

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended December 31 and September 30, 2014 and years
ended December 31, 2014 and 2013**

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of December 31, 2014 and results of operations for the three months ended December 31 and September 30, 2014 and years ended December 31, 2014 and 2013 and should be read in conjunction with the Consolidated Financial Statements and notes there to, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

This report represents Group's financial condition and results of operations on a consolidated basis. In this report the terms "Gazprom neft", "Company", "Group" represent JSC Gazprom neft, its consolidated subsidiaries and proportionally consolidated entities (Joint operations as defined in IFRS 11) ("Tomskneft" and "Salym petroleum development" (SPD)). The term "Joint ventures" represents entities accounted by equity method.

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

Forward-Looking Statements

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

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

Key Financial and Operating Data

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
Financial results (RUB million)						
444 402	431 647	3,0	Sales	1 690 557	1 504 037	12,4
57 078	107 153	(46,7)	Adjusted EBITDA1	342 614	336 752	1,7
3 215,7	6 431,8	(50,0)	RUB per toe of production	5 171,5	5 408,8	(4,4)
9,2	24,1	(61,9)	USD2 per boe of production	18,3	23,1	(21,0)
(17 438)	51 932	-	Profit attributable to Gazprom Neft	122 093	177 917	(31,4)
433 602	271 422	59,8	Net debt	433 602	185 922	133,2
Operational results						
131,07	122,85	6,7	Hydrocarbon production including our share in joint ventures (MMboe)	488,10	457,42	6,7
1,42	1,34	6,0	Daily hydrocarbon production (MMboepd)	1,34	1,25	7,2
99,18	98,17	1,0	Crude oil and condensate production including our share in joint ventures (MMbbl)	384,07	371,78	3,3
191,37	148,10	29,2	Gas production including our share in joint ventures (bcf)	624,21	513,85	21,5
10,03	11,46	(12,5)	Refining throughput at own refineries and joint ventures (MMtonnes)	43,48	42,63	2,0

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 the average exchange rate for the period

2014 Highlights

- Reached agreement with NOVATEK for 50/50 ownership of SeverEnergiya. Following a series of transactions Gazprom Neft will increase its effective ownership to 50%
- Acquired 100% share in Gazpromneft shelf, sole participant since October 31, 2014 in the joint operating entity for the Prirazlomnoye field. Prirazlomnoye's first cargo of Arctic Oil (ARCO) was shipped in April
- Completed first season of maritime shipments from Novoport field on Yamal Peninsula, with four cargoes totaling over 100,000 tonnes of "Novy Port" crude
- Acquired 18.2% share in Gazprom Resource Northgas LLC, which holds 50% of Northgas CJSC
- Awarded exploration license for deep oil-saturated horizons in the Achimovsk and Bazhenov formations of southern Priobskoye field
- Awarded exploration and production licenses for North-Vrangel, Severo-Zapadnyy, and Heysovskiy (offshore) areas and, through acquisition of Yugra-Intek LLC, Stakhanov, Otdelnyy, Yagodnyy, and Kuvaiskiy areas
- Achieved 15,000 barrels per day minimum commercial oil production from Badra in a 90 day period through November 2014, triggering cost reimbursement and a fee of USD 5.50 per barrel of oil equivalent produced
- Created joint venture with SIBUR and Titan Group around Omsk Polypropylene plant (Poliom)
- Increased ownership of Gazpromneft-Aero Sheremetyevo to 100%

Results for 2014 compared with 2013

- Increased 2P reserves (PRMS) 11.3% to 18,940 MMboe for a Reserve Replacement Ratio exceeding 500%
- Increased total hydrocarbon production including our share in joint ventures 6.7% to 488.10 MMboe through continued production growth in Priobskoye and Orenburg regions, acquisition of share in Northgas, and higher production at SeverEnergiya
- Increased refining throughput 2.0% by:
 - Full operation of Omsk primary refining unit, which was on scheduled maintenance in 3Q 2013
 - Reducing heavy petroleum products loading bottleneck at Omsk by increasing bitumen production, expanding bunker fuel loading capacity, and reduced mixing of light gasoil into fuel oil
 - Use of more gas condensate feedstock at Omsk refinery and corresponding decrease in heavy products as a share of output
- Increased sales 12.4% as a result of increased hydrocarbon production, higher petroleum products sales, including sales through premium channels, and higher crude and petroleum product prices on domestic markets. Negative duty lag constrained the increase in adjusted EBITDA to 1.7%. Profit attributable to Gazprom neft declined 31.4% due to the effect of revaluing debt at current foreign exchange rates.

Results for 4Q 2014 compared with 3Q 2014

- Increased daily hydrocarbon production, including our share in joint ventures, 6.0% to 1.42 MMboepd
- Refining throughput decreased 12.5% due to:
 - Major maintenance and reconstruction of Moscow primary refining unit in September to December 2014
 - Major maintenance of Omsk aromatics production unit in September to October 2014
- Significantly lower crude and petroleum products prices and negative duty lag effect resulted in a 46.7% decrease in adjusted EBITDA. Additional negative foreign exchange effects led to a loss attributable to Gazprom neft of RUB 17,438 million in 4Q 2014.

Operational Data and Analysis

Exploration Drilling and Discoveries

	2014	2013	Δ, %
Consolidated subsidiaries			
Exploration drilling ('000 meters)	72	83	(13,3)
Exploration wells drilled	28	28	-
New fields discovered	-	1	-
New reservoirs discovered	21	21	-
Proportionally consolidated companies			
Exploration drilling ('000 meters)	13	12	11,8
Exploration wells drilled	4	5	(20,0)
New reservoirs discovered	2	-	-
Joint ventures			
Exploration drilling ('000 meters)	34	53	(36,4)
Exploration wells drilled	14	18	(22,2)
New reservoirs discovered	4	12	-

- Exploration drilling by consolidated subsidiaries in 2014 resulted in the discovery of 21 new reservoirs: 14 crude, three crude and condensate, and four gas and condensate. Most discoveries were made in Eastern and Western Siberia (nine and 11 reservoirs, respectively).

Oil and Gas Reserves

(MMboe)	Gazprom Neft*	Share in proportionally consolidated companies and joint ventures						Total**
		Slavneft	Tomskneft	SPD	Sever Energia	Northgas	Messoyakha	
<i>Proved Reserves (December 31, 2012)</i>	5 904	942	638	244	1 145	-	-	8 873
Production	(303)	(64)	(43)	(26)	(9)	-	-	(445)
Purchases of minerals in place	-	-	-	-	699	-	-	699
Revision of previous estimates	700	33	(18)	5	76	-	39	835
<i>Proved Reserves (December 31, 2013)</i>	6 301	911	577	223	1 911	-	39	9 962
Production	(316)	(62)	(42)	(24)	(27)	(3)	-	(474)
Purchases of minerals in place	110	-	-	-	255	139	-	504
Revision of previous estimates	229	167	91	3	207	-	5	702
<i>Proved Reserves (December 31, 2014)</i>	6 324	1 016	626	202	2 346	136	44	10 694
Total group probable reserves	4 324	1 604	393	118	1 324	28	455	8 246
Total group possible reserves	4 471	1 361	381	74	1 309	33	380	8 009

* Reserves above include reserves of Badra field on a working interest basis, which differs from net entitlement basis used in Group consolidated financial statements

** Total reflects 49.9% ownership of Slavneft, 50% of Tomskneft, Salym Petroleum Development and Messoyakhaneftgaz, 45.1% of SeverEnergia (40.2% and 25.5%, as at December 31, 2013 and 2012 respectively)

- The Company's proved reserves as of December 31, 2014 totaled 6,324 MMboe, including 5,058 MMbbl of crude oil and 7,559 bcf of gas
- Group proved reserves, including shares in equity associates, were 10,694 MMboe as of December 31, 2014, including 7,340 MMbbl of crude oil and 20,124 bcf of gas
- Proved reserves figures do not include reserve volumes related to the Serbian subsidiary, NIS, as there are limitations on disclosure of this information in Serbia
- Reserve estimates are made by independent reservoir engineers DeGolyer and MacNaughton on the basis of the standards of the Society of Petroleum Engineers Petroleum Reserves Management System (PRMS)
- PRMS reserves figures provided in the table differ from those reported in the supplementary information on oil and gas activities included with our consolidated financial statements. Oil and gas reserves included in that supplementary information are prepared using definitions provided by the US Securities and Exchange Commission (SEC), which require the use of a 12-month average of the first day of the month price for each month within the reporting period. The PRMS reserves in the above table use management's best estimate of future crude oil and natural gas prices.

