

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended March 31, 2015 and 2014 and December 31, 2014**

Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of March 31, 2015 and results of operations for the three months ended March 31, 2015 and 2014 and December 31, 2014 and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

1Q 2015	4Q 2014	Δ, %		1Q 2015	2014	Δ, %
Financial results (RUB million)						
328 247	345 921	(5,1)	Revenue	328 247	320 010	2,6
93 387	57 078	63,6	Adjusted EBITDA ¹	93 387	84 033	11,1
5 119,9	3 215,7	59,2	RUB per toe of production	5 119,9	5 291,8	(3,3)
11,1	9,2	21,0	USD ² per boe of production	11,1	20,6	(46,0)
39 129	(17 438)	-	Profit attributable to Gazprom Neft	39 129	37 816	3,5
461 806	433 602	6,5	Net debt	461 806	180 154	156,3
Operational results						
135,14	131,07	3,1	Hydrocarbon production including our share in joint ventures (MMboe)	135,14	116,75	15,8
1,50	1,42	5,6	Daily hydrocarbon production (MMboepd)	1,50	1,30	15,4
99,46	99,18	0,3	Crude oil and condensate production including our share in joint ventures (MMbbl)	99,46	92,64	7,4
214,06	191,37	11,9	Gas production including our share in joint ventures (bcf)	214,06	144,71	47,9
10,39	10,03	3,6	Refining throughput at own refineries and joint ventures (MMtonnes)	10,39	10,84	(4,2)

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

1Q 2015 Highlights

- In March obtained control over Gazprom Resource Northgas LLC, which holds 50% of Northgas CJSC, increasing share in Northgas from 9.1% to 50%
- In April received first shipment of Kirkuk oil in compensation for expenses at Badra
- Began production from Yaro-Yakhinskoe, third SeverEnergiya oilfield
- Awarded exploration and production licenses for Maloyuganskiy, Zapadno-Zimniy, Panlorskiy and Nyalinskiy areas
- China's largest independent rating credit agency, Dagong Global Credit Rating Company Limited, awarded Gazprom Neft a strong long term credit rating for liabilities denominated in Russian rubles of AA with stable outlook.

Results for 1Q 2015 compared with 1Q 2014

- Total hydrocarbon production including our share in joint ventures increased 14.9% to 18.24 MMtonnes on continued production growth at Orenburg region fields and SeverEnergiya, startup of Prirazlomnoye, obtaining control in Northgas.
- Refining throughput declined 4.2% on an overall basis, while the level of light product output remained steady from 2014 levels. The volume of crude processed was optimal in terms of the current oil and oil products price and demand environment. Refining throughput was also negatively affected due to a change in the operation processing scheme at Mozyr.
- Increased hydrocarbon production and sales through premium channels and management efforts offset negative effects of tax manoeuvre effective January 2015 and negative export duty lag that resulted in increase of revenue and adjusted EBITDA 2.6% and 11.1% correspondingly. Profit attributable to Gazprom Neft increased by a more modest 3.5% due to the negative impact of revaluing non-ruble debt at current foreign exchange rates.

Results for 1Q 2015 compared with 4Q 2014

- Daily hydrocarbon production including our share in joint ventures increased to 1.5 MMboepd
- Total hydrocarbon production including our share in joint ventures increased 2.8% due to startup of second phase of Urengoykoye field, and increase in share of Northgas to 50%

- Refining throughput increased 3.6% following completion of scheduled maintenance at Moscow's primary distillation unit in September to December 2014
- Revenue decreased 5.1%, driven by decrease in market prices and sales volumes.
- Increased hydrocarbon production, positive export duty lag effect and management efforts offset negative effects of tax manoeuvre effective January 2015 and resulted in increase of adjusted EBITDA 63.6%. Net profit attributable to Gazprom neft was RUB 39 billion compared to RUB 17 billion loss in 4Q 2014. Profit attributable to Gazprom neft was negatively affected by revaluation of non-ruble debt at current foreign exchange rates.

Operational Data and Analysis

Production Drilling

1Q 2015	4Q 2014	Δ, %		1Q 2015	2014	Δ, %
Consolidated subsidiaries						
650	669	(3.0)	Production drilling ('000 meters)	650	662	(1.8)
186	198	(6.1)	New production wells	186	175	6.3
36.31	24.89	45.9	Average new well flow (tonnes per day)	36.31	42.80	(15.2)
Proportionally consolidated companies						
168	155	8.1	Production drilling ('000 meters)	168	94	78.3
49	49	-	New production wells	49	33	48.5
Joint ventures						
261	247	6.0	Production drilling ('000 meters)	261	231	13.3
45	79	(43.0)	New production wells	45	50	(10.0)

- Production drilling by proportionally consolidated companies and joint ventures increased Y-o-Y due to intensified drilling at Salym and Slavneft.

Production

1Q 2015	4Q 2014	Δ, %		1Q 2015	1Q 2014	Δ, %
(MMtonnes)			Crude oil and condensate	(MMtonnes)		
3,58	3,75	(4,5)	Noyabrskneftegaz	3,58	3,71	(3,5)
3,52	3,59	(2,0)	Khantos	3,52	3,34	5,4
1,23	1,28	(3,9)	Tomskneft	1,23	1,22	0,8
0,77	0,80	(3,8)	SPD	0,77	0,83	(7,2)
0,64	0,61	4,9	Orenburg	0,64	0,55	16,4
0,28	0,30	(6,7)	NIS	0,28	0,31	(9,7)
0,35	0,35	-	Vostok	0,35	0,35	-
0,07	0,02	250,0	Novy Port	0,07	0,02	250,0
0,14	0,07	100,0	Prirazlomnoye	0,14	-	-
0,06	-	-	Badra	0,06	-	-
0,10	0,17	(41,2)	Others	0,10	0,19	(47,4)
10,74	10,94	(1,8)	Total production by subsidiaries and proportionally consolidated companies	10,74	10,52	2,1
1,94	2,01	(3,5)	Share in Slavneft	1,94	1,99	(2,5)
0,64	0,42	52,4	Share in SeverEnergia (SE)	0,64	0,08	700,0
0,05	0,03	66,7	Share in Northgas	0,05	-	-
2,63	2,46	6,9	Share in production of joint ventures	2,63	2,07	27,1
13,37	13,40	(0,2)	Total crude oil and condensate production	13,37	12,59	6,2
(bcm)			Gas*	(bcm)		
2,49	2,59	(3,9)	Noyabrskneftegaz	2,49	2,53	(1,6)
0,16	0,17	(5,9)	Khantos	0,16	0,12	33,3
0,25	0,24	4,2	Tomskneft	0,25	0,21	19,1
0,03	0,03	-	SPD	0,03	0,03	-
0,51	0,46	10,9	Orenburg	0,51	0,45	13,3
0,14	0,14	-	NIS	0,14	0,14	-
0,02	0,03	(33,3)	Vostok	0,02	0,02	-
0,01	0,01	-	Others	0,01	0,01	-
3,61	3,67	(1,6)	Total production by subsidiaries and proportionally consolidated companies	3,61	3,51	2,9
0,11	0,12	(8,3)	Share in Slavneft	0,11	0,10	10,0
1,93	1,36	41,9	Share in SeverEnergia (SE)	1,93	0,49	293,9
0,41	0,27	51,9	Share in Northgas	0,41	-	-
2,45	1,75	40,0	Share in production of joint ventures	2,45	0,59	315,3
6,06	5,42	11,8	Total gas production	6,06	4,10	47,8
(MMtoe)			Hydrocarbons	(MMtoe)		
13,64	13,89	(1,8)	Total production by subsidiaries and proportionally consolidated companies	13,64	13,33	2,3
4,60	3,86	19,2	Share in production of joint ventures	4,60	2,55	80,4
18,24	17,75	2,8	Total hydrocarbon production	18,24	15,88	14,9
135,14	131,07	3,1	MMtoe	135,14	116,75	15,8
1,50	1,42	5,6	MMboe	1,50	1,30	15,4
			Daily hydrocarbon production (MMboepd)			

