have received public recognition and have been awarded prizes by government agencies, public and professional organizations.

This section presents the main results and programs in this area. For more detailed information, please refer to Gazprom Neft’s Sustainable Development Report for 2012.
The Company sees effective management of occupational risks that may potentially have an impact on employee life and health, equipment, property and the environment to be a key priority in the area of corporate social responsibility. The Company constantly strives to improve in the field of industrial and occupational safety.

AS PART OF THE COMPANY’S CORPORATE POLICY ON INDUSTRIAL, OCCUPATIONAL AND ENVIRONMENTAL SAFETY, GAZPROM NEFT AND ITS SUBSIDIARIES ALL AIM TO:

- consistently reduce rates of industrial accidents, work-related illnesses and adverse environmental impacts;
- ensure the safety of production operations and environmental protection by introducing an integrated industrial, occupational and environmental safety management system at Gazprom Neft production facilities. This system meets global standards and incorporates key processes of hazard identification and the assessment and management of occupational risks;
- consistently implement global best practice in the field of engineering, technology and the management of industrial, occupational and environmental safety at all Gazprom Neft production facilities.

The monitoring of supplier and contractor compliance with Gazprom Neft’s policy on industrial and environmental safety and social protection (HSE and social protection) is considered to be an important part of the Company’s corporate responsibility.

The Company has adopted the standard ‘Procedure for managing contractors and cooperative arrangements in the field of industrial, environmental and occupational safety, and social protection.’
In addition to a contract, all contractors who provide services to 
the company sign an Agreement on HSE and social protection that 
stipulates mandatory compliance with legal requirements and company 
standards for HSE and social protection.

In 2012, scheduled work continued towards establishing an HSE 
and social protection system. An analysis of system efficiency and 
adjustments to the system as part of ongoing efforts to improve it were 
the main objectives towards this goal during the reporting year. In 2011, 
the Company developed and successfully applied an integrated HSE 
and social protection indicator based on accident and injury rates, as 
well as measures of progress in implementing fire safety, transportation 
and environmental programs by subsidiaries and affiliates. Progress 
in implementing the HSE and social protection program is monitored 
on a quarterly basis. In 2012, the practice of auditing HSE and social 
protection management systems at subsidiaries gained momentum 
as two audit checks of the HSE and social protection system were 
conducted. Five enhanced technical audits aimed at assessing legal 
compliance were conducted along with an analysis of employee 
competence. This identified issues in the funding and implementation 
of programs to bring pre-existing facilities into compliance with the 
latest standards and regulations, to meet contemporary requirements 
and programs for replacing obsolete equipment, and to improve 
operational efficiency and reduce costs. Enhanced technical audits 
were conducted by corporate experts at three of the Company’s 
refineries (Gazpromneft-Omsk refinery, Gazpromneft-Moscow refinery, 
Slavneft-YaNOS) and by external auditors at the Gazpromneft-Ural and 
Gazpromneft-Shipping facilities.

Regular training is an important component of continuous improvement 
in HSE and social protection. Training matrices are updated and 
adjusted annually according to the needs and risks involved, based on 
investigation and production control results.

### Occupational health & safety

In 2012, programs to prevent injuries, as well as transport and fire 
safety programs were developed and implemented at all subsidiaries 
and affiliates. Progress in implementing corrective actions following 
accident investigations and industrial control and audits was regularly 
monitored.

As a result, the rate of road accidents decreased by 18.7% compared 
to 2011, the lost time injury rate decreased by 1.2%, and the number of 
fires dropped by 35%.

The Company spent RUB 144 million on health and safety and 
occupational health in 2012.

---

### During 2012

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,046</td>
<td>received training in industrial and environmental safety</td>
</tr>
<tr>
<td>3,587</td>
<td>received training in occupational safety</td>
</tr>
</tbody>
</table>

In 2012, total spend on employee health and safety was

<table>
<thead>
<tr>
<th></th>
<th>RUB million</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,442</td>
<td></td>
</tr>
</tbody>
</table>
OMSK REFINERY – A LEADER IN PROVIDING THE BEST WORKING CONDITIONS AND OCCUPATIONAL SAFETY

In 2012, the OJSC Gazprom Neft-Omsk refinery won a regional competition among industrial establishments for the best working conditions and safety in the category ‘Production of Petrochemicals.’ The award ceremony took place during a meeting of the regional tripartite commission for social and labor relations regulation.

The Company offers regular medical examinations for staff. In recent years, the Company has made significant progress in improving road transportation safety by implementing a set of measures, including the development of regulatory instruments, conducting monthly safety campaigns, and training staff. Since 2010, the number of accidents has declined every year.

The Company spent RUB 144 million on employee health programmes and occupational health measures in 2012.

The HSE and social protection policy and corporate standards of Gazprom Neft focus on mitigating risks and preventing emergencies. Company subsidiaries and affiliates have developed, approved and introduced action plans for preventing and eliminating emergency situations, and setting aside financial and material reserves. The readiness of subsidiaries and affiliates for rapid emergency response is tested regularly through drills and training. In 2012, subsidiaries and affiliates held 50 comprehensive emergency and special tactical training exercises.

Reduction of adverse industrial impacts on the environment, efficient use of resources

The scope of the company’s activities have continued to expand. As a good corporate citizen, Gazprom Neft is developing an environmental management strategy based on an effective environmental management system and consistent implementation of global best practices in the field of engineering, technology and management. The Company’s strategic goal of environmental protection is to provide leadership among global oil and gas companies, and to strengthen its leadership through the results it achieves and the best practice it implements across the organization.
The Company is implementing a series of organizational and technical measures to mitigate against adverse environmental impacts. The Company has developed an environmental safety program based on the ‘Fundamentals of State Policy in the Field of Environmental Development in the Russian Federation for the Period through 2030’ approved by the Russian President.

The Company’s subsidiaries develop and implement:
- programs to remediate affected and contaminated land and waste recycling programs aimed primarily at removing the legacy effects;
- environmental health-checks (air cleanliness, waste water conditions, groundwater and soil conditions at buffer zone boundaries, industrial and consumer waste management);
- environmental strategy (modernization of equipment to reduce adverse impacts on the environment);
- target-oriented environmental programs and investment projects to eliminate adverse impacts on the environment;
- industrial environmental monitoring programs;
- regulatory and procedural documents of the Company in the field of environmental protection.

Updates to project documentation on environmental protection and industrial and environmental monitoring are conducted in accordance with legislative requirements and allow for systematic control over the degree of impact on natural environments.

A significant increase in payments for discharging pollutants into the open air has resulted from the additional multipliers now in effect following the Decree of the Russian Government No. 7 dated January 8, 2009, on Measures to Stimulate the Reduction of Air Pollution from Associated Gas Flaring Products.

The increase in fees for waste disposal is due to increased amounts of slurry formed during pit-free drilling at OJSC Slavneft-Megionneftegaz, as well as increased volumes of waste produced by petroleum product suppliers due to the consolidation of the assets of OJSC MTK and LLC Mosnefteprodukt with those of LLC Gazprom Neft - Center and the acquisition of assets from OJSC Gazprom Neft - Nizhny Novgorod. This has required payments to be made with an increased multiplier due to the expiration of environmental permits for a number of facilities incorporated into the newly purchased assets.

**IMPROVING AIR QUALITY**

In 2012, the Company took a set of measures to protect the atmosphere. In accordance with the requirements of environmental protection legislation, provisions have been made to draft standards for maximum permissible emissions (MPE) of air pollutants, and documents are being prepared to obtain permits for emissions, along with developing projects to arrange sanitary protection zones (SPZ). The Company’s subsidiaries have established annual environmental monitoring programs and have made provisions for laboratory control over the quality of air at sources of polluting emissions and along SPZ boundaries. Fixed asset maintenance and repairs have contributed to a reduction in air pollution risks. The Company monitors the compliance of its business units with relevant operational practices. Provisions have been made for conducting control and adjustment operations associated with motor vehicle exhaust fumes.

Projects related to capital construction, reconstruction and repairs of fixed assets have all had a positive impact. This specifically concerns, the construction of associated gas capture and recycling facilities at LLC Gazprom Neft-East, the installation of pontoon equipment at OJSC Slavneft-YaNOS and LLC Gazprom Neft-Omsk Refinery tank farms, the conversion of diesel fuel hydrotreaters over to water blocks equipped with closed oil separators at the OJSC Gazprom Neft-Omsk Refinery, the construction of modern mechanical treatment facilities while simultaneously decommissioning obsolete treatment facilities at OJSC Gazprom Neft-Moscow Refinery, and the installation of filters on air valves of the tank battery at LLC Gazprom Neft-Center, all of which have had a positive environmental impact.

Overall atmospheric pollutant emissions from the exploration and production segment (EPS) increased year-on-year in 2012. This was due to an increase in oil production and changes in the accounting methodology for emissions of air pollutants from associated gas flaring products. EPS facilities carry out regular projects designed to reduce emissions of pollutants into the atmosphere. These include the implementation of associated gas utilization programs, routine repairs and overhauls of fixed assets, including pumping equipment, gas pipelines, tanks, flares and

**OVERALL POLLUTANT EMISSIONS, THOUSAND TONNES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions, Thousand Tonnes</th>
<th>Change from 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,087.5</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>818.4</td>
<td>+ 39.2%</td>
</tr>
<tr>
<td>2010</td>
<td>678.7</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>625.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data

**EMISSIONS REDUCTION AT THE MOSCOW REFINERY:**

Air pollutant emissions were reduced by over 100 t per annum thanks to the mothballing of the small bitumen unit and the rebuilding of the large bitumen unit at OJSC Gazpromneft-Moscow Refinery. Environmental safety is one of the main focuses of Gazpromneft-Moscow Refinery’s Development Program to 2020, as approved by the Company Board of Directors in 2012. The total planned investment is in the region of RUB 130 bn.
OVERALL POLLUTANT EMISSIONS BY CONTAMINATORS, THOUSAND TONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>LRSS facilities</th>
<th>EPS facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>85.9</td>
<td>539.6</td>
</tr>
<tr>
<td>2010</td>
<td>86.6</td>
<td>675.9</td>
</tr>
<tr>
<td>2011</td>
<td>87.3</td>
<td>694.1</td>
</tr>
<tr>
<td>2012</td>
<td>82.4</td>
<td>1,005.1</td>
</tr>
</tbody>
</table>

Source: Company data

WATER MANAGEMENT

A set of scientific, organizational and technical measures conducted as part of annual environmental safety programs contributes to reductions in water pollution risks. In 2012, research was conducted which helped to determine the permissible residual oil content in soils near where water resources are utilized, as well as the maximum permissible level of crude oil and petroleum products in bottom sediments of surface waters. The classification of soils specific to water conservation districts of the Taiga zone, Western Siberia, drafted in the course of the research, will improve the quality of water conservation and restoration projects at the Company’s EPS facilities in the future.

The Company routinely performs laboratory and instrumental monitoring of surface water, groundwater and wastewater, and also assesses bottom sediments of surface waters. EPS facilities have conducted destructive testing and pipeline monitoring at water crossings. The Company has arranged for underwater surveys of the areas. Zones have been determined for maintaining water quality in areas of water usage, and laboratory monitoring of groundwater quality has been arranged along with maintenance and repairs. The increase in the volume of wastewater discharged to ground in 2012 was due to the additional disposal of bottom water at the Severo-Pokurskoye field, OJSC Slafneft-Megionneftegaz. The increased volume of regulatory treated wastewater discharged into the surface water facility of OJSC Slavneft-YaNOS was due to increases in both the crude oil refining volumes and in the amount of precipitation (according to the Yaroslavl Center for Hydrometeorology and Environmental Monitoring, the amount of precipitation in 2012 exceeded 2011 levels by 39%).

LAND USE AND SOIL RECLAMATION

In 2012, the Company took measures to conserve and restore land resources, taking into account the climate, water, soil and vegetation conditions in the areas of its operations. The EPS has compiled an inventory of affected, oil-contaminated lands and sludge storage. Reclamation projects based on the results of this inventory are now under development. They are continuously monitored and assessed in terms of their efficiency. License areas are cleared from unauthorized landfills and scrap metal. To prevent pipeline ruptures, corrosion inhibitor protection is provided for pipelines. The Company monitors the corrosion rate of pipelines and inspects their condition. End-to-end servicing and management of industrial oil-waste landfills is provided, and laboratory research is conducted at the landfills. A set of projects to reconstruct and overhaul pipelines, and to diagnose and prevent corrosion, reduced the number of pipeline ruptures.

The construction of advanced mechanical treatment facilities at the OJSC Gazpromneft-Moscow refinery was completed in 2012, and will reduce pollutant emissions from the treatment facilities by 96%. The quality of industrial wastewater treatment will also improve.

WATER CONSUMPTION, MILLION CUBIC METERS

<table>
<thead>
<tr>
<th>Year</th>
<th>Received from other entities</th>
<th>From surface sources</th>
<th>Underground water supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>46.5</td>
<td>58.8</td>
<td>105.1</td>
</tr>
<tr>
<td>2010</td>
<td>49.8</td>
<td>50.0</td>
<td>87.807</td>
</tr>
<tr>
<td>2011</td>
<td>53.3</td>
<td>34.8</td>
<td>76.0</td>
</tr>
<tr>
<td>2012</td>
<td>45.9</td>
<td>36.0</td>
<td>86.2</td>
</tr>
</tbody>
</table>

Source: Company data

VOLUME OF DISCHARGED WASTEWATER DISPOSAL, MILLION CUBIC METERS

<table>
<thead>
<tr>
<th>Year</th>
<th>Into the ground</th>
<th>Into surface water bodies</th>
<th>Into municipal wastewater systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>51.40</td>
<td>4.60</td>
<td>13.60</td>
</tr>
<tr>
<td>2010</td>
<td>5.64</td>
<td>2.35</td>
<td>6.21</td>
</tr>
<tr>
<td>2011</td>
<td>5.81</td>
<td>11.27</td>
<td>14.20</td>
</tr>
<tr>
<td>2012</td>
<td>6.10</td>
<td>11.62</td>
<td>9.88</td>
</tr>
</tbody>
</table>

Source: Company data
WASTE MANAGEMENT
In 2012, waste management operations focused on addressing problems like regulatory compliance, mitigation of environmental impacts and economic costs. In particular, projects were launched to strengthen diking at cluster sites, fuel storage tank farms, lubricants and liquid chemical agents, to install drainage tanks at cluster sites, prepare for quarrying peat and peat movement to sludge collectors, and to overhaul sludge collectors and solid waste landfills. As a result of these activities, the amount of reclaimed sludge storage has exceeded targets by 12%, with large volumes of oil waste treated in accordance with the approved plan.

WORK WITH STATE, EXPERT AND PUBLIC ENTITIES IN THE FIELD OF ENVIRONMENTAL PROTECTION
Gazprom Neft has been actively involved in the process of improving environmental legislation and a range of package of existing legal instruments in this area. The Company’s experts have participated in expert reviews and made proposals on a number of legislative drafts.

Energy consumption and efficiency
Gazprom Neft works hard to promote energy efficiency. The Company’s divisions are developing and implementing measures to reduce energy consumption, and introducing energy efficiency plans.

An active energy-saving policy is a strategic priority for the EPS. As part of medium-term energy efficiency plans, energy-saving measures are intended to reduce the energy-related component of the overall unit production costs incurred by EPS facilities.

The main indicator of energy efficiency – the specific energy consumption (SEC) for the extraction of liquid – declined by 1.3% (from 25.02 to 24.70 kWh/t) at Gazpromneft-Noyabrskneftegaz in 2012, by 1.9% (from 43.7 to 42.88 kWh/t) at Gazpromneft-Khantos, and by 2.6% (from 34.46 to 33.58 kWh/t) at Gazpromneft-East compared with 2011. In 2012, measures were introduced to reduce energy consumption, these saved 145 million kWh at EPS facilities, including those at Gazpromneft-Noyabrskneftegaz – 39 million kWh, Gazpromneft-Muravlenko – 76 million kWh, Gazpromneft-Khantos - 23 million kWh, and Gazpromneft-East – 6 million kWh.

Currently, the Company’s EPS facilities are focusing on establishing a regular, permanent system of energy saving – an energy management system that complies with the ISO 50001:2011 standard. The energy management system is based on the introduction of technical and system measures and mechanisms for monitoring, auditing, analyzing and taking corrective actions. This will enable a shift from individual technical measures to systemic solutions both in technology and management.

To reduce emergency power curtailments and subsequent oil losses, the Company has developed a program to improve reliability and upgrade equipment and grids at Gazprom Neft production subsidiaries and affiliates for 2013 to 2015. In addition to technical measures, the program will include research on the current reliability of grids and electrical equipment, ranking and assessing damage risks, including those resulting from excessive climatic loads.
The main areas of the program are:

- measures to strengthen the protection of grids and power engineering facilities from thunderstorms and lightning;
- measures to upgrade grids and substations, by retrofitting electrical installations;
- power grid and equipment overhauls;
- re-engineering of power facilities.

In 2012, in accordance with the requirements of Federal Law No. 2611, energy audits were conducted at all subsidiaries and affiliates of EPS. Based on the audit results, a set of energy-saving measures has been developed, along with the receipt of energy certificates. The measures are scheduled for implementation in 2013 and 2014.

The energy efficiency plan for Gazprom Neft’s logistics, refinement and sales segment for 2013 to 2015 aims to reduce the consumption of heat and electricity by 9,926.3 TJ (including at the Omsk refinery – 6,440.3 TJ, Moscow refinery – 992.1 TJ and YaNOS – 2,493.9 TJ), which make up almost 5% of the planned consumption of electricity and heat during this period.

In 2012, the LRSS-oriented corporate project ‘Enhancing the Efficiency of Energy-Saving Process Management at Oil Refining Facilities of OJSC Gazprom Neft (the energy management system - EMS)’ was launched as per the ISO 50001 standard. A unified methodological framework for implementing the energy management system at Gazprom Neft’s oil refineries was developed, including the ‘Energy Efficiency Technical Policy’, the basic standard for the ‘LRSS-Oriented Energy Management System’, methodological documents on drafting the ‘Program for Energy Saving and Enhanced Energy Efficiency’ and monitoring the impact of implementing energy-saving measures. In 2013, the Company plans to introduce the energy management system at pilot facilities – OJSC Gazpromneft-Omsk Refinery.

**Major energy-saving measures in 2012:**

- reconstruction of economizers and superheaters for recovery boilers (with an energy-saving impact of 546.6 TJ);
- installation of digital excitation controllers at compressor motors (with an energy-saving impact of 100.1 TJ);
- hyperfine thermal insulation of furnaces (with an energy-saving impact of 151.7 TJ).

Gazprom Neft is exploring new possibilities for using alternative energy sources. At year-end 2012, the Serbian company, NIS, in which Gazprom Neft has a 56.5% interest, signed an agreement to construct a wind farm at Plandiste with Energowind. NIS has a 50% share of the project; the total cost of the wind farm, including development of the basic design and obtaining required permits, is EUR 160 million. Construction is scheduled to commence in the summer of 2013. The project will include the installation of 34 wind turbines with a total capacity of 102 MW in the Plandiste municipality. The wind farm at Plandiste will be the first wind farm in Serbia and will produce 212 GWh of electricity per year.

Enhancing energy efficiency and optimizing the use of energy resources are deemed urgent tasks for oil companies, energy costs make up a significant portion of operating costs. Through implementing energy conservation measures by oil producers, the Company successfully saved RUB 804 million.