Production Drilling

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
Consolidated subsidiaries						
669	787	(14,9)	Production drilling ('000 meters)	2 945	2 964	(0,6)
198	245	(19,2)	New production wells	840	767	9,5
24,89	32,82	(24,2)	Average new well flow (tonnes per day)	34,47	34,75	(0,8)
Proportionally consolidated companies						
155	252	(38,3)	Production drilling ('000 meters)	694	698	(0,5)
49	60	(18,3)	New production wells	188	211	(10,9)
Joint ventures						
247	345	(28,6)	Production drilling ('000 meters)	1 106	1 058	4,5
79	63	25,4	New production wells	234	187	25,1

- The number of new production wells at joint ventures increased Q-o-Q due to completion of new wells drilled at Slavneft in 3Q
- Seasonal factors were responsible for the decline in production drilling and number of wells drilled.

Production

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
	(MMtonnes)		Crude oil and condensate		(MMtonnes)	
3,75	3,82	(1,8)	Noyabrskneftegaz*	15,01	14,94	0,5
3,59	3,58	0,3	Khantos*	13,91	13,16	5,7
1,28	1,26	1,6	Tomskneft	4,97	5,08	(2,2)
0,80	0,82	(2,4)	SPD	3,28	3,50	(6,3)
0,61	0,61	-	Orenburg	2,34	1,65	41,8
0,30	0,30	-	NIS	1,21	1,25	(3,2)
0,35	0,37	(5,4)	Vostok	1,43	1,21	18,2
0,26	0,20	30,0	Others*	0,88	1,21	(27,3)
10,94	10,96	(0,2)	Total production by subsidiaries and proportionally consolidated companies	43,03	42,00	2,5
2,01	2,04	(1,5)	Share in Slavneft	8,09	8,40	(3,7)
0,42	0,27	55,6	Share in SeverEnergiya (SE)	0,88	0,18	388,9
0,03	0,03	-	Share in Northgas	0,06	-	-
2,46	2,34	5,1	Share in production of joint ventures	9,03	8,58	5,2
			Total crude oil and condensate production			
13,40	13,30	0,8	MMtonnes	52,06	50,58	2,9
99,18	98,17	0,8	MMbbl	384,07	371,78	2,9
	(bcm)		Gas**		(bcm)	
2,59	2,02	28,2	Noyabrskneftegaz*	9,41	9,35	0,6
0,17	0,11	54,6	Khantos*	0,49	0,23	113,0
0,24	0,21	14,3	Tomskneft	0,88	0,85	3,5
0,03	0,03	-	SPD	0,13	0,14	(7,1)
0,46	0,47	(2,1)	Orenburg	1,83	1,62	13,0
0,14	0,14	-	NIS	0,56	0,55	1,8
0,03	0,02	50,0	Vostok	0,09	0,07	28,6
0,01	0,01	-	Others*	0,04	0,09	(55,6)
3,67	3,01	21,9	Total production by subsidiaries and proportionally consolidated companies	13,43	12,90	4,1
0,12	0,11	9,1	Share in Slavneft	0,44	0,41	7,3
1,36	0,85	60,0	Share in SeverEnergiya (SE)	3,31	1,24	166,9
0,27	0,23	17,4	Share in Northgas	0,50	-	-
1,75	1,19	47,1	Share in production of joint ventures	4,25	1,65	157,6
5,42	4,20	29,1	Total gas production	17,68	14,55	21,5
	(MMtoe)		Hydrocarbons		(MMtoe)	
13,89	13,37	3,9	Total production by subsidiaries and proportionally consolidated companies	53,81	52,35	2,8
3,86	3,29	17,3	Share in production of joint ventures	12,44	9,91	25,5
17,75	16,66	6,5	Total hydrocarbon production	66,25	62,26	6,4
131,07	122,85	6,7	MMtoe	488,10	457,42	6,7
1,42	1,34	6,0	Daily hydrocarbon production (MMboepd)	1,34	1,25	7,2

* In 2Q 2013 several field licenses were transferred from JSC Gazprom neft ("Others" in table above) to other Group companies: Romanovskoye and Vorgenskoye to Noyabrskneftegas, Krapivinskoye to Vostok, and Yuzhno-Kinyaminskoye to Khantos

** Production volume includes marketable gas and gas utilized in Company power plants

- Average daily hydrocarbon production increased 7.2% Y-o-Y
- Group oil and condensate production increased 2.9% Y-o-Y on continued production growth at fields in Priobskoye and Orenburg regions, acquisition of share in Northgas and increased production at SeverEnergiya
- Group oil and condensate production increased 1.0% Q-o-Q primarily due to increased production at Novoport, Vyngapurovskoye, Vyngayakhinskoye fields, and Urengoyevskoye field (SeverEnergiya)

- Group gas production increased 21.5% Y-o-Y, primarily as a result of gas utilization program, higher effective ownership of SeverEnergiya and acquisition of share in Northgas
- Group gas production increased 29.1% Q-o-Q due to higher production at SeverEnergiya.

In December 2009, the Group in a consortium with Kogas, Petronas and TPAO obtained rights to develop the Badra oil field in Iraq's eastern province of Wasit. As an operator the Group holds a 30% share. In a 90 day period ending in late November 2014, the field delivered at least 15,000 barrels per day into Iraq's pipeline system in accordance with the field development contract. In 4Q 2014, the Group share in this production was 93 Mtonnes and Revenue, Operating Expenses, and Depreciation were RUB 2,485 million, RUB 1,398 million, and RUB 781 million, respectively.

Crude Oil Purchases

4Q 2014	3Q 2014	Δ, %	(MMtonnes)	2014	2013	Δ, %
1.62	1.38	17.4	Crude oil purchases in Russia *	4.97	4.94	0.6
0.35	0.24	45.8	Crude oil purchases internationally	1.66	1.87	(11.2)
1.97	1.62	21.6	Total crude purchased	6.63	6.81	(2.6)

* Crude oil purchases in Russia exclude purchases from the Group's joint ventures Slavneft and SeverEnergiya

- Crude purchases in Russia increased 17.4% Q-o-Q due to more efficient transactions based on purchased crude
- Crude purchases on international markets decreased 11.2% Y-o-Y due to lower throughput at the Group's Pancevo refinery
- Crude purchases on international markets increased 45.8% Q-o-Q due to higher trading activity.