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

- Daily hydrocarbon production in tonnes of oil equivalent increased 15.4% Y-o-Y and 5.6% Q-o-Q
- Group oil production increased 6.2% Y-o-Y to 13.37 MMtoe, driven by increased production at SeverEnergia, startup at Prirazlomnoye, continued growth at Orenburg region fields and increased share of Northgas
- Group natural gas production increased 47.8% Y-o-Y and 11.8% Q-o-Q primarily as a result of higher production at Urengoyskoe field (SeverEnergia) and increase in share of Northgas.

Crude Oil Purchases

1Q 2015	4Q 2014	Δ, %	(MMtonnes)	1Q 2015	1Q 2014	Δ, %
1.37	1.62	(15.4)	Crude oil purchases in Russia *	1.37	0.85	61.2
-	0.35	-	Crude oil purchases internationally	-	0.56	-
1.37	1.97	(30.5)	Total crude purchased	1.37	1.41	(2.8)

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

- Purchased oil on international market changed Q-o-Q and Y-o-Y due to change in trading activity.

Refining

1Q 2015	4Q 2014	Δ, %	(MMtonnes)	1Q 2015	1Q 2014	Δ, %
5.21	5.28	(1.3)	Omsk	5.21	5.20	0.2
2.58	1.71	50.9	Moscow	2.58	2.87	(10.1)
0.61	0.72	(15.3)	Pancevo	0.61	0.62	(1.6)
8.40	7.71	9.0	Total throughput at refineries owned by subsidiaries	8.40	8.69	(3.3)
1.90	2.02	(5.9)	Share in Yaroslavl	1.90	1.83	3.8
0.09	0.30	(70.0)	Share in Mozyr	0.09	0.32	(71.9)
10.39	10.03	3.6	Total refining throughput	10.39	10.84	(4.2)

Production of petroleum products

1Q 2015	4Q 2014	Δ, %	(MMtonnes)	1Q 2015	1Q 2014	Δ, %
2.31	1.99	16.1	Gasoline	2.31	2.28	1.3
0.02	-	-	Class 2 and below	0.02	-	-
-	0.06	-	Class 3	-	0.02	-
0.15	0.15	-	Class 4	0.15	0.16	(6.3)
2.14	1.78	20.2	Class 5	2.14	2.10	1.9
0.37	0.40	(7.5)	Naphtha	0.37	0.28	32.1
2.93	2.78	5.4	Diesel	2.93	3.11	(5.8)
0.01	0.03	(66.7)	Class 2 and below	0.01	0.01	-
-	-	-	Class 3	-	0.14	-
-	0.14	-	Class 4	-	0.11	-
2.92	2.61	11.9	Class 5	2.92	2.85	2.5
1.91	1.73	10.4	Fuel oil	1.91	2.20	(13.2)
0.63	0.64	(1.6)	Jet fuel	0.63	0.61	3.3
0.84	1.03	(18.5)	Bunker fuel	0.84	0.90	(6.7)
0.19	0.30	(34.7)	Bitumen	0.19	0.25	(21.3)
0.10	0.10	2.0	Lubricants	0.10	0.08	22.6
0.63	0.61	3.1	Other	0.63	0.57	10.7
9.92	9.58	3.5	Total production	9.92	10.28	(3.5)

- Refining throughput:
 - Decreased 4.2% Y-o-Y on an overall basis, while the level of light product output was steady from 2014 levels. Fuel oil output saw the most substantial decrease in production, falling 13.2% Y-o-Y;
 - Refining throughput was optimal in terms of the current oil and oil products price and demand environment.
- Refining throughput at Mozyr decreased 71.9% Y-o-Y due to change in operation processing scheme;
- Refining throughput increased 3.6% Q-o-Q following completion of scheduled maintenance of Moscow primary distillation unit in September to December 2014;
- Jet fuel production increased 3.3% Y-o-Y as modernization program allowed use of dewaxing units at Omsk and Yaroslavl to reprocess winter diesel.

Petroleum Products Purchases on International Markets

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	-	-	176	0.01	-	-
Naphtha	-	-	193	0.01	-	-
Diesel	791	0.02	7,587	0.24	(89.6)	(91.7)
Fuel oil	-	-	9,579	0.55	-	-
Jet fuel	2,705	0.07	2,966	0.07	(8.8)	-
Bunker fuel	1,874	0.07	1,274	0.05	47.1	40.0
Other	260	-	543	0.01	(52.1)	-
Total	5,630	0.16	22,318	0.94	(74.8)	(83.0)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	-	-	-	-	-	-
Naphtha	-	-	-	-	-	-
Diesel	791	0.02	6,494	0.20	(87.8)	(90.0)
Fuel oil	-	-	8,154	0.42	-	-
Jet fuel	2,705	0.07	3,449	0.10	(21.6)	(30.0)
Bunker fuel	1,874	0.07	-	-	-	-
Other	260	-	-	-	-	-
Total	5,630	0.16	18,097	0.72	(68.9)	(77.8)

- Purchases on international markets Q-o-Q decreased due to decrease transactions based on purchased petroleum products.

