# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADDRESS TO SHAREHOLDERS, INVESTORS &amp; PARTNERS</td>
<td>2</td>
</tr>
<tr>
<td>KEY PERFORMANCE INDICATORS</td>
<td>8</td>
</tr>
<tr>
<td>CALENDAR OF EVENTS 2011</td>
<td>10</td>
</tr>
<tr>
<td>DEVELOPMENT STRATEGY</td>
<td>14</td>
</tr>
<tr>
<td>Company History</td>
<td>24</td>
</tr>
<tr>
<td>Operating Geography</td>
<td>28</td>
</tr>
<tr>
<td>Company's Sales Activity</td>
<td>29</td>
</tr>
<tr>
<td>Competitive Position</td>
<td>30</td>
</tr>
<tr>
<td>KEY PERFORMANCE INDICATORS IN 2011, BY SEGMENTS</td>
<td>33</td>
</tr>
<tr>
<td>Geological Exploration Production of Crude Oil &amp; Gas</td>
<td>36</td>
</tr>
<tr>
<td>Licensing</td>
<td>37</td>
</tr>
<tr>
<td>Oil Refining</td>
<td>48</td>
</tr>
<tr>
<td>Sales of Petroleum Products</td>
<td>54</td>
</tr>
<tr>
<td>Premium Business Segments</td>
<td>62</td>
</tr>
<tr>
<td>Exports of Crude Oil &amp; Petroleum Products</td>
<td>68</td>
</tr>
<tr>
<td>Petrochemical Industry</td>
<td>69</td>
</tr>
<tr>
<td>INVESTMENT ACTIVITIES</td>
<td>94</td>
</tr>
<tr>
<td>KEY RISK FACTORS</td>
<td>96</td>
</tr>
<tr>
<td>HEALTH, SAFETY, &amp; THE ENVIRONMENT</td>
<td>102</td>
</tr>
<tr>
<td>Occupational Health &amp; Safety</td>
<td>103</td>
</tr>
<tr>
<td>Environmental Safety</td>
<td>104</td>
</tr>
<tr>
<td>POWER GENERATING &amp; ENERGY SAVING</td>
<td>106</td>
</tr>
<tr>
<td>WORK WITH MEDIA &amp; GOVERNMENT</td>
<td>109</td>
</tr>
<tr>
<td>Information Policy &amp; Interaction with Government</td>
<td>110</td>
</tr>
<tr>
<td>REGIONAL POLICY &amp; SOCIAL RESPONSIBILITY</td>
<td>111</td>
</tr>
<tr>
<td>Social Responsibility Where Gazprom Neft Operates</td>
<td>112</td>
</tr>
<tr>
<td>Human Resource Development</td>
<td>113</td>
</tr>
<tr>
<td>CORPORATE GOVERNANCE, THE BOARD OF DIRECTORS &amp; THE MANAGEMENT BOARD</td>
<td>117</td>
</tr>
<tr>
<td>The Directors</td>
<td>119</td>
</tr>
<tr>
<td>Information about Changes in the Constitution of the Company’s Board During the Reporting Year</td>
<td>124</td>
</tr>
<tr>
<td>Board Committees</td>
<td>125</td>
</tr>
<tr>
<td>Membership of the Management Board</td>
<td>126</td>
</tr>
<tr>
<td>Total Remuneration Paid to Directors &amp; Members of the Management Board</td>
<td>131</td>
</tr>
<tr>
<td>The Internal Audit Department</td>
<td>132</td>
</tr>
<tr>
<td>INFORMATION DISCLOSURE &amp; INVESTOR RELATIONS</td>
<td>133</td>
</tr>
<tr>
<td>Registered Capital &amp; Equity Structure</td>
<td>134</td>
</tr>
<tr>
<td>Interaction with Shareholders &amp; Investors</td>
<td>134</td>
</tr>
<tr>
<td>Share Market &amp; Capitalization</td>
<td>135</td>
</tr>
<tr>
<td>Depository Receipt Program</td>
<td>136</td>
</tr>
<tr>
<td>Dividend History</td>
<td>137</td>
</tr>
<tr>
<td>Compliance with the Code of Corporate Conduct</td>
<td>137</td>
</tr>
<tr>
<td>CREDIT RATINGS &amp; DEBT PORTFOLIO MANAGEMENT</td>
<td>141</td>
</tr>
<tr>
<td>Gazprom Neft Credit Ratings in 2011</td>
<td>141</td>
</tr>
<tr>
<td>Debentures</td>
<td>141</td>
</tr>
<tr>
<td>GLOSSARY: KEY TERMS, DEFINITIONS &amp; ACRONYMS</td>
<td>143</td>
</tr>
<tr>
<td>ADDITIONAL INFORMATION</td>
<td>145</td>
</tr>
<tr>
<td>ADDRESSES &amp; CONTACTS</td>
<td>150</td>
</tr>
<tr>
<td>DISCLAIMER</td>
<td>151</td>
</tr>
<tr>
<td>APPENDIX</td>
<td>152</td>
</tr>
</tbody>
</table>

**NOTE**
In this Report, terms such as 'Gazprom Neft Group', 'the Group', and 'Gazprom Neft' refer to JSC Gazprom Neft (the Company), with its consolidated subsidiaries and equity affiliates (associates).
ADDRESS TO SHAREHOLDERS, INVESTORS & PARTNERS

DEAR SHAREHOLDERS & INVESTORS!

Our Company achieved a record-breaking performance on all fronts in 2011, leading the Russian industry in terms of growth rates in production, refining, and sales through premium channels. Gazprom Neft has once again proved itself to be one of the most efficient operators in the industry.

The records the Company set in 2011 cannot be attributed solely to a favorable market situation. They also represent the fruits of the strong business strategy that the Company designed, approved and successfully implemented, as well as the united efforts of the Company’s executives and employees.

Gazprom Neft finished 2011 in first place in the Russian oil industry when measured by rates of operating income growth and by total return to shareholders. The Company proved its financial efficiency once again, keeping operating cost growth per BOE (barrel of oil equivalent) at the lowest level in the industry.

The Company has continued to raise production and expand its business geography by reaching out to new regions. Last year, Gazprom Neft began a new production centre in Orenburg Region, located in the eastern part of the Orenburg field. Work also continued on upgrading Company refineries: all Gazprom Neft refineries made the transition to environmentally high-grade fuels in 2011, well ahead of the statutory schedules.

The Company continues to expand its sales of petroleum products: being on the 3rd position in the volume of petroleum products in the industry, JSC Gazprom Neft has become the leader in petroleum products sales in the premium segments.

Foreign business has shown good progress: our Serbian subsidiary NIS improved its production and financial performance in 2011 and work continued on projects in Iraq, Venezuela, Cuba and Equatorial Guinea.

The Company achieved record levels of performance across all main financial and operating indicators in 2011, leading the entire oil industry in terms of growth rates in production refining, and sales of petroleum products through premium channels.
Gazprom Neft’s top priorities in the next few years are to secure high rates of hydrocarbon production growth by developing new areas in Russia and elsewhere, to raise the quality of petroleum products and achieve deeper refining levels, and to strengthen the Company’s position in retail markets in Russia and the CIS. In addition, the Gazprom Neft filling station brand will be further promoted.

The last year once again proved that stronger vertical integration is the surest way to implement the Company’s strategic plans successfully. Our Company has laid a firm foundation for its ambitious strategy, which promises to create more value for all Gazprom Neft shareholders.

The excellent results were supported by favorable market conditions, but they were also due to successful implementation of the oil business development strategy, devised by the Board of Directors, and the hard work of Company management and employees.

ALEXEY MILLER
Chairman of the Management Committee of JSC Gazprom
Chairman of the Board of Directors of JSC Gazprom Neft
DEAR SHAREHOLDERS, INVESTORS, & PARTNERS!

The year 2011 set new records for Gazprom Neft’s financial and operating performance. We achieved the highest rates of growth in output of hydrocarbons and refined products in the entire oil & gas industry of Russia. The increase of our fuel sales in premium segments was also better than our peers.

Our achievements in 2011 are not only a reflection of the favorable macroeconomic environment and positive changes in tax law. They also reflect major progress in our operations.

The audit of our stocks by DeGolyer and MacNaughton found the Company’s proven deposits by PRMS at the end of 2011 to be 1.130 mn t of oil equivalent (TOE), with reserve replacement above 286%.

Consolidated hydrocarbon production by Gazprom Neft in 2011 reached a level of 57.3 mn TOE, maintaining the growth trend of recent years. The main drivers were increased production at the Priobskoye Field, consolidation of assets in Orenburg Region that were purchased by the Company in 2011, and the start of operations to exploit Cenomanian natural gas deposits at the Muravlenkovskoye and Novogodneye gas fields. The combination of these factors led to 8% growth in output compared to 2010, which is the best result in the Russian industry.

Gazprom Neft expanded its geography in the exploration and production segment last year, entering Orenburg Region, where we created a new production center in the eastern section of the Orenburg field (reassigned to us by JSC Gazprom) and at other newly acquired fields. Gazprom Neft’s international projects progressed in 2011. Work to raise the operating efficiency of our Serbia-based subsidiary, NIS, led to substantial improvements of financial and operating performance: hydrocarbon production by NIS rose by 24% and net income increased to USD 508 million. Drilling work started in our project at the Badra field in Iraq, geological survey work continued on the continental shelf off Cuba and Equatorial Guinea, and construction went ahead in the Junin-6 project in Venezuela.

Refining volumes grew by 7% in 2011, thanks to an intensive program to upgrade our refining capacity and to the support provided by growing demand for petroleum products on the domestic market. Gazprom Neft pursued upgrades of its refining facilities in 2011 in order to raise the quality of petroleum products and improve their environmental features. An isomerization plant was launched in 2011 at the Yaroslavl Refinery, and all of the Company’s refining units switched to production of Class 4 petroleum products.

Last year’s results can justifiably be described as the best in Gazprom Neft’s entire history, and the operational achievements were fully reflected in our financial indicators.
ADDRESS TO SHAREHOLDERS, INVESTORS & PARTNERS (continued)
The Company continued to increase its petroleum product sales in premium segments last year. Sales via the most lucrative channels (sales from our own filling stations and tank farms, as well as sales of marine and aviation fuels, and lubricants) grew by 38%, and sales per filling station rose by 40%. These results were due to our efforts to upgrade, rebrand and expand our retailing network both inside and outside Russia, to market premium-grade fuels, and to launch loyalty programs throughout our filling station network. We are the Russian market leader by volume of retail gasoline and aviation fuel sales; we rank first in terms of marine fuel sales; and in 2011 we became the absolute leader for the first time in supplies of bituminous materials. In the lubricant segment, Gazprom Neft is now ahead of all its competitors in terms of the number of high-tech motor oil and industrial oil brands which it offers to the market.

Our operating achievements had a proportional effect on our financial indicators, which in 2011 were the best ever in the Company’s history. Our revenues in 2011 grew by 34.3% to USD 44,189 million, and our 2011 net income of USD 5,352 million was 70% higher than in 2010.

The strong financials reflect an optimal ratio of hydrocarbon production to refining, improvement of the sales structure, and successful implementation of efficiency and cost-cutting programs.

The Company took further steps to optimize its loan portfolio in 2011. Debt refinancing and a well-balanced borrowing policy allowed us to reduce the effective interest rate on our debt portfolio to 3.4%, while the share of long-term loans grew by 28%. By the end of 2011, our EBITDA-to-net debt ratio was close to 0.6, which is a record level for the Company.

Gazprom Neft remains committed to a balanced financial policy, using operating cash flow for further business development, while at the same time maintaining one of the highest dividend payment levels in the industry.

Having set new records in 2011, we will continue to grow our business in 2012. Even if external market conditions prove weaker than in 2012, ongoing improvement of key efficiency indicators offer a firm foundation for long-term growth of the operations and the value of our Company.