**CONSUMPTION OF PURCHASED ENERGY EXPLORATION AND PRODUCTION SEGMENT, 2010 TO 2012:**

<table>
<thead>
<tr>
<th>Energy resources provided under supply contracts (purchase and sale contracts)</th>
<th>Measuring units</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased electric power (net of power transferred to third parties)</td>
<td>RUB thousands*</td>
<td>10,208,101</td>
<td>11,203,759</td>
<td>12,139,252</td>
</tr>
<tr>
<td></td>
<td>thousand kWh</td>
<td>4,886,404</td>
<td>4,577,957</td>
<td>4,902,184</td>
</tr>
<tr>
<td>Purchased thermal power (net of power transferred to third parties)</td>
<td>RUB thousands*</td>
<td>26,184</td>
<td>22,725</td>
<td>40,163</td>
</tr>
<tr>
<td></td>
<td>GJ</td>
<td>111,738</td>
<td>85,913</td>
<td>122,059</td>
</tr>
<tr>
<td></td>
<td>Gcal</td>
<td>26,687</td>
<td>20,519</td>
<td>29,152</td>
</tr>
</tbody>
</table>

* net of VAT

MAIN ENERGY-SAVING INITIATIVES AT LRSS SUBSIDIARIES AND AFFILIATES:

- Introducing variable-frequency drives in electric motors (Omsk refinery, Moscow refinery, YaNOS);
- Modernizing compressor equipment: implementing step control, installing an anti-surge system, reconstructing instrumentation and controls for the air drying system (Omsk refinery);
- Reconstructing lighting systems using energy-saving technologies (Moscow refinery, Omsk refinery, YaNOS);
- Increasing in-house steam production through waste heat recovery from process furnaces and streams (YaNOS, Omsk refinery);
- Enhancing fuel efficiency in process furnaces: ceramic heating surfaces, superfine thermal insulation of furnaces, burner modernization, replacing tent stoves (with an efficiency coefficient of 63% to 70%) with vertical cylindrical furnaces (with an efficiency coefficient of 90%) at the Omsk refinery, Moscow refinery, and YaNOS.

ENERGY CONSERVATION PROGRAM TARGETS AND ACHIEVEMENTS IN 2012

<table>
<thead>
<tr>
<th></th>
<th>Planned</th>
<th>Actual</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omsk refinery</td>
<td>749.3</td>
<td>1070.6</td>
<td>1747.7</td>
<td>2572.3</td>
</tr>
<tr>
<td>Moscow refinery</td>
<td>141.7</td>
<td>120.5</td>
<td>202.2</td>
<td>185.6</td>
</tr>
<tr>
<td>YaNOS</td>
<td>150.3</td>
<td>153.9</td>
<td>386.0</td>
<td>383.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,041.3</strong></td>
<td><strong>1,345.0</strong></td>
<td><strong>2,335.9</strong></td>
<td><strong>3,141.2</strong></td>
</tr>
</tbody>
</table>

Source: Company data

2010 2011 2012

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity purchased*, MWh</td>
<td>2,882.7</td>
<td>2,998.1</td>
<td>3,121.1</td>
</tr>
<tr>
<td>including YaNOS, MWh</td>
<td>997.9</td>
<td>1,033.6</td>
<td>1,054.8</td>
</tr>
<tr>
<td>Thermal energy purchased*, GJ</td>
<td>15,061,319.9</td>
<td>16,308,920.8</td>
<td>16,854,981.1</td>
</tr>
</tbody>
</table>

* Net of power transferred to third parties

Source: Company data

In 2012, as a result of energy efficiency measures in the logistics, refinement and sales segment, the Company saved 3,141.2 TJ of heat and electricity, reducing energy costs by more than RUB 1.3 billion.
HUMAN RESOURCE DEVELOPMENT

Gazprom Neft’s continued growth requires appropriate staffing. Establishing a team capable of competing at a global level is a strategic corporate challenge. The Company respects its employees’ labor rights, and provides competitive salaries and opportunities for personal growth. The Gazprom Neft corporate culture unites its employees through shared values.

Staff appraisal

At present, Gazprom Neft employs more than 57,000 people across its corporate divisions and facilities. They work across 24 regions of Russia, as well as in the CIS and non-CIS countries. 61% of the staff are workers, and 39% are managers, experts and office staff. About 19% of employees work in the Yamal-Nenets Autonomous District where the main production facilities and oilfield services are located. Approximately 15% of the workforce is concentrated in the city of Omsk. About 16% of the Company’s personnel are part of the multi-company holding of NIS, Serbia. A number of businesses with a diversified scope of activities are located in Moscow and the Moscow Region. These employ about 13% of the Company’s staff, of whom one-third work at the Moscow refinery.

The average headcount decreased by 6.9% in 2012 due to restructuring of the business. A number of oilfield services companies were removed from the Group, accomplishing the process which had begun in 2011. The restructuring of Sibir Energy was also accomplished – a number of its constituent companies were sold, while some others were reassigned to the core business areas of Gazprom Neft Group. Meanwhile, the headcount as of December 31, 2012, remained at the previous year’s level (more than 57,000 people), reflecting the gradual build-up of assets, as well as the development of companies that had already joined the Group. For example, production enterprises located in the city of Orenburg, Yamal-Nenets
Autonomous District and Tomsk Region joined the Group in 2012. In addition, the extension of a chain of companies which sell petroleum products and aviation fuel is under way.

Gazprom Neft is introducing advanced techniques of organizational development, allowing the Company to maintain optimal staffing levels to achieve goals that have been set, and to reduce labor costs by introducing new technologies in the field of computer-aided manufacturing.

**COMPENSATION AND SOCIAL SUPPORT**

Effective motivation of staff plays a key role in helping to achieve the Company’s business objectives. The Company is building a comprehensive incentive system based on competitive salaries, bonuses and a social component. This system is focused on implementing the Company’s business strategy and promoting good employee performance.

The company keeps up-to-date with market average wages in the sectoral labor market. Wages and salaries are revised annually. The total average wage growth since 2009 has been 35%. In 2012, the average salary of the Company’s employees was RUB 59,828, around the same as in 2011. Personnel expenses in 2012 amounted to RUB 42.3 billion, which is 6.7% less than in the previous year. Gazprom Neft also places special emphasis on non-material incentives and has developed the concept of non-material incentives, serving as a basis for systematic work in this direction. The current system of incentive measures adopted by Gazprom Neft allows employees to feel that the Company appreciates their work and contribution to the collective success. It includes professional competitions, sports and recreational activities, and corporate communications sessions. The Company annually awards two kinds of honorary titles, which are corporate merit badges in labor: ‘Honored Worker of Gazprom Neft’ and ‘Veteran of Gazprom Neft.’ These titles are assigned as part of an awards campaign; the awarding procedure is regulated by the corporate standard ‘Procedure for Arranging Award Campaigns.’

The Company’s enterprises have adopted collective agreements and other regulations and rules setting various social benefits for employees above and beyond those set by law. The social packages for most enterprises incorporate voluntary health insurance, accident insurance, free meals, financial aid, holiday vouchers and other benefits. In 2012, the Group’s enterprises implemented and improved the unified system of social benefits adopted in 2011. The unified system of benefits was designed to unify the list of benefits and the procedures for providing them to employees. The unified system of benefits will be introduced fully in 2014.

In 2012, the Company allocated RUB 168.3 million for training personnel. The percent of the Company’s employees who participated in various training programs totaled 80%.
**Benefits Package, RUB Thousands**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and subsidized meals</td>
<td>573,546</td>
<td>509,864</td>
<td>493,052</td>
</tr>
<tr>
<td>Voluntary health insurance</td>
<td>535,239</td>
<td>438,862</td>
<td>529,623</td>
</tr>
<tr>
<td>Paid-for holiday package</td>
<td>128,924</td>
<td>101,722</td>
<td>109,761</td>
</tr>
<tr>
<td>Payments to retiring employees</td>
<td>658,304</td>
<td>623,067</td>
<td>321,874</td>
</tr>
<tr>
<td>Housing program</td>
<td>103,179</td>
<td>118,413</td>
<td>124,132</td>
</tr>
<tr>
<td>Sports and cultural events</td>
<td>248,498</td>
<td>314,003</td>
<td>290,222</td>
</tr>
</tbody>
</table>

Source: Company data

In 2012, the Company allocated RUB 249.3 million for training personnel.

**249.3** RUB million

Percentage of the Company's employees who participated in various training programs

**80%**

**Learning & Development**

Staff development in the Company is based on the learning and development standards common across all divisions and facilities. In 2012, work continued on updating the personnel learning and development system, orienting it towards current business challenges and a new corporate competency model. In 2012, two strategic programs for the Company's top management and its subsidiaries and affiliates were launched: 'Team 2020' and 'Management Tools in Global Business'. The Company also implemented a number of dedicated programs to meet the business strategies of corporate divisions:

- 'Innovative Technologies for Organizing the Commercial Collection and Preparation of Anomalous (Heavy and Ultra-Light) Oil and the Shipping thereof’ (in collaboration with Transeuropean Centre Limited, Canada);
- 'Economic Aspects of Oil Field Exploration' and 'Hydraulic Fracturing and its Quality Control' (under the aegis of the Training Center of Schlumberger, Next);
- 'Oil Trader Academy’ (International Business House Ltd., London, United Kingdom);
- ‘Global Experience in Manufacturing High-Quality Bitumens: New Technologies and Modern Grades of Bitumen Materials’ (Transeuropean Centre Limited, Frankfurt, Germany/Amsterdam, The Netherlands);
- ‘Five +’ (personal growth for high-potential employees to fill managerial positions within Group subsidiaries and affiliates, in collaboration with ECOPSY, under the aegis of the Moscow School of Management SKOLKOVO);
- Project Academy (training of managers and experts involved in major projects, under the aegis of the Moscow School of Management SKOLKOVO).

For senior and line managers a program entitled 'Team 2020' has been developed with the Stockholm School of Economics. The program helps to develop key managerial competencies: enhancing operational efficiency, enhancing asset management, optimizing business processes with automation, and establishing a world-class team with a strong corporate culture.

In 2012, the Company introduced technical competency profiles and tested these to set the base rate at the Omsk refinery. The Company continues to improve its technical competence monitoring system, which allows the scheduling of technical training based on the results of employee testing.

Gazprom Neft actively uses new educational technologies. E-learning is becoming more and more popular. Using multimedia and Internet technologies allows knowledge to be acquired on-the-job under a personalized schedule. The Company has been employing the e-learning system since 2010. Today, it includes 23 which are available to employees of the Corporate Center and 22 subsidiaries. In 2012, the Company's employees attended 881 courses.
INTERNAL COMMUNICATIONS

To maintain a constant dialogue between management and employees, Gazprom Neft pays special attention to increasing the level of its internal communications. Annual surveys, which monitor the corporate social and psychological climate, are used to shape the information used across internal communication channels. The scope of this survey covers the Corporate Center and 34 enterprises and branches of the Group. The research findings help managers to correctly assess the main areas of work with employees and proactively shape the information policy for internal audiences.

Since 2012, research into the social and psychological climate has incorporated an analysis of the corporate culture, which tracks the trends towards reaching the target model adopted in 2011.

A unified plan for changing the social and psychological climate and transforming the corporate culture is the foundation for generating the best information for the Company’s communication channels.

The Company’s internal communications strategy involves the active development of advanced communication tools to ensure a regular exchange of information across the Company: a system of corporate media, feedback tools, staff meetings with Gazprom Neft management, as well as activities associated with arranging corporate and sports events, art competitions and other similar events.
In 2012, following research into the corporate communication channels and audiences, the Company changed the format of corporate publications. The Neftegazeta corporate newspaper became a research and information publication, with more focus on the analysis of production and management processes in the Company. Given the large number of subsidiaries and affiliates, the newspaper adopted a system which allows it to seamlessly combine corporate-wide information with branch- or line-specific materials. The Siberian Oil magazine strengthened the role of industry expertise, and continues to serve as a platform for sharing best practices across Gazprom Neft Group.

The functionality of the Company’s intranet resources continues to grow, expanding their coverage. Active employee engagement, the promotion of initiatives and public discussion of urgent issues are priority communication targets. The development of interactive intranet services doubled the number of active employees, while suggestions and comments published in the forums enable rapid operational adjustments by the service departments. Access to the intranet is available to more than 28,000 employees from more than 70 enterprises within the Group.

Developing a feedback system encourages dialogue between management and employees. The corporate hotline has started to collect information on violations of the Gazprom Neft corporate code, ‘Ask Your Manager’ sections are available both on the intranet portal of the Corporate Center, and on pages maintained by subsidiaries.

A pilot project was launched to install information kiosks to collect questions for management from employees who have no access to the corporate network. The opportunity to ask questions is also provided in the course of regular personal meetings for employees with the management of the Company and its sub-divisions.

The ‘Corporate Forum’ is the flagship event of the feedback system, and traditionally brings together some 400 delegates representing all of the Company’s enterprises. Over the past three years, Gazprom Neft has held four such forums, which provided all participants with the opportunity to discuss the most pressing corporate issues head-to-head. Answers to all questions submitted prior to the forums are published on the Company’s intranet site and serve as a source of materials for publication in the regular column of the Neftegazeta newspaper.

In 2012, the Company was the largest social investor in the regions where it operates, and a government partner in addressing the most pressing local problems associated with social development. In the course of dialogue with the regional and municipal authorities, local communities and representatives of the Company’s employees, a portfolio of Gazprom Neft regional social projects was shaped.
As one of the most efficient companies in its sector, Gazprom Neft also aims to be an efficient social investor. In 2012, an enlarged meeting of the Management Board adopted the ‘Home Towns’ program, refining the Company’s approach to social investment in the regions where it operates as part of implementing the concept of regional policy, which was approved by the Management Board in December 2010. The ‘Home Towns’ program aims at further developing tools to involve both local communities and the Company’s employees in the process of shaping the portfolio of projects, and in directly implementing social programs.

During the reporting year, the Company made an inventory of its social projects portfolio, which identified the most successful practices tried and tested by the Company in various regions over the period from 2007 to 2012. This can now serve as a model throughout the Company’s area of operation.

Gazprom Neft expects this approach to establish a standard for social projects, regardless of the region, and ensure the further implementation of the Company’s mission as an effective and reliable partner of the regional authorities and local communities for social and economic development of the regions.

The Company implements social projects both as part of agreements on social and economic cooperation with the regional and municipal authorities and by supporting local community initiatives.

In 2012, OJSC Gazprom Neft made 34 agreements on social and economic cooperation with Russia’s constituent entities and municipalities in the regions where the Company has its major production units.

In 2012, Gazprom Neft’s total costs associated with implementing the ‘Home Towns’ program amounted to RUB 2,399 million, of which RUB 2,052 million were spent on social investment as part of social and economic agreements with the regions and RUB 347 million on supporting charitable initiatives.

The main parts of the ‘Home Towns’ program are:

- urban development (housing, urban land improvement);
- creating infrastructure for children and grassroots sports;
- support and development of education- and health-related initiatives and activities;
- conservation of national and cultural traditions of the indigenous peoples of Northern Russia.
Improving the urban environment is one of Gazprom Neft’s traditional areas for social investments. The company collaborates with municipal authorities based on the belief that small town residents should have the same access to a high-quality urban environment as residents of large cities do.

Construction and upgrades of housing, as well as helping to improve the urban environment, constitute one of the specific segments of the social investment program. For example, in 2012, the Company financed the construction of a modern apartment complex with 120 apartments in the town of Muravlenko (YANAD), and renovated houses in the villages of the Nizhnevartovsk Region (KhMAD-Yugra).

The lack of social housing is one of the reasons for the lack of qualified personnel in the social sector – education, healthcare and culture. The Company is involved in housing construction, as well as in financing the purchase of apartments for social workers.

During the reporting period, Gazprom Neft bought five apartments in the Uvat district, Tyumen Region, and financed the construction of a 27-apartment house for young professionals in the village of Parabel (Tomsk Region).

The lack of an up-to-date sports infrastructure is one of the most pressing problems in the regions.

In 2012, Gazprom Neft completed the construction of the Zenith multi-purpose sports complex named after Yury Morozov in the town of Noyabrsk (YANAD), and continued building a similar complex in the town of Tarko-Sale (YANAD).

Along with developing a new infrastructure, the Company sponsors programs to modernize existing sports facilities.

In the reporting year, as part of the social investment program, the Company rebuilt a fitness center named after Pavel Sadyrin (completion of the work is scheduled for 2013) in the town of Muravlenko (YANAD), and a hockey site at the Children’s Center for Aesthetic Education (‘Neftyanik’) in the city of Omsk.

The Company’s project for constructing out-of-season yard playgrounds is one of the ways it supports grassroot sports and promotes active lifestyles among young people and families.

In the reporting year, the Company opened four playgrounds in the town of Noyabrsk, three in the town of Muravlenko, and remodeled three playgrounds and opened two new ones in the city of Omsk. Similar facilities will be opened in 2013 in the Orenburg Region and Yamal-Nenets Autonomous District.

The Company is involved in projects that support talented young athletes.

To support fitness and sports in the Omsk Region, Gazprom Neft sponsors the Avangard Sports Club non-commercial partnership. The comprehensive system of training hockey players starting at age 6 is a key feature of the Avangard Sports Club’s social project.

In 2012, as part of the ‘Gazprom to Children’ program, the Company launched a major inter-regional social project – ‘Avangard Hockey Academy’ – the goal of which is to establish a completely new contemporary system to train young players and develop hockey for children and youngsters. The project is being implemented under the aegis of Russia’s leading hockey club – Avangard Omsk, whose main foundations are the companies of the Gazprom Group. During the reporting year, the Company started building the central complex for the Avangard Hockey Academy in the city of Omsk. The Company’s flagship social project in the field of children’s sports is actively developing: the Sixth International ‘Gazprom Neft Cup’ Tournament for Children KHL Teams was held in 2012, and attended by 16 teams.

Over the past six years, the Gazprom Neft Cup has become one of the most significant children’s tournaments in Europe.
The lack of capacity in child day-care facilities and the poor quality of their equipment is one of the most acute problems of the regions. On the one hand, this prevents a significant number of children from taking part in the continuous learning system at pre-school level, where the foundations of cognitive activity and social interaction are laid. On the other hand, this forces parents to extend their maternity leave, which causes involuntary unemployment and partial loss of skills.

In 2012, the Company implemented a number of projects aimed at developing education. Gazprom Neft sponsored the construction of the ‘Planet Childhood’ day-care facilities in the city of Khanty-Mansiysk (KhMAD-Yugra), designed for 200 children, child day-care facilities in the village of Mezhdurechiye (Omsk Region) and the upgrade of facilities at some educational institutions in the Tara District, Omsk Region. The Company helped to equip a number of Omsk schools with computer labs, chemical labs, school cafeterias and gyms. And this list of projects implemented by the Company in the field of education and healthcare during the reporting year is by no means complete.

Gazprom Neft places emphasis on healthcare, especially on the quality of health services. The Company invests annually in the healthcare systems of the regions where it operates by sponsoring health facility renovations and purchasing medical equipment.

During the reporting year, the Company purchased equipment for Children’s Hospital No. 3, and paid for the repair of newborn rehabilitation rooms in Children’s Hospital No. 1 in Omsk.

Gazprom Neft contributes to improving the quality of life for the indigenous peoples of the North – in KhMAD-Yugra and YANAD. The programs that the Company actively supports have been developed taking into account the cultural sensitivity of indigenous peoples of the North. They aim to integrate them into the modern economic and social landscape, while maintaining their cultural identity and traditional ways of life.

In 2012, the Company helped communities in YANAD to buy snowmobiles, fuels, lubricants, and to arrange the Governor’s Cup competitions for reindeer herders in YANAD. Gazprom Neft participated in the construction of a rural cultural center in the Kutopyugan settlement. In 2012, with the participation of the Company, the construction of an ethnic day-care camp for the children of indigenous peoples of the North was continued in the village of Russkinskaya, KhMAD-Yugra (construction will be completed in 2014).
CHARITABLE ACTIVITIES AND VOLUNTEER PROGRAMS

Common approaches to organizing charitable activities are determined by the policy of charitable activities and the corporate standard ‘Charity Support Procedures.’ The Company’s charitable activities are coordinated by the Charity Commission. Similar commissions have also been established in the Company’s subsidiaries and affiliates.