Petroleum Products Purchases in CIS

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	216	-	3,951	0.09	(94.5)	-
Low octane gasoline	8	-	677	0.02	(98.8)	-
Diesel	223	0.01	764	0.02	(70.8)	(50.0)
Other	143	0.01	337	0.01	(57.6)	-
Total	590	0.02	5,729	0.14	(89.7)	(85.7)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	216	-	846	0.04	(74.5)	-
Low octane gasoline	8	-	89	0.01	(91.0)	-
Diesel	223	0.01	424	0.02	(47.4)	(50.0)
Fuel oil	-	-	165	0.01	-	-
Other	143	0.01	151	0.01	(5.3)	-
Total	590	0.02	1,675	0.09	(64.8)	(77.8)

Domestic Purchases of Petroleum Products

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,643	0.27	10,460	0.32	(26.9)	(15.6)
Diesel	3,720	0.12	5,311	0.17	(30.0)	(29.4)
Fuel oil	379	0.04	300	0.03	26.3	33.3
Jet fuel	1,383	0.06	2,482	0.09	(44.3)	(33.3)
Bunker fuel	465	0.02	382	0.02	21.7	-
Other	256	0.01	706	0.02	(63.7)	(50.0)
Total	13,846	0.52	19,641	0.65	(29.5)	(20.0)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,643	0.27	7,140	0.26	7.0	3.9
Diesel	3,720	0.12	3,965	0.13	(6.2)	(7.7)
Fuel oil	379	0.04	131	0.01	189.3	300.0
Jet fuel	1,383	0.06	4,102	0.15	(66.3)	(60.0)
Bunker fuel	465	0.02	-	-	-	-
Other	256	0.01	506	0.03	(49.4)	(66.7)
Total	13,846	0.52	15,844	0.58	(12.6)	(10.3)

- Domestic purchases declined Q-o-Q due to seasonal demand;
- Domestic jet fuel purchases decreased Y-o-Y due to lower consumption by airlines and discontinuing exports to Kyrgyzstan.

Products Marketing

1Q 2015	4Q 2014	Δ, %		1Q 2015	1Q 2014	Δ, %
	(units)		Active retail stations		(units)	
1,156	1,150	0.5	In Russia	1,156	1,097	5.4
249	239	4.2	In CIS	249	232	7.3
420	421	(0.2)	In Eastern Europe	420	409	2.6
1,825	1,810	0.8	Total retail stations (as at the end of the period)	1,825	1,738	5.0
17.8	21.9	(18.5)	Average daily sales per retail site in Russia (tonnes per day)	17.8	18.4	(3.0)
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
4.11	4.59	(10.5)	Gasoline and Diesel	4.11	4.10	0.2
0.62	0.63	(1.6)	Jet	0.62	0.60	3.3
0.92	1.04	(11.5)	Bunkering	0.92	0.86	7.0
0.05	0.05	-	Lubricants	0.05	0.04	25.0
5.70	6.31	(9.7)	Total sales volume through premium channels	5.70	5.60	1.8

- Total number of active retail stations increased 5.0% Y-o-Y;
- Average daily sales per retail site in Russia decreased 3.0% Y-o-Y due to decline in consumption of premium diesel in Company's market area;
- Decrease in average daily sales per retail site in Russia 18.5% Q-o-Q is driven by seasonal demand and decrease in consumer purchasing power;
- Sales volume through premium channels increased 1.8% Y-o-Y as:
 - Jet fuel sales increased due to expanded sales network within and outside Russia, including Russian military airports and 100% ownership of Gazpromneft-Aero Sheremetyevo since March 2014;
 - Bunkering sales increased 7% due to higher market share in Far East and Black sea markets.
- Sales volume through premium channels declined 9.7% Q-o-Q primarily due to seasonal demand and declines in bunker and jet fuel production.

Results of Operations

1Q 2015	4Q 2014	Δ, %	(RUB million)	1Q 2015	1Q 2014	Δ, %
Revenue						
380,035	444,402	(14.5)	Sales	380,035	385,170	(1.3)
(51,788)	(98,481)	(47.4)	Less export duties and excise tax*	(51,788)	(65,160)	(20.5)
328,247	345,921	(5.1)	Total revenue	328,247	320,010	2.6
Costs and other deductions						
(62,553)	(106,996)	(41.5)	Purchases of oil, gas and petroleum products	(62,553)	(75,762)	(17.4)
(46,143)	(46,677)	(1.1)	Production and manufacturing expenses	(46,143)	(37,518)	23.0
(21,407)	(28,527)	(25.0)	Selling, general and administrative expenses	(21,407)	(17,190)	24.5
(31,311)	(32,099)	(2.5)	Transportation expenses	(31,311)	(28,730)	9.0
(22,197)	(22,792)	(2.6)	Depreciation, depletion and amortization, including:	(22,197)	(20,095)	10.5
(92,354)	(79,775)	15.8	Taxes other than income tax	(92,354)	(85,280)	8.3
(143)	(220)	(35.0)	Exploration expenses	(143)	(90)	58.9
(276,108)	(317,086)	(12.9)	Total operating expenses	(276,108)	(264,665)	4.3
(2,035)	(4,625)	(56.0)	Other (loss) / gain, net	(2,035)	307	-
50,104	24,210	107.0	Operating profit	50,104	55,652	(10.0)
6,647	(10,882)	-	Share of profit / (loss) of associates and joint ventures	6,647	296	-
(8,830)	(37,711)	(76.6)	Net foreign exchange loss	(8,830)	(7,500)	17.7
3,422	2,341	46.2	Finance income	3,422	1,570	118.0
(6,923)	(5,544)	24.9	Finance expense	(6,923)	(2,896)	139.1
(5,684)	(51,796)	(89.0)	Total other expense	(5,684)	(8,530)	(33.4)
44,420	(27,586)	-	(Loss) / Profit before income tax	44,420	47,122	(5.7)
(7,059)	8,940	-	Current income tax benefit / (expense)	(7,059)	(8,024)	(12.0)
304	2,223	(86.3)	Deferred income tax benefit	304	186	63.4
(6,755)	11,163	-	Total income tax benefit / (expense)	(6,755)	(7,838)	(13.8)
37,665	(16,423)	-	(Loss) / Profit for the period	37,665	39,284	(4.1)
1,464	(1,015)	-	Less: Profit attributable to non-controlling interest	1,464	(1,468)	-
39,129	(17,438)	-	(Loss) / Profit attributable to Gazprom Neft	39,129	37,816	3.5