Refining

4Q 2014	3Q 2014	Δ, %	(MMtonnes)	2014	2013	Δ, %
5.28	5.56	(5.0)	Omsk	21.28	20.23	5.2
1.71	3.03	(43.6)	Moscow	10.76	11.08	(2.9)
0.72	0.58	24.1	Pancevo	2.61	2.75	(5.1)
7.71	9.17	(15.9)	Total throughput at refineries owned by subsidiaries	34.65	34.06	1.7
2.02	2.01	0.5	Share in Yaroslavl	7.65	7.52	1.7
0.30	0.28	7.1	Share in Mozyr	1.18	1.05	12.4
10.03	11.46	(12.5)	Total refining throughput	43.48	42.63	2.0

Production of petroleum products

1.99	2.38	(16.4)	Gasoline	8.84	8.92	(0.9)
-	-	-	Class 2 and below	-	0.05	-
0.06	0.05	20.0	Class 3	0.16	0.37	(56.8)
0.15	0.15	-	Class 4	0.68	1.88	(63.8)
1.78	2.18	(18.4)	Class 5	8.00	6.62	20.9
0.40	0.29	37.9	Naphtha	1.36	1.47	(7.5)
2.78	3.12	(10.9)	Diesel	12.15	12.09	0.5
0.03	-	-	Class 2 and below	0.07	0.23	(69.6)
-	-	-	Class 3	0.14	2.06	(93.2)
0.14	0.13	7.7	Class 4	0.51	1.16	(56.0)
2.61	2.99	(12.7)	Class 5	11.43	8.64	32.3
1.73	1.60	8.1	Fuel oil	7.39	7.48	(1.2)
0.64	0.88	(27.3)	Jet fuel	2.99	2.69	11.2
1.03	1.21	(14.9)	Bunker fuel	4.08	3.31	23.3
1.01	1.54	(34.4)	Other	4.83	4.59	5.2
9.58	11.02	(13.1)	Total production	41.64	40.55	2.7

- Refining throughput:
 - Increased 2.0% Y-o-Y due to:
 - Operation of primary refining unit at Omsk, which was on scheduled maintenance in 3Q 2013
 - Reduction of heavy petroleum products loading bottleneck at Omsk by increasing bitumen production, expanding capacity to load bunker fuel, and reduced mixing of light gasoil into fuel oil
 - Use of more gas condensate feedstock at Omsk and corresponding decrease in heavy products as a share of output
 - Decreased 12.5% Q-o-Q due to:
 - Major maintenance and reconstruction of Moscow primary refining unit in September to December 2014
 - Major maintenance of Omsk aromatics production unit in September to October 2014
- As a result of the Company's modernization program:
 - Class 5 gasoline production increased due to completion of FCC gasoline hydrotreater and light naphtha isomerization units at Moscow in May 2013 and July 2013, respectively, and reconstruction of gasoline blending units at Yaroslavl in 2014
 - Class 5 diesel production increased due to reconstruction of diesel hydrotreating unit at Moscow, completion of new diesel hydrotreating unit at Yaroslavl in February 2013, and completion of major maintenance of diesel hydrotreating unit at Omsk in April 2013.

Petroleum Products Purchases on International Markets

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	176	0.01	-	-	-	-
Naphtha	193	0.01	1,180	0.04	(83.6)	(75.0)
Diesel	7,587	0.24	6,365	0.20	19.2	20.0
Fuel oil	9,579	0.55	8,570	0.46	11.8	19.6
Jet fuel	2,966	0.07	2,314	0.06	28.2	16.7
Bunker fuel	1,274	0.05	2,240	0.09	(43.1)	(44.4)
Other	543	0.01	-	-	-	-
Total	22,318	0.94	20,669	0.85	8.0	10.6

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	176	0.01	-	-	-	-
Naphtha	2,976	0.10	4,382	0.16	(32.1)	(37.5)
Diesel	29,427	0.91	29,390	0.98	0.1	(7.1)
Fuel oil	35,415	1.88	18,252	0.98	94.0	91.8
Jet fuel	10,785	0.29	7,027	0.21	53.5	38.1
Bunker fuel	3,638	0.15	-	-	-	-
Other	1,027	0.02	-	-	-	-
Total	83,444	3.36	59,051	2.33	41.3	44.2

- Purchases on international markets increased Y-o-Y due to higher trading activity
- Jet fuel purchases on international markets increased Y-o-Y due to increasing sales through premium channels outside Russia.

Petroleum Products Purchases in CIS

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	3,951	0.09	2,868	0.10	37.8	(10.0)
Low octane gasoline	677	0.02	479	0.02	41.3	-
Diesel	764	0.02	849	0.04	(10.0)	(50.0)
Other	337	0.01	-	-	-	-
Total	5,729	0.14	4,196	0.16	36.5	(12.5)

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	8,217	0.25	2,612	0.11	214.6	127.3
Low octane gasoline	1,245	0.05	1,356	0.06	(8.2)	(16.7)
Diesel	2,280	0.09	1,429	0.06	59.6	50.0
Fuel oil	165	0.01	-	-	-	-
Other	488	0.02	472	0.03	3.4	(33.3)
Total	12,395	0.42	5,869	0.26	111.2	61.5

Domestic Purchases of Petroleum Products

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	10,460	0.32	8,310	0.25	25.9	28.0
Diesel	5,311	0.17	3,890	0.13	36.5	30.8
Fuel oil	300	0.03	-	-	-	-
Jet fuel	2,482	0.09	4,249	0.17	(41.6)	(47.1)
Bunker fuel	382	0.02	509	0.03	(25.0)	(33.3)
Other	706	0.02	662	0.03	6.7	(33.3)
Total	19,641	0.65	17,620	0.61	11.5	6.6

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	34,810	1.12	24,147	0.87	44.2	28.7
Diesel	15,671	0.51	11,970	0.41	30.9	24.4
Fuel oil	737	0.06	1,385	0.12	(46.8)	(50.0)
Jet fuel	14,849	0.57	12,735	0.51	16.6	11.8
Bunker fuel	891	0.05	1,802	0.10	(50.6)	(50.0)
Other	2,065	0.08	4,479	0.14	(53.9)	(42.9)
Total	69,023	2.39	56,518	2.15	22.1	11.2

- Domestic purchases increased Y-o-Y driven by expanding sales network.

Products Marketing

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
	(units)		Active retail stations		(units)	
1,150	1,077	6.8	In Russia	1,150	1,111	3.5
239	232	3.0	In CIS	239	228	4.8
421	420	0.2	In Eastern Europe	421	408	3.2
1,810	1,729	4.7	Total retail stations (as at the end of the period)	1,810	1,747	3.6
21.9	20.7	5.9	Average daily sales per retail site in Russia (tonnes per day)	20.0	19.0	5.4
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
4.59	5.14	(10.7)	Gasoline and Diesel	18.51	18.17	1.9
0.63	0.82	(23.2)	Jet	2.84	2.39	18.8
1.04	1.22	(14.8)	Bunkering	4.20	3.22	30.4
0.05	0.05	-	Lubricants	0.19	0.17	11.8
6.31	7.23	(12.7)	Total sales volume through premium channels	25.74	23.95	7.5

- The number of active retail stations increased 3.6% Y-o-Y
- Average daily sales per retail site in Russia increased 5.4% Y-o-Y due to results of rebranding campaign, new promotions, and customer loyalty program
- Sales volume through premium channels increased 7.5% Y-o-Y, as:
 - Gasoline and diesel sales increased 2.4%, with growing retail sales and stable wholesaling
 - Jet fuel sales increased 18.8% due to expanded sales network within and outside Russia, including Russian military airports and increased share in equity in Gazpromneft-Aero Sheremetyevo to 100% in March 2014
 - Bunkering sales increased 30.4% due to growing Far East and Black Sea markets and increased market penetration in Baltic region
- Sales volume through premium channels declined 12.7% Q-o-Q primarily due to lower seasonal demand.