Corporate charitable projects are implemented using the Company’s own resources, as well as through the involvement of employees in charitable activities. Employees are involved in the implementation of charitable projects both in the form of fund-raising, and in the form of individual participation in a variety of volunteer programs.

Volunteer programs were attended by more than 5,000 Company employees in 2012. Among these programs are the corporate Blood Donor’s Days, and the volunteer programs ‘Letter to Santa’, ‘Prepare Your Child for School’, ‘Children’s Day’, and ‘Give-n-Take Fund’.

When implementing charitable projects, the Company tries to make use of urban facilities, whose construction is financed by Gazprom Neft.
The Company continues to strengthen dialogue with federal government agencies and organizations to improve legislation in the oil and gas sector and establish a favorable investment climate in Russia.

The Company works closely with the authorities of the regions in which the Company has a presence to improve social and economic and legislative conditions for conducting and developing its business.

A set of principles and mechanisms of the Company’s corporate regional policy helps to systematize this work and build a long-term partnership with authorities and local communities in the regions where the Company has a presence.

GAZPROM NEFT’S INFORMATION POLICY AND INTERACTION WITH GOVERNMENT

In 2012, the Company continued to actively collaborate with stakeholders and public authorities, relying on the principles of dialogue and partnership.

Following the principles of transparency, the Company informs stakeholders about all aspects of its operations. For example, in 2012 126 official reports were published and the Company top management was interviewed by 21 media outlets.
Press tours were organized to give journalists from various regions the opportunity to visit the Company’s production facilities – the Omsk and Moscow Refineries and the Novoportovskoye field – and to see other Gazprom Neft industrial facilities in the area. Gazprom Neft’s top managers held press conferences and briefings, talking about the Company and answering questions asked by the media.

The websites of the Gazprom Neft Group, combined in a single integrated system that gives increased access to information about the Group’s activities to all interested parties, are the most important communication tool.

According to IQ Benchmark’s study, the Gazprom Neft website retained its first place ranking of the websites of Russia’s 30 largest companies included in the RTS Classic index. In 2012 its traffic increased by 30% as compared to 2011.

In 2012, the Gazprom Neft website won several competitions, including the Gold Website All-Russian Internet Competition.

The Company has traditionally used the potential of sports sponsorship to promote its brands and increase customer loyalty. In 2012, it continued its cooperation with Zenit soccer club, Avangard and SKA hockey clubs, whose games were broadcast by main federal channels and did well in TV ratings.

Cooperation with professional clubs enables Gazprom Neft to make use of players’ images in its advertising and PR campaigns: the Company has developed advertising campaigns for branded G-Drive fuels, involving famous players of the Russian national team and Zenit soccer club. Some club players were also involved in special events, including openings of new filling stations.

Gazprom Neft participates actively in the discussion of issues associated with developing sectoral law and creating a favorable investment environment in Russia.
In 2012, the Company was actively involved in developing, monitoring, analyzing and adjusting documents related to the unified methodology for exemptions from customs duties. Specifically, this methodology was tested through the example of the Company’s Mesoyakha field cluster. In addition, the Company’s experts were engaged in the promotion of federal rules and regulations in the field of industrial safety, with amendments drafted for inclusion in Federal Law 116-FZ On Industrial Safety.

In 2012 a draft of amendments to Federal Law 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities was also published; the draft was widely discussed by industry, scientific and expert organizations (Russian Union of Industrialists and Entrepreneurs, National Research University – Higher School of Economics, Moscow State University, Law Society of Russia, Russian Corporate Counsel Association). Their recommendations were submitted to the Prime Minister and First Deputy Primer Minister. The Company has also held consultations with Open Government and the Presidential Administration. This work resulted in prompt consideration of the draft by the State Duma in the first, second and third readings and approval by the Federation Council. Federal Law 324-FZ was signed by the President on December 30, 2012 and came into force on December 31, 2012.

To improve the regulatory environment in the gas sector, the Company has prepared proposals and supporting materials to amend the Tax Code of the Russian Federation to the extent applicable to determine natural gas MET rates for OJSC Gazprom Neft at the level of independent oil companies. A draft on amending Article 342 of the Tax Code has been agreed with the Ministry of Finance and the Ministry of Energy and was positively received by Deputy Prime Minister Arkady Dvorkovich.

In addition, public authorities are working on the legal form of tax breaks for fields and blocks with hard-to-recover reserves within the framework of the Russian Government Decree of May 3, 2012 No. 700-p. Currently, the Ministry of Finance’s draft federal law on determining reduced MET rates for hard-to-recover oil reserves is in the process of being approved. In addition, the Company is working to initiate establishing favorable tax conditions when employing technologies of tertiary stimulation of production and oil recovery increase, through the example of the three-phase chemical flooding (ASP).
In 2012, the Company worked closely with authorities of regional Russian entities to introduce a set of measures to improve the economic efficiency of current operations, and created favorable conditions for implementing corporate business initiatives.

Preferential tax treatment for oil and gas companies is still valid in the Company’s key production regions (YANAD, KHMD). According to some regional administrations, tax preferences for extractives companies continue to be an effective mechanism based on budgetary, social and economic criteria.

The executive and local authorities in the regions where the Company operates continue to support the Company’s projects in the field of gas utilization, and new projects in the field of hydrocarbon production.

As a major industry expert, the Company is actively involved in the development and improvement of regional legislation aimed at promoting the investment attractiveness of these regions and improving the social and economic situation. The Company’s experts take part in the work of regional legislative establishments – the Legislative Assembly of the Yamal-Nenets Autonomous District, Tyumen Regional Duma, etc. The Company’s experts regularly monitor current legislative activities and carry out draft appraisals. Together with regional parliaments, the Company participates in appraisals of federal sectoral legislation.
Corporate Governance

Main Terms and Definitions

General Meeting of Shareholders – the highest management body whose jurisdiction covers the most essential issues related to the Company's business.

Board of Directors – a management body which exercises general management of the Company's business and is responsible for strategic management to increase the Company's shareholder value. The Board of Directors monitors and ensures the efficient working of the Company's executive bodies.

Management Board – a collaborative executive body exercising management of the Company's day-to-day business.

Chief Executive Officer – the sole executive performing the functions of the Company's Chairman of the Management Board.

Audit Committee – a supervisory body controlling the Company's financial and business activities, elected by the general meeting of shareholders. The Audit Committee's jurisdiction includes inspecting and analyzing the Company's financial position, maintaining internal control and risk management systems and monitoring the legality of business operations.

External auditor – a supervisory body conducting the annual audit of financial statements in accordance with the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), approved by the general meeting of shareholders at the recommendation of the Company's Board of Directors.

Corporate Governance
The corporate governance system of OJSC Gazprom Neft is based on the principles of maintaining and augmenting its assets, increasing market value, sustaining the financial stability and profitability of the Company, and respecting the rights and interests of shareholders and other stakeholders. Managing a complex, multi-leveled, vertically integrated oil company engaged in geologic exploration, production, refining and foreign and domestic marketing requires a professional team of managers and a highly effective corporate governance and control system.

OJSC Gazprom Neft has developed a clear and coherent organizational structure which allows streamlined interaction to take place between management bodies and which defines clearly delineated responsibilities regarding control and management. The ultimate objective of this approach is to achieve progressive long-term growth in the Company’s shareholder value.

Alongside protecting the Company’s interests in commercially-sensitive and other confidential information, OJSC Gazprom Neft’s corporate governance system plays an important role in the Company’s commitment to open and transparent financial disclosure.

OJSC Gazprom Neft’s main information distribution channel, accessible to most stakeholders, is the Company’s official Web site (http://www.gazprom-neft.ru/), and its specialized IR section (http://ir.gazprom-neft.ru/).

Here the Company publishes its latest news, financial and performance indicators, statements and other useful information about the Company’s business, as well as documents governing the activities of OJSC Gazprom Neft’s management and committees, such as: the Articles of Incorporation, the Regulations of the General Meeting of Shareholders, the Regulations of the Board of Directors, the Regulations of the Management Board, the Regulations of the Chief Executive Officer and the Regulations of the Audit Committee.

Adhering to the principle of equal access to information for all stakeholders, OJSC Gazprom Neft publishes information on the official Web site in both Russian and English.
MANAGEMENT AND CONTROL BODIES

GENERAL MEETING OF SHAREHOLDERS

AUDIT COMMISSION

EXTERNAL AUDITOR

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

MANAGEMENT BOARD

The Internal Audit Department reports directly to the Chief Executive Officer

INTERNAL AUDIT DEPARTMENT

The Board of Directors appoints the Director of the Internal Audit Department

AUDIT COMMITTEE

HUMAN RESOURCES AND COMPENSATION COMMITTEE
GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the Company’s highest management body. In accordance with Russian Federation law, a joint-stock company is obligated to conduct a general meeting of shareholders at least once per year. The jurisdiction of the general meeting of shareholders covers important areas such as: approving annual reports and annual accounting (financial) statements, distributing profits, electing the Board of Directors, amending the Articles of Incorporation, reorganizing or increasing the authorized capital, etc.

In 2012, the Company conducted an annual general meeting of shareholders and three extraordinary general meetings of shareholders.

The following resolutions were adopted at the annual general meeting of shareholders:

1. Regarding approval of the OJSC Gazprom Neft Annual Report for 2011:
   — The 2011 Annual Report for OJSC Gazprom Neft shall be approved.

2. Regarding approval of the 2011 annual financial statements for OJSC Gazprom Neft, including the Income Statement:
   — The 2011 annual financial statements for OJSC Gazprom Neft, including the Income Statement, shall be approved.

3. Regarding the distribution of OJSC Gazprom Neft’s profits from 2011:
   — The distribution of OJSC Gazprom Neft’s profits based on the results from 2011 shall be approved.

4. Regarding the amount, term and form of payment of dividends based on the results from 2011:
   — Based on the results from 2011, dividends shall be paid in cash at a rate of RUB 7.30 per common share. Dividends shall be paid within 60 days from the date of the resolution on the payment of dividends.
Dividends shall be paid in the manner specified in the shareholder register. Expenses for transferring dividends shall be borne at the shareholder’s expense.

5. Regarding the election of members to the OJSC Gazprom Neft Board of Directors:
   - The OJSC Gazprom Neft Board of Directors shall be composed as follows:
     Vladimir Ivanovich Alisov,
     Valery Aleksandrovich Golubev,
     Nikolay Nikolaevich Dubik,
     Alexander Valerievich Dyukov,
     Andrei Vyacheslavovich Kruglov,
     Alexei Borisovich Miller,
     Elena Vladimirovna Mikhailova,
     Alexander Leonidovich Mikheev,
     Kirill Gennadiевичevelvich Seleznev,
     Vsevolod Vladimirovich Cherepanov.

6. Regarding election of members to the OJSC Gazprom Neft Audit Committee:
   - The OJSC Gazprom Neft Audit Committee shall be composed as follows:
     Dmitry Aleksandrovich Arkhipov,
     Galina Yurievna Delvig,
     Vitaly Anatolievich Kovalev,
     Alexander Aleksandrovich Frolov,
     Ekaterina Aleksandrovna Tsetlina.

7. Regarding approval of the external auditor of OJSC Gazprom Neft for 2012:
   - Closed Joint-Stock Company PricewaterhouseCoopers Audit shall be approved as the external auditor of OJSC Gazprom Neft for 2012.

8. Regarding compensation to the members of the OJSC Gazprom Neft Board of Directors.
   - Members of the OJSC Gazprom Neft Board of Directors who do not hold offices in the executive bodies of OJSC Gazprom Neft (who are not executive directors) shall be compensated at a rate of 0.005% of EBITDA based on data from the consolidated financial statements of OJSC Gazprom Neft in accordance with US GAAP standards for 2011.
   - The Chairman of the OJSC Gazprom Neft Board of Directors shall be paid additional compensation at a rate of 50% of the compensation payable to a member of the OJSC Gazprom Neft Board of Directors.
   - Members of the committees of the OJSC Gazprom Neft Board of Directors shall be paid additional compensation at a rate of 10% of the compensation payable to a member of the OJSC Gazprom Neft Board of Directors.
   - In addition to compensation as members of the committees of the OJSC Gazprom Neft Board of Directors, Chairmen of the committees of the OJSC Gazprom Neft Board of Directors shall be compensated at a rate of 50% of the compensation payable to a member of a committee of the OJSC Gazprom Neft Board of Directors.

9. Regarding compensation to members of the OJSC Gazprom Neft Audit Committee:
   - Members of the OJSC Gazprom Neft Audit Committee shall be compensated in the amounts recommended by the OJSC Gazprom Neft Board of Directors:
     - The Chairman of the Audit Committee: RUB 1,200,000;
     - A member of the Audit Committee: RUB 830,000.

On January 26, 2012, the extraordinary general meeting of shareholders considered approving a revised edition of the OJSC Gazprom Neft Articles of Incorporation.

The following amendments and additions were made to the revised edition of the Articles of Incorporation:
   - Regarding a shareholder’s obligation to notify the registrar of changes in his or her data;
   - Regarding the prior approval by the OJSC Gazprom Neft Board of Directors of the appointment and release from office of the Director of the Internal Audit (Control) unit of OJSC Gazprom Neft;
   - Regarding the appointment of the Secretary of the Board of Directors by the Board of Directors;
   - Regarding determination of the procedure and term for paying dividends, which may not exceed 60 days from the date of the resolution on the payment of dividends;
   - Regarding shortening the deadline for drawing up the Minutes of the general meeting of shareholders from 15 days to three business days from the close of the general meeting of shareholders;
   - Regarding the revision of the list of documents to be kept by the Company during the term and in the manner prescribed by Russian Federation law;
   - Regarding increasing the number of Audit Committee members from three to five.

On November 19, 2012, the extraordinary general meeting of shareholders amended the Articles of Incorporation by increasing the number of members of the Board of Directors to 11.

On December 25, 2012, the extraordinary general meeting of shareholders elected a new Board of Directors composed of 11 people.

At the beginning of 2013, OJSC Gazprom Neft conducted two extraordinary general meetings of shareholders.

On January 15, 2013, the extraordinary general meeting of shareholders amended the Articles of Incorporation by increasing the number of members of the Board of Directors to 12.

On February 22, 2013, the extraordinary general meeting of shareholders elected a new Board of Directors composed of 12 people.

By resolution of the extraordinary general meeting of shareholders, Sergey Aleksandrovich Fursenko was elected a member of the Board of Directors. During the re-election of the OJSC Gazprom Neft Board of Directors, the other members of the Company’s Board of Directors were re-elected.
BOARD OF DIRECTORS

The Board of Directors exercises general management of the Company's business. The jurisdiction of the Board of Directors includes areas related to the strategic management of the Company's business. Among the obligations of the Board of Directors is the determination of the Company's development priorities within its main operational guidelines. In view of the strategic importance of the goals set by the Board of Directors, its members must gain the support of the Company's shareholders and ensure that they fulfill their roles effectively.

In accordance with the OJSC Gazprom Neft Articles of Incorporation adopted by the extraordinary general meeting of shareholders on December 19, 2012, the Board of Directors shall be composed of 11 people. The majority of members of the OJSC Gazprom Neft Board of Directors are elected, as recommended by the controlling shareholder OJSC Gazprom.

The Company's Board of Directors is comprised of members of the OJSC Gazprom Management Committee, who represent the interests of the controlling shareholder and are experts in managing oil and gas company assets. The high level of participation of key executives of the parent company in the OJSC Gazprom Neft Board of Directors reflects the high competency and effectiveness of this management body.

Given the equity capital structure of OJSC Gazprom Neft, 95.68% of which belong to OJSC Gazprom, participation by members of the supreme executive management body of the controlling shareholder on the Company's Board of Directors is fully allowable.

The OJSC Gazprom Neft Board of Directors is largely independent of the Company's management: the only executive director on the Board of Directors is the Chairman of the OJSC Gazprom Neft Management Board, A. V. Dyukov.

OJSC Gazprom Neft elects its members to the Board of Directors in a transparent manner:
- The Company allows its shareholders to nominate candidates to the Board of Directors during a two-month period (legislation provides for one month);
- The Company discloses information about the current composition of the Board of Directors and candidates for the Board of Directors well in advance;
- The Company regularly engages with the depositary bank issuing depositary receipts;
- The Company uses and explains the cumulative voting procedure when electing members to the Board of Directors;
- The Company announces the results of voting on items by stating the quorum and the members who voted for each voting option;
- The Company publishes Minutes of general meetings of shareholders on a public resource – its official Web site.
As of December 31, 2012, the Company’s Board of Directors was elected by the extraordinary general meeting of shareholders on December 25, 2012 (Minutes No. 0101/04 dated December 28, 2012).

Except for A. V. Dyukov, members of the Board of Directors and its Chairman did not hold shares in the Company during the reporting year. During the reporting year, members of the Board of Directors did not conduct transactions to acquire or dispose of Company shares.

No lawsuits were filed against members of the Board of Directors in 2012.

Member of the Audit Committee
Member of the HR and Compensation Committee

ALEXEI BORISOVICH MILLER
CHAIRMAN OF THE BOARD OF DIRECTORS

Born in 1962, graduated from the N. A. Voznesensky Institute of Finance and Economics in Leningrad.

2001 – present, Chairman of the OJSC Gazprom Management Committee.

2002 – present, Deputy Chairman of the OJSC Gazprom Board of Directors.

Ph.D. in Economics.

ALEXANDER VALERIEVICH DYUKOV

Born in 1967, graduated from the Order of Lenin Shipbuilding Institute in Leningrad. In 2001, received an IMISP MBA degree.

2006 – present, Chairman of the OJSC SIBUR Holding Board of Directors.

2006–2007, President of Gazprom Neft.

December 2007 – present, Chairman of the Management Board, Chief Executive Officer of OJSC Gazprom Neft.

Interest in the authorized capital (as of December 31, 2012): 0.005357244 % (254,003 units).

ELENA VLADIMIROVNA MIKAILEVA

Born in 1977, graduated from the Moscow State Industrial University with a degree in jurisprudence, and earned a Master of Business Administration degree at the National Academy of Economics under the Russian Federation Government.

2003–2011, Deputy Chief Executive Officer for Corporate and Property Relations, LLC Gazprom Mezhregiongaz.

2011–2012, Director of the Department of Property Management and Corporate Relations, OJSC Gazprom.

2012 – present, member of the Management Committee, Director of the Department of Property Management and Corporate Relations, OJSC Gazprom.

ALEXANDER VALERIEVICH DYUKOV

Born in 1962, graduated from the N. A. Voznesensky Institute of Finance and Economics in Leningrad.

2001 – present, Chairman of the OJSC Gazprom Management Committee.

2002 – present, Deputy Chairman of the OJSC Gazprom Board of Directors.

Ph.D. in Economics.

VALERY ALEKSANDROVICH GOLUBEV

Born in 1952, graduated from the V. I. Ulianov (Lenin) Electro-technical Institute in Leningrad, the National Academy of Economics under the Russian Federation Government.

2006 – present, Deputy Chairman of the OJSC Gazprom Management Committee.

Ph.D. in Economics.

ALEXANDER LEONIDOVICH MIKHIEV

Born in 1944, graduated from the Gas and Oil Field Department of the I. M. Gubkin Institute of Petrochemical and Gas Industry in Moscow.

Since 2003, First Deputy Director of the Department of Marketing and Gas and Liquid Hydrocarbon Processing, OJSC Gazprom.
ANDREI VYACHESLAVOVICH KRUGLOV
Born in 1969, graduated from the Saint-Petersburg Technological Institute of the Refrigeration Industry.
2004 – present, Deputy Chairman of the Management Committee, Director of the Finance and Economic Department, OJSC Gazprom.
Doctor of Economics.

KIRILL GennADIEVICH SElezNEV
Born in 1974, graduated from the D. F. Ustinov Baltic State Technical University, Saint-Petersburg State University.
2002 – present, Director of the Department of Marketing and Gas and Liquid Hydrocarbon Processing.
2003 – present, member of the OJSC Gazprom Management Committee.
2004 – present, Chief Executive Officer of LLC Gazprom Medreglongaz.
Ph.D. in Economics.