ALEXANDER DYUKOV
Chairman of the Management Board of JSC Gazprom Neft

Encouraged by the outstanding results of last year, we are committed to further development of our business in 2012. Even if external market conditions prove weaker than in 2012, ongoing improvement of key efficiency indicators offer a firm foundation for long-term growth of the operations and the value of our Company.
KEY PERFORMANCE INDICATORS

Key financial indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, 2011/2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue, mn USD</td>
<td>24,305</td>
<td>32,912</td>
<td>44,172</td>
<td>34%</td>
</tr>
<tr>
<td>Adjusted EBITDA, mn USD</td>
<td>6,037</td>
<td>7,271</td>
<td>10,158</td>
<td>40%</td>
</tr>
<tr>
<td>Operating income, mn USD</td>
<td>3,461</td>
<td>4,673</td>
<td>6,979</td>
<td>49%</td>
</tr>
<tr>
<td>Income before tax, mn USD</td>
<td>3,915</td>
<td>4,729</td>
<td>6,831</td>
<td>60%</td>
</tr>
<tr>
<td>Net income, mn USD</td>
<td>3,026</td>
<td>3,151</td>
<td>5,352</td>
<td>70%</td>
</tr>
<tr>
<td>Net cash from operations, mn USD</td>
<td>3,499</td>
<td>5,391</td>
<td>6,001</td>
<td>11%</td>
</tr>
<tr>
<td>Capital investments, mn USD</td>
<td>2,635</td>
<td>3,301</td>
<td>4,029</td>
<td>22%</td>
</tr>
<tr>
<td>Dividends paid, mn USD</td>
<td>937</td>
<td>728</td>
<td>1,025</td>
<td>41%</td>
</tr>
<tr>
<td>Net debt, mn USD</td>
<td>5,445</td>
<td>5,427</td>
<td>5,775</td>
<td>6%</td>
</tr>
<tr>
<td>Average capital employed, mn USD</td>
<td>20,225</td>
<td>25,452</td>
<td>28,611</td>
<td>12%</td>
</tr>
<tr>
<td>Average stakeholders’ equity, mn USD</td>
<td>15,251</td>
<td>17,597</td>
<td>21,185</td>
<td>20%</td>
</tr>
<tr>
<td>Price per share at year-end, RUB (MICEX)</td>
<td>163.64</td>
<td>128.27</td>
<td>148.18</td>
<td>16%</td>
</tr>
</tbody>
</table>

Key financial ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, 2011/2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base and diluted income per common share, USD per share</td>
<td>0.64</td>
<td>0.67</td>
<td>1.13</td>
<td>69%</td>
</tr>
<tr>
<td>Dividends per share*, RUB</td>
<td>3.57</td>
<td>4.44</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Return on average capital employed, %</td>
<td>15.44</td>
<td>15.83</td>
<td>20.98</td>
<td>5.15 pp</td>
</tr>
<tr>
<td>Adjusted EBITDA margin, %</td>
<td>24.84</td>
<td>22.09</td>
<td>23.00</td>
<td>0.91 pp</td>
</tr>
<tr>
<td>Adjusted EBITDA per barrel produced, USD per barrel</td>
<td>16.41</td>
<td>18.67</td>
<td>24.09</td>
<td>29%</td>
</tr>
<tr>
<td>Net income margin, %</td>
<td>12.76</td>
<td>10.45</td>
<td>12.65</td>
<td>2.2 pp</td>
</tr>
<tr>
<td>Net income per barrel produced, USD per barrel</td>
<td>8.43</td>
<td>8.83</td>
<td>13.25</td>
<td>50%</td>
</tr>
<tr>
<td>Return on equity, %</td>
<td>19.84</td>
<td>17.91</td>
<td>25.26</td>
<td>7.35 pp</td>
</tr>
<tr>
<td>Gearing, %</td>
<td>22.31</td>
<td>20.48</td>
<td>18.80</td>
<td>1.68 pp</td>
</tr>
<tr>
<td>Current liquidity ratio</td>
<td>1.15</td>
<td>1.44</td>
<td>2.05</td>
<td>43%</td>
</tr>
</tbody>
</table>

SALES REVENUE, mn USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>22,768</td>
</tr>
<tr>
<td>2008</td>
<td>33,870</td>
</tr>
<tr>
<td>2009</td>
<td>24,305</td>
</tr>
<tr>
<td>2010</td>
<td>32,912</td>
</tr>
<tr>
<td>2011</td>
<td>44,172</td>
</tr>
</tbody>
</table>

NET INCOME, mn USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5,352 million</td>
</tr>
<tr>
<td>2008</td>
<td>4,658 million</td>
</tr>
<tr>
<td>2009</td>
<td>3,026 million</td>
</tr>
<tr>
<td>2010</td>
<td>3,151 million</td>
</tr>
<tr>
<td>2011</td>
<td>5,352 million</td>
</tr>
</tbody>
</table>

NET CASH FROM OPERATIONS, mn USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>163.64</td>
</tr>
<tr>
<td>2008</td>
<td>128.27</td>
</tr>
<tr>
<td>2009</td>
<td>148.18</td>
</tr>
<tr>
<td>2010</td>
<td>148.18</td>
</tr>
<tr>
<td>2011</td>
<td>148.18</td>
</tr>
</tbody>
</table>
## Key production indicators

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, 2011/2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proven reserves (including share in affiliates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— oil, mn bbl</td>
<td>6,924</td>
<td>6,441</td>
<td>6,789</td>
<td>5%</td>
</tr>
<tr>
<td>— gas, bn ft³</td>
<td>3,231</td>
<td>6,511</td>
<td>9,182</td>
<td>41%</td>
</tr>
<tr>
<td><strong>Hydrocarbon reserves, mn BOE</strong></td>
<td>7,462</td>
<td>7,526</td>
<td>8,319</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Crude oil production by consolidated subsidiaries, mn bbl</strong></td>
<td>225</td>
<td>230</td>
<td>233</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Crude oil production including share in production of associates, calculated by share in equity, mn bbl</strong></td>
<td>349</td>
<td>366</td>
<td>368</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Marketable gas production by consolidated subsidiaries, bn m³</strong></td>
<td>2.1</td>
<td>3.1</td>
<td>7.9</td>
<td>154%</td>
</tr>
<tr>
<td><strong>Marketable gas production including share in production of affiliates, calculated by share in equity (Slavneft and Tomskneft), bn m³</strong></td>
<td>3.2</td>
<td>4.0</td>
<td>9.1</td>
<td>127%</td>
</tr>
<tr>
<td><strong>Marketable hydrocarbon production, 000 BOE/day</strong></td>
<td>1,008</td>
<td>1,067</td>
<td>1,155</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Oil refining</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— at own refineries, mn t</td>
<td>26.6</td>
<td>30.8</td>
<td>33.1</td>
<td>7%</td>
</tr>
<tr>
<td>— at contracted refineries, mn t</td>
<td>6.8</td>
<td>7.2</td>
<td>7.4</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Crude exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— to non-CIS countries, mn t</td>
<td>15.6</td>
<td>15.9</td>
<td>13.1</td>
<td>18%</td>
</tr>
<tr>
<td>to CIS countries, mn t</td>
<td>3.3</td>
<td>3.0</td>
<td>3.0</td>
<td>–</td>
</tr>
<tr>
<td><strong>Sales of crude oil in Russia, mn t</strong></td>
<td>0.25</td>
<td>0.01</td>
<td>0.20</td>
<td>–</td>
</tr>
<tr>
<td><strong>Sales of gas, bn m³</strong></td>
<td>3.4</td>
<td>4.9</td>
<td>9.3</td>
<td>88%</td>
</tr>
<tr>
<td><strong>Exports of petroleum products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— to non-CIS countries, mn t</td>
<td>13.7</td>
<td>14.9</td>
<td>15.1</td>
<td>1%</td>
</tr>
<tr>
<td>to CIS countries, mn t</td>
<td>1.9</td>
<td>1.7</td>
<td>2.1</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Sales of petroleum products in Russia, mn t</strong></td>
<td>17.4</td>
<td>20.5</td>
<td>24.3</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Number of filling stations (owned, leased and franchised)</strong></td>
<td>1,546</td>
<td>1,596</td>
<td>1,670</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Dividends for 2011 had not been announced as of the Report signing date.
CALENDAR OF EVENTS 2011

JANUARY

Gazprom Neft and TNK-BP agree to set up a joint venture for development of Messoyakha oil and gas deposits in the northern part of the Yamal Peninsula.

Design of the packaging can used for G-Energy motor-oil wins the prestigious GOOD DESIGN award from the Chicago Museum of Architecture and Design.

Gazprom Neft-Aero and the aviation unit of PetroBras jointly commence supplying fuel for Transaero aircraft in Rio de Janeiro.

The Moscow Refinery launches production of Euro-4 diesel fuel.

FEBRUARY

The Company signs a cooperation agreement with the Government of Yugra.

Gazprom Neft-Aero is appointed exclusive supplier of jet fuel and refueling services to the Russian Air Force.

Gazprom Neft becomes the sole shareholder of Sibir Energy.

The Company selects the construction contractor for the Badra field in Iraq.

The Company successfully completes RUB 30 bn bond placement.

MARCH

Gazprom Neft commissions production of Cenomanian gas deposits.

The Company signs a cooperation agreement with the Government of Yamal-Nenets Autonomous District.

Medium-term investment program is approved for the Omsk Refinery.

Gazprom Neft conducts seismic survey work on the continental shelf of Equatorial Guinea.

The Omsk Refinery begins production of gasoline that meets Environmental Class-4 standards.

Gazprom Neft commissions phase 2 of the Yuzhno-Priobskoye gas-turbine power plant in Khanty-Mansiysk Autonomous District.

The Company purchases an additional 5.15% of the authorized share capital of Serbia’s NIS, raising its holding to 56.15%.

Gazprom Neft and Slovenia’s Petrol sign a memorandum of understanding on cooperation for supply and sale of petroleum products in Southern Europe and the Balkans.

The Company approves a development strategy up to 2020 for NIS.

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1 Design of the packaging can used for G-Energy motor-oil wins the prestigious GOOD DESIGN award from the Chicago Museum of Architecture and Design.

2 The Company signs a cooperation agreement with the Government of Yugra.

3 The Company approves a development strategy up to 2020 for NIS.
APRIL

Gazprom Neft begins sales of its own fuel brand, G-Drive.4

Gazprom Neft-Aero launches aircraft refueling services at Manas International Airport (Kyrgyzstan).

The Omsk Refinery launches production of polymer-bitumen materials.

The Company signs an agreement to reduce interest payments on a USD 1.5 bn syndicated loan secured in 2010.

Gazprom Neft’s filling station chain wins the Brand of the Year/EFFIE award for the most successful project in brand creation and promotion in the Russian market.

Gazprom Neft launches its Project Academy at the SKOLKOVO School of Management in Moscow.

The city of Omsk hosts the Gazprom Neft Cup for junior ice hockey teams.

Gazprom Neft signs a cooperation agreement with the Government of Ulyanovsk Region.

Gazprom Neft’s USD 1.5 bn syndicated loan named Deal of the Year by Euromoney’s Trade Finance Magazine.

MAY

Gazprom Neft negotiates USD 600 mn unsecured club-term loan facility.


The Company carries out seismic work in Iraq.5

Gazprom Neft completes sale of emission reduction units (ERUs) under the Kyoto Protocol.

NIS starts operations at fields in Romania.

The Company is named the best taxpayer in St. Petersburg for 2010.

Gazprom Neft and Schlumberger sign an agreement on technology partnership.

JUNE

The Omsk Refinery becomes Russia’s first refining facility to process its billionth ton of petroleum.6

Gazprom Neft and GEPetrol sign a cooperation agreement for a project in Equatorial Guinea.

The Company confirms capability for year-round exports of crude oil by sea from the Novoportovskoe field.

NIS begins operations at fields in Hungary.

Gazprom Neft selects a contractor to drill pilot wells at the Badra field in Iraq.

Gazprom Neft-Lubricants sets up a representative office in Central Asia.

Gazprom Neft Marine Bunker starts business at two more ports: Nizhny Novgorod and Samara.

The Gazprom Neft website is ranked first among Russian corporate websites.

Annual General Meeting of Shareholders is held.
CALENDAR OF EVENTS 2011 (continued)

**JULY**
Gazprom Neft-Aero enters the Balkans market.
Gazprom Neft begins production of Class-5 gasoline at the Omsk Refinery.

**AUGUST**
Gazprom Neft-Aero is official aircraft refueler at the MAKS 2011 Air Show.
Gazprom Neft begins production of Class-5 gasoline at the Omsk Refinery.
Gazprom Neft Marine Bunker starts bunker supplies on Sakhalin Island.
Gazprom Neft-Aero and Air Total International sign an agreement on integrated supply of aircraft fuel.
Gazprom Neft Marine Bunker purchases a new vessel for operations in the port of Novorossiysk.
The Company successfully completes a secondary placement of the 04 Series ruble bonds.