Results of Operations

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
Revenue						
444,402	431,647	3.0	Sales	1,690,557	1,504,037	12.4
(98,481)	(57,758)	70.5	Less export duties and excise tax*	(282,319)	(236,434)	19.4
345,921	373,889	(7.5)	Total revenue	1,408,238	1,267,603	11.1
Costs and other deductions						
(106,996)	(94,922)	12.7	Purchases of oil, gas and petroleum products	(382,505)	(319,051)	19.9
(46,677)	(43,864)	6.4	Production and manufacturing expenses	(171,711)	(144,552)	18.8
(28,527)	(19,941)	43.1	Selling, general and administrative expenses	(86,318)	(72,005)	19.9
(32,099)	(28,261)	13.6	Transportation expenses	(116,125)	(107,837)	7.7
(22,792)	(21,944)	3.9	Depreciation, depletion and amortization	(85,951)	(76,785)	11.9
(79,775)	(89,742)	(11.1)	Taxes other than income tax	(343,576)	(316,070)	8.7
(220)	(98)	124.5	Exploration expenses	(936)	(2,876)	(67.5)
(317,086)	(298,772)	6.1	Total operating expenses	(1,187,122)	(1,039,176)	14.2
(4,625)	(2,341)	97.6	Other loss, net	(8,471)	(6,310)	34.2
24,210	72,776	(66.7)	Operating profit	212,645	222,117	(4.3)
(10,882)	84	-	Share of (loss) / profit of associates and joint ventures	(6,306)	11,251	-
(37,711)	(9,243)	308.0	Net foreign exchange loss	(52,265)	(2,166)	2,313.0
2,341	2,099	11.5	Finance income	7,075	6,011	17.7
(5,544)	(3,893)	42.4	Finance expense	(15,279)	(11,233)	36.0
(51,796)	(10,953)	372.9	Total other (expense) / income	(66,775)	3,863	-
(27,586)	61,823	-	(Loss) / Profit before income tax	145,870	225,980	(35.5)
8,940	(7,700)	-	Current income tax benefit / (expense)	(17,518)	(34,823)	(49.7)
2,223	(1,544)	-	Deferred income tax benefit / (expense)	(1,696)	(4,437)	(61.8)
11,163	(9,244)	-	Total income tax benefit / (expense)	(19,214)	(39,260)	(51.1)
(16,423)	52,579	-	(Loss) / Profit for the period	126,656	186,720	(32.2)
(1,015)	(647)	56.9	Less: Profit attributable to non-controlling interest	(4,563)	(8,803)	(48.2)
(17,438)	51,932	-	(Loss) / Profit attributable to Gazprom Neft	122,093	177,917	(31.4)

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

Revenues

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
Crude oil						
28 954	20 723	39,7	Export	107 340	106 665	0,6
78 548	45 158	73,9	Export sales	229 065	208 125	10,1
(49 594)	(24 435)	103,0	Less related export duties	(121 725)	(101 460)	20,0
2 973	-	-	International markets	4 036	1 323	205,1
3 763	3 795	(0,8)	Export to CIS	15 889	48 619	(67,3)
12 611	11 306	11,5	Domestic	42 624	19 258	121,3
48 301	35 824	34,8	Total crude oil revenue	169 889	175 865	(3,4)
Gas						
353	385	(8,3)	International markets	1 604	1 461	9,8
7 224	5 155	40,1	Domestic	24 406	23 926	2,0
7 577	5 540	36,8	Total gas revenue	26 010	25 387	2,5
Petroleum products						
60 002	67 942	(11,7)	Export	282 085	253 429	11,3
94 889	90 671	4,7	Export sales	400 346	352 990	13,4
(34 887)	(22 729)	53,5	Less related export duties	(118 261)	(99 561)	18,8
29 333	27 854	5,3	International markets	104 413	92 316	13,1
43 210	38 376	12,6	Sales on international markets	146 153	124 376	17,5
(13 877)	(10 522)	31,9	Less excise*	(41 740)	(32 060)	30,2
17 670	18 520	(4,6)	CIS	63 989	54 956	16,4
17 793	18 592	(4,3)	Export sales and sales in CIS	64 582	58 309	10,8
(123)	(72)	70,8	Less related export duties	(593)	(3 353)	(82,3)
170 947	205 490	(16,8)	Domestic	715 853	630 359	13,6
277 952	319 806	(13,1)	Total petroleum products revenue	1 166 340	1 031 060	13,1
12 091	12 719	(4,9)	Other revenue	45 999	35 291	30,3
345 921	373 889	(7,5)	Total revenue	1 408 238	1 267 603	11,1

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

Sales Volumes

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
(MMtonnes)			Crude oil	(MMtonnes)		
3.02	1.65	83.0	Export	8.47	8.29	2.2
0.09	-	-	Sales on international markets	0.13	0.05	160.0
0.30	0.30	-	Export to CIS	1.16	4.05	(71.4)
1.36	1.04	30.8	Domestic sales	3.96	1.85	114.1
4.77	2.99	59.5	Total crude oil sales	13.72	14.24	(3.7)
(bcm)			Gas	(bcm)		
0.02	0.03	(33.3)	International markets	0.13	0.14	(7.1)
1.93	2.63	(26.6)	Domestic sales	10.76	12.64	(14.9)
1.95	2.66	(26.7)	Total gas sales	10.89	12.78	(14.8)
(MMtonnes)			Petroleum products	(MMtonnes)		
3.77	3.57	5.6	Export	15.64	14.61	7.0
0.83	0.81	2.5	Sales on international markets	3.03	3.08	(1.6)
0.45	0.62	(27.4)	Export and sales in CIS	2.09	2.21	(5.4)
6.41	7.77	(17.5)	Domestic sales	27.54	25.84	6.6
11.46	12.77	(10.3)	Total petroleum products sales	48.30	45.74	5.6

Average Realized Sales Prices

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
26,009	27,368	(5.0)	Export	27,044	25,106	7.7
12,543	12,650	(0.8)	Export and sales in CIS	13,697	12,005	14.1
5,483	10,871	(49.6)	Domestic sales	8,699	10,410	(16.4)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
25,169	25,398	(0.9)	Export	25,598	24,161	5.9
52,060	47,378	9.9	Sales on international markets	48,235	40,382	19.4
39,540	29,987	31.9	Export and sales in CIS	30,900	26,384	17.1
26,669	26,447	0.8	Domestic sales	25,993	24,395	6.6

Crude Oil Sales

- Crude export volumes increased 2.2% Y-o-Y due to higher domestic production
- Crude export volumes increased 1.37 MMtonnes Q-o-Q due to reduced throughput at Moscow refinery
- Crude export volumes to CIS declined 71.4% Y-o-Y due to reduced exports to Kazakhstan
- Domestic crude sales volumes more than doubled Y-o-Y and increased 30.8% Q-o-Q primarily due to higher production in Orenburg and more efficient transactions based on purchased crude.

Petroleum Products Exports

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Low octane gasoline	3,058	0.10	1,258	0.04	143.1	150.0
Naphtha	10,403	0.36	7,842	0.25	32.7	44.0
Diesel	33,434	1.05	30,926	0.95	8.1	10.5
Fuel oil	25,573	1.46	31,171	1.61	(18.0)	(9.3)
Jet fuel	7,246	0.19	6,127	0.20	18.3	(5.0)
Bunker fuel	10,037	0.39	6,627	0.27	51.5	44.4
Other	5,138	0.22	6,720	0.25	(23.5)	(12.0)
Total	94,889	3.77	90,671	3.57	4.7	5.6

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	2,564	0.08	7,855	0.27	(67.4)	(70.4)
Low octane gasoline	5,336	0.17	6,060	0.22	(12.0)	(22.7)
Naphtha	36,044	1.16	34,166	1.20	5.5	(3.3)
Diesel	148,502	4.59	142,134	4.80	4.5	(4.4)
Fuel oil	137,816	7.12	125,195	6.71	10.1	6.1
Jet fuel	24,431	0.72	10,003	0.32	144.2	125.0
Bunker fuel	26,505	1.03	14,258	0.57	85.9	80.7
Other	19,148	0.77	13,319	0.52	43.8	48.1
Total	400,346	15.64	352,990	14.61	13.4	7.1

- Jet fuel export sales volumes more than doubled and bunker fuel export sales increased 80.7% Y-o-Y due to the Group's growing presence in foreign airports and ports.