NIKOLAY nIKoLAeVICH DUBIK
Born in 1971, graduated from the M. V. Lomonsov Moscow State University.
2005–2008, Deputy Director of the Legal Department, OJSC Gazprom.
2008, First Deputy Director of the Legal Department, OJSC Gazprom.
2008 – present, Director of the Legal Department, OJSC Gazprom, member of the OJSC Gazprom Management Committee.
Honored Lawyer of the Russian Federation.

VSEVOLOD VLADIMIROVICH CHEREPANOV
Born in 1944, graduated from the M.V. Lomonosov Moscow State University
2008–2010, Deputy Chief Executive Officer – Chief Geological Engineer, LLC Gazprom Dobycha Nadym.
2010 – present, member of the OJSC Gazprom Management Committee, Director of the Department of Gas, Gas Condensate and Oil Production, OJSC Gazprom.
Ph.D. in Geological and Mineralogical Sciences.

VLADIMIR IVAnoVICH ALISOV
Born in 1960, graduated from the A. A. Zhdanov Law Department of the Leningrad State University.
2007–2008, Deputy Director of the Legal Department, OJSC Gazprom.
2008 – present, First Deputy Director of the Legal Department, OJSC Gazprom.
Member of the Russian Bar Association, Member of the Corporate Governance Expert Council under the Federal Financial Markets Service of Russia. In 2010, named Honored Lawyer of the Russian Federation by Decree of the RF President.

VALERY PAVLOVICH SERDYUKOV
Born in 1945, graduated from the G. V. Plekhanov Mining Institute in Leningrad.
Ph.D. in Economics.
The following changes have taken place in the composition of the Board of Directors since the beginning of 2012:
- Olga Petrovna Pavlova – stepped down from the Board of Directors as of June 8, 2012 (by resolution of the annual general meeting of shareholders, Minutes No. 0101/2 dated June 14, 2012).
- Elena Vladimirovna Mikhailova – admitted to the Board of Directors as of June 8, 2012 (by resolution of the annual general meeting of shareholders, Minutes No 0101/2 dated June 14, 2012).
- Valery Pavlovich Serdyukov – admitted to the Board of Directors as of December 25, 2012 (by resolution of the extraordinary general meeting of shareholders, Minutes No 0101/4 dated December 28, 2012).

There were no other changes in the composition of the Company’s Board of Directors in 2012. At the re-election of the OJSC Gazprom Neft Board of Directors, the other members of the Company’s Board of Directors were re-elected.

Activities of the OJSC Gazprom Neft Board of Directors in 2012

In 2012, members of the Board of Directors worked together more intensively. Compared with 2011, the number of meetings held by the Board of Directors increased by 80% and the number of meetings held in person almost doubled.

Compared with the previous year, there was also an increase in the number of agenda items considered at the meetings of the Company’s Board of Directors.

<table>
<thead>
<tr>
<th>NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
</tr>
<tr>
<td>71 meetings</td>
</tr>
<tr>
<td>↑ 82.1 %</td>
</tr>
<tr>
<td>In absentia</td>
</tr>
<tr>
<td>39</td>
</tr>
<tr>
<td>In person</td>
</tr>
<tr>
<td>42</td>
</tr>
<tr>
<td>21</td>
</tr>
</tbody>
</table>

Strategic and investment planning:
- the on-going implementation of the OJSC Gazprom Neft Development Strategy to 2020 and the updating of OJSC Gazprom Neft strategic objectives to 2020;
- strategic performance of Gazprom Neft Group for 2013;
- introduction of changes to the OJSC Gazprom Neft Investment Program for 2011;
- the progress and efficiency in implementing the OJSC Gazprom Neft Investment Program for 2012 based on the Company’s performance results for the first half of 2012;
- preliminary results of implementing the OJSC Gazprom Neft Investment Program for 2012;
- approval of the OJSC Gazprom Neft Investment Program for 2013;
- the forecasted investment plan for 2014-2015;
- consideration of the report on the Internal Audit Department performance, OJSC Gazprom Neft.

Budget planning and financing of the Company’s business:
- introduction of changes to OJSC Gazprom Neft’s Budget for 2011 and 2012;
- approval of the OJSC Gazprom Neft Budget for 2013;
- approval of the OJSC Gazprom Neft Cost Optimization Program for 2013;
- consideration of the estimates for OJSC Gazprom Neft’s Budget and Cost Optimization Program for 2014-2015;
- approval of a number of transactions to raise loan financing;
- approval of the transaction for providing security under the obligations of participants in Gazprom Neft Group.

Corporate governance:
- approval of the Regulations of OJSC Gazprom Neft Insider Information;
- adoption of a number of resolutions regarding corporate matters including resolutions on convening extraordinary OJSC Gazprom Neft general meetings of shareholders to amend and add to the OJSC Gazprom Neft Articles of Incorporation;
- recommendations to compensate members of the Board of Directors and the Audit Committee based on the results from 2011.
Miscellaneous:
- approval of a number of related party transactions;
- consideration of the participation of members of the OJSC Gazprom Neft Management Board in the management bodies of other organizations;
- adoption of resolutions on the Company’s participation or termination of the Company’s participation in other organizations, as part of implementing the corporate restructuring program;
- approval of sports club sponsorships in areas where OJSC Gazprom Neft operates – FC Zenit and HC SKA, during the sporting seasons.

### AGENDA ITEMS OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Strategy</td>
</tr>
<tr>
<td>38</td>
<td>Approval of related party transactions</td>
</tr>
<tr>
<td>33</td>
<td>Corporate governance</td>
</tr>
<tr>
<td>12</td>
<td>Budget planning and financing</td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>112</td>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Company data

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### COMMITTEES OF THE COMPANY’S BOARD OF DIRECTORS

Two committees have been set up under the OJSC Gazprom Neft Board of Directors to ensure the effectiveness of the Board of Directors’ activities: the Audit Committee and the Human Resources and Compensation Committee. These committees have been set up to carry out preliminary in-depth research into matters within their jurisdiction. The procedures governing committee creation and activities are outlined in the respective Regulations.

#### The Audit Committee of the OJSC Gazprom Neft Board of Directors

The Audit Committee assists the Board of Directors in exercising control over the Company’s financial and business activities by assessing the efficiency of internal control systems, including mechanisms for controlling the preparation and submission of financial and other statements, assessing their completeness and reliability, and by monitoring the risk management system.

The Audit Committee helps to establish a constructive dialogue with the external auditor, bodies in charge of controlling financial and business activities, and the Company’s internal audit units.

The Committee’s work is directly related to the Action Plan of the Board of Directors and includes consideration of topics related to financial activities and investment planning.
Work carried out by the Audit Committee in 2012:
- consideration of the report on the OJSC Gazprom Neft Internal Audit Department performance for 2011;
- preliminary consideration of the implementation of the OJSC Gazprom Neft Investment Program and Budget (Financial Plan) for 2011 based on the Company’s performance results in 2011;
- consideration of the OJSC Gazprom Neft 2011 Annual Report;
- assessment of the audit report on the OJSC Gazprom Neft 2011 financial statements, prepared by CJSC PricewaterhouseCoopers Audit;
- consideration of the nomination of the OJSC Gazprom Neft auditor for 2012;
- consideration of the distribution of OJSC Gazprom Neft profits for 2011;
- consideration of recommendations on the amount of dividends per shares for OJSC Gazprom Neft and the dividend payment procedure based on the results from 2011;
- consideration and recommendation of the OJSC Gazprom Neft Investment Program for 2013 for approval by the Board of Directors;
- analysis of the Company’s draft Business Plan and Budget (Financial Plan) for 2013, including the financial borrowing program for Gazprom Neft Group and the 2014-2015 forecast (on the Committee’s recommendation, the Budget was approved by the Board of Directors).

Changes in Committee Composition in 2012
Before June 8, 2012, the Committee was comprised of:
- Andrei Vyacheslavovich Kruglov (Chairman).
- Nikolay Nikolaevich Dubik,
- Olga Petrovna Pavlova.

As of December 25, 2012, the Audit Committee was comprised of:
- Andrei Vyacheslavovich Kruglov (Chairman).
- Valery Aleksandrovich Golubev,
- Nikolay Nikolaevich Dubik.

The Human Resources and Compensation Committee of the OJSC Gazprom Neft Board of Directors
In accordance with the Regulations of the Human Resources and Compensation Committee, the Committee’s main task is to make a preliminary comprehensive examination of topics included within the jurisdiction of the Board of Directors and to prepare recommendations for the Board of Directors to adopt resolutions regarding the Company’s human resource policies and compensation for members of the Company’s management bodies and the Audit Committee.

Work carried out by the Human Resources and Compensation Committee of the OJSC Gazprom Neft Board of Directors in 2012:
- consideration of procedural issues related to the annual general meeting of shareholders.
- evaluation of the activities of the Board of Directors; based on this assessment, the Committee noted an improvement in the Board of Directors’ effectiveness as a result of a greater number topics discussed in Board meetings and active involvement by the Board members.

Changes in Committee Composition in 2012
Prior to June 8, 2012, the Committee was comprised of:
- Olga Petrovna Pavlova (Chairman),
- Nikolay Nikolaevich Dubik,
- Andrei Vyacheslavovich Kruglov.

As of December 25, 2012, the Human Resources and Compensation Committee was comprised of:
- Nikolay Nikolaevich Dubik (Chairman),
- Andrei Vyacheslavovich Kruglov,
- Vsevolod Vladimirovich Cherepanov.
The structure of OJSC Gazprom Neft executive bodies is stipulated in the Articles of Incorporation: they are the Management Board and the Chief Executive Officer.

The OJSC Gazprom Neft Management Board is a collaborative executive body exercising management of the Company’s day-to-day activities. In accordance with the OJSC Gazprom Neft Articles of Incorporation, the Management Board is formed by the Board of Directors as advised by the OJSC Gazprom Neft Chief Executive Officer. The term of powers of the Management Board is also determined by resolution of the Board of Directors. The professional qualifications of members of the OJSC Gazprom Neft Management Board are stipulated in internal documentation by OJSC Gazprom Neft.

The Company’s Chief Executive Officer, A. V. Dyukov (first elected in December 2006, and re-elected for another five years in December 2011), acts simultaneously as Chairman of the Management Board, whose functional duties include organizing Management Board activities.

In the absence of the Chairman of the Management Board, his functions are fulfilled by one of three three Deputy Chairmen of the Management Board (V. V. Yakovlev (first Deputy Chairman), V. V. Baranov, and A. M. Cherny, elected as advised by the Chairman of the Management Board by a majority of votes from the elected members of the Management Board. In the absence of the Chairman and Deputy Chairmen, the Chairman of the Management Board’s functions are fulfilled by any member of the Management Board, by resolution.
MANAGEMENT BOARD
as of December 31, 2012

As of December 31, 2012, the OJSC Gazprom Neft Management Board was comprised of 10 members: the Chief Executive Officer and his deputies acting within the scope of their jurisdiction, as defined by the Chief Executive Officer.

ALEXANDER VALERIEVICH DYUKOV

CHAIRMAN OF THE MANAGEMENT BOARD, CHIEF EXECUTIVE OFFICER

Born in 1967, graduated from the Order of Lenin Shipbuilding Institute in Leningrad. In 2001, received an IMISP MBA degree.

2006, LLC Sibur Chief Executive Officer.
2006 – present, Chairman of the OJSC Sibur Holding Board of Directors.
2006–2007, President of Gazprom Neft.
December 2007 – present, Chairman of the Management Board. Chief Executive Officer of OJSC Gazprom Neft.

Interest in the authorized capital (as of December 31, 2012): 0.005357244 % (254,003 units).

VADIM VLADISLAVOVICH YAKOVLEV

DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD, FIRST DEPUTY CHIEF EXECUTIVE OFFICER

Born in 1970, graduated from the Moscow Engineering Physics Institute, the Higher School of Finance of the International University in Moscow. Certified by the Chartered Association of Certified Accountants (ACCA) in 1999; awarded a diploma by the British Institute of Directors (ID) in 2009.

2006–2007, Director of the Planning and Budgeting Department, OJSC Gazprom Neft.
September to December 2007, Vice President of Finance, OJSC Gazprom Neft.
October 2007 – present, member of the OJSC Gazprom Neft Management Board; December 2007 – present, Deputy Chief Executive Officer for Economics and Finance.
May 2010 to August 2011, First Deputy Chief Executive Officer – Financial Director, OJSC Gazprom Neft.
August 2011 – present, First Deputy Chief Executive Officer, OJSC Gazprom Neft.
Supervises exploration and production, strategic planning, mergers and acquisitions.

Interest in the authorized capital (as of December 31, 2012): 0.001051526 % (49,856 units).
ALEXEI VIKTOROVICH YANKEVICH
MEMBER OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR ECONOMICS AND FINANCE


2007–2011, Director of the Planning and Budgeting Department, Head of the Directorate for Economics and Corporate Planning, OJSC Gazprom Neft.
March 2012 – present, member of the OJSC Gazprom Neft Management Board, Deputy Chief Executive Officer for Economics and Finance.

ANATOLY MOISEEVIICH CHERNER
DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR LOGISTICS, REFINING AND SALES

Born in 1954, graduated from the Grozny Petroleum Institute.

2006–2007, Vice President of Refining and Sales, OJSC Gazprom Neft.
December 2007 – present, member of the OJSC Gazprom Neft Management Board, Deputy Chief Executive Officer for Logistics, Refining and Sales.
In charge of oil refining, logistics and sales for oil and oil products.

VITALY VITALIEVICH BARANOV
DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR ADMINISTRATIVE ISSUES

2008, training at the London Business School (London, UK) MBA, Senior Executive Programme.

2003 – present, successively held the offices of Advisor, President for General Issues, Head of the President’s Office, Sibur Group.
May 2006 – present, Vice President for Administrative Issues, Sibur.
March 2009 – present, Deputy Chief Executive Officer for Administrative Issues, OJSC Gazprom Neft.
June 2009 – present, member of the OJSC Gazprom Neft Management Board.

Interest in the authorized capital (as of December 31, 2012): 0.001621496 % (76,880 units).
ALEXANDER MIKHAILOVICH DYBAL

MEMBER OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR CORPORATE COMMUNICATIONS


2005–2007, Chairman of the OJSC Gazprom-Media Board of Directors.

2007–2007, Vice President, Head of the Department of Corporate Communications, OJSC Gazprom Neft.

December 2007 – present, member of the OJSC Gazprom Neft Management Board, Deputy Chief Executive Officer for Corporate Communications.

In charge of the regional and information policy, internal corporate and marketing communications.

ELENA ANATOLIEVNA ILYUKHINA

MEMBER OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR LEGAL AND CORPORATE ISSUES

Born in 1969, graduated from the Saint-Petersburg State Electro-technical University, named after Ulianov (Lenin), Saint-Petersburg State University. Received a Ph.D. in Economics in 2001.

2001–2007, Deputy Chief Executive Officer, FGUP Rublevo-Uspensky Health Center (Administration of the President of Russia).

Before being appointed to OJSC Gazprom Neft, held the office of Executive Director, LLC NorthWest Investment Company.

December 2007 – present, member of the OJSC Gazprom Neft Management Board, Deputy Chief Executive Officer for Legal and Corporate Issues.

In charge of legal and corporate support of the Company’s business.

VLADISLAV VALERIEVICH BARYSHNIKOV

MEMBER OF THE MANAGEMENT BOARD, DEPUTY CHIEF EXECUTIVE OFFICER FOR INTERNATIONAL BUSINESS DEVELOPMENT

Born in 1965, graduated from the Red-Banner Military Institute.


April 2009 – present, Deputy Chief Executive Officer for International Business Development; November 2009 – present, member of the OJSC Gazprom Neft Management Board. Supervises development of the Company’s international business and interaction with foreign partners.
INFORMATION ABOUT CHANGES IN THE COMPOSITION OF THE COMPANY’S MANAGEMENT BOARD DURING THE REPORTING YEAR

The following changes have taken place in the composition of the Management Board since the beginning of 2012:

- Boris Semenovich Zilbermints – stepped down from the Management Board as of March 6, 2012 (Resolution No. ПТ-0102/08-P-1 Minutes No. ПТ-0102/08 dated March 6, 2012).
- Alexei Viktorovich Yankevich – admitted to the Management Board as of March 6, 2012 (Resolution of the Board of Directors No. ПТ-0102/09-P-1 Minutes No. ПТ-0102/09 dated March 6, 2012).

There were no other changes in the composition of the Company’s Management Board in 2012. At the re-election of the OJSC Gazprom Neft Management Board, the other members of the Company’s Management Board were re-elected.
In 2012, the following transactions in the Company’s securities were made by members of the Management Board:

1. V. V. Baranov:
   - On May 17, 2013, bought 175,500 common shares of the Company, increasing the total shares held to 211,770. Interest in the Company’s authorized capital after the transaction: 0.004466497%.
   - On August 10, 2012, sold 134,890 common shares of the Company, reducing the total common shares held to 76,880. Interest in the Company’s authorized capital after the transaction: 0.001621496%.

2. V. V. Yakovlev:
   - On April 24, 2012, bought 28,830 common shares of the Company, increasing the total common shares held to 49,856. Interest in the Company’s authorized capital after the transaction: 0.001051526%.

No lawsuits were filed against the Chief Executive Officer or members of the Management Board in 2012.

Work carried out by the OJSC Gazprom Neft Management Board in 2012

The OJSC Gazprom Neft Management Board met as scheduled to discuss topics based on the resolutions of the general meeting of shareholders, the Board of Directors and matters referred by the CEO and members of the Management Board. The work schedule of the Management Board is also based on proposals by the heads of OJSC Gazprom Neft organizational units.

In 2012, there were 14 meetings of the OJSC Gazprom Neft Management Board and seven votes by poll, during which the following main issues were considered:

- The information technology strategy of the OJSC Gazprom Neft group of companies;
- The system of risks of the Gazprom Neft group of companies in terms of economic security. The risk mitigation program;
- The strategy for developing the related business of OJSC Gazprom Neft;
- The concept of reorganizing the regional sales model;
- The strategy for developing the aviation fuel business for OJSC Gazprom Neft to 2025;
- The strategy for developing the bunker business for OJSC Gazprom Neft to 2025;
- The strategy for developing the lubricants business for OJSC Gazprom Neft to 2025;
- The strategy of foreign exploration and production operations for OJSC Gazprom Neft;
- The efficiency of implementing the OJSC Gazprom Neft investment program;
- Instruments for OJSC Gazprom Neft to enter foreign oil and oil product markets.

According to the Articles of Incorporation and the Regulations of the OJSC Gazprom Neft Management Board, the Board of Directors receives additional disclosure on the Company’s performance every quarter via management reports containing an MD&A (management discussion and analysis of financial position operating results).

Total compensation to members of the Board of Directors and members of the Management Board

By resolution of the general meeting of shareholders, members of the Board of Directors who do not hold offices in the Company’s executive bodies (who are not executive directors) were compensated, based on the 2011 results, at a rate of 0.005% of EBITDA as reported in the consolidated financial statements of OJSC Gazprom Neft in accordance with US GAAP standards for 2011.

In addition to the base compensation, members of the Board of Directors were paid additional compensation for performing the functions of the Chairman of the Board of Directors (50% of the compensation payable to a member of the Board of Directors), a member of a committee of the Board of Directors (10% of the compensation payable to a member of the Board of Directors) or Chairman of a committee of the Board of Directors (50% of the compensation payable to a committee member).

In 2012, the total compensation paid to members of the Board of Directors was RUB 152 million (including personal income tax) based on the results for 2012.

The income accrued to members of the Management Board was RUB 655 million in 2012. Payments include bonuses for the reporting period, taxes and other compulsory payments to government funds, payments for annual paid vacation during the reporting period, and payment for medical services.