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

Revenues

1Q 2015	4Q 2014	Δ, %	(RUB million)	1Q 2015	2014	Δ, %
Crude oil						
21,854	28,954	(24.5)	Export	21,854	27,578	(20.8)
38,259	78,548	(51.3)	Export sales	38,259	52,106	(26.6)
(16,405)	(49,594)	(66.9)	Less related export duties	(16,405)	(24,528)	(33.1)
1,494	2,973	(49.7)	International markets	1,494	518	188.4
8,328	3,763	121.3	Export to CIS	8,328	4,166	99.9
21,250	12,611	68.5	Domestic	21,250	8,332	155.0
52,926	48,301	9.6	Total crude oil revenue	52,926	40,594	30.4
Gas						
1,630	353	361.8	International markets	1,630	692	135.5
6,290	7,224	(12.9)	Domestic	6,290	6,379	(1.4)
7,920	7,577	4.5	Total gas revenue	7,920	7,071	12.0
Petroleum products						
56,783	60,002	(5.4)	Export	56,783	75,097	(24.4)
79,038	94,889	(16.7)	Export sales	79,038	107,756	(26.7)
(22,255)	(34,887)	(36.2)	Less related export duties	(22,255)	(32,659)	(31.9)
23,539	29,333	(19.8)	International markets	23,539	21,499	9.5
36,640	43,210	(15.2)	Sales on international markets	36,640	29,141	25.7
(13,101)	(13,877)	(5.6)	Less excise*	(13,101)	(7,642)	71.4
17,121	17,670	(3.1)	CIS	17,121	13,353	28.2
17,148	17,793	(3.6)	Export sales and sales in CIS	17,148	13,684	25.3
(27)	(123)	(78.0)	Less related export duties	(27)	(331)	(91.8)
156,593	170,947	(8.4)	Domestic	156,593	154,582	1.3
254,036	277,952	(8.6)	Total petroleum products revenue	254,036	264,531	(4.0)
13,365	12,091	10.5	Other revenue	13,365	7,814	71.0
328,247	345,921	(5.1)	Total revenue	328,247	320,010	2.6

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

Sales Volumes

1Q 2015	4Q 2014	Δ, %		1Q 2015	2014	Δ, %
(MMtonnes)			Crude oil	(MMtonnes)		
1.60	3.02	(47.0)	Export	1.60	1.88	(14.9)
0.07	0.09	(22.2)	Sales on international markets*	0.07	0.02	250.0
0.55	0.30	83.3	Export to CIS	0.55	0.27	103.7
1.57	2.30	(31.7)	Domestic sales	1.57	0.71	121.1
3.79	5.71	(33.6)	Total crude oil sales	3.79	2.88	31.6
(bcm)			Gas	(bcm)		
0.10	0.02	400.0	International markets	0.10	0.06	66.7
3.13	3.54	(11.6)	Domestic sales	3.13	3.21	(2.5)
3.23	3.56	(9.3)	Total gas sales	3.23	3.27	(1.2)
(MMtonnes)			Petroleum products	(MMtonnes)		
3.25	3.77	(13.8)	Export	3.25	4.19	(22.4)
0.68	0.83	(18.1)	Sales on international markets	0.68	0.62	9.7
0.44	0.45	(2.2)	Export and sales in CIS	0.44	0.48	(8.3)
6.13	6.41	(4.4)	Domestic sales	6.13	6.16	(0.5)
10.50	11.46	(8.4)	Total petroleum products sales	10.50	11.45	(8.3)

* Including production sharing agreement (PSA)

Average Realized Sales Prices

1Q 2015	4Q 2014	Δ, %		1Q 2015	1Q 2014	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
23,912	26,009	(8.1)	Export	23,912	27,716	(13.7)
15,142	12,543	20.7	Export and sales in CIS	15,142	15,430	(1.9)
13,535	5,483	146.9	Domestic sales	13,535	11,735	15.3
(RUB per tonne)			Petroleum products	(RUB per tonne)		
24,319	25,169	(3.4)	Export	24,319	25,717	(5.4)
53,882	52,060	3.5	Sales on international markets	53,882	47,002	14.6
38,973	39,540	(1.4)	Export and sales in CIS	38,973	28,508	36.7
25,545	26,669	(4.2)	Domestic sales	25,545	25,094	1.8

Crude Oil Sales

- Crude export volumes decreased 14.9% Y-o-Y due to decrease in oil purchases on international markets
- Crude export volumes decreased 47.0% Q-o-Q due to higher throughput
- Domestic crude volumes increased 121.1% Y-o-Y due to increased domestic purchases and higher production at East part of Orenburg oilfield
- Crude export volumes to CIS increased Y-o-Y and Q-o-Q due to the beginning of exports to Uzbekistan and increased sales volumes to Mozyr refinery due to change in operation processing scheme.

Petroleum Products Exports

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,057	0.03	-	-	-	-
Low octane gasoline	441	0.02	3,058	0.10	(85.6)	(80.0)
Naphtha	6,365	0.24	10,403	0.36	(38.8)	(33.3)
Diesel	30,657	0.95	33,434	1.05	(8.3)	(9.5)
Fuel oil	24,092	1.46	25,573	1.46	(5.8)	-
Jet fuel	5,880	0.13	7,246	0.19	(18.9)	(31.6)
Bunker fuel	6,915	0.28	10,037	0.39	(31.1)	(28.2)
Other	3,631	0.14	5,138	0.22	(29.3)	(36.4)
Total	79,038	3.25	94,889	3.77	(16.7)	(13.8)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,057	0.03	1,641	0.05	(35.6)	(40.0)
Low octane gasoline	441	0.02	557	0.02	(20.8)	-
Naphtha	6,365	0.24	7,342	0.23	(13.3)	4.4
Diesel	30,657	0.95	42,102	1.29	(27.2)	(26.4)
Fuel oil	24,092	1.46	43,067	2.17	(44.1)	(32.7)
Jet fuel	5,880	0.13	5,358	0.16	9.7	(18.8)
Bunker fuel	6,915	0.28	3,905	0.13	77.1	115.4
Other	3,631	0.14	3,784	0.14	(4.0)	-
Total	79,038	3.25	107,756	4.19	(26.7)	(22.4)

- Increased bunker fuel exports and reduced fuel oil exports Y-o-Y due to product mix changes at Omsk. Bunker fuel exports increased Y-o-Y due to increased sales in Estonia
- Total petroleum products export volumes declined 22.4% Y-o-Y due to decreased output and reduce international transactions based on purchased petroleum products
- Total petroleum products export volumes decreased 13.8% Q-o-Q due to reducing international transactions based on purchased petroleum products.