Petroleum Products Export and Sales in CIS

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	6,995	0.15	6,616	0.19	5.7	(21.1)
Low octane gasoline	1,121	0.03	1,224	0.04	(8.4)	(25.0)
Diesel	7,564	0.20	7,500	0.23	0.9	(13.0)
Fuel oil	102	0.01	291	0.03	(65.0)	(66.7)
Jet fuel	547	0.01	723	0.02	(24.3)	(50.0)
Other	1,464	0.05	2,238	0.11	(34.6)	(54.6)
Total	17,793	0.45	18,592	0.62	(4.3)	(27.4)

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	25,693	0.75	20,863	0.72	23.2	4.2
Low octane gasoline	3,884	0.13	4,314	0.18	(10.0)	(27.8)
Diesel	24,617	0.76	17,267	0.63	42.6	20.6
Fuel oil	688	0.07	2,541	0.22	(72.9)	(68.2)
Jet fuel	3,192	0.09	7,905	0.20	(59.6)	(55.0)
Other	6,508	0.29	5,419	0.26	20.1	11.5
Total	64,582	2.09	58,309	2.21	10.8	(5.4)

Domestic Sales of Petroleum Products

	4Q 2014		3Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	68,690	1.99	82,408	2.38	(16.7)	(16.4)
Low octane gasoline	847	0.03	1,018	0.04	(16.8)	(25.0)
Diesel	55,053	1.80	60,486	2.03	(9.0)	(11.3)
Fuel oil	5,718	0.54	4,450	0.40	28.5	35.0
Jet fuel	15,401	0.57	22,255	0.84	(30.8)	(32.1)
Bunker fuel	14,300	0.81	18,419	0.99	(22.4)	(18.2)
Other	10,938	0.67	16,454	1.09	(33.5)	(38.5)
Total	170,947	6.41	205,490	7.77	(16.8)	(17.5)

	2014		2013		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	285,311	8.60	241,733	8.06	18.0	6.7
Low octane gasoline	3,604	0.13	5,526	0.20	(34.8)	(35.0)
Naphtha	-	-	305	0.02	-	-
Diesel	220,000	7.35	200,883	7.16	9.5	2.7
Fuel oil	18,271	1.74	19,168	1.66	(4.7)	4.8
Jet fuel	76,108	2.91	68,808	2.83	10.6	2.8
Bunker fuel	60,823	3.39	43,978	2.45	38.3	38.4
Other	51,736	3.42	49,958	3.46	3.6	(1.2)
Total	715,853	27.54	630,359	25.84	13.6	6.6

- Domestic sales volumes of high octane gasoline and diesel increased Y-o-Y driven by expanding sales network and growing average daily sales per retail site
- Domestic bunker fuel sales volumes increased 38.4% Y-o-Y driven by expanding sales network in Far East and Black Sea regions.

Other Revenue

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

- Other revenue increased 30.0% Y-o-Y primarily due to volume increases.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas, and petroleum products increased 19.9% Y-o-Y primarily due to higher purchased volumes of petroleum products and increased 12.7% Q-o-Q chiefly due to higher purchased volumes on domestic and international markets.

Production and Manufacturing Expenses

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
25,888	20,273	27.7	Upstream expenses	84,137	72,491	16.1
21,341	16,371	30.4	Consolidated subsidiaries	68,278	58,034	17.7
1,843	1,474	25.1	<i>RUB per toe</i>	1,526	1,350	13.0
5.30	5.55	(4.6)	<i>USD¹ per boe</i>	5.42	5.78	(6.3)
4,547	3,902	16.5	Proportionately consolidated companies	15,859	14,457	9.7
1,968	1,727	14.0	<i>RUB per toe</i>	1,750	1,543	13.5
5.66	6.51	(13.0)	<i>USD¹ per boe</i>	6.22	6.61	(6.0)
12,878	11,205	14.9	Downstream expenses	45,393	37,293	21.7
7,412	6,168	20.2	Refining expenses at own refineries	25,681	21,558	19.1
961	673	42.9	<i>RUB per tonne</i>	741	633	17.1
2.77	2.54	9.1	<i>USD¹ per bbl</i>	2.63	2.71	(2.9)
3,854	3,629	6.2	Refining expenses at refineries of joint ventures	14,145	11,139	27.0
1,661	1,585	4.8	<i>RUB per tonne</i>	1,602	1,300	23.2
4.78	5.97	(20.0)	<i>USD¹ per bbl</i>	5.69	5.57	2.2
1,612	1,408	14.5	Lubricants manufacturing expenses	5,567	4,596	21.1
5,246	7,109	(26.2)	Transportation expenses to refineries	26,234	23,747	10.5
2,665	5,277	(49.5)	Other operating expenses	15,947	11,021	44.7
46,677	43,864	6.4	Total	171,711	144,552	18.8

¹ Translated to USD at average exchange rate for the period

- Upstream expenses include expenditures for raw materials and supplies, maintenance and repairs of extraction equipment, labor costs, fuel and electricity costs, activities to enhance oil recovery, and other similar costs at our Upstream subsidiaries
- Upstream expenses per toe at consolidated subsidiaries increased 13.0% Y-o-Y due to:
 - Acquisition of Gazprom Neft shelf (Prirazlomnoye) and production startup at Badra
 - Higher cost of operating Novoport field in pilot mode, including infrastructure and temporary crude transportation routes
 - Higher tariffs of natural monopolies and prices for oil field services
- Refining expenses at own refineries include expenditures for raw materials and supplies, maintenance and repairs of productive equipment, labor and electricity costs, and other similar costs
- Refining expenses at own refineries increased 19.1% Y-o-Y primarily due to higher throughput, increased expenditure for materials related to higher product quality, startup of new processing units at Omsk and Moscow, maintenance at own refineries, and higher tariffs of natural monopolies
- Refining expenses at refineries of joint ventures increased 27.0% Y-o-Y due to maintenance and increased expenditure for materials related to higher product quality
- Transportation expenses to refineries increased 10.5% Y-o-Y primarily due to termination of oil swap contract with Rosneft, higher throughput, and increased use at Omsk of gas condensate feedstock, which is transported by rail
- Transportation expenses to refineries decreased 26.2% Q-o-Q due to use of crude from closer fields.

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 19.9% Y-o-Y, driven by growth in premium sales and business expansion.

Transportation Expenses

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

Transportation expenses increased 7.7% Y-o-Y due to increased volumes of petroleum products.

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 11.9% Y-o-Y in line with increases in depreciable assets as a result of capital expenditure.

Taxes Other than Income Tax

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
53,787	59,995	(10.3)	Mineral extraction taxes	236,027	214,023	10.3
19,531	24,406	(20.0)	Excise	84,184	77,701	8.3
2,700	2,190	23.3	Property tax	9,477	7,938	19.4
3,757	3,151	19.2	Other taxes	13,888	16,408	(15.4)
79,775	89,742	(11.1)	Total taxes other than income tax	343,576	316,070	8.7

- Mineral extraction tax (MET) expenses increased 10.3% Y-o-Y in line with increased crude oil production by subsidiaries and proportionately consolidated companies and a higher MET rate. While average Urals prices in US dollars decreased 10.0% Y-o-Y, average crude oil MET rate increased 9.4% as the base rate increased from 470 RUB/tonne to 493 RUB/tonne and average RUB/USD exchange rate increased 20.6%
- Excise tax expenses increased 8.3% Y-o-Y due to excise rate increases on 1 July 2013 and 1 January 2014, partially offset by increasing shares of Class 5 gasoline and diesel, which is taxed at lower rates
- Excise tax expenses decreased 20.0% Q-o-Q due to lower production and higher export sales.

Share of Profit of Equity Accounted Investments

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
(10,165)	(601)	1,591.3	Slavneft	(5,072)	9,538	-
157	39	302.6	SeverEnergia	(1,809)	(131)	1,280.9
(874)	646	-	Other companies	575	1,844	(68.8)
(10,882)	84	-	Share of (loss) / profit of associates and joint ventures	(6,306)	11,251	-

- Slavneft and SeverEnergia incurred a loss in 2014, mostly due to net foreign exchange losses.