No additional compensation is paid to members of the Management Board for work in the management bodies of OJSC Gazprom Neft or its dependent and subsidiary companies.
INTERNAL AUDIT DEPARTMENT

Internal control over the Company’s financial and business activities is carried out by the Internal Audit Department.

Main functions of the Internal Audit Service:

- Internal audits, including:
  - assessing the efficiency of the internal control system for business processes;
  - confirming compliance with legislative requirements and internal regulations;
  - controlling the performance efficiency of subdivisions;
  - controlling the integrity of OJSC Gazprom Neft assets;
  - confirming the reliability of OJSC Gazprom Neft financial statements;
  - monitoring the implementation of corrective measures.

- Organizing an integrated risk management system (IRMS), including:
  - identifying, analyzing, assessing, revising and updating the risks of OJSC Gazprom Neft;
  - developing and updating IRMS procedures;
  - monitoring and assessing the efficiency of implemented procedures related to managing key risks and other risks of OJSC Gazprom Neft business units (blocks);
  - integrating IRMS into key managerial business processes (business planning, management of project risks, management objectives).

- Carrying out activities aimed to prevent fraud, including:
  - organizing and maintaining a fraud prevention hot line;
  - carrying out special inspections designed to identify any fraud;
  - preparing fraud prevention recommendations.

- Developing a methodology for internal audits and interaction with regional internal audit units, including:
  - developing, revising and updating procedural documentation governing Internal Audit Department activities;
  - engaging with functional management of regional internal audit units;
  - providing methodological support and professional training for Internal Audit Department employees and regional internal audit units;
  - assuring audit function quality control.

Accountability of the Internal Audit Service, interaction with the issuer’s executive management bodies and the issuer’s Board of Directors (Supervisory Council)

The Internal Audit Department is accountable directly to the Company’s Chief Executive Officer; the Board of Directors approves the appointment and dismissal of the Director of the Internal Audit Department.

Interaction of the Internal Audit Department with the issuer’s external auditor

The Internal Audit Department regularly reports on the results of its activities to the Company’s Board of Directors and submits information to the Audit Committee about material violations revealed in the course of auditing the financial and business activities of OJSC Gazprom Neft.
COMPLIANCE WITH THE CORPORATE CODE OF CONDUCT

Corporate governance at OJSC Gazprom Neft is based on an unwavering respect for shareholder rights, high quality investment planning, a logical system of internal audits and risk management, a high degree of financial and informational transparency, and an efficient, professional Board of Directors. The Company abides steadfastly by the rules of effective legislation, aimed primarily at ensuring respect for and protection of shareholder rights.

OJSC Gazprom Neft ensures the equal treatment of its shareholders holding shares of one type (category).

- All shares issued by the Company are of a single category.
- Each share grants one vote to its holder.

OJSC Gazprom Neft ensures that shareholders can exercise authority over their stock without restriction, delay or duress.

OJSC Gazprom Neft engages a professional independent registrar, ensuring a reliable and effective system of recording title to shares.

- Shareholders are notified of a forthcoming general meeting of shareholders no later than 30 days before the meeting. Notifications are communicated by two methods: via hard copy mailed to each shareholder, and via a notice published in Rossiyskaya Gazeta.
- Shareholders have the opportunity to study all information made available to them in advance of the general meeting of shareholders (all information is published on the Company’s official Web site, Russian and English versions are published simultaneously; shareholders may also study relevant materials at the Company’s registered office).
- The registration of shareholders attending the general meeting of shareholders is made as easy and efficient as possible and the high proportion of the Company’s minority shareholders who attend general meetings of shareholders proves that there are no technical difficulties which would hinder attendance.
- Shareholders are allowed to vote by proxy at the general meeting.
- Voting is conducted by using voting ballots.
- The Board of Directors is elected using cumulative voting.
- The procedure for voting on each agenda item is explained before the voting begins, including a detailed explanation of the cumulative voting principle; explanations of how to vote are provided on the back of each ballot paper.
- Votes at general meetings of shareholders are counted by a professional registrar.
- The procedure for conducting the general meeting of shareholders promotes equal opportunity for all shareholders, by allowing them to express their opinions and raise questions on the agenda with members of the Company’s Management Board who participate in general meetings of shareholders every year.
- Voting results are announced at the general meeting of shareholders.
- Minutes of the general meetings of shareholders are published on the Company’s official Web site and are available to any stakeholder to examine.
OJSC Gazprom Neft ensures the right of shareholders to receive profit.

- OJSC Gazprom Neft has a clearly communicated dividend policy: to pay as a minimum 15% of the Company’s net profit determined in accordance with the generally recognized accounting principles (US GAAP).
- The Company pursues the policy of “fast payment” of dividends to minority shareholders (the Company transfers dividends to the accounts of minority shareholders within three months after the resolution to pay dividends).

OJSC Gazprom Neft provides efficient control over financial and business activities.

- For the annual audit of its financial statements, the Company engages PWC, the world’s largest auditing service provider.
- The Company has an elected Audit Committee consisting of the parent company’s internal auditors.
- The Company operates an efficient Internal Audit Department comprised of highly skilled professionals; auditors working in the Company’s subsidiaries report to the Internal Audit Department of OJSC Gazprom Neft.
- An Audit Committee has been set up under the Board of Directors. The Internal Audit Department is accountable to the Audit Committee. The Audit Committee regularly meets to address issues related to the Company’s activities within the scope of its jurisdiction as stipulated in the Regulations of the Audit Committee.

OJSC Gazprom Neft seeks to disclose information in the most timely and transparent manner.

- The Board of Directors has approved the Regulations of the Information Policy.
- The Company has an official bilingual Web site (www.gazprom-neft.ru).
- The Company does not attempt to conceal any material information about its business.
- The Company ensures a high level of disclosure of information about its business (including information about the structure of its equity capital, financial and operating data) by using available media, including on-line publication of press releases.
- The Company provides prompt disclosure of information to prevent it from becoming out of date.
- When disclosing information, the Company uses disclosure methods which allow unrestricted, user-friendly and the lowest-cost access to information.
- When disclosing information, the Company ensures that no audience has priority over other audiences.
- In accordance with the law, the Company provides information (documents) at the request of shareholders.

OJSC Gazprom Neft ensures that the structure of its management bodies is as effective as possible

- The management bodies are made up of highly skilled professionals.
- The Company’s internal documents clearly define the jurisdiction of each management body.
- The management bodies do not employ managers from competitors.
- The Company’s management bodies do not employ individuals who have been found guilty of committing economic crimes or crimes against the state, public services, federal or municipal agencies, or individuals who have been subject to administrative fines for business, financial, tax or securities market-related offenses.
- Members of the management bodies are obliged to refrain from any action that may give rise to conflicts of interest and are obliged to report to the Company any information concerning situations (transactions) potentially posing conflicts of interest.
- The Board of Directors reports to the general meeting of shareholders.
- Two committees work under the Board of Directors: the Audit Committee and the Human Resources and Compensation Committee.
- The Company operates a collaborative executive body – the Management Board, which reports to the general meeting of shareholders and to the Board of Directors.
- The procedure for conducting meetings of the Company’s management bodies is clearly defined in the Company’s internal documentation.

OJSC Gazprom Neft adheres to international social responsibility standards; social goals are integrated into the Company’s long-term strategy.

- For many years OJSC Gazprom Neft has been preparing and publishing Sustainable Development Reports.
- The Company implements large-scale programs aimed at improving industrial, environmental and occupational safety.
- OJSC Gazprom Neft is involved in regional social and economic development programs.
- The Company implements an HR motivation and professional development policy.
Basic information about shares and ADR of OJSC Gazprom Neft as of December 31, 2012

<table>
<thead>
<tr>
<th>SHARE PRICES ON MICEX</th>
<th>MARKET CAPITALIZATION ON MICEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB (closing price)</td>
<td>RUB million 675,730</td>
</tr>
<tr>
<td>USD* (closing price)</td>
<td>USD* million 22,248</td>
</tr>
<tr>
<td>RUB 52-week max price</td>
<td>MICEX-RTS CODE / ISIN CODE SIBN / RU0009062467 SIBN / RU0009062467</td>
</tr>
<tr>
<td>RUB 52-week min price</td>
<td></td>
</tr>
<tr>
<td>PRICE OF 1 ADR** ON THE LONDON STOCK EXCHANGE</td>
<td>QUANTITY OF COMMON SHARES, UNITS 4,741,299,639</td>
</tr>
<tr>
<td>USD (closing price)</td>
<td>PAR VALUE OF COMMON SHARES, RUB 0.0016</td>
</tr>
<tr>
<td>52-week max price</td>
<td>AUTHORIZED CAPITAL, RUB 7,586,079,4224</td>
</tr>
<tr>
<td>52-week min price</td>
<td>FREE-FLOATED SHARES (FREE FLOAT), % 4.32</td>
</tr>
<tr>
<td>ANNUAL TRADE VOLUME</td>
<td>ISSUED ADR, UNITS 23,530,268</td>
</tr>
<tr>
<td>MICE + RTS, RUB billion</td>
<td>PERCENT OF FREE-FLOATED ADR (FREE FLOAT), % 57</td>
</tr>
<tr>
<td>London Stock Exchange, IOB, USD million 1,306</td>
<td>MONTHLY AVERAGE TRADE VOLUME, IOB, USD MILLION 108</td>
</tr>
<tr>
<td></td>
<td>MONTHLY AVERAGE TRADE VOLUME (MICEX), RUB MILLION 2,698</td>
</tr>
</tbody>
</table>

* Converted at the rate of the Central Bank of Russia as of December 31, 2012.
** 1 ADR is equivalent to 5 common shares of OJSC Gazprom Neft.
COMPOSITION OF SHAREHOLDERS AND AUTHORIZED CAPITAL STRUCTURE

According to the OJSC Gazprom Neft Articles of Incorporation, the Company’s authorized capital consists of 4,741,299,639 common shares. As of the end of 2012, OJSC Gazprom Neft has no preferred shares.

The major shareholder of OJSC Gazprom Neft stock is OJSC Gazprom. It holds, directly and indirectly, 95.68% of the Company’s total common shares. The remainder of common shares (4.32%) is distributed between minority shareholders – individuals and corporations.

As of December 31, 2012, 9,136 business accounts were registered in the shareholder register, including: 15 corporations, 9,112 individuals, one beneficial owner and eight nominees.

<table>
<thead>
<tr>
<th>Persons/entities listed in the shareholder register</th>
<th>As of December 31, 2012</th>
<th>As of December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share in the authorized capital, %</td>
<td>Number of shares</td>
</tr>
<tr>
<td>OJSC Gazprom</td>
<td>66.9837 %</td>
<td>3,175,898,234</td>
</tr>
<tr>
<td>Gazprom Finance B.V.</td>
<td>5.6791 %</td>
<td>269,261,275</td>
</tr>
<tr>
<td>LLC Deutsche Bank (Nominee)</td>
<td>20.0124 %</td>
<td>948,848,442</td>
</tr>
<tr>
<td>CJSC Depository Clearing Company (Nominee)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>CJSC ING Bank (Eurasia) (Nominee)</td>
<td>2.8075 %</td>
<td>133,112,553</td>
</tr>
<tr>
<td>CJSC NCO National Clearing Depository (formerly NP National Depository Center) (Nominee)</td>
<td>4.1538 %</td>
<td>196,942,733</td>
</tr>
</tbody>
</table>

TRADING OF SHARES

Shares of OJSC Gazprom Neft are traded in Russia on the main trading floors of the integrated OJSC Moscow Exchange (MICEX).

In 2012, the volume of trade in OJSC Gazprom Neft shares on all MICEX trading floors amounted to RUB 32 billion (USD 1,050 million). As of the end of 2012, American depositary receipts (ADR) issued against OJSC Gazprom Neft shares accounted for 0.3% of the total trade volume among ADR of foreign companies traded on the London Stock Exchange in the IOB system, or USD 1,306 million compared with USD 1,123 million in 2011.

As of the end of 2012, there was a small decrease in the price of the Company’s shares. According to final trading results on MICEX from December 28, 2012, the price of OJSC Gazprom Neft shares stood at RUB 142.52 per ordinary share (-3.8% compared with the beginning of the year). Market capitalization of OJSC Gazprom Neft as of December 31, 2012, was USD 22,248 billion.

Based on generally recognized market value indicators, OJSC Gazprom Neft remained undervalued by the market in 2012, in comparison with both international oil companies and with Russian competitors. In many respects, this is due to the limited liquidity of the Company’s shares.

The Company has a fairly good fundamental potential for market value growth in 2013. According to the estimates by many leading analysts OJSC Gazprom Neft is the best business with “added value” potential among Russian oil companies. This favorable outlook is due to the Company’s growth in hydrocarbon extraction, its refining capabilities, availability of its own marketing resource and a high-level portfolio of new oil production projects. Taken together, all these factors provide considerable competitive advantages for the Company, offering substantial potential for long-term growth in its value.
DIVIDEND HISTORY

The dividend policy is a vital element of corporate governance and a key indicator of the company’s respect for its shareholders’ rights.

The main principles of the OJSC Gazprom Neft dividend policy:
• ensuring maximum transparency around the mechanism for defining the level of dividend to be distributed and its payment. The Company has formalized the dividend policy it has been pursuing over the last few years by approving the Regulations of the Dividend Policy;
• complying with the rules of effective Russian Federation law, the Company’s Articles of Incorporation and internal documents. The right to receive dividends is granted to each shareholder listed in the shareholder register as of the date of drawing up the list of shareholders entitled to participate in the shareholder meeting at which it is resolved to pay dividends. The date of registration for depositary receipt holders is set on an individual basis by the depositary bank (the Bank of New York Mellon);
• commitment to high corporate governance standards. The Company has formalized the principle of ensuring progressive dividend payments linked to growth in net profit. The approved Regulations of the Dividend Policy of OJSC Gazprom Neft is published on the Company’s official Web site together with a history of the Company’s dividend payments;
• commitment to pay dividends as soon as possible. In 2012, OJSC Gazprom Neft fully transferred funds to the accounts of its minority shareholders in August 2012.

In 2012, the amount of dividends paid was the highest in the last 5 years and 64% higher than in 2010.

7.3 RUB PER SHARE

By resolution of the annual general meeting of the Company’s shareholders on June 8, 2012, RUB 34.6 billion, or 22% of the consolidated net profit under US GAAP standards, were allocated for the payment of dividends for 2011. This is 1.6 times more than at the end of 2010, and one of the highest rates in the industry.

OJSC Gazprom Neft plans to continue adhering to the principle of ensuring a progressive dividend payment linked to growth in net profit. As of the end of 2012, 22% of the Company’s net profit, determined in accordance with IFRS standards, have also been allocated for dividend payments.
### Period

<table>
<thead>
<tr>
<th>Period</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of dividends paid per share, RUB</td>
<td>5.40</td>
<td>5.40</td>
<td>3.57</td>
<td>4.44</td>
<td>7.30</td>
</tr>
<tr>
<td>Total amount of dividends paid on shares of this category, RUB</td>
<td>25,603,018,051</td>
<td>25,603,018,051</td>
<td>16,926,439,711</td>
<td>21,051,370,397</td>
<td>34,611,487,365</td>
</tr>
<tr>
<td>Percent of US GAAP net profit, %</td>
<td>24%</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>The issuer’s management body that resolved on the payment of dividends</td>
<td>General meeting of shareholders</td>
<td>General meeting of shareholders</td>
<td>General meeting of shareholders</td>
<td>General meeting of shareholders</td>
<td>General meeting of shareholders</td>
</tr>
<tr>
<td>The date of the meeting of the issuer’s management body, during which it was resolved to pay dividends, the date and number of the Minutes</td>
<td>June 20, 2008 Minutes No. 45 dated June 30, 2008</td>
<td>June 22, 2009 Minutes No. 47 dated March 7, 2009</td>
<td>June 29, 2010 Minutes No. 0101/01 dated July 1, 2010</td>
<td>September 6, 2011 Minutes No. 0101/01 dated June 14, 2011</td>
<td>June 8, 2012 Minutes No. 0101/02 dated June 14, 2012</td>
</tr>
<tr>
<td>The date by which declared dividends are to be paid</td>
<td>before May 31, 2009</td>
<td>before May 5, 2010</td>
<td>before May 31, 2011</td>
<td>before August 8, 2011</td>
<td>before August 8, 2012</td>
</tr>
<tr>
<td>The form and other terms of payment of declared dividends</td>
<td>In cash</td>
<td>In cash</td>
<td>In cash</td>
<td>In cash</td>
<td>In cash</td>
</tr>
<tr>
<td>Unpaid to accrued dividend ratio, %*</td>
<td>0.013%</td>
<td>0.014%</td>
<td>0.02%</td>
<td>0.12%</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

* Dividends are not paid to shareholders who failed to furnish details for transferring dividends according to Paragraph 5, Article 44 of RF Federal Law No. 208 dated 12/26/1995 “On Joint-Stock Companies”. The dividends accrued on the shares of unidentified persons are paid as shareholder rights to such securities are established.

### PARTICIPATION IN THE DEPOSITARY RECEIPT PROGRAM

#### INFORMATION ABOUT OJSC GAZPROM NEFT ADR

<table>
<thead>
<tr>
<th>Ticker</th>
<th>GZPFY (GAZ, SCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSIP</td>
<td>36829G107</td>
</tr>
<tr>
<td>Ratio</td>
<td>1 ADR: 5 common shares</td>
</tr>
<tr>
<td>Effective date</td>
<td>April 20, 1999</td>
</tr>
<tr>
<td>SEDOL</td>
<td>5109407</td>
</tr>
<tr>
<td>ISIN</td>
<td>RU0009062467</td>
</tr>
<tr>
<td>Depositary bank</td>
<td>The Bank of New York Mellon</td>
</tr>
</tbody>
</table>

During 2012 there were on-going programs of American and global depositary receipts against the Company’s shares, which were traded on the OTC market in the U.S., U.K., Germany, etc. One ADR is equivalent to five common shares of OJSC Gazprom Neft. The depositary bank under the depositary receipt programs for OJSC Gazprom Neft is the Bank of New York Mellon. As of the end of 2012, the total quantity of ADR issued against common shares was equivalent to 118 million shares (2.5% of the Company’s authorized capital).

#### TRENDS IN TRADING OJSC GAZPROM NEFT ADR, RUSSIA FTSE IOB, AND URALS OIL PRICES, %

Source: Bloomberg

#### TRENDS IN TRADING VOLUME FOR OJSC GAZPROM NEFT SHARES ON MICEX, RTS, LSE AND OTCQX, MN USD

Source: Bloomberg, LSE, OTCQX

The volume of trade in Gazprom Neft’s ADR was USD 1,354 million in 2012, of which USD 1,306 million occurred on the IOB London Stock Exchange, USD 29 million on OTCQx and USD 19 million on other European platforms (mainly, in Germany).
ENGAGEMENT WITH SHAREHOLDERS AND INVESTORS

The Company places a great emphasis on proactive engagement with existing and potential shareholders. The level of information disclosure for Gazprom Neft’s shareholders and investors has significantly increased recently, which is confirmed by a series of investor relations studies conducted by independent agencies as well as the Company’s awards for achievements in this area.

The Company regularly organizes investor conference calls in which the management team participates. In addition, Gazprom Neft publishes the “Management’s analysis of financial position and operating results,” on a quarterly basis as an attachment to OJSC Gazprom Neft financial statements, prepared in accordance with US GAAP and IFRS standards.

For a detailed analysis of the Company’s performance, a Databook and Datafeed are also published.

In order to improve the level of understanding of the Company’s business, the Company holds regular meetings with investors and shareholders, and participates in all large conferences for investment and broker organizations. In 2012, the Company held about 350 meetings with investors; the investor relations team took part in 19 conferences for financial and broker organizations, and organized four tours for investors (non-deal Roadshows).