Petroleum Products Export and Sales in CIS

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	8,009	0.18	6,995	0.15	14.5	20.0
Low octane gasoline	1,136	0.03	1,121	0.03	1.3	-
Diesel	5,482	0.13	7,564	0.20	(27.5)	(35.0)
Fuel oil	-	-	102	0.01	-	-
Jet fuel	1,036	0.03	547	0.01	89.4	200.0
Other	1,485	0.07	1,464	0.05	1.4	40.0
Total	17,148	0.44	17,793	0.45	(3.6)	(2.2)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	8,009	0.18	6,314	0.22	26.9	(18.2)
Low octane gasoline	1,136	0.03	744	0.03	52.7	-
Diesel	5,482	0.13	4,225	0.14	29.8	(7.1)
Fuel oil	-	-	172	0.01	-	-
Jet fuel	1,036	0.03	1,214	0.03	(14.7)	-
Other	1,485	0.07	1,015	0.05	46.3	40.0
Total	17,148	0.44	13,684	0.48	25.3	(8.3)

Domestic Sales of Petroleum Products

	1Q 2015		4Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	67,353	2.08	68,690	1.99	(2.0)	4.5
Low octane gasoline	448	0.02	847	0.03	(47.1)	(33.3)
Diesel	47,913	1.57	55,053	1.80	(13.0)	(12.8)
Fuel oil	3,884	0.49	5,718	0.54	(32.1)	(9.3)
Jet fuel	15,403	0.59	15,401	0.57	0.0	3.5
Bunker fuel	11,428	0.70	14,300	0.81	(20.1)	(13.6)
Other	10,164	0.68	10,938	0.67	(7.1)	1.5
Total	156,593	6.13	170,947	6.41	(8.4)	(4.4)

	1Q 2015		1Q 2014		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	67,353	2.08	62,195	2.04	8.3	2.0
Low octane gasoline	448	0.02	868	0.03	(48.4)	(33.3)
Naphtha	-	-	-	-	-	-
Diesel	47,913	1.57	49,169	1.64	(2.6)	(4.3)
Fuel oil	3,884	0.49	4,597	0.46	(15.5)	6.5
Jet fuel	15,403	0.59	15,880	0.63	(3.0)	(6.4)
Bunker fuel	11,428	0.70	11,952	0.70	(4.4)	-
Other	10,164	0.68	9,921	0.66	2.5	3.0
Total	156,593	6.13	154,582	6.16	1.3	(0.5)

Other Revenue

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

- Other revenue increased 71% Y-o-Y primarily due to an increase in operating services provided by the Group to Messoyakha.

Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas and petroleum products declined 17.4% Y-o-Y and 41.5% Q-o-Q due to reduced purchases of petroleum products.

Production and Manufacturing Expenses

1Q 2015	4Q 2014	Δ, %	(RUB million)	1Q 2015	2014	Δ, %
22 347	25 888	(13,7)	Upstream expenses	22 347	17 820	25,4
16 832	19 234	(12,5)	Consolidated subsidiaries inside Russia including	16 832	13 675	23,1
13 938	16 541	(15,7)	Brownfields	13 938	12 445	12,0
1 441	1 654	(12,9)	<i>RUB per toe</i>	1 441	1 278	12,8
3,16	4,76	(33,6)	<i>USD* per boe</i>	3,16	3,68	(14,0)
2 894	2 693	7,5	Greenfields	2 894	1 230	135,3
1 696	2 107	(19,5)	Consolidated subsidiaries outside Russia (including PSA)**	1 696	760	123,1
3 819	4 547	(16,0)	Proportionally consolidated companies	3 819	3 386	12,8
1 720	1 968	(12,6)	<i>RUB per toe</i>	1 720	1 511	13,8
3,77	5,66	(33,4)	<i>USD* per boe</i>	3,77	5,90	(36,0)
12 276	12 878	(4,7)	Downstream expenses	12 276	10 656	15,2
7 001	7 412	(5,5)	Refining expenses at own refineries	7 001	6 073	15,3
833	961	(13,3)	<i>RUB per tonne</i>	833	699	19,3
1,83	2,77	(33,9)	<i>USD* per bbl</i>	1,83	2,73	(33,0)
3 551	3 854	(7,9)	Refining expenses at refineries of joint ventures	3 551	3 386	4,9
1 784	1 661	7,4	<i>RUB per tonne</i>	1 784	1 575	13,3
3,91	4,78	(18,1)	<i>USD* per bbl</i>	3,91	6,15	(36,3)
1 724	1 612	6,9	Lubricants manufacturing expenses	1 724	1 197	44,0
6 576	5 246	25,4	Transportation expenses to refineries	6 576	6 910	(4,8)
4 944	2 665	85,5	Other operating expenses	4 944	2 132	131,9
46 143	46 677	(1,1)	Total	46 143	37 518	23,0

* Translated to USD at average exchange rate for the period

** PSA refers to production sharing agreement

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 at consolidated subsidiaries in Russia increased 23.1% Y-o-Y due to production startup at Prirazlomnoye field and higher activities to increase yields
- Upstream expenses per toe at Brownfields increased 12.8% Y-o-Y due to:
 - Increase in activities to stimulate output (workovers at active wells) in order to maintain level of crude production
 - Increase in liquids production and watercut at mature fields
 - Higher tariffs of natural monopolies and inflationary pressures, which were partially offset by cost optimization measures
- Upstream expenses at consolidated subsidiaries outside Russia increased 123.1% Y-o-Y due to production startups in Iraq (Badra) and Kurdistan

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 15.3% Y-o-Y primarily due to:
 - Higher tariffs of natural monopolies
 - Higher expenditures on materials and supplies due to change in ruble exchange rate
 - Higher expenditures related to demands for transporting higher quality diesel via oil products trunk pipelines
- Refining expenses at refineries of joint ventures increased 4.9% Y-o-Y due to higher expenditures on materials and supplies due to change in ruble exchange rate, startup of new units at Yaroslavl refinery, offset by reducing expenses at Mozyr refinery by 71,9% Y-o-Y due to change in operation processing scheme
- Transportation expenses to refineries decreased 4.8% Y-o-Y due to lower throughput and increasing volumes covered by swap contracts
- Transportation expenses to refineries increased 25.4% Q-o-Q due to 15% decrease in volumes covered by swap contracts, a 6.75% average increase in Transneft tariffs, and higher throughput
- Other operating expenses more than doubled due to increase in operating services provided by the Group to Messoyakha.

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 4.2 billion RUB or 24.5% Y-o-Y, driven by:
 - Higher expenses at foreign subsidiaries due to weakening of Russian ruble (up 1.2 billion RUB, or 7% Y-o-Y)
 - Consolidation of new entities (GPN-Shelf, GPN-Aero, etc.) (up 0.6 billion RUB, or 3% Y-o-Y)
 - 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 9% Y-o-Y due to higher tariffs of natural monopolies.

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 10.5% Y-o-Y in line with increase in depreciable assets driven by capital expenditure.

Taxes Other than Income Tax

1Q 2015	4Q 2014	Δ, %	(RUB million)	1Q 2015	2014	Δ, %
68 666	53 787	27,7	Mineral extraction taxes	68 666	60 482	13,5
15 989	19 531	(18,1)	Excise	15 989	18 948	(15,6)
2 334	2 700	(13,6)	Property tax	2 334	2 281	2,3
5 365	3 757	42,8	Other taxes	5 365	3 569	50,3
92 354	79 775	15,8	Total taxes other than income tax	92 354	85 280	8,3

- Mineral extraction tax (MET) expenses increased 13.5% Y-o-Y Q as a result of negative influence of tax manoeuvre effective January 2015 and increased production at subsidiaries and proportionally consolidated companies, offset by a 15.6% reduction in excise tax expenses Y-o-Y.