Other Financial Items

- Foreign exchange gains/losses were mainly driven by a revaluation of that part of the Group's debt portfolio that is denominated in foreign currencies

Liquidity and Capital Resources

Cash Flows

(RUB million)	2014	2013	Δ %
Net cash provided by operating activities	283,965	276,736	2.6
Net cash used in investing activities	(364,792)	(255,725)	42.7
Net cash provided by / (used in) financing activities	10,573	(13,010)	-
(Decrease) / Increase in cash and cash equivalents	(70,254)	8,001	-

Net Cash Provided by Operating Activities

(RUB million)	2014	2013	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	334,742	306,929	9.1
Net changes in working capital	(6,414)	8,329	-
Income tax paid	(30,122)	(33,514)	(10.1)
Interest paid	(16,624)	(9,981)	66.6
Dividends received	2,383	4,973	(52.1)
Net cash provided by operating activities	283,965	276,736	2.6

Net Cash Used in Investing Activities

(RUB million)	2014	2013	Δ %
Capital expenditures	(271,330)	(208,611)	30.1
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(57,848)	(5,857)	887.7
Net changes in deposits	(15,877)	(29,425)	(46.0)
Other transactions	(19,737)	(11,832)	66.8
Net cash used in investing activities	(364,792)	(255,725)	42.7

- Net cash used in investing activities increased 42.7% Y-o-Y due to:
 - Higher capital expenditures
 - Acquisitions of additional SeverEnergia stake and share in Northgas.

Net Cash Used in Financing Activities

(RUB million)	2014	2013	Δ %
Net changes in debt	67,160	56,395	19.1
Payment of dividends to shareholders	(46,755)	(63,328)	(26.2)
Acquisition of non-controlling interest in subsidiaries	(4,118)	(1,755)	134.6
Other transactions	(5,714)	(4,322)	32.2
Net cash provided by / (used in) financing activities	10,573	(13,010)	-

- During 2014 Group debt increased by 67,160 RUB million primarily due to:
 - Utilization of 2,150 USD million club term facility signed in November 2013
 - Receipt of RUB 10 billion as part of credit line provided by JSC Rosselkhozbank
 - Receipt of RUB 10 billion through credit line provided by JSC Sberbank
- Payment of dividends to shareholders decreased in 2014 due to change to interim dividends program in 2013.
 - In 2013 the Group paid:
 - Dividend for full year 2012 of RUB 9.30 per share
 - Dividend for first half 2013 of RUB 4.09 per share

- In 2014 the Group paid:
 - Dividend for second half 2013 of RUB 5.29 per share
 - Dividend for first half 2014 of RUB 4.62 per share

Capital Expenditure

(RUB million)	2014	2013	Δ, %
Exploration and production	192,739	144,035	33.8
Consolidated subsidiaries	178,330	132,178	34.9
Proportionately consolidated companies	14,409	11,857	21.5
Refining	26,765	27,264	(1.8)
Marketing and distribution	13,576	17,523	(22.5)
Others	10,731	6,151	74.5
Subtotal capital expenditures	243,811	194,973	25.0
Change in advances issued and material used in capital expenditures	27,519	13,638	101.8
Total capital expenditures	271,330	208,611	30.1

- Capital expenditure for Exploration and Production increased 33.8% Y-o-Y mostly due to:
 - Development of Noyabrsk and Orenburg region fields
 - Increased production drilling at Priobskoye
 - Construction of major infrastructure for Novoport (arctic terminal, oil collection system, pipelines)
 - Capital expenditure related to recent acquisitions: Dolginskoye field (3Q 2013) and Prirazlomnoye field (2Q 2014).

Debt and Liquidity

(RUB million)	December 31, 2014	December 31, 2013
Short-term loans and borrowings	61,121	52,413
Long-term loans and borrowings	502,306	261,455
Cash and cash equivalents	(53,167)	(91,077)
Short-term deposits	(76,658)	(36,869)
Net debt	433,602	185,922
Short-term debt / total debt, %	10.8	16.7
Net debt / EBITDA ttm	1.44	0.59

- The Group's diversified debt structure includes syndicated and bilateral loans, bonds, and other instruments
- Average debt maturity decreased from 5.15 years at December 31, 2013 to 4.49 years at December 31, 2014
- Average interest rate decreased from 3.68% at December 31, 2013 to 3.48% at December 31, 2014.

Financial Appendix

EBITDA Reconciliation

4Q 2014	3Q 2014	Δ, %	(RUB million)	2014	2013	Δ, %
(16,423)	52,579	-	Profit for the period	126,656	186,720	(32.2)
(11,163)	9,244	-	Total income tax benefit / (expense)	19,214	39,260	(51.1)
5,544	3,893	42.4	Finance expense	15,279	11,233	36.0
(2,341)	(2,099)	11.5	Finance income	(7,075)	(6,011)	17.7
22,792	21,944	3.9	Depreciation, depletion and amortization	85,951	76,785	11.9
37,711	9,243	308.0	Net foreign exchange loss	52,265	2,166	2,313.0
4,625	2,341	97.6	Other loss, net	8,471	6,310	34.2
40,745	97,145	(58.1)	EBITDA	300,761	316,463	(5.0)
10,882	(84)	-	less Share of (loss) / profit of associates and joint ventures	6,306	(11,251)	-
5,451	10,092	(46.0)	add Share of EBITDA of equity accounted investments	35,547	31,540	12.7
57,078	107,153	(46.7)	Adjusted EBITDA	342,614	336,752	1.7

Financial ratios

Profitability

	2014	2013	Δ, p.p.
Adjusted EBITDA margin, %	24.33	26.57	(2.2)
Net profit margin, %	8.99	14.73	(5.7)
Return on assets (ROA), %	6.92	12.91	(6.0)
Return on equity (ROE), %	11.90	19.99	(8.1)
Return on average capital employed (ROACE), %	13.07	17.44	(4.4)

Liquidity

	2014	2013	Δ, %
Current ratio	1.88	2.08	(9.8)
Quick ratio	0.94	1.13	(16.8)
Cash ratio	0.53	0.71	(25.5)

Leverage

	2014	2013	Δ, p.p.
Net debt/ Total Assets, %	20.67	11.89	8.8
Net debt/ Equity, %	38.37	18.63	19.7
Gearing, %	31.11	18.25	12.9
			Δ, %
Net debt/ Market Capitalization	0.64	0.27	139.4
Net debt/ EBITDA	1.44	0.59	144.9
Total debt/ EBITDA	1.87	0.99	88.5

Main Macroeconomic Factors Affecting Results of Operations

The main factors affecting the Group's results of operations include:

- Changes in market prices of crude oil and petroleum products
- Changes in exchange rate between the Russian ruble and US dollar and inflation
- Taxation
- Changes in transportation tariffs for crude oil and petroleum products.

Changes in Market Prices of Crude Oil and Petroleum Products

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

Petroleum products prices on international markets are primarily determined by world prices for crude oil, supply and demand of petroleum products, and competition in different markets. Petroleum product price trends on international markets in turn determine domestic prices. Price dynamics are different for different types of petroleum products.

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
			International market	(US\$/ barrel)		
76.60	101.93	(24.9)	Brent	98.95	108.66	(8.9)
73.01	101.13	(27.8)	Urals Spot (average Med + NWE)	96.94	107.71	(10.0)
				(US\$/ tonne)		
724.91	974.15	(25.6)	Premium gasoline (average NWE)	918.72	986.86	(6.9)
600.44	873.23	(31.2)	Naphtha (average Med. + NWE)	825.28	892.35	(7.5)
697.57	879.82	(20.7)	Diesel fuel (average NWE)	854.41	938.47	(9.0)
676.76	864.30	(21.7)	Gasoil 0.2% (average Med. + NWE)	837.77	920.54	(9.0)
392.73	550.53	(28.7)	Fuel oil 3.5% (average NWE)	518.48	583.80	(11.2)
			Domestic market	(RUB/ tonne)		
33,555	34,409	(2.5)	High-octane gasoline	31,948	28,344	12.7
29,577	29,418	0.5	Low-octane gasoline	28,071	24,882	12.8
28,028	28,132	(0.4)	Diesel fuel	27,764	26,894	3.2
8,160	9,668	(15.6)	Fuel oil	9,014	8,732	3.2

Sources: Platts (international), Kortes (domestic)

Ruble vs. US Dollar Exchange Rate and Inflation

The Group presentation currency is the Russian Ruble. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates, which for most entities is the Russian ruble.