**SEPTEMBER**
Gazprom Neft acquires Tsarichanskoye deposit in Orenburg Region.
The Company signs a partnership agreement with the Government of Orenburg Region.
Gazprom Neft expands its filling station operation through acquisition in Russia’s Southern Federal District.
Gazprom Neft-Aero begins refueling operations at Manas International Airport (Bishkek, Kyrgyzstan), under a long-term fuel supply contract with the US-based Manas Transit Center.

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1 Gazprom Neft begins production of Class-5 gasoline at the Omsk Refinery.
2 Gazprom Neft-Aero is official aircraft refueler at the MAKS 2011 Air Show.
3 Gazprom Neft expands its filling station operation through acquisition in Russia’s Southern Federal District.
OCTOBER
Gazprom Neft starts full-scale marketing of its G-Drive motor fuels at Company filling stations.
The Company acquires a controlling stake in Gazprom Neft Orenburg.
Gazprom Neft significantly increases its reserves in Eastern Siberia.

NOVEMBER
The Company purchases a lubricant production plant in the Moscow Region.
Gazprom Neft and RUSAL sign a long-term contract for supply of coke.
The Company begins drilling operations in Iraq.
Gazprom Neft begins drilling operations in the eastern section of the Orenburg field.
Gazprom Neft Marine Bunker acquires a new vessel for operations in the Main Port of St. Petersburg.

DECEMBER
Gazprom Neft-Aero begins operations in Ulyanovsk.
The Company’s Board of Directors extends with Alexander Dyukov for five years.
NIS and RAG sign an agreement on joint oil and gas exploration in southern Hungary.
The Company’s Board of Directors approves Gazprom Neft’s 2012 Investment Program.

2012 EVENTS FOLLOWING THE REPORTING DATE

JANUARY
A deparaffinization unit is fitted to the diesel hydrotreatment facility at the Omsk Refinery.
NIS opens its first filling station under the NIS Petrol brand.
Gazprom Neft and Khanty-Mansiysk Autonomous District sign an agreement on social and economic cooperation in 2012.

FEBRUARY
Gazprom Neft opens the United Research & Development Center for Innovative Technologies.
NIS and RAG begin exploration drilling in Hungary.
Gazprom Neft acquires a chain of filling stations in Chelyabinsk Region.
Gazprom Neft selects a contractor to build crude oil gathering and treatment facilities at the Badra field in Iraq.
Gazprom Neft opens an alternative fuel supply complex at Sheremetyevo Airport in Moscow.
The Company completes placement of the 11 Series bonds valued at RUB 10 bn.

MARCH
The Company acquires 25 filling stations in Nizhny Novgorod Region.
Gazprom Neft starts work on third well at the Badra field in Iraq.
Gazprom Neft-Lubricants signs agreement with Chevron for marine oil production.
DEVELOPMENT STRATEGY

OUR MISSION

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

STRATEGIC GOAL

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

STRATEGIC DEVELOPMENT

In the framework of creating an integrated system of development of long-term and medium-term plans, this document and in setting tasks for the coming period is determinate. Up to 2020, large-scale development of the business aims to provide the highest aggregate income for shareholders of any Russian oil company, while maintaining its place in the top three most efficient vertically-integrated Russian oil companies.
Gazprom Neft is a major player in today’s energy market. The Company produces and supplies a wide range of products for a variety of industries around the world.

Our mission is to supply high-quality energy products to our customers, to do business with integrity and responsibility, to be a caring employer and an efficiency leader, and to achieve long-term and balanced growth of our Company.

Gazprom Neft’s strategic goal is to become a large Russian-based international player, with a regionally diversified asset portfolio over the entire value chain, seeking active involvement in regional development projects, and maintaining a high degree of social and environmental responsibility.

The expectations of all stakeholders (shareholders, customers, partners, government, the public, and our employees) have established growth and efficiency as the touchstones of our corporate mission.

Gazprom Neft approved a written corporate Development Strategy at the start of 2010. The strategy defines our main business principles, goals and directions, as well as the results that our Company, together with its subsidiaries and associates, expects to achieve. This strategy remains our guiding document as we build an integrated system for development of medium- and long-term business plans.

In 2011, Gazprom Neft took a major step towards achievement of the goals set out in its Development Strategy. Operating performance improved year-on-year in nearly all segments. Production grew by 8%, refining by 7% and premium sales by 38%.

The performance was helped by a stable macroeconomic environment as the world economy continued to recover from the 2008/2009 economic crisis. The price of Brent crude oil rose from USD 79 to USD 111 per bbl while demand for core petroleum products on the domestic market grew by 6% and their prices rose by 31%.

The Company’s key financial indicators also improved: adjusted EBITDA rose by 40% and net profit grew by 70%, thanks to integration of newly purchased assets, organic growth of production and refining volumes, improved structure of production and sales of petroleum products, as well as measures to raise efficiency and cut expenditures.

Gazprom Neft’s proven hydrocarbon reserves in 2011 under PRMS classification grew by 164 mn TOE. The Company’s geological survey program for the year was carried out and С1+С2 oil reserves grew by 259.1 mn t thanks to geological surveying and acquisitions. The Ignialinskoye oil and gas deposit containing 40 mn t of С1+С2 reserves was discovered in Eastern Siberia, and 25 new deposits with total С1 reserves in excess of 9.4 mn t were discovered at fields that are already in development.

Proactive geological surveying at existing fields, the launch of the Cenomanian gas project at the Muravlenkovskoye and Novogodneye fields, and newly purchased assets enabled production to increase to 57.3 mn TOE in 2011, which is 7.8% more than the 2010 quantity.

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**BUSINESS TARGETS**

<table>
<thead>
<tr>
<th>Production</th>
<th>100 MN TOE PER ANNUM</th>
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<tbody>
<tr>
<td></td>
<td>• 20-year reserve life</td>
</tr>
<tr>
<td></td>
<td>• 50% or more of total production to be located at fields in initial development phases</td>
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<tr>
<td></td>
<td>• 10% share of production to come from foreign projects</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Refining</th>
<th>70 MN T OF CRUDE OIL PER ANNUM</th>
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<tbody>
<tr>
<td></td>
<td>• Annual production up to 40 mn t in the Russian Federation and up to 30 mn t elsewhere</td>
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<tr>
<td></td>
<td>• Increase refining efficiency rate (conversion ratio) in Russia to 90%</td>
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<tr>
<td></td>
<td>• Increase market share of light petroleum products in Russia to 77%</td>
</tr>
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<table>
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<tr>
<th>Sales to end-users</th>
<th>40 MN T PER ANNUM INSIDE AND OUTSIDE RUSSIA, including:</th>
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<tbody>
<tr>
<td></td>
<td>• 12 mn t – retailing through fueling stations (of which 8.2 mn t are in Russia and the CIS)</td>
</tr>
<tr>
<td></td>
<td>• 18 mn t – aircraft fuel, bunkering, lubricants etc.</td>
</tr>
<tr>
<td></td>
<td>• 10 mn t – small-batch wholesaling to large end-users</td>
</tr>
</tbody>
</table>

Our goal is to achieve the highest level of total income to shareholders of any Russian oil producer by 2020 through large-scale development of our business. We also intend to remain in the top three 3 most efficient vertically integrated oil companies in Russia.
The decision to make Gazprom Neft a vertically integrated oil business was absolutely correct. The Company is well advanced in implementing its strategic plans. Gazprom Neft’s priorities for the coming years will be maintenance of the high production rate of hydrocarbons, expansion into new territories both in Russia and beyond, and improvement of the quality of petroleum products and depth of refining. The Gazprom Neft filling stations brand will be further developed and we will strengthen our position in the retail market within Russia and the CIS.

ALEXEY MILLER
Chairman of the Board of Directors

The upgrade program at Gazprom Neft refineries doubled output of Euro-4 and Euro-5 diesel fuel in 2011, and the Company launched production of gasoline in Classes 4 and 5 (Russian equivalents of the Euro categories). Strong growth rates were achieved in 2011 by business units that specialize in premium and retail sales of petroleum products (plane refueling, bunkering, production and sale of engine and lubricant oils, and fuel sales by tank farms and filling stations). Volume growth compared with 2010 was 53% for aircraft fuel, 51% for bunker fuel, 51% for lubricants, 43% for fuel sales via filling stations, and 41% for tank farms.

The year under review was a good one not just from a performance perspective but also in terms of operational initiatives.

In 2011, the Company started operations in a new production region (the Volga-Urals). It also completed the acquisition of 61.8% of CJSC Gazprom Neft Orenburg (operator of the Orenburg oil and gas condensate field). The Company completed its acquisitions of 100% of CJSC Science-Intensive Technologies Centre and an 86% holding in CJSC Yuzhuralneftegaz. Gazprom Neft and NOVATEK are working together to evaluate deposits near the Samburgsky license area in a further step towards development of the northern part of Yamal-Nenets Autonomous District, which has strategic importance for the Company.

The Company is focusing heavily on its joint project with TNK-BP at the Messoyakha field group. In 2011, 3D seismic surveying was carried out on an area of 320 km², and nine exploration wells were built and tested.

Three of the tested wells (Nos. 71, 77 and 109) produced a flow under pressure, and zones have been defined for test production during 2012 and on through 2014. A technical schedule for test production has been prepared and submitted to the Central Commission for Mineral Field Development of Rosnedra (the Government agency for sub-soil resources).

At the Novoportovskoye field, we reopened four wells and completed an inventory and estimated reserves. Once our estimates were approved by the Federal Mining Resources Committee (recoverable oil reserves are 219.3 mn t, inventory gas reserves are 259.7 bn m³, and recoverable condensate reserves are 12.4 mn t), a technical proposal for test production was prepared and submitted for expert examination. An icebreaker test run was piloted over the proposed crude oil export route from the Novoportovskoye field (from Cape Kamenny) and LLC Gazprom Neft-Novy Port was officially registered as a corporate entity.

In spring 2011, the Omsk Refinery began production of Class 4 gasoline, and in the summer it commenced production of Super Euro-98 gasoline, which matches environmental Class 5. Throughout the year, Omsk continued implementation of the program to retrofit and upgrade its refining capacity in order to improve the environmental characteristics of its engine fuels. Work in 2011 included retrofitting of a KT-1/1 facility for deep crude oil refining and gasoline alkylation, which will improve the quality of finished products and increase equipment output.
Following the example of other Gazprom Neft refineries, Yaroslavl-nefteorgsintez (YaNOS) launched an upgrade program in 2011, which will raise the quality of its petroleum products to match Euro-4 and Euro-5 standards, and will achieve deeper refining. A new light naphtha isomerization unit was commissioned in October 2011 and the company launched a hydrotreatment unit for catalytic cracking gasoline in December. As from January, 2012, all automotive gasoline from YaNOS matches Euro-4 or higher environmental standards.

Rebranding was carried out at 290 filling stations in Russia, Tajikistan, Kazakhstan, Kyrgyzstan and Belarus, including filling stations in the MTK chain, and the Gazprom Neft filling station brand won the prestigious national prize, ‘Brand of the Year/EFFIE’. Integration of the assets of Sibir Energy doubled Gazprom Neft’s presence in the Moscow Region (the administrative region around Moscow, not including the city) and a further 113 filling stations were purchased in Novosibirsk, Chelyabinsk and Nizhny Novgorod Regions, and in Krasnodar Territory. The pilot launch of G-Drive fuel sales proved successful and distribution of this fuel has been extended to most regions where the Company has a retail presence (G-Drive is now sold by 315 Company filling stations). Gazprom Neft-Novosibirsk has already started trial sales of G-Diesel.
As of the end of 2011, more than 1.9 mn customers had joined the Company’s filling station loyalty program entitled ‘We’re going the same way’. A new site at Fryazino, near Moscow, has been acquired for manufacture of premium-grade packaged lubricants, and the first stage of another packaged lubricant facility has been launched in Omsk.

We made good progress in foreign projects during the reporting year. Net profit at NIS (in Serbia) grew more than twice on a year-on-year basis and contributed 500 mn USD profit. There was further work on upgrading the NIS Panchevo Refinery in the form of the installation of a hydrocracking and hydrotreatment facility. Gazprom Neft also commenced regional development in the Balkans (Bosnia and Herzegovina, Hungary, Romania, Bulgaria), including initiatives to diversify into electric power generation and petrochemicals.