Each year the Company organizes an Investor Day which is attended by the top management of OJSC Gazprom Neft; during this event analysts and investors from investment companies may ask questions and receive answers directly from the Company’s management.
In 2012, the Company hosted a delegation of analysts and investors (50 representatives from investment and broker companies) during a business trip to Saint-Petersburg. The Company's management team presented the main performance results and Gazprom Neft’s future development plans.

Gazprom Neft also regularly familiarizes investors and analysts with the Company’s operations by organizing roadshows at its industrial and production sites. In 2012, Gazprom Neft’s shareholders were given the opportunity to learn more about oil production at the Priobskoye Oil Field in the Khanty-Mansi Autonomous District, and oil refining at the Moscow Oil Refinery.

In 2012, the Company was honored with several investor relations awards.

For example, Gazprom Neft was ranked as number one for financial information disclosure among global oil and gas companies in the 2012 IR Global Rankings rating. IR Global Rankings (IRGR) is a comprehensive international rating system for assessing IR Web sites, annual on-line reports, procedures for financial information disclosure, corporate governance practices, etc. The ratings are based on research into the activities of public companies by MZ Consult, a leading IR consultancy agency.

In 2011, the Company was awarded the Winner’s Certificate for the V Saint-Petersburg Contest of Corporate Web Sites and Annual Reports for the “Best IR Section of the Corporate Web Site.”

In 2012, Gazprom Neft’s Annual Report won several awards. For example, based on the results of the XV Annual Contest for Annual Reports and Web Sites, organized by the Securities Market journal and Investor.ru, with assistance from the Federal Financial Markets Service of Russia, the Company’s Annual Report was acknowledged as number one in the “Best Annual Report in the Fuel and Energy Sector” and the “Best Annual Report of an Issuer of the North-West Federal District” categories. Based on the results of the XV Annual Report Contest, organized by the Moscow exchange, the Company’s Annual Report won 2nd place for the “Best On-Line Annual Report” category.

According to IRGR ratings, Gazprom Neft was among the top five companies in terms of financial information disclosure in Europe, and second among oil and gas companies in the “Best IR Web Site” category in 2010.

From 2009 to 2010, the Company received several awards based on results from the annual contest by IR Magazine Russia & CIS Awards, the only specialized international magazine to have awarded prizes to the best IR teams worldwide over the past 19 years. In 2009, Gazprom Neft came 2nd for the “Best IR in the Crisis Environment” category; in 2010, the Company was awarded Best Chairman/CEO – for Investor Relations (“The Biggest Contribution to IR by CEO”) and ranked third in the “Best IR for a Corporate Transaction” category (“The Best Investor Interaction – Major Corporate Transactions”).

Each quarter from 2011 to 2012, Gazprom Neft’s Web site was ranked first out of the 30 largest Russian companies (by market capitalization) incorporated in the RTS Standard index, according to an analysis by Investis, the European leader in consultancy services and Web site development.
In order to finance its activities, OJSC Gazprom Neft relies mainly upon cash generated from its operations. However, the implementation of major projects at the initial exploration and field development stages, large-scale upgrading of refining facilities, expansion into new markets and other ambitious projects associated with the intensive development and growth of the Company’s business requires consideration of all possible financial resources, including borrowings.
BASIC PRINCIPLES OF DEBT PORTFOLIO MANAGEMENT

OJSC Gazprom Neft follows a conservative debt financing policy. The main principle of this policy is to ensure a strong financial position by maintaining a Net Debt/EBITDA ratio no higher than 1.5.

During the reporting period, the Company improved its net debt to EBITDA ratio from 0.71 as of December 31, 2011, to 0.51 as of December 31, 2012, according to IFRS statements.

An important principle in attracting debt financing is extended borrowing periods and a reduced share of short-term (one year or less) credits and loans in the debt portfolio. The average debt repayment period grew from 2.68 years as of December 31, 2011, to 3.81 years as of December 31, 2012, while the proportion of short-term borrowing to total debt was 28.5% as of December 31, 2012.1

An important objective of the OJSC Gazprom Neft debt policy is the diversification of its debt portfolio in order to reduce the Company’s dependence on volatility in the debt capital markets. At present, OJSC Gazprom Neft’s credit portfolio includes debt financing tools such as pre-export financing, syndicated and bilateral credits, local bonds and Eurobonds.

In 2012, the Company continued to follow its policy of diversifying external financing sources.

- In August 2012, an ongoing Euro Medium Term Note (EMTN) program was registered for a total equivalent of USD 10 billion, which included the placement of the Company’s first Eurobond issue in September 2012 for USD 1.5 billion maturing in 2022 with a 4.375% coupon.
- February and December 2012 saw the placement of two ruble bond issues of 11 and 12 series worth RUB 10 billion each maturing in 2022, with offers and 8.25% and 8.5% coupons in 2015 and 2017, respectively.
- In July 2012, the Company signed its first-ever ECA debt financing agreement for Euro 258 million.

The Company’s management places great importance on the cost of borrowing in its decision-making for selecting financing tools. The Company thoroughly analyzes all possible options for debt financing to assess service costs. The average borrowing cost as of the end of the reporting period was 3.48%.

OJSC Gazprom Neft audits its debt portfolio on a continual basis to assess its optimal balance. In 2012, the Company made early repayments of credits in the amount of USD 700 million. At year-end, the total debt of Gazprom Neft Group was slightly less than USD 7.4 billion.

MAIN OBJECTIVES FOR USING BORROWING

The funds borrowed during 2012 were used for corporate-wide purposes.

1 In accordance with the Group’s Management Discussion and Analysis for the three months ending December 31, and September 30, 2012, and for the years ending on December 31, 2012 and 2011.
FULFILLMENT OF THE MAIN LOAN CONTRACT COVENANTS

The loan contracts executed by OJSC Gazprom Neft contain terms that impose certain restrictions on corporate performance ratios such as consolidated EBITDA to consolidated interest payable, consolidated loan debt to consolidated net asset value, and consolidated loan debt to consolidated EBITDA. The Company fully complied with all such requirements as of December 31, 2012.

OJSC Gazprom Neft also fulfilled all bond payment conditions in a timely manner. In 2012, the Company paid out a total of RUB 6.415 billion to bond holders.

POSSIBLE DEBT FINANCING TOOLS IN 2013

In 2013, OJSC Gazprom Neft plans to continue debt financing for its current operations. Taking into account its debt portfolio management policy and the market environment, the Company can use various sources of borrowed funds, including:

- ruble bonds,
- Eurobonds
- bilateral loans,
- club-deal credits,
- syndicated credits,
- ECA financing,
- other external financing sources.

On February 21, 2013, in order to facilitate prompt debt financing for OJSC Gazprom Neft, if needed, the Company’s Board of Directors approved a prospectus and a resolution for seven ruble bond issues of 17-23 series worth a total of RUB 55 billion, and adopted resolutions on their placement.

CREDIT RATINGS

OJSC Gazprom Neft has been assigned credit ratings by two international credit agencies, Standard & Poor’s (S&P) and Moody’s Investors. In 2012, Standard & Poor’s and Moody’s Investors reaffirmed the long-term credit ratings assigned to the Company. As of the end of 2012, the Company’s S&P international scale national currency rating was BBB- (stable outlook), while the rating assigned by Moody’s was Baa3 (stable outlook). The Company’s credit ratings are investment level and approximate the country (sovereign) ratings assigned by these rating agencies to the Russian Federation.

The investment level ratings assigned to OJSC Gazprom Neft contribute to maintaining and expanding the potential for debt financing and reducing the Company’s borrowing costs.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Scale</th>
<th>Outlook</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>International scale, foreign currency</td>
<td>BBB–</td>
<td>Stable</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>International scale, national currency</td>
<td>BBB–</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>National scale (Russia)</td>
<td>ruAA+</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>International scale, foreign currency</td>
<td>Baa3</td>
<td>Stable</td>
</tr>
</tbody>
</table>

RATINGS HISTORY

Source: Company data
## Bonds in Circulation

<table>
<thead>
<tr>
<th>Series</th>
<th>Volume, billion</th>
<th>Currency</th>
<th>Placement date</th>
<th>Maturity date</th>
<th>Coupon rate</th>
<th>Quantity of coupons</th>
<th>Possibility of early retirement</th>
<th>Circulation</th>
<th>Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>10</td>
<td>RUB</td>
<td>April 21, 2009</td>
<td>April 4, 2019</td>
<td>1-4 coupons – 16.7% 5-18 coupons – 8.2% 19-20 coupons – as decided by the Company</td>
<td>20</td>
<td>Nearest offer – April 16, 2018</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Quotation List B</td>
</tr>
<tr>
<td>08</td>
<td>10</td>
<td>RUB</td>
<td>February 8, 2011</td>
<td>February 2, 2016</td>
<td>1-10 coupons – 8.5%</td>
<td>10</td>
<td>No put/call options are envisioned</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>09</td>
<td>10</td>
<td>RUB</td>
<td>February 8, 2011</td>
<td>January 26, 2021</td>
<td>1-10 coupons – 8.5% 20 coupons – as decided by the Company</td>
<td>20</td>
<td>Nearest offer – February 8, 2016</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>RUB</td>
<td>February 8, 2011</td>
<td>January 26, 2021</td>
<td>1-10 coupons – 8.5% 20 coupons – as decided by the Company</td>
<td>20</td>
<td>Nearest offer – February 5, 2018</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>11</td>
<td>10</td>
<td>RUB</td>
<td>February 7, 2012</td>
<td>January 256, 2022</td>
<td>1-10 coupons – 8.5% 10-20 coupons – as decided by the Company</td>
<td>20</td>
<td>Nearest offer – February 9, 2015</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>12</td>
<td>10</td>
<td>RUB</td>
<td>December 5, 2012</td>
<td>November 23, 2022</td>
<td>1-10 coupons – 8.5% 10-20 coupons – as decided by the Company</td>
<td>20</td>
<td>Nearest offer – November 29, 2017</td>
<td>OJSC Moscow Exchange, off-exchange trading</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>BO-05</td>
<td>10</td>
<td>RUB</td>
<td>April 13, 2010</td>
<td>April 9, 2013</td>
<td>1-6 coupons – 7.15%</td>
<td>6</td>
<td>No put/call options are envisioned</td>
<td>OJSC Moscow Exchange</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>BO-06</td>
<td>10</td>
<td>RUB</td>
<td>April 13, 2010</td>
<td>April 9, 2013</td>
<td>1-6 coupons – 7.15%</td>
<td>6</td>
<td>No put/call options are envisioned</td>
<td>OJSC Moscow Exchange</td>
<td>Non-listed bonds</td>
</tr>
<tr>
<td>Eurobonds Series 1</td>
<td>1.5</td>
<td>USD</td>
<td>September 19, 2012</td>
<td>September 19, 2022</td>
<td>4.375%</td>
<td>20</td>
<td>No put/call options are envisioned</td>
<td>Exchange and off-exchange trading</td>
<td>Irish Stock Exchange</td>
</tr>
</tbody>
</table>

**Bond Chart**
# Large & Related-Party Transactions

## List of Related-Party Transactions in 2012, Approved by Governing Bodies of JSC Gazprom Neft

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of counterparty</th>
<th>Object and main terms of the transaction</th>
<th>Related party in the transaction</th>
<th>Minutes no. and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trustor: LLC Gazprom Dobycha Orenburg; Discretionary manager: JSC Gazprom Neft</td>
<td>Execution of a contract for the discretionary management of CJSC Gazprom Neft Orenburg shares; execution of discretionary management of 1,555,500 (one million, five hundred and fifty-five thousand, five hundred) ordinary CJSC Gazprom Neft Orenburg shares.</td>
<td>JSC Gazprom Neft (JSC Gazprom) shareholder, which owns more than 20% of JSC Gazprom Dobycha Orenburg shares, is a counterparty in the transaction.</td>
<td>PT-0102/01 February 6, 2012</td>
</tr>
<tr>
<td>2</td>
<td>JSC Gazprom Neft; CJSC FC Zenit</td>
<td>Execution of Additional Agreement No. 2 for Advertising services contract. The total sum of Additional Agreement No. 2 is 15,000,000 rubles, inclusive of VAT.</td>
<td>1. The JSC Gazprom Neft shareholder (JSC Gazprom), as its affiliates GPB (JSC) and LLC Gazprom Transgaz St. Petersburg hold more than 20% of CJSC FC Zenit shares, is a counterparty in the transaction; 2. Member of the Board of Directors, Chief Executive Officer of JSC Gazprom Neft, A. V. Dyukov, and a member of the Board of Directors and President of CJSC FC Zenit are counterparties in the transaction; 3. Member of the Board of Directors of JSC Gazprom Neft, K. G. Seleznev, and a member of the Board of Directors of CJSC FC Zenit.</td>
<td>PT-0102/03 February 13, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
<td>Minutes no. and date</td>
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<tr>
<td>3</td>
<td>JSC Gazprom Neft; CJSC Hockey Club SKA</td>
<td>Execution of Additional Agreement No. 1 for Agreement No. GPN-11/09000/0890/R dated March 1, 2011. The list of services provided by the Hockey Club is defined by the parties in Annex No. 1 (services provided March 1 to March 31, 2011) and Annex No. 3 (services provided September 2011 to April 2012). The list of additional services provided by the Hockey Club within the framework of this Agreement is defined by the parties in Annex No. 6 (services for the period of December 2011 to April 2012). The list of services for a successive period (September 2012 to December 2012) is defined in a separate Annex to the Agreement upon approval by the parties. All the above-mentioned Annexes are intrinsic parts of the Agreement. Clause 3.2 of the Contract shall be recorded as follows: The total sum of the Additional Agreement No. 1 is 1,000,000,000 rubles, inclusive of VAT.</td>
<td>Member of the Board of Directors, Chief Executive Officer of JSC Gazprom Neft, A. V. Dyukov, and a member of the Board of Directors of CJSC Hockey Club SKA, are counterparties in the transaction.</td>
<td>PT-0102/03 February 13, 2012</td>
</tr>
<tr>
<td>4</td>
<td>Borrower: JSC Gazprom Neft; Creditor: JSC Sberbank of Russia</td>
<td>The Creditor shall establish a non-revolving credit line for the Borrower for corporate use, including the financing of operating expenditures and providing loans to its subsidiaries and affiliates or other third parties. The credit line limit is 9 billion rubles. Availability period: from December 8, 2011 to June 30, 2012. Repayment date: November 29, 2013. The interest rate is 8.65% per annum from the date of issue. Interest is to be paid on a quarterly basis.</td>
<td>The JSC Gazprom Neft (JSC Gazprom) shareholder, as its affiliate is a member of the Board of Directors of JSC Gazprom V. A. Mau, is also a member of the JSC Sberbank of Russia Supervisory council, a counterparty in the transaction.</td>
<td>PT-0102/04 February 24, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
<td>Minutes no. and date</td>
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<tr>
<td>5</td>
<td>Borrower: JSC Gazprom Neft; Creditor: JSC Sberbank Rossii</td>
<td>The Creditor shall establish a non-revolving credit line for the Borrower for corporate use, including financing operating expenditures, providing loans to its subsidiaries and affiliates or other third parties. The credit line limit is 13.5 billion rubles. Availability period: December 9, 2011 to October 31, 2012. Repayment date: November 30, 2012. The interest rate is 8.25% per annum from the date the credit is issued until March 31, 2012. Starting on April 1, 2012, the interest rate will increase to 9.25% per annum if the Borrower fails to make quarterly payments to JSC Sberbank of Russia of at least 10 billion rubles. Interest is to be paid on a quarterly basis.</td>
<td>The JSC Gazprom Neft (JSC Gazprom) shareholder, as its affiliate is a member of the Board of Directors of JSC Gazprom. V. A. Mau is also a member of the JSC Sberbank Rossii Supervisory council, a counterparty in the transaction.</td>
<td>PT-0102/06 February 27, 2012</td>
</tr>
<tr>
<td>6</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Moscow Refinery</td>
<td>Providing suretyship for GPB (JSC) on JSC Moscow Refinery liabilities in terms of repayment of sums, which can be paid by GPB (JSC) in accordance with bank guarantees issued by GPB (JSC) in favor of entities registered in the Russian Federation, liabilities of JSC Moscow Refinery to pay all the details of charges of Gazprombank (JSC), including penalties on the following principal terms: maximum amount of concurrent bank guarantees: no more than 275,000,000 rubles. Currencies of guarantees: Russian rubles (RUB), US dollars (USD), Euros (EUR). Guarantee period: until December 15, 2013. Effective period of the Suretyship Contract: expires no later than December 15, 2016.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A.V. Kruglov, K.G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which owns more than 20% of Bank shares, and because its affiliated persons (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilieva) simultaneously hold positions in the GPB (JSC) Board of Directors; 3. Member of the Management Committee of JSC Gazprom Neft, A. M. Cherny, who simultaneously holds the position of the Chairman of the Board of Directors of JSC Moscow Refinery, is the beneficiary in the transaction.</td>
<td>PT-0102/10 March 7, 2012</td>
</tr>
<tr>
<td>7</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Moscow Refinery; Beneficiary/Beneficiaries: the Customs Authorities of the Russian Federation</td>
<td>Providing suretyship for GPB (JSC) on JSC Moscow Refinery liabilities in terms of repayment of sums which can be paid by GPB (JSC) in accordance with bank guarantees issued by GPB (JSC) in favor of the Customs Authorities of the Russian Federation, so as to secure obligations of JSC Moscow Refinery to pay customs charges, possible interests and penalties arising from being in compliance with the Customs Code of the Custom Union and Russian legislation on customs affairs when importing goods into and exporting from the Russian Federation before the Moscow Regional Customs Office, and liabilities of JSC Moscow Refinery to pay all the details of charges of GPB (JSC), including penalties on the following principal terms. Maximum amount of concurrent bank guarantees: no more than 250,000,000 rubles. Currency of guarantees: Russian rubles (RUB). Guarantee period: until December 15, 2013. Effective period of the Suretyship Contract: expires no later than December 15, 2016.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A.V. Kruglov, K.G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which owns more than 20% of Bank shares, and because its affiliated persons (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilieva) simultaneously hold positions in the GPB (JSC) Board of Directors; 3. Member of the Management Committee of JSC Gazprom Neft, A. M. Cherny, who simultaneously holds the position of the Chairman of the Board of Directors of JSC Moscow Refinery, is the beneficiary in the transaction.</td>
<td>PT-0102/10 March 7, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
<td>Minutes no. and date</td>
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<tr>
<td>8</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: CJSC Gazpromneft-Aero; Beneficiary/ Beneficiaries: the Ministry of Defense of the Russian Federation</td>
<td>Providing suretyship for GPB (JSC) on CJSC Gazpromneft-Aero liabilities to the Ministry of Defense of the Russian Federation in terms of supplying aviation fuel and aircraft refueling services at the airfields of the Ministry of Defense of the Russian Federation for repayment of sums which can be paid by GPB (JSC) in accordance with bank guarantees issued by GPB (JSC) in favor of the Ministry of Defense of the Russian Federation, and liabilities of CJSC Gazprom-Aero to pay all the details of charges of Gazprombank (JSC), including penalties on the following principal terms: Amount and currency of bank guarantees: no more than 1,900,000,000 Russian rubles. Guarantee period: until September 10, 2011 (inclusive). Effective period of the Surety Agreement: until September 10, 2014 (inclusive).</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A.V. Kruglov, K.G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which owns more than 20% of Bank shares, and because its affiliated persons (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilieva) simultaneously hold positions on the GPB (JSC) Board of Directors;</td>
<td>PT-0102/10 March 7, 2012.</td>
</tr>
<tr>
<td>9</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Gazpromneft-ZS; Beneficiary/ Beneficiaries: former holders of JSC Gazpromneft-Novosibirsk securities</td>
<td>Providing suretyship for Gazprombank (JSC) on JSC Gazpromneft-ZS liabilities to repay sums which can be paid by Gazprombank (JSC) in accordance with bank guarantees issued by Gazprombank (JSC) in favor of the former holders of ordinary and registered shares of preferred stock of JSC Gazpromneft-Novosibirsk if Gazpromneft-ZS fails to repay, within the time stipulated and agreed upon, the ordinary registered shares (State registration number 51-1 p-660, 437,712 total shares) and registered shares of preferred stock (State registration number 51-1 p-660, 69,775 total shares) JSC Gazpromneft-Novosibirsk in accordance with Article 84.1 of the Federal Law on Joint-Stock Companies, No. 208-FZ, dated December 26, 1995, and as a willful offer of acquiring JSC Gazpromneft-Novosibirsk stock shares, on the following principal terms: Amount and currency of guarantees: 293,327,486 Russian rubles (RUB). Guarantee period: November 1, 2011 to August 30, 2012. Effective period of the Surety Agreement: until August 30, 2015 (inclusive).</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A.V. Kruglov, K.G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which owns more than 20% of Bank shares, and because its affiliated persons (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilieva) simultaneously hold positions on the GPB (JSC) Board of Directors;</td>
<td>PT-0102/10 March 7, 2012.</td>
</tr>
</tbody>
</table>
In 2012, JSC Gazprom Neft was not party to any transactions that could qualify as large transactions under applicable Russian law.