4Q 2014	3Q 2014		2014	2013
5.1	1.5	Change in Consumer Price Index (CPI), %	11.4	6.5
0.7	0.9	Change in Producer Price Index (PPI), %	5.9	3.7
56.26	39.39	US\$/ RUB exchange rate as of the end of the period	56.26	32.73
47.42	36.19	Average RUB/US\$ exchange rate for the period	38.42	31.85

Taxation

Average tax rates effective in reporting periods for taxation of oil and gas companies in Russia

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
			Export customs duty	(US\$/ tonne)		
312.97	380.40	(17.7)	Crude oil	366.14	392.20	(6.6)
206.53	251.03	(17.7)	Light petroleum products	241.63	258.82	(6.6)
203.37	247.20	(17.7)	Diesel	237.93	258.82	(8.1)
281.63	342.30	(17.7)	Gasoline and naphtha	329.48	352.97	(6.6)
206.53	251.03	(17.7)	Heavy petroleum products	241.63	258.82	(6.6)
			Mineral extraction tax			
5,267	5,839	(9.8)	Crude oil (RUB/ tonne)	5,831	5,329	9.4

Crude and oil products export duty rates

Federal Law # 239-FZ (December 3, 2012) changed the method for setting export duties for crude oil and oil products from April 1, 2013. In place of export duty rates established monthly by the Government of the Russian Federation, new Resolution of the Russian Government # 276 (March 29, 2013) establishes a methodology for the Ministry of Economic Development of the Russian Federation to calculate export duty rates for crude oil and certain oil products each month.

Crude oil export customs duty rate

a) Russian Federal Law # 5003-1 (May 21, 1993) clause 3.1. subclause 4, amended by Russian Federal Law # 253-FZ (September 30, 2013) sets export custom duty rates according to the following formulas:

Quoted Urals price (P), USD/ tonne	Maximum Export Custom Duty Rate
≤109.50	0%
109.50 < P ≤ 146.00	35.0% * (P – 109.50)
146.00 < P ≤ 182.50	12.78 + 45.0% * (P – 146.00)
>182.50	29.20 + 59.0% * (P – 182.50) for 2014
	29.20 + 57.0% * (P – 182.50) for 2015
	29.20 + 55.0% * (P – 182.50) for 2016

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

b) Under Federal Law # 239-FZ (December 3, 2012) the Government of the Russian Federation established formulas for lower customs duty rates for crude oil that meets certain chemical and physical conditions, identified by the codes TN VED TS 2709 00 900 1 and 2709 00 900 3. According to Russian Government Resolution # 276 (March 29, 2013) these lower duty rates are calculated based on the average Urals price in the monitoring period using the following formula:

Quoted Urals price (P), USD/ tonne	Export duty rate
≤365	0
>365	45.0% * (P – 365)

Resolution of the Russian Government # 846 (September 26, 2013) sets the rules for applying specific crude oil export duty rates and monitoring their use in respect of Group investment projects in Sakha Republic (Yakutia), Irkutsk Oblast, Krasnoyarsk Krai, Yamalo-Nenets Autonomous Okrug north of Latitude 65⁰, and on the continental shelf of the Russian Federation.

Order # 868 (December 3, 2013) of the Ministry of Energy establishes the application form and methodology for the applicability of these special rates.

Export customs duty rate on petroleum products

In accordance with clause 3.1 of Russian Federal Law # 5003-1 (May 21, 1993) the export customs duty rate on petroleum products is determined by the Government. Petroleum products exported to those CIS countries that are Customs Union members (Kazakhstan, Belorussia) are not subject to customs duties. From January 1, 2011 petroleum products exported to Kyrgyzstan are also not subject to customs duties. From November 13, 2013 the export of petroleum products to Tadzhikistan within the indicative balance are not subject to customs duties.

Resolution of the Russian Government # 1155 (December 27, 2010) changed the export customs duty rates charged on petroleum products. From February 1, 2011 the export customs duty rate on petroleum products has been calculated using the following formula:

$R = K * R_{\text{crude}}$, where R_{crude} is the export customs duty rate per tonne of crude oil and K is a coefficient depending on the type of petroleum product.

From October 2011 in accordance with Resolution of the Russian Government #1155 (December 27, 2010), the coefficient K for different petroleum products has been based on the following table:

	From October 01, 2011 until December 31, 2014
Light and middle distillates	0.66
Fuel oil	0.66
Gasoline	0.90

Resolution of the Russian Government # 276 (March 29, 2013) further confirms the application of the rules outlined in Resolution of the Russian Government # 1155 (December 27, 2010).

Under Resolution of the Russian Government #2 (January 3, 2014), the coefficient K for diesel fuel is set at 0.65 for 2014, 0.63 for 2015, and 0.61 for 2016.

Excise on petroleum products

In Russia, excise duties are paid by the producers of refined products. Excise duties are also applied to petroleum products imported into Russia.

Russian Tax Code clause 193 established the following excise rates for petroleum products (in RUB/tonne):

	2013 (Jan. - June)	2013 (July - Dec.)	2014
Gasoline			
Below Class 3	10,100	10,100	11,110
Class 3	9,750	9,750	10,725
Class 4	8,560	8,960	9,916
Class 5	5,143	5,750	6,450
Naphtha	10,229	10,229	11,252
Diesel fuel			
Below Class 3	5,860	5,860	6,446
Class 3	5,860	5,860	6,446
Class 4	4,934	5,100	5,427
Class 5	4,334	4,500	4,767
Heating oil	-	5,860	6,446
Motor oil	7,509	7,509	8,260

Mineral extraction tax (MET) on crude oil.

From January 1, 2014 the mineral extraction tax rate on crude oil (R) is calculated using the following general formula:

$R = 493 * K_c * K_v * K_z * K_d * K_{dv}$, where

K_c reflects the volatility of crude oil prices on the global market. $K_c = (P - 15) * D / 261$, where P is average monthly Urals oil price on the Rotterdam and Mediterranean markets (in USD/bbl) and D is the average RUB / US dollar exchange rate.

K_v characterizes the degree of depletion of the specific field and provides lower tax rates for highly depleted fields. Depletion is measured by N / V , where N is the cumulative production volume from the field and V is the total initial reserves (ABC1 + C2 reserves volume at January 1, 2006). For fields with depletion between 0.8 and 1, $K_v = 3.8 - 3.5 * N / V$. Where depletion is greater than 1, K_v is 0.3. In all other cases $K_v = 1$.

K_z characterizes the relative size of the field (by reserves) and provides lower tax rates for small fields. For fields with initial reserves (designated by V_3 , defined as ABC1 + C2 reserves volume at January 1 of the year preceding the tax period) below 5 MMtonnes and depletion (N / V_3 where N is the cumulative production volume from the field) less than 0.05, $K_z = 0.125 * V_3 + 0.375$

K_d characterizes the effort required to recover oil and varies between 0 and 1 depending on recovery complexity:

- 0 – for oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov, Abalaks, Khadumsk, Domanikov formations
- 0.2 – for oil produced from deposits with permeability no greater than $2 * 10^{-3}$ mkm² and effective formation thickness no greater than 10 meters
- 0.4 – for oil produced from deposits with permeability no greater than $2 * 10^{-3}$ mkm² and effective formation thickness greater than 10 meters
- 0.8 – for oil produced from deposits classified in the state mineral reserves balance as related to the Tyumen formation
- 1 – for oil produced from other deposits.