Share of Profit of Equity Accounted Investments

1Q	4Q			1Q		
2015	2014	Δ, %	(RUB million)	2015	2014	Δ, %
3 316	(10 165)	-	Slavneft	3 316	933	255,4
2 625	157	-	SeverEnergia	2 625	(1 159)	-
381	113	237,2	Nortgaz	381	-	-
325	(987)	-	Other companies	325	522	(37,7)
6 647	(10 882)	-	Share of profit / (loss) of associates and joint ventures	6 647	296	2 145,6

- Slavneft incurred a loss in 4Q 2014, due primarily to foreign exchange loss effect of revaluing debt portfolio primarily denominated in USD
- Share of SeverEnergia profit increased Q-o-Q primarily due to increased oil production.

Other Financial Items

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

Liquidity and Capital Resources

Cash Flows

(RUB million)	1Q		
	2015	2014	Δ %
Net cash provided by operating activities	55 437	70 977	(21,9)
Net cash used in investing activities	(38 790)	(18 559)	109,0
Net cash provided by financing activities	14 109	54 847	(74,3)
Increase in cash and cash equivalents	30 756	107 265	(71,3)

Net Cash Provided by Operating Activities

(RUB million)	1Q		
	2015	2014	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	58 827	77 778	(24,4)
Net changes in working capital	7 665	1 876	308,6
Income tax paid	(4 855)	(5 393)	(10,0)
Interest paid	(6 200)	(3 284)	88,8
Dividends received	-	0	-
Net cash provided by operating activities	55 437	70 977	(21,9)
Advances provided to Messoyaha (Group share)	4 355	-	-
Adjusted Net cash provided by operating activities	59 792	70 977	(15,8)

- Adjusted net cash provided by operating activities decreased 15.9 % Y-o-Y due to changes in working capital. Working capital changed due to insignificant increase in trade and other receivables in 1Q 2015 compare to significant decrease in trade and other receivables in 1Q 2014.

Net Cash Used in Investing Activities

(RUB million)	1Q		
	2015	2014	Δ %
Capital expenditures	(70 125)	(48 458)	44,7
Acquisition of subsidiaries, shares in joint operations and equity affiliates	-	(765)	-
Net changes in deposits	33 919	32 638	3,9
Other transactions	(2 584)	(1 974)	30,9
Net cash used in investing activities	(38 790)	(18 559)	109,0
Advances provided to Messoyaha (Group share)	(4 355)	-	-
Adjusted Net cash used in investing activities	(43 145)	(18 559)	132,5

- Net cash used in investing activities increased 132.5% Y-o-Y due to new license purchases and higher capital expenditures.

Net Cash Used in Financing Activities

(RUB million)	1Q		Δ %
	2015	2014	
Net changes in debt	14,280	56,491	(74.7)
Payment of dividends to shareholders	-	(3)	-
Other transactions	(171)	(1,641)	(89.6)
Net cash provided by financing activities	14,109	54,847	(74.3)

- Net cash provided by financing activities declined 74.3% due to reduced borrowing.

Capital Expenditure

(RUB million)	1Q		Δ, %
	2015	2014	
Exploration and production	51 445	36 322	41,6
Consolidated subsidiaries	48 063	33 336	44,2
Proportionally consolidated companies	3 382	2 986	13,3
Refining	4 113	4 021	2,3
Marketing and distribution	1 760	1 962	(10,3)
Others	1 176	1 354	(13,1)
Subtotal capital expenditures	58 494	43 659	34,0
Change in advances issued and material used in capital expenditures	11 631	4 799	142,4
Total capital expenditures	70 125	48 458	44,7
Changes in advances provided to Messoyakha (Group share)	4 355	-	-
Adjusted Total capital expenditures	74 480	48 458	53,7

- Capital expenditure for Exploration and Production increased 41.6% Y-o-Y due primarily to
 - Construction of major infrastructure for Novoport
 - Exploration expenses in Iraq and Kurdistan
 - Purchase of new licenses in Orenburg and Khanty-Mansiysk regions
 - Increased production drilling at Priobskoye
 - Capital expenditures at Prirazlomnoye field.

Debt and Liquidity

(RUB million)	March 31, 2015	December 31, 2014
Short-term loans and borrowings	119,461	61,121
Long-term loans and borrowings	481,052	502,306
Cash and cash equivalents	(91,213)	(53,167)
Short-term deposits	(47,494)	(76,658)
Net debt	461,806	433,602
Short-term debt / total debt, %	19.9	10.8
Net debt / EBITDA ttm	1.51	1.44

The Group's diversified debt structure includes, syndicated and bilateral loans, bonds, and other instruments

- Average debt maturity decreased from 4.49 years at December 31, 2014 to 4.33 years at March 31, 2015.
- Average interest rate increased from 3.48% at December 31, 2014 to 3.98% at March 31, 2015.

Financial Appendix

EBITDA Reconciliation

1Q 2015	4Q 2014	Δ, %	(RUB million)	1Q 2015	2014	Δ, %
37,665	(16,423)	-	Profit for the period	37,665	39,284	(4.1)
6,755	(11,163)	-	Total income tax benefit / (expense)	6,755	7,838	(13.8)
6,923	5,544	24.9	Finance expense	6,923	2,896	139.1
(3,422)	(2,341)	46.2	Finance income	(3,422)	(1,570)	118.0
22,197	22,792	(2.6)	Depreciation, depletion and amortization, including:	22,197	20,095	10.5
8,830	37,711	(76.6)	Net foreign exchange loss	8,830	7,500	17.7
2,035	4,625	(56.0)	Other (loss) / gain, net	2,035	(307)	-
80,983	40,745	98.8	EBITDA	80,983	75,736	6.9
(6,647)	10,882	-	less Share of profit / (loss) of associates and joint ventures	(6,647)	(296)	2,145.6
19,051	5,451	249.5	add Share of EBITDA of equity accounted investments	19,051	8,593	121.7
93,387	57,078	63.6	Adjusted EBITDA	93,387	84,033	11.1

Financial ratios

Profitability

	1Q 2015	2014	Δ, p.p.
Adjusted EBITDA margin, %	28.45	26.26	2.2
Net profit margin, %	11.47	12.28	(0.8)
Return on assets (ROA), %	6.43	12.07	(5.6)
Return on equity (ROE), %	11.33	18.99	(7.7)
Return on average capital employed (ROACE), %	12.70	17.18	(4.5)

Liquidity

	1Q 2015	2014	Δ, %
Current ratio	1.55	2.25	(31.3)
Quick ratio	0.79	1.35	(41.5)
Cash ratio	0.47	0.98	(52.7)

Leverage

	1Q 2015	2014	Δ, p.p.
Net debt/ Total Assets, %	21.17	10.53	10.6
Net debt/ Equity, %	39.64	17.28	22.4
Gearing, %	30.42	15.17	15.2
			Δ, %
Net debt/ Market Capitalization	0.61	0.27	131.4
Net debt/ EBITDA	1.51	0.56	168.5
Total debt/ EBITDA	1.96	1.21	62.7

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 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.