Drilling work began at the end of 2011 at the Badra field in Iraq (Well BDS). The first stage of mine clearance was completed and 3D seismic surveys were carried out in an area of 164.5 km². We built seven cluster sites and 27 km of service roads and completed construction of the field base camp. A preliminary field development plan was prepared and approved, as well as a FEED for infrastructure. Constructive relationships have been established with partners, where Gazprom Neft has the leading role.

The Company has continued implementation of its offshore projects. An agreement was signed with Petronas for joint work on the Cuban continental shelf, and the Cuban government issued a permit for Gazprom Neft to join the project and extended the first stage of geological survey work.

One billion tons of crude refined at the Omsk Refinery is a highly important milestone both for Omsk and for the whole of Gazprom Neft Group. The refinery has now embarked on a large-scale upgrading program as part of the Group’s long-term strategy. One of the most important tasks for Gazprom Neft is to improve the environmental features of its engine fuels, achieve deeper refining and expand the range of high-octane gasolines, diesel fuels, and other petroleum products made by Gazprom Neft refineries, of which the Omsk facility is the largest. I am convinced that successful implementation of the refinery upgrade program will make our path to the second billion tons much shorter.

ALEXANDER DYUKOV
Chairman of the Management Board

Our consortium partners executed preparatory work for drilling the first well. The Company also completed all payment orders related to financial obligations under a production sharing agreement on the continental shelf of Equatorial Guinea, carried out contract work for seismic research with GeoEx to interpret data with Largeo, and also executed a contract with RPS to acquire additional information. JSC Gazprom Neft is the consortium leader in a large international project to develop the Junin-6 field in Venezuela. In this market, our PetroMiranda joint venture set up an office in Puerto La Cruz, completed social and environmental audits, and prepared a pilot production project for 2012. The joint venture also completed the concept design for an upgrader, finished work on two cluster sites and access roads, and commenced preparation of two drilling rigs.

All of the work described above is part of the implementation of the Company’s long-term strategy.

Successful operations and a favorable external market environment ensured the Company had a secure financial footing to address its strategic goals in 2011. The Company has maintained its systemic approach to strategic development. Emphasis will be placed on an integrated system of long-term strategic planning and maintenance of medium-term business plans in order to coordinate management control at every level of the Company and throughout all its business segments.
PLANS FOR 2012: FURTHER ACTIONS TO IMPLEMENT MAJOR PROJECTS

**CUBA PROJECT**
- Drill first exploration well
- Project review based on drilling results

**JUNIN-6 PROJECT**
- Geological survey, geological studies
- Pilot production
- Technological scheme of OPR development
- Upgrader design

**ORENBURG PROJECT**
- Integrate new assets
- Drill pilot wells
- Design a development concept

**NOVIYPORT PROJECT**
- Prepare a test production schedule
- Begin test production drilling
- Launch phase one of the central oil collector

**EQUATOR PROJECT**
- Preparations for drilling
- 3D reservoir modelling

**SEVERENERGIA PROJECT**
- Implement the geological survey program
- Launch a gas treatment unit
- Drill test oil wells
- Commence gas production

**BADRA PROJECT**
- Drill wells
- Design and build main rigs and oil pipeline

**MESSOYAKHA PROJECT**
- Prepare a test production schedule
- Carry out the geological survey program
- Field construction plans
The strategic goals for main business segments in the near future are as follows:

**Successful implementation of major projects and growth of the resource base:**
- Carrying out geological surveys and starting test production in northern YaNAD (the Samburgskoye, Yaro-Yakhinskoye (OOO SeverEnergia), Novoportovskoye fields and the Messoyakha field cluster).
- Through these projects, Gazprom Neft will realise the potential of the Yamal Peninsula in the north of Yamal-Nents Autonomous District as a strategically important and promising oil and gas region. The Company will confirm its pre-eminence in development of oil and gas fields in the Far North of Russia, acquire production expertise in Arctic conditions, and develop further expertise in transporting hydrocarbons by sea (a method that has been rarely used in field development projects in the Russian Far North before now). We will also create an efficient oil and gas transportation infrastructure which can be used in the future in fields where development rights have not yet been allocated;
- Implementation of foreign projects in Iraq, Venezuela, Equatorial Guinea and Cuba;
- Improving business processes and control mechanisms for major projects;
- Lobbying to obtain tax benefits and infrastructure solutions;
- Building the Company’s resource base, including purchase of new assets.

**Efficient use of existing assets:**
- optimizing field development;
- use of geological/hydrodynamic models to assist projects;
- integrated field development plans;
- portfolio optimisation;
- creating mechanisms for portfolio analysis and management;
- application of new equipment and technologies;
- optimizing expenditure;
- increasing the rate of associated gas use;
- better infrastructure management;
- lobbying for tax benefits;
- natural gas production at cenomanian deposit.

**Higher efficiency of oil refining:**
- implementing a program to raise the quality of engine fuels: transition to Euro-4 and Euro-5, greater output of high-octane gasoline;
- implementing a program to increase refining depth, including increased output of modern bituminous materials and lubricants;
- implementing a program for operating improvements and cost reduction at refineries;
- increasing the value of petroleum products.

**Higher efficiency in deliveries of crude oil and petroleum products:**
- optimizing export logistics;
- higher efficiency of trading operations;
- obtaining access to refining capacity outside Russia;
- securing logistics for new production projects.

**Development of high efficiency premium marketing channels:**
- raising sales volumes via small wholesale and retail outlets;
- greater operating efficiency in retail and tank-farm business;
- developing and launching new and efficient retail brands;

The Company’s strategic planning is based on in-depth analysis of the industry and understanding of our own capabilities. The Company continuously monitors factors that play a critical role in achieving targets.

By 2020, we aim to ensure that Gazprom Neft has the following core characteristics:
- projects implemented worldwide, from exploration and production to refining and sales;
- personnel who can work with any assets – however complex, vertically integrated and regionally specific (assets in traditional Russian production regions, in Europe, America and in Asia);
- proprietary technologies, in-house science and engineering research centers for production and refining;
- proportionate and balanced business structure (production – refining – sales);
- excellent indicators for refining depth, products that meet the highest international standards, full range of fuel types, branded fuels and lubricants;
- a strong sales network with a strong brand.

<table>
<thead>
<tr>
<th>External factors</th>
<th>Internal factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>forecasts for the global economy</td>
<td>state of the resource base</td>
</tr>
<tr>
<td>the structure of energy consumption</td>
<td>asset quality</td>
</tr>
<tr>
<td>the balance of supply and demand</td>
<td>financial capacity</td>
</tr>
<tr>
<td>specifics of local markets</td>
<td>organizational capacity</td>
</tr>
<tr>
<td>government regulation</td>
<td>human resource potential</td>
</tr>
<tr>
<td>characteristics of competition</td>
<td></td>
</tr>
</tbody>
</table>
CORPORATE BUSINESS MODEL

PRODUCTION IN RUSSIA

PRODUCTION ABROAD

HYDROCARBONS

PURCHASE

REFINING

SALES OF HYDROCARBONS

REFINING ABROAD (NIS)

REFINING IN RUSSIA (Omsk refinery, Moscow and Yanos refineries)

RUSSIAN FEDERATION

EXPORT

SALE OF PETROLEUM PRODUCTS

PURCHASE OF PETROLEUM PRODUCTS

SALE OF PETROLEUM PRODUCTS

EXPORT

LOCAL MARKET (Serbia)

PRODUCT BUSINESS UNITS

PETROLEUM PRODUCTS

LARGE INDUSTRIAL CONSUMERS & GOVERNMENT SUPPLIES

OTHER CONSUMERS IN RUSSIA

EXTRA

PETROCHEMICALS

BITUMEN MATERIALS

LUBRICANTS/OILS

AVIATION FUEL

BUNKER FUEL
DEVELOPMENT STRATEGY (continued)

COMPANY STRUCTURE

PRODUCTION
- JSC Gazprom Neft-Noyabrskneftegaz
- Gazprom Neft-Khantos LLC
- Gazprom Neft-Vostok LLC
- Archinskoye LLC
- JSC Meretoyakhaneftegaz
- Sibneft-Yugra LLC
- Zapolyarneft LLC
- Gazprom Neft-Angara LLC
- Gazprom Neft-Sakhalin LLC
- CJSC Magma Oil Company
- CJSC Gazprom Neft Orenburg
- CJSC Siberian Geological Company
- JSC Yuzhuralneftegaz
- CJSC Center for Science Intensive Technologies

REFINING
- JSC Gazprom Neft-Omsk Refinery
- JSC Gazprom Neft-Moscow Refinery

SALES
- JSC Gazprom Neft-Omsk
- CJSC Gazprom Neft-Kuzbass
- JSC Gazprom Neft-Altay
- LLC Gazprom Neft-Center
- CJSC Munai-Mirza
- LLC Gazprom Neft-Asia
- JSC Gazprom Neft-Tumen
- JSC Gazprom Neft-Chelyabinsk
- JSC Gazprom Neft-Tumen
- JSC Gazprom Neft-Perm
- LLC Gazprom Neft-Krasnoyarsk
- JSC Gazprom Neft-Ural
- CJSC Gazprom Neft-Northwest
- JSC Gazprom Neft-Yaroslavl
- JSC Gazprom Neft-Ivanovo
- JSC Gazprom Neft-Novosibirsk
- LLC Gazprom Neft-Belnefteproduct
- JSC Gazprom Neft-Tajikistan
- LLC Gazprom Neft-Kazakhstan
- LLC Alliance Oil Asia
- LLC Gazprom Neft-Nizhny Novgorod
- CJSC Gazprom Neft-Mobile Card
- JSC Mosnefteprodukt
- LLC Moskovskaya Toplivnaya Kompaniya
- JSC Moskovskaya Neftegazovaya Kompaniya

LUBRICANTS
- LLC Gazprom Neft-Lubricants
- Gazprom Neft Lubricants Italia Sp.A.
- LLC Gazprom Neft Lubricants Ukraine
- CJSC Gazprom Neft MZSM

CRUDE EXPORTS
- Gazprom Neft Trading GmbH

FOREIGN HOLDING
- Gazprom Neft North Africa B.V.
- Gazprom Neft Equatorial B.V.
- Gazprom Neft CDP B.V.
- Gazprom Neft Badra B.V.
- Gazprom Neft Finance B.V.
COMPANY HISTORY

1995:
Open Joint Stock Company Siberian Oil Company (‘JSC Sibneft’) established by Decree of the President of the Russian Federation. The Federal Government founded the company by contributing its stake in some of Russia’s largest oil industry enterprises: JSC Noyabrskneftegaz, JSC Noyabrskneftegazgeophysika, JSC Omsk Refinery and JSC Omsknefteprodukt.

1996–1997:
The Russian Government privatized Sibneft as part of a programme to promote development of a market economy. Private investors bought 49% of Sibneft stock at auctions in 1996. In 1997 the Financial Petroleum Company won an auction to purchase the government holding in Sibneft as part of the Government’s ‘shares for loans’ program.

1998–2004:
Good resource potential, efficient refining capacities and professional management ensured rapid development of the Company. Sibneft management worked hard to modernise production, introduce the latest technology and optimize business processes. A proactive acquisition policy rapidly expanded the Company’s production territory (in Tomsk and Omsk Regions, and Chukotka Autonomous District) and the Company’s sales network (Sverdlovsk and Tyumen Regions, Krasnoyarsk Territory, and the cities of St. Petersburg and Moscow). One of the Company’s major purchases during this period was its acquisition of 49.9% of the shares in JSC Slavneft Oil Company, which produced oil and gas in Western Siberia and Krasnoyarsk Territory.

2005:
Gazprom Group bought a controlling interest in JSC Sibneft (75.68%) and subsequently, on May 13, 2006 the company’s name was changed to JSC Gazprom Neft. The new strategic objectives of Gazprom Neft were to become a global company with regionally diversified assets along the entire value chain.

2006:
Gazprom Neft entered the retail market in Central Asia by creating a subsidiary – Gazprom Neft Asia – to sell the Company’s petroleum products in Kyrgyzstan, Tajikistan and Kazakhstan. In the same year, the Company joined an international project with government-level importance, when it became a shareholder (jointly with JSC Rosneft and JSC Transneft) in the Burgas-Alexandroupolis Trans-Balkan Oil Pipeline construction project.