<table>
<thead>
<tr>
<th>No.</th>
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<th>Object and main terms of the transaction</th>
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<th>Minutes no. and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Moscow Refinery; Beneficiary/Beneficiaries: Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 1</td>
<td>Suretyship for Gazprombank (JSC), guaranteeing compliance with the obligations of JSC Moscow Refinery to Gazprombank (JSC), in terms of repayment of sums which can be paid by Gazprombank (JSC) on bank guarantees issued by Gazprombank (JSC) in favor of the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 1, so as to guarantee compliance with the obligations of JSC Moscow Refinery on payment of excise duties and relevant penalties if JSC Moscow Refinery fails to provide the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 1 with documents confirming the fact of exporting excisable oil products and failure to pay the excise duties and/or penalties on the following principal terms: Maximum amount of concurrent bank guarantees: no more than 5,000,000,000 rubles (RUB). Effective period of the Suretyship Contract: expires no later than December 15, 2016.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A. V. Kruglov, K. G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which owns more than 20% of Bank shares, and because its affiliated persons (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilieva) simultaneously hold positions in the GPB (JSC) Board of Directors; 3. Member of the Management Committee of JSC Gazprom Neft, A. M. Cherny, who simultaneously holds the position of the Chairman of the Board of Directors of JSC Moscow Refinery, is the beneficiary in the transaction.</td>
<td>PT-0102/10 March 7, 2012.</td>
</tr>
<tr>
<td>11</td>
<td>JSC Gazprom Neft; CJSC FC Zenit</td>
<td>Execution of Additional Agreement No. 3 to Agreement No. GPN-11/09000/00225/R, according to which the sum of the Additional Agreement amounts to 11,000,000 rubles, inclusive of VAT.</td>
<td>1. The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliates (GPB (JSC), LLC Gazprom Transgaz Saint Petersburg) hold more than 20% of CJSC FC Zenit shares, are counterparties in the transaction; 2. Member of the Board of Directors, Chief Executive Officer of JSC Gazprom Neft, A. V. Dyukov, and a member of the Board of Directors and President of CJSC FC Zenit are counterparties in the transaction; 3. Member of the Board of Directors of JSC Gazprom Neft, K. G. Seleznev, and a member of the Board of Directors of CJSC FC Zenit.</td>
<td>PT-0102/11 March 12, 2012</td>
</tr>
<tr>
<td>12</td>
<td>JSC Gazprom Neft; CJSC FC Zenit</td>
<td>Execution of an advertising services contract between JSC Gazprom Neft and CJSC FC Zenit on the following principal terms: The object of the transaction: the provision by the Advertising agent of advertising services in relation to FC Zenit’s official matches of the Russian Football Championship, the clubs of the Premier League in 2012, Russian Football Championship 2012, friendly matches in 2012 and Premier League clubs’ youth teams tournament in 2012, in the composition, terms and conditions as described in Annex No. 1 to the Agreement (annex 2). Total Contract price: 565,666,200 rubles (RUB), inclusive of VAT at 18%. Effective date of the Contract: January 1, 2012 to December 31, 2012.</td>
<td>1. The JSC Gazprom Neft shareholder (JSC Gazprom), since its affiliates GPB (JSC) and LLC Gazprom Transgaz Saint Petersburg hold more than 20% of CJSC FC Zenit shares, are a counterparty in the transaction; 2. Member of the Board of Directors, Chief Executive Officer of JSC Gazprom Neft, A. V. Dyukov, and a member of the Board of Directors and President of CJSC FC Zenit are counterparties in the transaction; 3. Member of the Board of Directors of JSC Gazprom Neft, K. G. Seleznev, and a member of the Board of Directors of CJSC FC Zenit.</td>
<td>PT-0102/11 March 12, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
<td>Minutes no. and date</td>
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<td>13</td>
<td>Seller: JSC Gazprom Neft; Buyer: CJSC Gazpromneft – Severo-Zapad</td>
<td>Executive of refuelling stations purchase/sale contracts between JSC Gazprom Neft and CJSC Gazpromneft – Severo-Zapad on the following conditions: Total Contract price: 1,015,313,182 rubles (RUB), inclusive of VAT. Method of payment: by monetary assets or by offsetting the Parties’ counterclaims.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate CJSC Gazpromneft Severo-Zapad is a party to the transaction.</td>
<td>PT-0102/13 March 16, 2012</td>
</tr>
<tr>
<td>14</td>
<td>Agent: JSC Gazprom Neft; Principal: NIS a.d. Novi Sad</td>
<td>Execution of an agency contract on the following principal conditions: Object of the transaction: the Agent, in accordance with the additional clauses to the Agreement, shall on a fee-paying basis perform legal and other actions by order of the Principal in its (the Agent’s) own name, but at the expense of the Principal, concerning: - the provision of consultancy services to the Principal, including actions concerning the execution and performance of relevant agreements with third parties, including payment under of such agreements; - the organization of training, professional development, professional retraining, practical training for the Principal’s employees, including actions concerning the execution and performance of relevant agreements with third parties, including payment in the framework of such agreements; - the provision of services for the organization and carrying out of touring seminars, conferences and other corporate events, including actions concerning the execution and performance of relevant agreements with third parties, including payment in the framework of such agreements. The contract price (Agent’s fee) is 0.1% of the cost of services in accordance with the additional agreements to the Contract.</td>
<td>1. The JSC Gazprom shareholder (JSC Gazprom), as its affiliate (JSC Gazprom neft) is a counterparty in the transaction, and as it holds more than 20% of shares in NIS a.d. Novi Sad, which is a party to the transaction; 2. Members of the Management Board of JSC Gazprom Neft: I. K. Antonov, V. V. Baryshnikov, A. М. Dybal, М. Cherner and V. V. Yakovlev and members of the Board of Directors of NIS a.d. Novi Sad.</td>
<td>PT-0102/16 March 21, 2012</td>
</tr>
<tr>
<td>15</td>
<td>JSC Gazprom Neft; GPB (JSC)</td>
<td>Executing Additional Agreement No. 1 to Cooperation Agreement between JSC Gazprom Neft and GPB (JSC) No. GPN-10/30000/01034 from July 1, 2010, in accordance with which GPB (JSC) (Bank) participates in the “Nam po puti” Loyalty Program for individual persons as an Additional partner of the Program in order to allow card holders (of international bank cards issued by the Bank and the Company) to take part in the “Nam po puti” Loyalty program for individual persons, effected by Gazprom Neft, and also receive additional Program bonuses. The total JSC Gazprom Neft fee will not exceed 500,000,000 rubles per annum, inclusive of VAT.</td>
<td>1. Board Directors of JSC Gazprom Neft, who also hold positions on the Gazprombank (JSC) Board of Directors: A. B. Miller, A.V. Kruglov, K.G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and because its affiliated persons A. B. Miller, A.V. Kruglov, I. K. Antonov, G. Seleznev, L. Sereda, E. A. Vasilyeva simultaneously hold positions on the Gazprombank (JSC) Board of Directors.</td>
<td>PT-0102/16 March 21, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
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<td>16</td>
<td>Lender: JSC Gazprom Neft; Borrower: NIS a.d. Novi Sad</td>
<td>The loan is granted under the following conditions: The sum loaned does not exceed 34.2 million Euro. The designated use of the loan: financing the program of reconstruction and modernization of the Borrower's technological complex in accordance with the purchasing contract of the Borrower's stock of December 24, 2008. Repayment of the principal sum loaned: by equal quarterly payments over the repayment period. The repayment period starts on December 31, 2012, if a later start date is not defined by an additional agreement of the parties in accordance with the contract for purchase of the Borrower's stock of December 24, 2008, but under no circumstances starting earlier than 6 months after the date the loan was granted, ending on the last working day of the effect of the loan contract. Interest rate for each loan: EUR LIBOR 12 months + 2% per annum.</td>
<td>1. The JSC Gazprom shareholder (JSC Gazprom), as its affiliate (JSC Gazprom Neft) is a counterparty in the transaction, and as it holds more than 20% of shares in NIS a.d. Novi Sad, which is a party to the transaction; 2. Members of the Management Board of JSC Gazprom Neft: I. K. Antonov, V. V. Baryshnikov, A. M. Dybal, M. Cherny and V. V. Yakovlev who are simultaneously members of the Board of Directors of NIS a.d. Novi Sad.</td>
<td>PT-0102/22 April 18, 2012</td>
</tr>
<tr>
<td>17</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: HSBC plc.; Principal: LLC Gazpromneft-Aero Kyrgyzstan (Principal); Beneficiary: CJSC Gazpromneft-Aero</td>
<td>Providing suretyship for HSBC plc bank on LLC Gazpromneft-Aero Kyrgyzstan liabilities in terms of payments for aviation fuel to CJSC Gazpromneft-Aero on the following principal terms: Guarantor commission: 0.39% per annum. Effective period of the Guarantee/Surety Agreement: until September 1, 2014 (inclusive).</td>
<td>Shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate (CJSC Gazpromneft-Aero) owns more than 20% of LLC Gazpromneft-Aero Kyrgyzstan nominal capital, which is a party to the transaction.</td>
<td>PT-0102/22 April 18, 2012</td>
</tr>
<tr>
<td>18</td>
<td>Licensor: JSC Gazprom Neft; Licensee: NIS a.d. Novi Sad</td>
<td>Execution of Licensing contract with NIS a.d. Novi Sad on the granting of the right of use of the international JSC Gazprom Neft trademark on the following principal terms: Subject of the transaction: transfer of rights of use (ordinary non-exclusive license) of internationally registered trademark No. 1043682 of March 2, 2010 in the territory of the Republic of Serbia. License fee: non-recurrent (lump sum) payment amounting to 500,000 rubles (RUB). Period: the Contract covers the duration of the registration of the trademark (to March 2, 2020) and becomes effective on the date the Contract is signed.</td>
<td>1. The JSC Gazprom shareholder (JSC Gazprom), as its affiliate (JSC Gazprom Neft) is a counterparty in the transaction, and as it holds more than 20% of shares in NIS a.d. Novi Sad, which is also a party to the transaction; 2. Members of the Management Board of JSC Gazprom Neft (I. K. Antonov, V. V. Baryshnikov, M. Dybal, M. Cherny and V. V. Yakovlev), who simultaneously are members of the Board of Directors of NIS a.d. Novi Sad.</td>
<td>PT-0102/24 April 27, 2012</td>
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<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
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<tr>
<td>19</td>
<td>Licensor: JSC Gazprom Neft; Licensee: NIS a.d. Novi Sad</td>
<td>Execution of a licensing contract with NIS a.d. Novi Sad on the transfer of rights of use of the intellectual property of Gazprom fueling stations network’s “Corporate identity manual” on the following principal terms: Object of the transaction: transferring the rights of use of the intellectual property of the Gazprom fueling stations network’s “Corporate identity manual” in the territories of the Republic of Serbia, Macedonia, Bosnia and Herzegovina, Montenegro, Bulgaria, Romania, Hungary and Croatia. License fee: non-recurrent payment amounting to 500,000 rubles (RUB). Period: The Contract takes effect upon signature and is effective for 5 years.</td>
<td>1. The JSC Gazprom shareholder (JSC Gazprom), as its affiliate (JSC Gazprom neft) is a counterparty in the transaction, and as it holds more than 20% of shares in NIS a.d. Novi Sad, which is also a party to the transaction; 2. Members of the Management Board of JSC Gazprom Neft (I. K. Antonov, V. V. Baryshnikov, M. Dybal, M. Cherny and V. V. Yakovlev), who simultaneously are members of the Board of Directors of NIS a.d. Novi Sad.</td>
<td>PT-0102/24 April 27, 2012</td>
</tr>
<tr>
<td>20</td>
<td>Lender: JSC Gazprom Neft; Borrower: LLC Natsionalnii Neftyanoi Konsortium</td>
<td>Execution of Additional Agreement No. 1 to the contract for granting a designated loan by JSC Gazprom Neft to LLC Natsionalnii Neftyanoi Konsortium No. GPN-10/12100/01672/D of October 13, 2010, by which: the sum of the designated loan will not exceed 398,517,400 rubles (RUB), on the conditions defined by the Contract.</td>
<td>1. The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate (JSC Gazprom Neft) owns a 20% share in LLC NNK, is a party to the transaction. 2. Chief Executive Officer of JSC Gazprom Neft, A. V. Dyukov, simultaneously holds the position of a member of the LLC NNK Board of Directors.</td>
<td>PT-0102/28 May 30, 2012</td>
</tr>
<tr>
<td>21</td>
<td>Customer: JSC Gazprom Neft; Contractor: JSC Gazprom</td>
<td>Execution of a service contract for gas transportation on the following principal conditions: Contract price: not exceeding 5,500,000,000 rubles (RUB). Services provided between January 1, 2012, and December 31, 2012, inclusive.</td>
<td>1. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it is a party to the transaction; 2. Chairman of the Board of Directors of JSC Gazprom Neft, A. B. Miller, who holds simultaneously the position of Chairman of the JSC Gazprom Board of Directors; 3. Members of the Board of Directors JSC Gazprom Neft, who are simultaneously members of the JSC Gazprom Management Committee: B. A. Golubev, I. K. Antonov, G. Seleznev, N. N. Dubik, A. V. Kruglov, V. V. Cherepanov.</td>
<td>PT-0102/32 July 6, 2012</td>
</tr>
<tr>
<td>22</td>
<td>JSC Gazprom Neft Visini Holdings Limited</td>
<td>Acquisition of JSC Neftyanaya Kompaniya “Magma” ordinary registered shares by JSC Gazprom Neft from the Visini Holdings Limited company.</td>
<td>The JSC Gazprom shareholder (JSC Gazprom), as its affiliate (Visini Holdings Limited) is a party to the transaction, and as its affiliate (Sibir Energy Limited) holds more than 20% of Visini Holdings Limited shares, which is a party to the transaction.</td>
<td>PT-0102/36 July 27, 2012</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
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<td>23</td>
<td>Borrower: LLP Bitumnii Zavod; Lender: JSC Gazprom Neft</td>
<td>Execution of a loan contract on the following principal conditions: The contract price does not exceed a sum equivalent to 540,369,053 Kazakhstani Tenge (KZT) at the moment when the contract is concluded. Loan currency: Russian rubles (RUB). Loan period: no more than three years.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate (LLP Bitumnii Zavod) is a party to the transaction.</td>
<td>PT-0102/43 October 15, 2012</td>
</tr>
<tr>
<td>24</td>
<td>Borrower: JSC Gazprom Neft; Lender: Gazprombank (JSC)</td>
<td>Gaining credit in the form of an overdraft on the following conditions: Loan: no more than 8,000,000,000 rubles (RUB). Maximum period of uninterrupted indebtedness – 30 calendar days. Interest rate: not exceeding the MOSPRIME 1M interest rate + 1.25% per annum. Maturity date: February 1, 2013 (inclusive).</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A. V. Kruglov, K. G. Seleznev; 2. The JSC Gazprom Neft shareholder (JSC Gazprom), which possesses owns more than 20% of Bank shares, and as its affiliates (A.B. Miller, A.V. Kruglov, I. K. Antonov, G. Seleznev, L. Sereda, E. A. Vasilyeva) simultaneously hold positions on the GPB (JSC) Board of Directors.</td>
<td>PT-0102/44 October 23, 2012</td>
</tr>
<tr>
<td>25</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Gazpromneft-Tyumen</td>
<td>Suretyship for GPB (JSC) ensuring compliance with obligations of JSC Gazpromneft-Tyumen to GPB (JSC) for repayment of sums which can be paid by GPB (JSC) for bank guarantees, granted to the Khanty-Mansiysk autonomous region and Yugra Department of Economic Development to ensure performance of obligations under a state contract for the supply of products for state needs, on the following principal terms: Liability of the Surety: limited to 43,049,949 rubles. Suretyship: effective until the July 30, 2015. Guarantor’s commission amounts to 0.40% per annum of the total sum of the guarantee, but no less than 300 US dollars per quarter or its part.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): A. B. Miller, A. V. Kruglov, K. G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and as its affiliated persons (A. B. Miller, A. V. Kruglov, K. G. Seleznev, M. L. Sereda, E. A. Vasilyeva) simultaneously hold positions at the GPB (JSC) Board of Directors.</td>
<td>PT-0102/44 October 23, 2012</td>
</tr>
<tr>
<td>26</td>
<td>Surety: JSC Gazprom Neft; Bank/Guarantor: GPB (JSC); Principal: JSC Gazpromneft-Tyumen LLC Gazpromneft-lubricants</td>
<td>Suretyship for Gazprombank (JSC) ensuring compliance with obligations of LLC Gazpromneft-lubricants to Gazprombank (JSC) for repayment of sums which can be paid by Gazprombank (JSC) for bank guarantees, granted to the SIMI Engineering S.r.l., Italy to ensure performance of obligations under a contract for the supply of equipment, on the following principal terms: Liability of the Surety: limited to 1,062,720 Euro. Effective period of the Surety Agreement: until October 31, 2015 (inclusive). Guarantor’s commission: amounts to 0.40% per annum of the total sum of the guarantee, but no less than 300 US dollars per quarter or its part.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of GPB (JSC): E. A. Vasilyeva) B. Miller, A. V. Kruglov, K.G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and as its affiliated persons (A. B. Miller, A. V. Kruglov, K. G. Seleznev, M. L. Sereda, E. A. Vasilyeva) simultaneously hold positions at the GPB (JSC) Board of Directors.</td>
<td>PT-0102/44 October 23, 2012</td>
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<tr>
<td>No.</td>
<td>Name of counterparty</td>
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<td>27</td>
<td>Borrower: JSC Gazprom Neft; Lender: JSC Korimos</td>
<td>Execution of a loan contract on the following principal conditions: Loan principal: not exceeding 200,000,000 rubles. Maturity date: no later than 31 July, 2014. Interest rate is set for each calendar month of the loan (including partial use), equal to the MIBID (Moscow InterBank Bid) interest rate (for periods of 8-30 days).</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate (JSC Korimos) is a party to the transaction.</td>
<td>PT-0102/44 October 23, 2012</td>
</tr>
<tr>
<td>28</td>
<td>Party responsible for prospecting: LLC Gazpromneft-Angara; Guarantor: JSC Gazprom Neft; Strategic investor: JOGMEC</td>
<td>Effecting an agreement on joint participation between LLC Gazpromneft-Angara and Japan Oil, Gas and Metals National Corporation, where JSC Gazprom Neft acts as a Guarantor of LLC Gazpromneft-Angara’s obligations for JOGMEC (hereinafter referred to as Agreement), on the following principal conditions: The Parties to the transaction: LLC Gazpromneft-Angara is the party responsible for prospecting; JSC Gazpromneft is the Guarantor; JOGMEC is the strategic investor. Object of the transaction: joint execution of prospecting works in the Lgnyalinskii licensed area. Obligations of JSC Gazprom Neft: to act as the Guarantor so as to ensure the performance of obligations taken on by LLC Gazpromneft-Angara.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate (LLC Gazпромнефт-Ангарска) is a party to the transaction.</td>
<td>PT-0102/45 October 24, 2012</td>
</tr>
<tr>
<td>29</td>
<td>Supplier: JSC Gazprom Neft; Customer: JSC Gazpromneft-MNPZ</td>
<td>Execution of a Gas supply contract on the following principal conditions: Scope of supply: not more than 665,785 million m³. Contract price: no more than 3 billion rubles (not including VAT). Service period: until December 31, 2015.</td>
<td>Member of the Management Committee of JSC Gazprom Neft, A. M. Chernyaev, who simultaneously holds the position of a member of the Board of Directors of JSC Gazpromneft-MNPZ, is a counterparty to the transaction.</td>
<td>PT-0102/47 October 29, 2012</td>
</tr>
<tr>
<td>30</td>
<td>Seller: JSC Gazprom Neft; Buyer: CJSC Gazpromneft-Severo-Zapad</td>
<td>Effecting fueling stations purchase and sale contracts on the following conditions: Total contract price: 395,654,000 rubles, including VAT. Method of payment: by monetary assets or by offsetting the Parties’ counterclaims.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), as its affiliate CJSC Gazpromneft Severo-Zapad is a party to the transaction.</td>
<td>PT-0102/51 November 26, 2012</td>
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<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
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<td>31</td>
<td>Principal: JSC Gazprom Neft; Agent: GPB (JSC)</td>
<td>Effecting an agency contract on execution of offers on documentary interest-bearing convertible bonds of JSC Gazprom Neft, portion 03, issuance of which was registered by the FFMS of the RF on the August 14, 2008, state registry number 4-03-00146-A, on the following principal conditions: Object of the contract: the Principal orders and the Agent shall (in his or Principal’s name at the expense of the Principal on the date of Bonds purchase) purchase at the Purchase price on Issuer account at the nonbank credit company CJSC National Settlement Depository the Bonds issued by the Principal in accordance with the Bonds owners’ requirements presented in the manner required by the emission documents. The Bonds are purchased at 100% of face value of Bonds and its ACI, calculated for the date of Bonds purchase in accordance with the emission documents. The fee equals 0.002% of the nominal value of the purchased Bonds, but no less than 100,000 rubles. Effective period of the Contract: until the July 12, 2016 or until the Parties’ obligations on the Contract are fulfilled to the full extent.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of Gazprombank (JSC): A. B. Miller, A. V. Kruglov, K.G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and its affiliated persons (A. B. Miller, A. V. Kruglov, K. G. Seleznev, M. L. Sereda, E. A. Vasilyeva) simultaneously hold positions at the GPB (JSC) Board of Directors.</td>
<td>PT-0102/52 November 28, 2012</td>
</tr>
<tr>
<td>32</td>
<td>JSC Gazpromneft – Advertising agent; Noncommercial partnership Sports club “Avangard” (Advertising Distributor)</td>
<td>Effecting an advertising services contract on the following principal conditions: Object of the contract: the Advertising Distributor provides the Advertising agent with advertising services in relation to the matches of the Russian Open Hockey Championship, Kontinental Hockey League Championship and Youth Hockey League Championship in the season 2012-2013 involving its teams and taking place at the Arena OMSK sports complex located at 35 ul. Lukasheviča, Omsk, to the extent and in the manner defined by the Contract. Contract cost: 12,752,000 rubles, including 18% VAT. Service period: September 1, 2012 to April 30, 2013.</td>
<td>Member of the Management Committee of JSC Gazprom Neft, A. M. Dybal, who simultaneously holds the position of the member of the Board of Directors of noncommercial partnership Sports club Avangard is a party to the transaction.</td>
<td>PT-0102/58 December 24, 2012</td>
</tr>
<tr>
<td>33</td>
<td>Principal: JSC Gazprom Nefts; Agent: GPB (JSC); Beneficiaries: corporate persons (RF residents and non-residents)</td>
<td>Effecting contracts between JSC Gazprom Neft and Gazprombank (JSC) on granting bank guarantees on the following principal terms: Minimum sum of concurrent guarantees: no more than the equivalent of 5,500,000,000 russian rubles. Currencies of guarantees: Russian rubles (RUB), US dollars (USD), Euros (EUR). Guarantee period: until July 21, 2016. Guarantor’s commission: amounts to 0.30% per annum of the total sum of the guarantee for the guarantee period, but no less than 300 US dollars per quarter or its part. Guarantor’s fee for altering the guarantee conditions: 200 US dollars</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of Gazprombank (JSC): A. B. Miller, A. V. Kruglov, K.G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and its affiliated persons (A. B. Miller, A. V. Kruglov, K. G. Seleznev, M. L. Sereda, E. A. Vasilyeva) simultaneously hold positions at the GPB (JSC) Board of Directors.</td>
<td>PT-0102/58 December 24, 2012</td>
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<td>No.</td>
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<td>34</td>
<td>Applicant: JSC Gazprom Neft; Bank: GPB (JSC); Beneficiaries: corporate persons RF non-residents; Receivers: RF resident corporate persons</td>
<td>Effecting contract(s) on opening a letter of credit on the following principal conditions: Maximum sum of obligations on concurrent letters of credit: not exceeding the equivalent of 2,000,000,000 Russian rubles. Currencies of letters of credit: Russian rubles (RUB), US dollars (USD), Euros (EUR). Period for granting letters of credit/increasing its sums: until December 21, 2013. The Bank’s fee for granting the letter of credit amounts to 0.50% per annum of the factual sum of the letter of credit, but no less than 300 US dollars per quarter or its part. The Bank’s fee for altering the conditions of the letter of credit: 200 US dollars.</td>
<td>1. The members of the Board of Directors of JSC Gazprom Neft, who are also members of the Board of Directors of Gazprombank (JSC): A. B. Miller, A. V. Kruglov, K.G. Seleznev; 2. Shareholder of JSC Gazprom Neft (JSC Gazprom), as it holds more than 20% of the Bank’s shares, and its affiliated persons (A. B. Miller, A. V. Kruglov, K. G. Seleznev, M. L. Sereda, E. A. Vasilyeva) simultaneously hold positions at the GPB (JSC) Board of Directors.</td>
<td>PT-0102/58 December 24, 2012</td>
</tr>
<tr>
<td>35</td>
<td>Borrower: LLC GPN-proekt; Lender: JSC Gazprom Neft</td>
<td>Execution of a loan contract on the following principal conditions: Loan principal: no more than 103 250 000 rubles. Maturity date: no later than December 31, 2013. Interest rate of the credit is set at the level of MIBID (Moscow InterBank Bid) interest rate for periods from 181 days to one year, published at the official Web site of the Central Bank, but no more than 10% per annum. Security: not provided.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), since its affiliate LLC GPN-proekt is a party to the transaction.</td>
<td>PT-0102/60 December 24, 2012</td>
</tr>
<tr>
<td>36</td>
<td>Lender: JSC Gazprom Neft; Borrower: LLC Gazprom Neft-Invest</td>
<td>Execution of a loan contract on the following principal conditions: Loan principal: no more than 156,350,000 rubles. Maturity date: no later than December 31, 2015. Interest rate of the credit is set at the level of MIBID (Moscow InterBank Bid) interest rate for periods from 181 days to one year, published at the official Web site of the Central Bank, but no more than 10% per annum. Security: not provided.</td>
<td>The shareholder of JSC Gazprom Neft (JSC Gazprom), since its affiliate LLC Gazprom Neft-Invest is a party to the transaction.</td>
<td>PT-0102/60 December 25, 2012</td>
</tr>
<tr>
<td>37</td>
<td>JSC Gazprom Neft; JSC Gazpromneft-MNPZ</td>
<td>Effecting an additional agreement No. 13 to the agreement No. 574 of June 21, 2010 for oil processing by which the Parties set the effective period of the agreement until the June 30, 2013 (inclusively), and as of the contra-settlements until they are completed.</td>
<td>Member of the Management Committee of JSC Gazprom Neft, A. M. Chermer, who simultaneously holds the position of a member of the Board of Directors of JSC Gazpromneft-MNPZ.</td>
<td>PT-0102/62 December 27, 2012</td>
</tr>
</tbody>
</table>