The sharp decrease in oil and oil products prices on international market negatively affected Group results. Price declines were largely offset by changes in the exchange rate for the US dollar relative to the Russian ruble.

1Q 2015	4Q 2014	Δ, %		1Q 2015	1Q 2014	Δ, %
			International market	(US\$/ barrel)		
53.94	76.60	(29.6)	Brent	53.94	108.21	(50.2)
52.92	73.01	(27.5)	Urals Spot (average Med + NWE)	52.92	106.53	(50.3)
				(US\$/ tonne)		
548.78	724.91	(24.3)	Premium gasoline (average NWE)	548.78	959.20	(42.8)
455.23	600.44	(24.2)	Naphtha (average Med. + NWE)	455.23	903.07	(49.6)
528.11	697.57	(24.3)	Diesel fuel (average NWE)	528.11	923.51	(42.8)
508.77	676.76	(24.8)	Gasoil 0.2% (average Med.)	508.77	909.09	(44.0)
266.83	392.73	(32.1)	Fuel oil 3.5% (average NWE)	266.83	562.70	(52.6)
			Domestic market	(RUB/ tonne)		
29,254	33,555	(12.8)	High-octane gasoline	29,254	28,739	1.8
26,341	29,577	(10.9)	Low-octane gasoline	26,341	25,738	2.3
27,474	28,028	(2.0)	Diesel fuel	27,474	27,154	1.2
7,444	8,160	(8.8)	Fuel oil	7,444	8,528	(12.7)

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.

1Q 2015	4Q 2014		1Q 2015	1Q 2014
7.4	5.1	Change in Consumer Price Index (CPI), %	7.4	2.3
9.2	0.7	Change in Producer Price Index (PPI), %	9.2	2.3
58.46	56.26	US\$/ RUB exchange rate as of the end of the period	58.46	35.69
62.19	47.42	Average RUB/US\$ exchange rate for the period	62.19	34.96

Hydrocarbon Taxes

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

1Q 2015	4Q 2014	Δ, %		1Q 2015	1Q 2014	Δ, %
			Export customs duty			
						(US\$/ tonne)
129.63	312.97	(58.6)	Crude oil	129.63	390.57	(66.8)
62.13	206.53	(69.9)	Light petroleum products	62.13	257.73	(75.9)
62.13	203.37	(69.4)	Diesel	62.13	255.13	(75.6)
101.07	281.63	(64.1)	Gasoline	101.07	351.47	(71.2)
110.13	281.63	(60.9)	Naphtha	110.13	351.47	(68.7)
98.50	206.53	(52.3)	Heavy petroleum products	98.50	257.73	(61.8)
			Mineral extraction tax			
6,873	5,267	30.5	Crude oil (RUB/ tonne)	6,873	6,081	13.0

Crude and oil products export duty rates

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.

Crude oil export customs duty rate

a) According to Russian Federal Law # 5003-1 (May 21, 1993) clause 3.1. subclause 4, amended by Russian Federal Law # 366-FZ (November 24, 2014) export custom duty rates should not exceed the marginal export duty rates calculated 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 + 42.0% * (P – 182.50) for 2015
	29.20 + 36.0% * (P – 182.50) for 2016
	29.20 + 30.0% * (P – 182.50) from 2017

Crude oil exports to those CIS countries that are Customs Union members (Kazakhstan, Belarus), 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)

Russian Federal Law # 366-FZ (November 24, 2014) and Resolution of the Russian Government # 1274 (November 29, 2014) amended the formulas described above. Under the new standards the reduced custom duty rates for specified crudes are calculated according to the following formula:

$$Ct = (P - 182.5) * K - 56.57 - 0.14 * P$$

Where P is the Urals price (USD/tonne) and K is an incremental coefficient equal to 42% for 2015, 36% for 2016, and 30% from 2017.

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, and Yamalo-Nenets Autonomous Okrug north of Latitude 65⁰.

Order # 868 (December 3, 2013) of the Ministry of Energy establishes the application form and methodology to analyze 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, Belarus) 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 exports of petroleum products to Tadzhikistan within the indicative limits are not subject to customs duties.

According to Resolution of the Russian Government # 276 (March 29, 2013) the export customs duty rate on petroleum products is calculated using the following formula:

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

Under Resolution of the Russian Government #2 (January 3, 2014), the coefficient K is set at 0.65 for diesel fuel, 0.90 for gasoline and naphtha, and 0.66 for other oil products.

From January 2015, in accordance with Federal Law # 366-FZ (November 24, 2014) and Resolution of the Russian Government #1274 (November 24, 2014), the coefficients K for different petroleum products are as follows:

	2015	2016	from 2017
Light and middle distillates			
Diesel	0.48	0.4	0.3
Lubricants oil			
Naphtha	0.85	0.71	0.55
Gasoline	0.78	0.61	0.3

Excise duties 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.

Tax Code RF clause 193 established the following excise duty rates for petroleum products (in rubles/tonne):

	2014	2015
Gasoline		
Below Class 3	11,110	7,300
Class 3	10,725	7,300
Class 4	9,916	7,300
Class 5	6,450	5,530
Naphtha	11,252	11,300
Diesel fuel		
Below Class 3	6,446	3,450
Class 3	6,446	3,450
Class 4	5,427	3,450
Class 5	4,767	3,450
Heating oil	6,446	3,000
Motor oil	8,260	6,500

Mineral extraction tax (MET) on crude oil.

According to Tax code RF clause 342 (version Federal Law # 366-FZ November 24, 2014) the mineral extraction tax rate on crude oil (R) is calculated using the following general formula:

	2014	2015
MET oil - R	$493 * Kc * Kv * Kz * Kd * Kdv$	$766 * Kc - Dm$

$Dm = 530 * Kc * (1 - Kv * Kz * Kd * Kdv * Kkan)$, where

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

Kv characterizes the degree of depletion of the specific field. It 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 total initial reserves (ABC1 + C2 reserves volume at January 1, 2006). For fields with depletion between 0.8 and 1, $Kv = 3.8 - 3.5 * N / V$. Where depletion is greater than 1, Kv is 0.3. In all other cases $Kv = 1$.

Kz 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 proceeding 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, $Kz = 0.125 * V_3 + 0.375$

Kd characterizes the effort required to recover oil. It varies between 0 and 1 depending on recovery complexity from the deposit as follows:

- 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.