2007:
Business units were set up within the company to focus on activities in specific segments: Gazprom Neft Nefteservice, Gazprom Neft Marine Bunker, Gazprom Neft-Lubricants, and Gazprom Neft-Aero. In December 2007, to further expand its resource base, Gazprom Neft acquired a 50% stake in Tomskneft, a company producing oil and gas in Tomsk Region and Khanty-Mansiysk Autonomous District.
2008:
Gazprom Neft, Rosneft, Lukoil, TNK-BP and Surgutneftegaz signed a Memorandum of Understanding on cooperation and joint participation in projects in Venezuela and Cuba, as part of the National Oil Consortium.

2009:
Gazprom Neft acquired new assets for its resource portfolio and refinery capacities: the Serbian oil company, NIS, and a controlling stake in Sibir Energy. The latter acquisition increased the Company’s ownership stake in the Moscow Refinery and gave it access to the Salym oil fields. In April 2009, the Company closed a deal with Chevron Global Energy to purchase the Chevron Italia s.p.a. oils and lubricants production plant in the city of Bari (Italy). Another important event for Gazprom Neft in 2009 was the launch of a large-scale rebranding program for the Company’s filling station chain.

2010:
Gazprom Neft expanded its presence in the global oil and gas market. Milestones of the year include:
- Gazprom Neft closed a deal to purchase STS Service, a production unit of Sweden’s Malka Oil.
- Gazprom Neft signed a contract to develop the Badra field in Iraq, containing more than 2 bn bbl of oil reserves.
- Acquisition of a retail network in Kazakhstan.
- Gazprom Neft joined a project to develop fields under a development license held by Sever Energy (via subsidiaries).
- Gazprom Neft became the leader of a consortium of Russian vertically integrated oil companies in a project for development of the Junin-6 oil block in Venezuela.
- Acquisition of a stake in an offshore exploration project in Cuba.
- The Company entered a production sharing project in Equatorial Guinea (at the exploration stage).
- The Company commissioned two cenomanian gas deposits in the Muravlenkovskoye and Novogodneye fields.

2011:
Gazprom Neft substantially improved its operating performance by purchasing of new assets and through more efficient development of existing fields.
Key events during the year were as follows:
- Gazprom Neft refineries began production of fuels to Euro-4 and Euro-5 environmental standards;
- The Tsarichanskoye and Kapitonovskoye fields in Orenburg Region were acquired. The Company also acquired the eastern part of the Orenburg field, where drilling began in November 2011;
- Gazprom Neft became the sole shareholder of Sibir Energy;
- The Company purchased a further 5.15% holding in NIS, thus raising its overall holding to 56.15%;
- 3D seismic studies were carried out on the continental shelf of Equatorial Guinea in the Niger delta;
- First sales of new premium-class motor fuel (G-Drive brand) through the proprietary chain of filling stations;
- Gazprom Neft-Aero began refueling of aircraft at 12 Ministry of Defense airfields, after being appointed the exclusive supplier of jet fuel and refueling services to the Russian armed forces;
- Gazprom Neft-Aero began refueling of aircraft at Bishkek and Manas international airports (Kyrgyzstan);
- The Omsk Refinery launched production of bituminous polymer materials;
- The Company closed a deal to join a project in the Cuban zone of the Gulf of Mexico;
- Gazprom Neft expanded the geography of its filling stations by entering the Southern Federal District;
- Drilling began at the Badra field in Iraq.
ASSET MANAGEMENT & CORPORATE STRUCTURE

Work to improve the corporate management structure of Gazprom Neft seeks to raise the efficiency of the Company’s business as a vertically integrated enterprise, and to optimize management of the main activities conducted by subsidiaries.

There were major organizational changes at the Company during 2011. Gazprom Neft continued to integrate its new assets into its overall corporate management structure. It also introduced Group standards of corporate management to the Group’s new entities, which also received new charters and management teams.

YAMAL DEVELOPMENT

In 2011, JSC Gazprom Neft created an equal joint venture, LLC Yamal Development, with JSC NOVATEK. The joint venture then purchased a 51% holding in the capital of LLC SeverEnergia from JSC Gazprom. The remaining 49% is held by Arctic Russia B.V., which is a joint venture between Italian-based ENI (60%) and Enel (40%). LLC SeverEnergia owns 100% of the capital in the companies JSC Arcticaigaz, CJSC Urengoil Inc, and JSC Neftegaztechnologies, which in turn hold licenses for development and production at oil and gas condensate fields in Yamal-Nenets Autonomous District.

SIBIR ENERGY

The integration of Sibir Energy into Gazprom Neft Group continued in 2011. On February 14, 2011, a deal was closed to purchase 22% of the Sibir Energy stock owned by JSC Central Fuel Company (controlled by the Moscow City Government). Gazprom Neft thus became the sole shareholder of Sibir Energy in the first quarter of 2011.

Sibir Energy has been re-registered as a closed joint-stock company.

Ownership of the assets of Sibir Energy was optimized in 2011. This optimization included reassignment of ownership of JSC MNGK (the holding company of Sibir Energy Group that contained the Group’s marketing assets and a 50% holding in JSC Gazprom Neft-Moscow Refinery) to the Russian jurisdiction of Gazprom Neft. Ownership of shares in Salym Petroleum Development (Netherlands) was reassigned to a subsidiary of Gazprom Neft to maximize the efficiency of profit repatriation.

To assist in integrating JSC Moscow Refinery into Gazprom Neft, the company’s extraordinary general meeting of shareholders on October 14, 2011 agreed to change the company name to JSC Gazprom Neft-Moscow Refinery.

A holding in JSC Mosnefteprodukt was purchased from organizations owned by JSC Tatneft and steps were taken for JSC Gazprom Neft-Moscow Refinery to purchase shares from minority shareholders of JSC Mosnefteprodukt. This compulsory purchase of shares is to be completed in March 2012.

Four business entities within Sibir Energy Group were liquidated during 2011.

NIS A.D. NOVI SAD

Our Serbian subsidiary NIS is one of the largest energy companies in southeast Europe and the Company’s stock trades on the Belgrade Stock Exchange. Gazprom Neft currently owns 56.17% of the Company’s shares and the second largest shareholder is the government of the Republic of Serbia, which holds 29.87%. The remaining shareholders are minority shareholders and include 2 mn individual Serbian citizens.

To meet obligations arising from Gazprom Neft’s initial acquisition of NIS shares, the Company made an offer in January 2011 to purchase the minority-owned stake in NIS. This transaction involved 8.4 million NIS shares, representing 5.15% of the Company’s registered capital, and the purchase was completed on March 16, 2011.
Using a price of € 4.8 per share (calculated under Serbian law), Gazprom Neft paid a total of € 40.3 mn for the shares, and thus increased its holding in NIS a.d. Novi Sad from 51% to 56.15%.

Four NIS subsidiaries were established in the Balkans in 2011 (in Romania, Bulgaria, and Bosnia-Herzegovina) in order to expand the scope of petroleum, liquefied hydrocarbon, fuel and lubricant marketing in southeast Europe. A crude-oil production subsidiary was also incorporated in Hungary.

**GAZPROM NEFT-LUBRICANTS**

In November 2011, LLC Gazprom Neft-Lubricants purchased CJSC NK Select, the owner of a lubricant factory in Fryazino (Moscow Region). The name of the acquired asset has been changed to Gazprom Neft Moscow Lubricant Factory (‘Gazprom Neft MZSM’).

**PRODUCTION ASSETS REASSIGNED TO JSC GAZPROM**

In 2011, JSC Gazprom Neft bought 61.8% of the capital of CJSC Gazprom Neft Orenburg from JSC Gazprom. The remaining 38.2% of the business’s registered capital was placed in trust management to Gazprom Neft as from Q1 2012. CJSC Gazprom Neft Orenburg holds a mineral-use license for the eastern section of the Orenburg oil and gas condensate field.

**PETROLEUM SERVICE UNITS**


The Company’s successful exit from the petroleum service business will reduce Gazprom Neft’s expenses and help it to compete in core markets as well as raise the quality of petroleum-related services used by the Company.

**OTHER ENTITIES IN THE GROUP**

In 2011, the Group merged its production unit LLC NK Sibneft–Yugra (previously 50-50 owned by Gazprom Neft and LLC Gazprom Neft-Khantos) with LLC Gazprom Neft-Khantos, which should improve efficiency in management of the former asset.

Liquidation procedures began in 2011 for LLC STS-Service, which was bought from Malka Oil A.B. (Sweden) in 2010. LLC STS-Service was purchased because it owned rights to mineral use at the Zapadno-Luginetskoye area (Tomsk Region). It was decided that JSC Gazprom Neft-Altay should merge with JSC Gazprom Neft-Novosibirsk to optimize Gazprom Neft’s marketing structure in Altay Territory.

In 2011, JSC Gazprom Neft purchased 49% of the registered capital of LLC NGK Razvitie Regionov from JSC LUKOIL. The LLC was created earlier as a joint venture with LUKOIL for the purpose of field development.

In 2011, the Group purchased 86.38% of JSC Yuzhuralneftegaz and 100% of CJSC Science-Intensive Technologies Center, which holds development rights at the Kapitonovskoye and Tsarichanskooye fields (respectively) in Orenburg Region.
DEVELOPMENT STRATEGY (continued)

OPERATING GEOGRAPHY

GEOGRAPHY OF PRODUCTION
- 24 Krasnoyarsk territory
- 55 Omsk region
- 56 Orenburg region
- 70 Tomsk region
- 72 Tyumen region
- 86 Khanty-Mansiysk Autonomous District – Yugra
- 89 Yamalo-Nenets Autonomous District
  - Serbia
  - Angola

GEOGRAPHY OF SUBSOIL USE
- 38 Irkutsk region
- 23 Krasnodar territory
- 24 Krasnoyarsk territory
- 83 Nenets Autonomous District
  - Serbia
  - Italy
- 14 Republic of Sakha (Yakutia)
- 70 Tomsk region
- 72 Tyumen region
- 86 Khanty-Mansiysk Autonomous District
  - Yugra
- 89 Yamalo-Nenets Autonomous District

OIL REFINING
- 77 Moscow
- 50 Moscow region
- 55 Omsk region
- 76 Yaroslavl region
  - Serbia

LUBRICANTS
- 50 Moscow region
- 55 Omsk region
- 76 Yaroslavl region
  - Serbia

PRODUCTION OF BITUMEN MATERIALS
- 50 Moscow region
- 55 Omsk region
- 76 Yaroslavl region
  - Serbia
COMPANY’S SALES ACTIVITY

LARGE WHOLESALE
22 Altai territory
28 Amur region
29 Arkhangelsk region
30 Astrakhan region
31 Belgorod region
32 Bryansk region
33 Vladimir region
35 Vologda region
36 Voronezh region
39 Jewish Autonomous region
37 Ivanovo region
38 Irkutsk region
40 Kaluga region
9 Kaliningrad region
42 Kemerovo region
2 Kaliningrad region
41 Krasnodar region
43 Kostroma region
24 Krasnoyarsk territory
45 Kurgan region
46 Kursk region
48 Lipetsk region
77 Moscow
50 Moscow region
51 Murmansk region
52 Nizhny Novgorod region
53 Novgorod region
54 Novosibirsk region
55 Omsk region
56 Orenburg region
57 Oryol region
58 Penza region
59 Perm region
25 Primorsky territory
60 Pskov region
3 Republic of Buryatia
5 Republic of Dagestan
6 Republic of Ingushetia
10 Republic of Karelia
11 Komi Republic
13 Republic of Mordovia
14 Republic of Sakha (Yakutia)
15 Republic of North Ossetia – Alania
16 Republic of Tatarstan
19 Republic of Khakassia
61 Rostov region
62 Ryazan region
63 Samara region
78 St. Petersburg
47 Leningrad region
64 Saratov region
65 Sakhalin region
66 Sverdlovsk region
67 Smolensk region
26 Stavropol territory
68 Tambov region
69 Tver region
70 Tomsk region
71 Tula region
72 Tyumen region
73 Ulyanovsk region
27 Khabarovsk territory
86 Khanty-Mansiysk Autonomous District – Yugra
74 Chelyabinsk region
89 Yamalo-Nenets Autonomous District
76 Yaroslavl region
Belarus
RETAIL SALES
22 Altai territory
37 Ivanovo region
40 Kaluga region
42 Kemerovo region
23 Krasnodar region
24 Krasnoyarsk territory
77 Moscow
50 Moscow region
52 Nizhny Novgorod region
53 Novgorod region
54 Novosibirsk region
55 Omsk region
78 St. Petersburg
47 Leningrad region
66 Sverdlovsk region
69 Tver region
70 Tomsk region
72 Tyumen region
86 Khanty-Mansiysk Autonomous
74 Chelyabinsk region
89 Yamalo-Nenets Autonomous District
76 Yaroslavl region
Belarus
GAZPROMNEFT-AERO
28 Amur region
32 Bryansk region
36 Voronezh region
75 Chita region
42 Kemerovo region
23 Krasnodar region
24 Krasnoyarsk territory
77 Moscow
50 Moscow region
51 Murmansk region
54 Novosibirsk region
55 Omsk region
78 St. Petersburg
47 Leningrad region
64 Saratov region
69 Tver region
70 Tomsk region
71 Tula region
72 Tyumen region
73 Ulyanovsk region
27 Khabarovsk territory
86 Khanty-Mansiysk Autonomous
74 Chelyabinsk region
89 Yamalo-Nenets Autonomous District
76 Yaroslavl region
Belarus
GAS PROMNEFT MARINE BUNKER
29 Arkhangelsk region
30 Astrakhan region
34 Volgograd region
39 Kaliningrad region
23 Krasnodar territory
51 Murmansk region
25 Primorsky territory
16 Republic of Tatarstan
61 Rostov region
78 St. Petersburg
47 Leningrad region
27 Khabarovsk territory
Krasnoyarsk
Belarus
Kazakhstan
Kyrgyzstan
Tajikistan
Belarus
Kazakhstan
Kyrgyzstan
Tajikistan
COMPETITIVE POSITION