K_{dv} characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. Depletion is measured by N_{dv} / V_{dv} , where N_{dv} is cumulative production volume from the deposit and V_{dv} is total initial reserves (ABC1 + C2 reserves at January 1 of the year preceding the tax period). For deposits with depletion between 0.8 and 1, $K_{dv} = 3.8 - 3.5 * N_{dv} / V_{dv}$. Where depletion is greater than 1, K_{dv} is 0.3. In all other cases $K_{dv} = 1$. For deposits containing hard-to-recover reserves the coefficient K_v is equal to 1.

Russian Tax Code clause 342 established base mineral extraction tax rates for crude oil according to the above formula as follows:

	2013	2014
MET on crude oil (RUB/tonne)	470	493

In addition, tax legislation establishes concessionary MET tax rates for crude produced under certain conditions from specific regions of the Russian Federation.

Group effective MET rate

4Q 2014	3Q 2014	Δ, %		2014	2013	Δ, %
5,267	5,839	(9.8)	Nominal crude oil MET rate, RUB/tonne	5,831	5,329	9.4
5,037	5,613	(10.3)	Effective crude oil MET rate, RUB/tonne	5,588	5,154	8.4
230	226		Difference between nominal and effective rates, RUB/tonne	243	175	
4.4%	3.9%		Difference between nominal and effective rates, %	4.2%	3.3%	

During 2014 the effective MET rate was 5,588 RUB/tonne, or 243 RUB/tonne lower than the nominal MET rate established in Russian legislation. The difference results from factors (Kv, Kz and Kd) that reduce the MET rate.

Mineral extraction tax (MET) on natural gas and gas condensate

Russian Tax Code clause 342 established the following mineral extraction tax rates for natural gas and gas condensate:

	2013 (January - June)	2013 (July - December)	2014 (January - June)
MET on natural gas (RUB/Mcm)	265*	402*	471*
	582	622	700
MET on gas condensate (RUB/tonne)	590	590	647

* The lower rate of MET applies to taxpayers that do not own the central gas transportation system and that are not more than 50% owned directly or indirectly by the owners of the central gas transportation system.

Russian Federal Law # 263-FZ (September 30, 2013) establishes a new formula to calculate MET for natural gas and gas condensate from July 1, 2014. The rate, which replaces the rates above, is the product of fixed base MET rates of 35 RUB/Mcm for gas and 42 RUB/tonne for gas condensate and two variable coefficients. Eut (the base rate per fuel-equivalent unit) and Kc (which characterizes the effort required to recover hydrocarbons from the particular deposit). From 2015 the MET rate for gas will include a new parameter Tg, reflecting gas transportation costs.

Tax concessions

Under effective tax legislation Group subsidiaries apply the following tax concessions (including lower tax rates and coefficients that reduce the MET rate for crude oil and natural gas):

Tax concessions, applied in 2014	Subsidiaries (oil fields) belonging to the Group
MET for Oil	
Small fields factor Kz	OJSC Gazpromneft-Noyabrskneftegaz (Vorgentskoye, Vostochno-Vyngayakhinskoye, Severo-Karamovskoye, Valyntoyskoye) LLC Zhivoy Istok (Baleykinskoye)
Depletion factor Kv	OJSC Gazpromneft-Noyabrskneftegaz (Pogranichnoye, Kholmogorskoye, Chatilkinskoye, Muravlenkovskoye, Sugmutskoye) LLC Gazpromneft-Vostok (Zapadno-Luginetskiy)
Hard-to-recover factor Kd	OJSC Gazpromneft-Noyabrskneftegaz (Vyngayakhinskoye) LLC Gazpromneft-Khantos (Krasnoleninskoye) LLC Archinskoye (Urmanskoye, Archinskoye)

Zero MET rate for fields located fully or partially on the territory of Nenets Autonomous Okrug or Yamal Peninsula in Yamalo-Nenets Autonomous Okrug	LLC Gazpromneft Novy Port (Novoport)
Zero MET rate for fields located fully or partially on the territory of in Sakha Republic (Yakutia), Irkutsk Oblast or Krasnoyarsk Krai	LLC Gazpromneft-Angara (Tympuchanskoye, Ignyalinskoye)
MET for Gas	
Factor Kc	LLC Gazpromneft Novy Port (Novoport) CJSC Gazpromneft-Orenburg (East part of Orenburg Oil and gas condensate field)
Profit tax	
16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz
17% rate (3% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Magma (before merger with LLC Gazpromneft-Khantos)
15.5% rate (4.5% concession under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz
Property tax	
Exemption from property tax for investment projects in Khanty–Mansiysk Autonomous Okrug–Ugra applied before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos
Exemption from property tax for fields in Khanty–Mansiysk Autonomous Okrug–Ugra where development started before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug–Ugra)	LLC Gazpromneft-Khantos
1.1% rate on property purchased/constructed for investment projects in Yamalo-Nenets Autonomous Okrug (under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz LLC Zapolyarneft
Exemption from property tax on property purchased/constructed for investment projects in Orenburg Oblast (under regional legislation of Orenburg Oblast)	CJSC Gazpromneft-Orenburg

Transportation of Crude Oil and Petroleum Products

Transportation tariff policies are established by state authorities to ensure a balance of interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariffs Service of the Russian Federation ("FTS"). The tariffs are dependent on transport destination, delivery volume, transportation distance, and several other factors. Changes in tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, investment needs of the owners of transportation infrastructure, other macroeconomic factors, and compensation of economically reasonable expenses incurred by entities of natural monopolies. Tariffs are revised by FTS at least annually, and comprise a dispatch tariff, loading, transshipment, pumping, and other tariffs.

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

4Q 2014	3Q 2014	Δ, %	(RUB per tonne)	2014	2013	Δ, %
Crude oil						
Export						
1,593	1,727	(7.8)	Pipeline	1,681	1,644	2.3
CIS						
1,322	1,157	14.3	Pipeline	1,204	1,057	13.9
Transportation to Refineries						
505	506	(0.2)	ONPZ	509	505	0.9
823	1,017	(19.0)	MNPZ	972	983	(1.2)
1,079	1,050	2.7	YaNPZ	1,067	1,011	5.5
Petroleum products						
Export from ONPZ						
2,515	2,414	4.2	Gasoline	2,401	3,206	(25.1)
4,683	3,824	22.5	Fuel oil	4,121	3,833	7.5
3,242	3,308	(2.0)	Diesel fuel	3,288	3,362	(2.2)
Export from MNPZ						
1,726	1,699	1.6	Gasoline	1,678	1,651	1.7
1,623	1,546	4.9	Fuel oil	1,523	1,444	5.5
1,278	1,899	(32.7)	Diesel fuel	1,720	1,792	(4.0)
Export from YaNPZ						
1,252	1,318	(5.0)	Gasoline	1,210	1,126	7.4
1,648	1,507	9.4	Fuel oil	1,659	1,455	14.0
1,610	1,562	3.1	Diesel fuel	1,530	1,467	4.3

During 2014 the Group exported 33.5% (37.5% during 2013) of its total crude export through the Primorsk Baltic Sea port (31.4% through Primorsk and 6.2% through Ust-Luga during 2013); 13.1% (22.8% during 2013) was exported through the Druzhba pipeline, principally to the Czech Republic and Germany; 22.9% (16.7% during 2013) was exported through the port of Novorossiysk including 10.5% (12.9% during 2013) of light crude; 30.5% (23% during 2013) was exported through the ESPO pipeline and the port of Kozmino. Exports of crude to CIS countries during 2014 were 100.0% to Belarus (37.2% during 2013) and zero to Kazakhstan (62.8% during 2013).

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