Kdv characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. Depletion is measured by Ndv/Vdv , where Ndv is cumulative production volume from the deposit and Vdv 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, $Kdv = 3.8 - 3.5 * Ndv / Vdv$. Where depletion is greater than 1, Kdv is 0.3. In all other cases $Kdv = 1$. For deposits containing hard-to-recover reserves the coefficient Kv is equal to 1.

Kkan characterizes the oil production region and oil quality. This coefficient provides lower tax rates for fields located partly or completely in regions with challenging climate and geological conditions (specifically, Yamal Peninsula in Yamalo-Nenets Autonomous Okrug, Irkutsk Oblast, and Sakha Republic (Yakutia)). Coefficient $Kkan$ is set at 0 until the first day of the month following the month when one of the following conditions is met:

- 1) Achieving maximum cumulative stipulated production from the field;
- 2) Expiration of the stipulated term.

When the tax exemption term expires $Kkan$ is equal to 1.

Russian Federation tax law also provides for a zero rate of MET on oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov formation, provided all other Tax Code conditions are met.

Group effective MET rate

1Q 2015	4Q 2014	Δ, %		1Q 2015	2014	Δ, %
6,873	5,267	30.5	Nominal crude oil MET rate, RUB/tonne	6,873	6,081	13.0
6,545	5,037	29.9	Effective crude oil MET rate, RUB/tonne	6,545	5,824	12.4
328	230		Difference between nominal and effective rates, RUB/tonne	328	257	

In 1Q 2015 the Group's effective MET rate was 6,545 RUB/tonne, or 327 RUB/tonne lower than the nominal MET rate established in Russian legislation. The difference results from the application of certain factors (Kv , Kz and Kd) that reduce the MET rate.

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

Tax code RF clause 342 (version Federal Law # 366-FZ November 24, 2014) established mineral extraction tax rates for natural gas and gas condensate as follows:

	2014 (Jan - June)	2014 (July - December)	2015
MET on natural gas (RUB/Mcm)	471*	35 * Eut * Kc	35 * Eut * Kc + Tg
	700		
MET on gas condensate (RUB/tonne)	647	42 * Eut * Kc	42 * Eut * Kc * Kkm

* 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.

Eut is the base rate per fuel-equivalent unit calculated by the taxpayer depending on natural gas and gas condensate prices and their relative production amounts.

Kc characterizes the effort required to recover hydrocarbons from the particular deposit. The coefficient is designed to reduce the tax rate on natural gas and gas condensate and is equal to the lowest of the following concessionary coefficients: Kr – depending on location, Kvg – for highly depleted deposits, Kgz – for deposits at depths of more than 1,700 meters, Kas – for deposits related to the regional gas supply system and $Korz$ – for deposits classified as Turonian formations.

Tg reflects gas transportation costs (set at zero for 2015 according to Federal Tariff Service of the Russian Federation).

Kkm is a correction coefficient that for 2015 is equal to 4.4.

Tax concessions

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

Tax concessions, applied in 1Q 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 Gazromneft-Vostok (Zapadno-Luginetskiy, Shinginskoye) OJSC Yuzhuralneftegas (Kapitonovskoye)
Hard-to-recover factor Kd	OJSC Gazpromneft-Noyabrskneftegaz (Vyngayakhinskoye, Etu-Purovskoye) LLC Archinskoye (Urmanskoye, Archinskoye)
Zero MET rate for fields classified as belonging to Bazhenov formation Lower MET rate for new offshore fields in the Pechora Sea	LLC Gazpromneft-Khantos (Krasnoleninskoye) LLC Gazpromneft-Shelf (Prirazlomnoye)
MET for Gas	
Hard-to-recover factor Kc	LLC Novuy-Port (Novoport) CJSC Gazpromneft Orenburg (East part of Orenburg oilfield)
Profit tax	
16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Gazpromneft-Khantos OJSC Gazpromneft-Noyabrskneftegaz
17% rate (3% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Magma
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 applied before January 01, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug)	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 for investment projects in Orenburg region (according to the Orenburg regional legislation)

CJSC Gazpromneft Orenburg

Transportation of Crude Oil and Petroleum Products

Transportation tariff policies are established by the state authorities to ensure a balance between the interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariff Service of the Russian Federation (FTS). 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 to be revised by FTS at least annually, and comprise a dispatch tariff, loading, transshipment, pumping, and other tariffs.

The following table shows average transportation costs per tonne 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:

1Q	4Q			1Q		
2015	2014	Δ, %	(RUB per tonne)	2015	2014	Δ, %
Crude oil						
Export						
1,846	1,593	15.8	Pipeline	1,846	1,707	8.1
CIS						
1,247	1,322	(5.7)	Pipeline	1,247	1,160	7.5
Transportation to Refineries						
487	505	(3.5)	ONPZ	487	513	(5.1)
1,187	823	44.1	MNPZ	1,187	1,014	17.1
914	1,079	(15.3)	YaNPZ	914	1,096	(16.6)
Petroleum products						
Export from ONPZ						
2,792	2,515	11.0	Gasoline	2,792	2,368	17.9
4,371	4,683	(6.7)	Fuel oil	4,371	4,165	4.9
3,876	3,242	19.5	Diesel fuel	3,876	3,158	22.7
Export from MNPZ						
1,916	1,726	11.1	Gasoline	1,916	1,646	16.4
1,947	1,623	20.0	Fuel oil	1,947	1,475	32.0
2,142	1,278	67.6	Diesel fuel	2,142	1,890	13.3
Export from YaNPZ						
1,387	1,252	10.8	Gasoline	1,387	1,137	22.0
1,843	1,648	11.9	Fuel oil	1,843	2,028	(9.1)
1,687	1,610	4.8	Diesel fuel	1,687	1,441	17.1

The Group's crude oil export route mix in 1Q 2015 and 1Q 2014 is presented below:

	1Q	
	2015	2014
Crude oil export		
Primorsk Baltic Sea port	5.5%	34.5%
Druzhba pipeline*	15.4%	9.2%
Port of Novorossiysk **	36.4%	21.9%
ESPO pipeline and the port of Kozmino	37.2%	34.4%
Exported without using Transneft system, including:	5.5%	0.0%
Prirazlomnoye	3.7%	0.0%
Novoport	1.8%	0.0%
Total	100.0%	100.0%
Crude oil export to CIS countries		
Belarus	95.2%	100.0%
Uzbekistan	4.8%	0.0%
Total	100.0%	100.0%

*to Germany in 1Q 2015, to Czech Republic in 1Q 2014

** including 8.8% light crude in 1Q 2015, 13.8% in 1Q 2014

www.gazprom-neft.com

Contacts: JSC Gazprom neft

Investor Relations Department e-mail: ir@gazprom-neft.ru

Address: 3-5, Pochtamtskaya Street, Saint-Petersburg 190000, Russia

Phone: +7 812 385 95 48

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