Gazprom Neft, together with its subsidiaries, constitutes a vertically integrated oil company operating mainly in the Russian Federation. The Company is engaged in exploration and development of oil and gas fields, production of crude oil and gas, refining and retailing of petroleum products. As per PRMS-SPE classification, the Company’s proven reserves of hydrocarbons amount to more than 1 bn TOE, placing it among the top 20 global producers of crude oil. Gazprom Neft is one of the fastest growing oil producers in Russia today.

PRODUCTION OF CRUDE OIL & GAS

Gazprom Neft was the 5th largest crude oil producer in Russia in 2011. Total Russian crude oil output (all producers) grew by 1.2% in 2011 to 511.4 mn t, thanks both to development of new fields and enhancement of traditional fields. The highest crude production growth rates among Russian-based vertically integrated oil companies (VIOCs) were by Bashneft, Surgutneftegaz and Rosneft, which achieved 7%, 2% and 2% growth, respectively. The largest production declines in Russia were shown by LUKOIL (-5%) and Slavneft (-2%).

Total crude oil production by Gazprom Neft (including shares of production by other companies, calculated by equity stakes) rose by 1% in 2011 to 50 mn t, mainly thanks to production growth at the Priobskoye and Salym fields, integration of assets purchased at the end of 2011 in Orenburg Region, and further optimization of development work at the Company’s own fields.

Output of gas in Russia also grew substantially (at record rates) in 2011, but the growth was mainly due to independent gas producers, while output by Gazprom declined through the last five months of 2011 due to lower demand in Europe, shrinkage of the company’s share of

TOTAL CRUDE OIL & GAS OUTPUT IN RUSSIA BY OIL & GAS PRODUCERS, thou TOE

<table>
<thead>
<tr>
<th>Company</th>
<th>Production, 2011</th>
<th>Share in 2011, %</th>
<th>Production, 2010</th>
<th>Share in 2010, %</th>
<th>2011 vs 2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft*</td>
<td>135,321</td>
<td>22</td>
<td>132,066</td>
<td>22</td>
<td>2.5</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>99,717</td>
<td>16</td>
<td>104,041</td>
<td>17</td>
<td>–4.2</td>
</tr>
<tr>
<td>TNK-BP**</td>
<td>93,907</td>
<td>15</td>
<td>92,225</td>
<td>15</td>
<td>1.8</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>71,411</td>
<td>12</td>
<td>70,756</td>
<td>12</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Gazprom Neft</strong>*</td>
<td>55,679</td>
<td>9</td>
<td>51,548</td>
<td>9</td>
<td><strong>8.0</strong></td>
</tr>
<tr>
<td>Tatneft</td>
<td>26,886</td>
<td>4</td>
<td>26,783</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td>Other</td>
<td>128,074</td>
<td>21</td>
<td>123,000</td>
<td>20</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Russia (not including gas production by Gazprom and NOVATEK)</strong></td>
<td><strong>610,994</strong></td>
<td><strong>100</strong></td>
<td><strong>600,419</strong></td>
<td><strong>100</strong></td>
<td><strong>1.8</strong></td>
</tr>
</tbody>
</table>

Source: INFOTEK

* Including share in production of Tomskneft.
** Including share in production of Slavneft.
*** Including shares in production of Slavneft, Tomskneft, Salym Petroleum; not including production outside Russia (NIS).
the Russian market, and changes in weather conditions. Gazprom extracted 510 bn m³ of gas, or just 0.4% more than in 2010. Production by NOVATEK rose by 42% to 53.5 bn m³, and overall Russian gas output rose by 3% to 688 bn m³.

Production of gas (both natural and associated oil gas) by the largest Russian VIOCs was mainly on an upward trend in 2011. Marketable gas production by Gazprom Neft in Russia rose by 136% y-o-y in 2011 to 8.5 bn m³ (including joint ventures, but not including production by NIS). The growth was mainly due to the launch of natural gas production from Cenomanian deposits at the Muravlenkovskoye and Novogodneye fields in Q4 2010.

Total output of hydrocarbons by Gazprom Neft in Russia in 2011 rose by 8% to 55.7 mn TOE. Together with output by NIS, aggregate consolidated production of hydrocarbons by Gazprom Neft in 2011 amounted to 57.3 mn TOE.

### Table: Company Oil refining, 2011

<table>
<thead>
<tr>
<th>Company</th>
<th>Oil refining, 2011</th>
<th>Share 2011, %</th>
<th>Oil refining, 2010</th>
<th>Share 2010, %</th>
<th>2011 vs 2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft*</td>
<td>51,052</td>
<td>20</td>
<td>50,763</td>
<td>20</td>
<td>0.6</td>
</tr>
<tr>
<td>Lukoil</td>
<td>45,491</td>
<td>18</td>
<td>45,214</td>
<td>18</td>
<td>0.6</td>
</tr>
<tr>
<td>TNK-BP**</td>
<td>38,132</td>
<td>14.8</td>
<td>35,048</td>
<td>14.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>31,621</td>
<td>12</td>
<td>31,160</td>
<td>12</td>
<td>1.5</td>
</tr>
<tr>
<td>Gazpromneft*</td>
<td>21,161</td>
<td>8</td>
<td>21,237</td>
<td>8</td>
<td>−0.4</td>
</tr>
<tr>
<td>Ufa refineries</td>
<td>21,062</td>
<td>8</td>
<td>21,193</td>
<td>8</td>
<td>−0.6</td>
</tr>
<tr>
<td>TAIF Oil Company</td>
<td>8,318</td>
<td>3</td>
<td>8,100</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>41,059</td>
<td>16</td>
<td>37,239</td>
<td>15</td>
<td>10.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>257,895</strong></td>
<td><strong>100</strong></td>
<td><strong>249,953</strong></td>
<td><strong>100</strong></td>
<td><strong>3.2</strong></td>
</tr>
</tbody>
</table>

* Includes share of refining by Slavneft, but not refining outside Russia (NIS).
** Includes share of refining by Slavneft.
REFINING

Refining volumes by all companies in Russia grew by 3.2% in 2011 compared with 2010 to 258 mn t. Growth in refining was due, among other factors, to stronger domestic demand for light petroleum products.

In 2011, output of diesel fuel rose by 0.3% to 70.6 mn t, fuel oil to 73.1 mn t (+4.6%), and automotive gasoline to 36.7 mn t (+2.0%). Overall loading of main refining capacities in Russia was 92.4%, or 0.3 pp above the 2010 figure.

During the reporting year, Gazprom Neft increased its share in total refining in Russia from 14.0% to 14.8%, retaining third place by this indicator, mainly thanks to maximum refining capacity use at the Moscow Refinery.

Gazprom Neft’s refining output outside Russia includes NIS in Serbia. The Company’s total consolidated refining during 2011, both inside and outside Russia, was 40.5 mn t, which is 7% more than in 2010.

Output of high-octane gasoline rose by 13% (7.2 mn t) thanks to optimization of the product range and increased demand for high-octane gasoline; production of aviation fuel rose by 6% (2.6 mn t); and output of diesel fuel was unchanged from 2010 (11.5 mn t).

EXPOSURES

Exports of Russian crude oil to non-CIS countries in 2011 amounted to 212.2 mn t, which is 3.9% less than in 2010. Russian hydrocarbon exports to non-CIS countries via the Transneft pipeline system were 188.1 mn t in 2011 and approximately 24.1 mn t were exported by other means.

Crude oil and gas condensate exports by rail were 25.1 mn t in the reporting year. Russian exports to CIS countries increased by 13.7% y-o-y to 29.9 mn t in 2011. Crude exports to Belarus rose by 40.1% to 18.1 mn t, while supplies to Ukraine and Kazakhstan fell by 21.8% and 4.7% compared with 2010, to 4.65 mn t and 7.08 mn t, respectively.

Rosneft delivered 59.0 mn t of crude oil to non-CIS countries via Transneft pipelines in 2011, TNK-BP supplied 29.8 mn t, Surgutneftegaz 27.0 mn t, LUKOIL 23.8 mn t, Tatneft 15.6 mn t and Gazprom Neft 12.7 mn t.

Gazprom Neft’s share of total Russian crude oil exports to non-CIS countries in 2011 was almost unchanged compared with 2010 (–0.6 pp), mainly due to higher refining net back compared with net back from crude oil exports.

Gazprom Neft remained an industry leader in 2011 by indicators including total shareholder return and operating cash flow.

CRUDE OIL EXPORTS VIA TRANSNEFT BY RUSSIAN OIL COMPANIES IN 2011, thou t

<table>
<thead>
<tr>
<th>Company</th>
<th>Crude exports 2011*</th>
<th>Share 2011, %</th>
<th>Crude exports 2010*</th>
<th>Share 2010, %</th>
<th>2011 vs 2010, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft</td>
<td>58,974.1</td>
<td>27.8</td>
<td>54,040.3</td>
<td>24.5</td>
<td>9.1</td>
</tr>
<tr>
<td>TNK-BP</td>
<td>29,763.5</td>
<td>14.0</td>
<td>31,459.2</td>
<td>14.2</td>
<td>–5.4</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>27,010.1</td>
<td>12.7</td>
<td>25,554.7</td>
<td>11.6</td>
<td>5.7</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>23,823.2</td>
<td>11.2</td>
<td>27,886.6</td>
<td>12.6</td>
<td>–14.6</td>
</tr>
<tr>
<td>Tatneft</td>
<td>15,565.6</td>
<td>7.3</td>
<td>16,345.5</td>
<td>7.4</td>
<td>–4.8</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>12,751.4</td>
<td>6.0</td>
<td>14,594.1</td>
<td>6.6</td>
<td>–12.6</td>
</tr>
<tr>
<td>Other</td>
<td>44,355</td>
<td>20.9</td>
<td>43,922</td>
<td>19.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>212,210</td>
<td>100</td>
<td>220,822</td>
<td>100</td>
<td>–3.9</td>
</tr>
</tbody>
</table>

* Crude oil exported via Transneft
KEY PERFORMANCE INDICATORS IN 2011, BY SEGMENTS

GAZPROM NEFT TODAY IS A FAST GROWING BUSINESS & HAS SET ITSELF THE FOLLOWING GOALS:

- leadership in development of the northern territories of Yamal-Nenets Autonomous District;
- expansion of exploration and production business outside Russia;
- rational mineral resource use, focused on the depleting resource base in traditional production areas;
- improving the quality of petroleum products outputs and depth of refining at Company facilities;
- development of premium-grade product marketing channels under a powerful brand.
OIL PRODUCTION
RESERVES

For more than 11 years, the Company’s stock of reserves has been audited to the standards of PRMS-SPE and to the even more conservative standards of the US SEC (US Securities and Exchange Commission). Audits have covered all Gazprom Neft fields and evaluated 95 to 98% of reserves at Company fields in the Russian ABC category.