In 2012, JSC Gazprom Neft was not party to any transactions that could qualify as large transactions under applicable Russian law.
FULL NAME OF THE COMPANY
Open Joint-Stock Company Gazprom Neft

SHORT NAME OF THE COMPANY
JSC Gazprom Neft

REGISTERED OFFICE
Russian Federation, 190000, St. Petersburg, ul. Galemaya, 5, Let. A. A.
The Company was registered on 06.10.1995 by the Registration Chamber of the City of Omsk. Statutory Registration Certificate No. 38606450. Main Federal Registration Number 1025501701686.

MAILING ADDRESS
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WEB ADDRESS
http://www.gazprom-neft.com/

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Corporate Regulation Department
Tel.: +7 (812) 363-31-52
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Media enquiries
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E-mail: pr@gazprom-neft.ru

INVESTOR RELATIONS
Investor Relations Administration
Tel.: +7 (812) 358-95-48
E-mail: ir@gazprom-neft.ru

AUDITOR
The Company’s accounting (financial) reports in 2011 were audited by CJSC PriceWaterhouseCoopers Audit (CJSC PwC Audit).
Address: 125047, Russia, Moscow, ul. Butirskiy Val, 10, Belaya Ploschad Business Center.
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Fax: +7 (495) 967-60-01
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SHARE REGISTRAR
Address: 117420, Russian Federation, Moscow, ul. Novocheriomushkinskaya, 71/32
Tel.: +7 (495) 719-40-44
Fax: +7 (495) 719-45-85
Web address: http://www.draga.ru
E-mail: info@draga.ru
DISCLAIMER

This Annual Report was prepared based on information known to Open Joint-Stock Company Gazprom Neft and its subsidiaries (‘Gazprom Neft’) on the date of reporting. This Report contains forward-looking statements that represent expectations of the Company’s executive management. Such estimates are not based on any actual circumstances, and they include all statements concerning the Company’s intentions, opinions or current expectations as regards its activities, financial situation, liquidity, future growth, strategy, and the industry in which Gazprom Neft operates. By their very nature, such forward-looking statements are exposed to risks and factors of uncertainty because they describe events and depend on circumstances that may or may not occur in the future.

Such words as ‘assume’, ‘believe’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘surmise’, ‘examine’, ‘might’, along with other similar words and phrases, also expressed as negations, typically mark forward-looking statements. Such assumptions contain risks and uncertainties, both expected and unforeseeable. Therefore, future performance may differ from current expectations, and the users of this information must not base their own estimates solely on the information contained herein.

Apart from the official information on the activities of Gazprom Neft this Annual Report includes information acquired from third parties. Such information was obtained from sources viewed by Gazprom Neft as reliable.

Nevertheless, we cannot guarantee the accuracy of such information, which may be abbreviated or incomplete.

Gazprom Neft does not guarantee that actual results, scope or indicators of its performance or performance of the industry in which the Company operates will exactly match the results, scope or indicators contained explicitly or implicitly in any forward-looking statement included herein or elsewhere. Gazprom Neft cannot be held responsible for any losses that a party may sustain as a result of reliance of such forward-looking statements. Gazprom Neft does not guarantee that actual results, scope or indicators of its performance or performance of the industry in which the Company operates will exactly match the results, scope or indicators contained explicitly or implicitly in any forward-looking statement included herein or elsewhere. Gazprom Neft cannot be held responsible for any losses that a party may sustain as a result of reliance of such forward-looking statements. Gazprom Neft does not guarantee that actual results, scope or indicators of its performance or performance of the industry in which the Company operates will exactly match the results, scope or indicators contained explicitly or implicitly in any forward-looking statement included herein or elsewhere. Gazprom Neft cannot be held responsible for any losses that a party may sustain as a result of reliance of such forward-looking statements.
GLOSSARY: KEY TERMS, DEFINITIONS & ACRONYMS

2D, 3D
Seismic exploration.

ADR OF JSC GAZPROM NEFT
American depositary receipt issued on shares of JSC Gazprom Neft. 1 ADR equals five ordinary shares of JSC Gazprom Neft.

AC
Authorized capital.

APG
Associated petroleum gas.

ASIA PACIFIC
The Asia-Pacific region. This includes the nation states of continental Asia, the Americas and the Pacific Rim.

ASSOCIATE COMPANY, ASSOCIATE
A company in which Gazprom Neft Group holds at least 20% of voting shares (for a joint-stock company) or 20% of registered capital (for a limited liability company).

BALTIC STATES
Estonia, Latvia and Lithuania.

BOE
Barrels of oil equivalent.

CATALYTIC CRACKING
Thermal catalytic refining of petroleum fractions to produce high-octane gasoline.

CENTRAL ASIA
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

CIS
Commonwealth of Independent States: all former Republics of the USSR, except Estonia, Latvia and Lithuania.

COKING
Refining of liquid and solid fuels by heating them in the absence of air. As the fuel decomposes, it produces solid coke and volatile particles.

JSC GAZPROM NEFT REPLACEMENT RATIO
Gross increment of proven reserves, divided by total production in the period.

CP
Civil Protection.

CS
Compressor station.

DOLLARS
U.S. dollars.

DTS
Digital trading site.

EBITDA
Net profit before interest, tax, depreciation and amortization.

EU
The European Union.

FCF (FREE CASH FLOW)
Free cash flow.

FEC
Fuel and energy complex.

FFMS OF RUSSIA

FFS
Fuel filling station.
FTS OF RUSSIA
Federal Tariff Service

GEOPHYSICAL SURVEY
Geological surveying for exploration purposes.

GAS PROCESSING PLANT
Gas and/or condensate refining plant.

GAZPROM NEFT GROUP, THE GROUP, GAZPROM NEFT
All companies of the Group that comprise JSC Gazprom Neft (the parent company) and its subsidiaries.

GEO
Geological and engineering operations.

GD (GOSUDARSTVENNAYA DUMA)
The State Duma.

HSE
Health, safety, & the environment.

HYDROCARBON RESERVES IN CATEGORIES A+B+C
Explored reserves according to the Russian classification. Represents the part of geological reserves that it would be economically efficient to extract at the date of the estimate, based on the market situation and rational use of modern equipment and technologies, and taking into account requirements for the protection of mineral deposits and the natural environment. Explored reserves of gas in categories A+B+C, are viewed as fully recoverable. For reserves of oil and gas condensate, an extraction coefficient based on geological and technical factors is used.

HYDROCARBON RESERVES IN CATEGORIES C1+C2
Category C1 represents reserves of oil and gas proven to exist in standalone wells, with favorable industrial and geological data for other wells. Category C2 represents reserves of oil and gas, the existence of which is suggested by geological and geophysical information within known gas-producing areas. Reserves of category C2 are preliminary estimates that are used to plan detailed survey work at specific fields.

HYDROCRACKING
A cracking technique used in refining of crude oil fractions with a high boiling point, fuel oils or tar oil to make gasoline, diesel fuel and jet fuel, lubricant oils etc.

HYDROTREATMENT
Purification of petroleum products to remove organic sulphuric, nitric, and oxygen-based compounds using molecules of hydrogen. Hydro treatment improves the quality of petroleum products.

ISO 14001 STANDARD
International standard for environmental protection that sets requirements for environment management quality and is used to work out legally compliant environmental policies. The standard regulates environmental aspects of corporate activities that are controllable and require monitoring. This is a voluntary standard that does not supersede legislated requirements.

ISRM
Information system of risk management.

JV
Joint venture.

KHMD
Khanty-Mansiysk AD (KhMAD) Khanty-Mansi Autonomous District – Yugra.

LHG
Liquefied hydrocarbon gases

LNG
Liquefied natural gas

M³
Cubic meter of natural gas, measured at the pressure of one atmosphere and temperature of 20°C.

MET
Mineral extraction tax

MICEX
Moscow Interbank Currency Exchange.

MIP
Medium-term investment program.

MNPZ
Moscow Refinery.

NETBACK
Selling price less shipping and handling.

NON-CIS COUNTRIES
Foreign countries with the exception of CIS and the Baltic states.

NPZ
Refinery.

OC
Oil Company.
Gazprom Neft Group
2012 Annual Report

**OE**
Oil equivalent.

**OGCF**
oil and gas condensate field.

**ONPZ**
Omsk Refinery.

**OPSC**
Oil products supply companies.

**ORF**
Oil recovery factor.

**OSH**
Occupational safety and health.

**PBM**
Polymer-bituminous binding materials.

**POE**
Protection of environment.

**POL**
Petroleum, oil and lubricants.

**POSSIBLE RESERVES**
Unproven reserves, which are less likely to be extracted than probable reserves, based on the analysis of engineering and geological data. There must be at least 10% probability that actual production will be equal to or more than the estimate of proven, probable and potential reserves.

**PRIMARY REFINING**
Crude oil distillation using atmospheric vacuum devices. Crude oil enters the distillation columns to undergo an atmospheric pressure distillation process, which splits it into a number of fractions: light and heavy gasoline fractions, kerosene fraction, diesel fraction, and fueloil as a residue. The quality of the obtained fractions does not meet standards for marketable petroleum products, so the fractions must undergo further (secondary) refining.

**PROBABLE RESERVES**
Unproven reserves, which are most likely to be extracted based on the analysis of engineering and geological data. There must be at least a 50% probability that actual production will be equal to or greater than the estimate of proven and probable reserves.

**PROSPECTING AND EXPLORATION DRILLING**
All prospecting and exploration drilling carried out during the reporting period, including total distance drilled in wells, which have been fully drilled or are in the process of being drilled, but will be completed in the next reporting period.

**PROVEN RESERVES**
Quantities of liquid, gaseous and solid hydrocarbons, which, according to engineering and geological information, are most likely to be produced by industrially available methods from known deposits starting from a specific date, under the existing economic conditions, with generally accepted operating techniques, and in compliance with applicable effective national regulations.

**PRMS AND SEC INTERNATIONAL STANDARDS**
International classification and estimate of hydrocarbon reserves by the standards of the Petroleum Resources Management System (PRMS) and US Securities and Exchange Committee (SEC). These standards include not only the estimate of hydrocarbon reserves, but also provide the estimate of the commercial practicability of extraction and the justifiability of its availability. The period of economically viable reserve development (period of validity of the development licence) is taken into account as well.

**PSA**
Production sharing agreement.

**PSD**
Pilot-scale development.

**PSE**
Pilot-scale exploitation.

**PST**
Pilot-scale test.

**R&D**
Research and development.

**REFINING DEPTH**
A refining indicator defined as the percentage ratio of obtained petroleum products, not including bulk fuel oil, to the original quantity of crude oil. Measured in %.

**REFINING OUTPUT CAPACITY**
Maximum possible output by a plant unit in a specific period.

**RF**
Russian Federation.
**RTS**
Russian Trading System (stock exchange).

**SC**
Squeeze cementing.

**SCRCM**
State Commission for Reserves of Commercial Minerals.

**SILCO (SIBERIAN LIGHT)**
Siberian light crude oil.

**STC**
CJSC Science-Intensive Technologies Center.

**SUBSIDIARY**
Subsidiaries and Affiliates.

**TCF T.**
Tonne of conventional fuel (carbon equivalent), equals 877 m³ of natural gas.

**YAMAL-NENETS AD (YANAD)**
Yamal-Nenets Autonomous District.

**YANOS**
Yaroslavl Refinery Slavneft-ANOS.

**UGS**
Underground gas storage facility.

**UPGRADER**
Equipment for upgrading oil quality.

**VAT**
Value added tax.

**VIOC**
Vertically integrated oil company.
This JSC Gazprom Neft 2012 Annual Report was pre-approved by the Board of Directors of JSC Gazprom Neft.
Resolution No. PT-0102/18 of April 16, 2013

Chief Executive Officer  A. V. Dykov  Chief Accountant  O. N. Makretskaya