As reported by the independent petroleum appraisers, DeGolyer & MacNaughton, Gazprom Neft’s total reserves in ‘proven’ and ‘probable’ hydrocarbons categories as of December 31, 2011, to PRMS-SPE international standards (including the Company’s share in reserves of its associates, calculated by the share in equity) were 1,923 mn TOE (1,566 mn t of oil, 445 bn m3, and 14,198 mn bbl). (Company reserves were appraised by Miller & Lents in 2007 and 2006).

GEOLOGICAL EXPLORATION

During the reporting period, 25 prospecting and exploration wells were completed in license areas owned by Gazprom Neft and its fully controlled subsidiaries, of which 18 gave industrial hydrocarbon flows. Total exploration drilling in 2011 was 59,136 mn m (not including drilling for CJSC Science-Intensive Technologies Center), which is close to the level in 2010.

The success rate of exploration drilling was 58%, with output of 343 t of hydrocarbons per meter drilled, and a cost ratio of RUB 140/t.

Exploration drilling in 2011 discovered the Myginskoye oil field with 2 mn t of C1+C2 oil reserves, and the Ignialinskoye oil and gas condensate field with C1+C2 oil reserves of 40 mn t and 20 bn m3 of gas. There were 25 discoveries of new oil and gas deposits at the Yety-Purovskoye, Vyngapuryskoye, Priobskoye, Urmanskoye, Vakunayskoye and Tympuakhinskoye fields, with recoverable C1 oil reserves of 9.4 mn t, and 17.2 mn t of C2 reserves.

Overall growth of the Company’s oil reserves in industrial categories (Russian classification) during 2011 was 62.7 mn t. Most of the increment (42.4 mn t) was from additional exploration at fields already in development, and reappraisal following clarification of geological models and recovery rates, particularly at the Priobskoye, Vingayakhinskoye, Yety-Pur, Vingapuryskoye, Zimneye, Nizhne-Luginetskoye and Urmanskoye fields.

3D seismic survey work in Gazprom Neft’s license areas, and those areas of its subsidiaries, during the reporting period totaled 3,303 km2. A further 1,273 linear km of 2D seismic survey work was carried out.
Gazprom Neft closed a series of purchases of holdings in oil producers in 2011, as follows:

- 61.8% of CJSC Gazprom Neft Orenburg, bought from JSC Gazprom.
- 86.38% of JSC Yuzhuralneftegaz.
- 100% of CJSC Science-Intensive Technologies Center.

**LICENSING**

As of end December, 2011, Gazprom Neft and its subsidiaries had sub-soil usage rights at 75 license areas in 11 administrative regions of the Russian Federation. Outside Russia, the Company’s subsidiary NIS holds 66 permits (analogous to licenses) in Serbia and in Bosnia-Herzegovina.

These licenses give various rights: 16 licenses are for geological study of mineral areas during a period of five years, while 59 licenses allow exploration and production of hydrocarbons for periods between 20 and 50 years.

The sub-soil usage rights are held by 13 subsidiaries, but license management is carried by the following operators:
- JSC Gazprom Neft-Obyazanny
- LLC Gazprom Neft-Khantos
- LLC Gazprom Neft-Vostok
- JSC Magma
- LLC Gazprom Neft-Angara
- and CJSC Gazprom Neft Orenburg.

**Companies in which Gazprom Neft has an interest**

- JSC NGK Slavneft
- JSC Tomskneft
- VNK, Messoyakhaneftegas, Salym Petroleum Development and Sever Energiya

These companies in which Gazprom Neft has an interest finished construction of 26 exploration wells and drilling progress in 2011 amounted to 63,455 running m. Nine new deposits were discovered. Category C1 oil reserves increased by 53.6 mn t. Gazprom Neft’s share in the increased reserves amounted to 25.6 mn t.

**Changes in Proven Hydrocarbon Reserves Under PRMS-SPE Classification, mn TOE**

* Changes in the Group include reserves owned by Gazprom Neft Orenburg, and the Tsarichanskoie and Kapitonovskoe fields.

**Source:** INFOTEK

In 2011, 18 out of the 72 geological targets tested gave industrial flows of oil, condensate and gas; 17 gave non-industrial flows; 6 targets gave no flows; and the remaining 31 gave flows of formation water, or formation water with minor quantities of crude oil.

In 2011, Gazprom Neft and its subsidiaries spent RUB 6,707 bn on geological survey work (143% of the sum spent in 2010).

Gazprom Neft increased C1 recoverable hydrocarbon reserves of JSC Magma Oil Company and NIS by 2.8 mn t in 2011, including 1.7 mn t for NIS. In the Tsarichansky license area in Orenburg Region category C1 reserves increased by 0.895 mn t.

Companies in which Gazprom Neft has an interest (JSC NGK Slavneft, JSC Tomskneft VNK, Messoyakhaneftegas, Salym Petroleum Development and Sever Energiya) finished construction of 26 exploration wells and drilling progress in 2011 amounted to 63,455 running m. Nine new deposits were discovered. Category C1 oil reserves increased by 53.6 mn t. Gazprom Neft’s share in the increased reserves amounted to 25.6 mn t.

During the year, 3D seismic survey works in the license areas of the above-mentioned companies totaled 2,407 km² while 398 linear km of 2D seismic survey work was completed. These companies spent 7,399 bn RUB on geological exploration works in 2011.
In 2011, the Licensing Panel of the Federal Sub-soil Agency (Rosnedra) considered and approved amendments to 13 sub-soil licenses held by the Company: terms of the licenses were extended for 10 areas, and updated for 3 areas.

JSC Slavneft and its subsidiaries hold licenses for prospecting, exploration and extraction of oil and gas at 31 license areas in Western Siberia and Krasnoyarsk Territory.

JSC Tomskneft holds 33 licenses for development of more than 40 oil and gas fields in Tomsk Region and Khanty-Mansiysk Autonomous District (KhMAD). The licenses were reassigned to JSC Tomskneft in 2009.

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

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

LLC SeverEnergia, which comprises JSC Arktikgaz, CJSC Urengoy Inc., CJSC Arkticheskaia Gazovaya Kompania and LLC Neftegaztechnologies, holds two licenses for geological study, exploration and production of hydrocarbons, and two licenses for exploration and production of hydrocarbons. All of these license areas are in YaNAD (Samburgsky, Evo-Yakhinsky, Yaro-Yakhinsky and North-Chaselsky areas).

MEDIUM-TERM GOALS & OBJECTIVES FOR EXPLORATION DRILLING 2012 TO 2014

OIL & GAS EXPLORATION & PRODUCTION BLOCK

<table>
<thead>
<tr>
<th>RESOURCE BASE</th>
<th>CURRENT ASSETS</th>
<th>GAS BUSINESS</th>
<th>NEW PROJECTS</th>
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<tbody>
<tr>
<td>• Raise efficiency of geological studies;</td>
<td>• Stabilising production levels at</td>
<td>• Implement a portfolio of projects that ensure achievement of 95% gas</td>
<td>• Begin development of large fields in Russia: Messoyakha cluster, Novoportovskoye, SeverEnergii fields, and fields outside Russia (Badra and Junin);</td>
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<tr>
<td>• Implement geological study projects (Chonsky and Kuyumbinsky projects, Equatorial Guinea, Cuba);</td>
<td>current assets;</td>
<td>utilization at all assets;</td>
<td>• Integrate the Orenburg assets;</td>
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<tr>
<td>• New prospective license areas in strategic regions (Yamal, Gydan).</td>
<td>• Efficiency of secondary and</td>
<td>• Expand FCF in gas business;</td>
<td>• Access to other Gazprom oil assets.</td>
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<td>tertiary production;</td>
<td>• Lobby for legislative changes related to associated gas;</td>
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<td>• Optimizing systems for increase</td>
<td>• Optimize the investment portfolio for associated gas projects, subject to changes in legislation.</td>
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<td>of strata pressure to slow down</td>
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<td>output declines;</td>
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<td>• Ensuring that oil production FCF</td>
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<td>is at least zero in 2012 for 100%</td>
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<td>of all subsidiaries and associates;</td>
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<td>• Optimize operating costs to</td>
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<td>achieve average/best industry</td>
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<td>• Compare best practises in capital</td>
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<td>investment and set targets for</td>
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<td>based on results of the analysis.</td>
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Source: Company data
CJSC Gazprom Neft Orenburg holds a license for development and production of hydrocarbons in the eastern section of the Orenburg oil and gas condensate field in Orenburg Region. JSC Yuzhuralneftegaz holds a license at the Kapitonovskoye field. CJSC Science-Intensive Technologies Center holds a license for exploration and production of hydrocarbons at the Tsarichanskoye field, and a geological study license at the Tsarichanskoye prospecting area.

**PRODUCTION OF HYDROCARBONS**

Gazprom Neft is engaged in exploration, development and production of oil and gas in Russia and in non-CIS countries.

**FIELD DEVELOPMENT AND CRUDE OIL PRODUCTION**

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

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

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

In addition to its own production, Gazprom Neft includes production by three associates (in which the Company has 50% interest) proportionally to its equity share: JSC Slavneft, JSC Tomskneft and Salym Petroleum Development (SPD).

Company fields in YaNAD with the largest reserves of hydrocarbons are: Sugmutskoye, Sutorminskoye, Vyngapurovskoye, Sporyshevskoye and Muravlenkovskoye. The Company’s share of production at these fields in 2011 represented 33.4% of its total crude oil production (not including output by consolidated entities). These fields are operated by the oil and gas production units JSC Gazprom Neft-Noyabrskneftegaz, its subsidiary LLC Zapoliarny, its subsidiary LLC Zapoliarny (holder of the development license at the Vingapursoy, Yaraynerskoye, and Novogodnenskoye fields), and the Muravlenkovskoye branch of JSC Gazprom Neft-Noyabrskneftegaz.

Gazprom Neft’s largest field as defined by hydrocarbon reserves in KhMAD is Priobskoye, where the development license is held by the subsidiary LLC Sibneft-Yugra and the field operator is LLC Gazprom Neft-Khantos.

The north-eastern section of the Palyanovskaya area of the Krasnoilenskoye field is also located in KhMAD, as are a cluster of license areas that the Company bought in early 2005 (Salym-2, Salym-3 and Salym-5), and the Zimnene field in Tyumen Region. LLC Gazprom Neft-Khantos was the winner of an auction in 2008 which gave rights to the section of the Zimnene field located in KhMAD.

Total output by LLC Gazprom Neft-Khantos in 2011 was 10,849,000 t, which is 10.6% more than in 2010, and 3.2% more than was targeted in the 2011 business plan.

One of the Company’s largest and most promising oil fields is Priobskoye (LLC Gazprom Neft-Khantos), where production growth rates are higher than at any other Company field. Development of Priobskoye began in 2004 and the field produced more than 23% of Gazprom Neft’s total output by 2008, rising to 33.3% of total crude oil production from the Company’s own fields by 2011. Priobskoye is a key asset and will play a strategic role in the Company’s future growth.

As regards the Company’s current core projects, it is important to note that Gazprom Neft has entered Orenburg Region, where a new production center is taking shape. We expect that output of 5 mn TOE can be achieved within five years of the initial asset purchase.

VADIM YAKOVLEV
First Deputy CEO
A total of 513 secondary and tertiary recovery measures were carried out by LLC Gazprom Neft-Khantos in 2011, resulting in 2,118,000 t of additional crude oil production. LLC Gazprom Neft-Khantos achieved this strong performance because it exceeded its target for new well commissioning by 5% (392 new wells were brought into operation) and as a result of efficient organization of the formation pressure system.

A cluster of fields in Omsk and Tomsk Region represent another new production center. Oil production operations at the Krapivinskoie field in Omsk Region, and at the Archinskoye, Shinginskoye and Urmanskoie fields in Tomsk Region are carried out by LLC Gazprom Neft-Vostok.

The Luginetskiie field cluster, purchased in 2010, has created a new production node, which gives year-on-year increments of oil production. Most of these reserves are at an early stage of development, offering much potential for future production growth.

Since the Company operates in more complicated geological and geographical conditions than the average for the industry, Gazprom Neft’s main operational focus in mature fields is cost management and operating efficiency. Factors such as producer price inflation, ruble-to-dollar exchange rates and natural monopoly tariffs are beyond our control. But these factors can be largely mitigated by a three-pronged approach: implementing energy efficiency; optimizing spending on workovers, repairs and maintenance; and optimizing transportation costs.

VADIM YAKOVLEV
First Deputy CEO
Gazprom Neft’s overseas business NIS, based in Serbia, increased oil output by 16.7% in 2011 to 1,133,000 t from 971,000 t in 2010.

Gazprom Neft maintained its position among Russian leaders as measured by levels of oil and gas output in 2011.

Gazprom Neft’s consolidated crude oil production in 2011 was 49,968 mn t of oil, which is 0.7% more than in 2010 and also 0.7% ahead of the business plan for 2011.

GAZ FIELD DEVELOPMENT & PRODUCTION

Gazprom Neft is rapidly developing its gas business by targeting commercialization of natural gas reserves at oil fields and achieving maximum value in this business segment.

Gazprom Neft’s gas production program envisages rapid growth of gas production in Russia. The target is to raise production/use of gas from 9.1 bn m³ in 2011 to 13 bn m³ by 2014.

In 2011, total production/use of gas by Gazprom Neft (including the share in production by joint ventures) was 9,067 mn m³ (0.88 mn feet³/day). Supplies of marketable gas (minus consumption for own needs, injection into strata, and transportation losses) were 8,544.5 mn m³ (0.663 mn feet³/day).

Production of natural gas amounted to 4,917.4 mn m³, including 4,849.1 mn m³ of marketable gas (21% more than in 2010). Supplies of marketable natural gas rose by 4.8 times, reflecting the launch of natural gas production at the Muravlenkovskoye and Novogodnye fields in Q4 2010.

These growth rates were mainly due to natural gas production projects implemented at the Muravlenkovskoye and Novogodnye fields, and to projects for utilization of associated gas.

In 2011, JSC Gazprom Neft-Noyabrskneftegaz and its branch, Muravlenkovskneftegaz, began implementation of the Noyabrsk Integrated Project (NIP) in their respective territories to boost the use of associated oil gas; the product envisages synchronised expansion of existing gas transportation capacity at Company subsidiaries, and expansion of adjacent gas refining capacity owned by CJSC Sibur Holding. Project implementation will enable utilization of additional 1.0-1.2 bn m³ of gas per year.

A gas pipeline connecting the Severo-Yanginskoye field and Muravlenkovskoye gas refinery has been built and is ready for operation. As a result, gas utilization will increase by 20 mn m³ in 2012.

In December 2011, LLC Gazprom Neft-Vostok completed construction of a 35 km gas pipeline with a diameter of 300 mm to carry associated gas from the Shinginskoye field to the Luginetkskaya Compressor Station. The pipeline is capable of supplying up to 55 mn m³ of gas per year.

In 2010, a project was approved for utilization of associated gas at the southern license area of the Priobskoye field (operated by LLC Gazprom Neft-Khantos). The parity project with CJSC Sibur Holding envisages supply of associated gas to the Yuzhno-Baliksky Gas Treatment Plant. Work carried out in 2011 includes construction of 83 km of a planned 100 km of gas pipelines for the associated gas collection system; completion of a project survey; procurement of compressor equipment for the Vacuum Compressor Station (2 MW total capacity), and the start of installation. Project documents were prepared, and permits obtained to build the Yuzhno-Priobskoye Compressor Station (500-600 mn m³/year, 80 atmospheres) and a gas pipeline to transport associated gas (62 km, 300 mm diameter). Construction work on the Compressor Station is in progress, and construction of the gas pipeline began last December. The launch of the entire complex (four units) is scheduled in 4Q 2012.

JSC Tomskneft VNK produced 1.456 bn m³, with Gazprom Neft’s share amounting to 0.728 bn m³ of gas.

JSC Slavneft produced 0.844 bn m³, with Gazprom Neft’s share amounting to 0.422 bn m³ of gas.

The total utilization rate for associated oil gas (joint venture operations included) in 2011 was 64.7%, compared with 60.4% in 2010. This improvement reflects investment projects for transportation and utilization of associated oil gas (progress in the Noyabrsk and Tomsk integrated projects) as well as expansion of processing capacity by Company partners.
Development of small gas deposits in fields where Gazprom Neft has production operations will contribute to higher economic efficiency of reserve use by the Company, helping to raise annual hydrocarbon output to 100 mn TOE, in line with the Company’s Development Strategy up to 2020.

The Company has a program for associated oil gas utilization in 2012-2014, which it approved in 2011; the program includes a project portfolio that will ensure achievement of the target utilization rate of 95% at all of the Company’s key assets, except remote fields with inherently negative economics, where the issue of associated gas utilization will be resolved through Government regulation.

TOTAL PRODUCTION OF HYDROCARBONS

Total production by Gazprom Neft rose by 8.4% in 2011 to 57.3 mn TOE. Oil-equivalent production growth was achieved thanks to newly purchased production assets (CJSC Gazprom Neft Orenburg, LLC Center of Science Intensive Technologies, JSC Yuzhuralneftegaz), and production of free gas deposits at the Muravlenkovskoye and Novogodneye fields. Total production growth due to newly purchased assets was 0.4 mn TOE.

In 2011, Gazprom Neft became the leader in hydrocarbon production among Russian oil producers. Outperformance compared with targets was due to commissioning of new wells and use of EOR techniques to boost production.

Company subsidiaries carried out a total of 1,331 secondary and tertiary recovery actions in 2011, which is 8.3% more than envisaged by the 2011 business plan; additional crude oil production due to these actions was 4,852 mn t.

Without including activities of associate companies in 2011, Gazprom Neft commissioned 735 wells. This increase in new well numbers reflects expansion of the production drilling program to 2,254,000 m (476,500 m more than envisaged in the business plan), and is also due to an 8% increase (in speed and drilling distance) achieved by drilling brigades. By the end of 2011, the number of Company production wells (not including associates) had risen by 234 to a total of 7,099 wells.

The drilling plan in 2012 is for 642 new wells with a target yield of 29.3 t/day. Most of the drilling is to be carried out at the Priobskoye, Vyngapurskoye, Vyngayakhskoye, Sugmutskoye, Zimmneye, Shinginskoye, Nizhne-Luginetskoye, Umseyskoye and Yety-Purskoye fields.

Rates of growth of hydrocarbon output in coming years should remain at 4% to 5%.

This performance is to be achieved by phased commissioning of explored oil fields belonging to Gazprom Neft, JSC Slavneft and JSC Tomskneft VNK, as well as commissioning of fields in Yamal and Orenburg, and expansion of the resource base through commissioning of oil fields on the balance sheets of other Group companies.

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

Plans for 2013 to 2015 include further projects to bring 60 mn t of hard-to-recover reserves into production. More than 250 mn t of hard-to-recover deposits will be included in a program for production in test mode. According to preliminary conservative estimates, Gazprom Neft will raise production of hydrocarbons by 4.1% to 59.6 mn TOE in 2012.

The target production profile for 2012 includes:

- development of existing Gazprom Neft assets: JSC Gazprom Neft-Khantos; JSC Gazprom Neft-Noyabrskneftegaz; and JSC Gazprom Neft-Vostok; with acquisition of licenses that have not yet been allocated by the Russian Government;
- shares of production in joint ventures with JSC Slavneft (50% JV with TNK-BP) and JSC Tomskneft VNK (50% JV with JSC NK Rosneft);
The following key steps were taken in 2011 to further the Badra project:

- The preliminary plan for field development was prepared and approved;
- Landmines were cleared from an area of 14,878,173 m² (16,209 mines and munitions were detected and removed);
- HSE and fire safety measures included participation in sessions of HAZID, HAZOP, SIL, ENVID at the FEED stage; environmental monitoring has been organized at the fields;
- Geology activities included 3D seismic exploration in an area of 164.5 km² (all data processing and interpretation was completed by October 31, 2011);
- Schlumberger Middle East S.A. won the drilling tender on June 9, 2011; the drilling contract was signed on July 11, 2011; the drilling contractor was mobilized on September 10, 2011; and drilling of the first well (Bd-5) began on November 24, 2011;
- Work started on September 10, 2011 to prepare a site for construction of the central oil collection point; 27 km of service roads and seven drilling platforms were built during the reporting year; and the first stage of a field base camp was completed in September 2011;
- 104 field workers had been hired by the end of 2011.

The Badra field lies in the province of Wasit, in eastern Iraq, bordering Iran’s Azar field. Initial estimates suggest that recoverable reserves at Badra may exceed 3 bn barrels of crude oil.

This Middle East project in the first large-scale foreign endeavour for Gazprom Neft. Development of the Badra field is expected to last 20 years, and may be extended for a further five years. It is expected that peak production of about 170,000 bbl per day will be reached in 2017.

Under the contract, Gazprom Neft will receive USD 5.5 for each extracted barrel of crude oil (or quantity of crude that is equivalent to the price) after the project achieves an initial production level of 15,000 bbl per day. This is expected to occur in 2013, and peak production rates should be achieved in 2017.
According to the signed documents, the shares of the participants during the survey phase will be: 80% for Gazprom Neft, and 20% for GEPetrol. Gazprom Neft is the project operator and assumes financial obligations to pay bonuses to the national government, obtain geological and engineering information, and implement the necessary exploration program in its entirety.

In early 2011, Gazprom Neft carried out 3D seismic work at Block T and began interpreting geological information from both blocks (T and U). The Company believes that recoverable resources of crude oil at the two blocks may total 110 mn t. Drilling of the first exploration well at each block should go ahead two years after the agreement takes effect. The production period is 30 years for oil, and 35 years for gas.

The Equatorial Guinea project will significantly enhance the Company's experience of offshore production, improve its offshore project management skills, and establish a future production centre in West Africa.

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

The agreement stipulates that Gazprom Neft is to receive 30% of the project, while reimbursing Petronas for part of the costs incurred and participating in financing of current activities on a pro rata basis.

Gazprom Neft's Board of Directors discussed possible involvement in Cuban offshore development in early October 2010. The Board took a favorable view of development prospects in the region. The agreement will come into effect after approval by relevant authorities in the Republic of Cuba.

Petronas and the Cuban government signed a production sharing agreement for blocks nos. 44, 45, 50, and 51 in the Gulf of Mexico in 2007. Petronas remained the sole participant until it was joined by Gazprom Neft. Under the agreement, exploration will be carried out at four sites, and subsequent production could last until 2037 for crude oil and 2042 for gas. Recoverable reserves at the blocks are estimated at 450 mn t.

Initial 2D seismic survey work has been carried out under the current agreement and drilling of the first exploration well is planned for 2012. The partners will decide on further actions based on results of the exploration drilling.

Implementation of the project will help Gazprom Neft to expand its operating geography and strengthen its position in the international market. Gaining experience in offshore projects will assist the Company's further growth, helping it to establish business in new regions and carry out strategic plans for increasing production abroad.

EQUATORIAL GUINEA
In June 2011, in the presence of the President of Russia Dmitry Medvedev and the President of Equatorial Guinea N. Mbasogo, Gazprom Neft and the National Oil Company, Guinea Equatorial de Petroleos (GEPetrol) signed an agreement to jointly explore oil reserves at two prospective offshore blocks on the continental shelf of Equatorial Guinea.

2 The first production sharing agreement was signed in June of 2010 with the Ministry of Mining, Industry and Energy of Equatorial Guinea, and the National Oil Company, Guinea Equatorial de Petroleos (GEPetrol). The Agreement provides for exploration of two prospective offshore blocks — Block T (located in the Niger River estuary) and Block U (in the Rio-Muni River basin).
Results from the drilling of pilot wells will give us a better understanding of the field’s geological structure, allow preparation of the final development plan and enable commercial production of at least 15,000 barrels of petroleum per day to begin from August 2013.

VADIM YAKOVLEV
First Deputy CEO

VENEZUELA

In June 2009, Gazprom Neft purchased 20% of the National Oil Consortium (NOC), an entity created by five large Russian oil companies for the purpose of oil production projects in Latin America. The companies are: Gazprom Neft, JSC Rosneft, JSC LUKOIL, JSC TNK-BP, and JSC Surgutneftegaz.

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

Under the treaty, in spring of 2010, NOC and Corporation Venezolana del Petroleo (CVP), a subsidiary of the Venezuelan government-owned oil company (PDVSA), established a joint venture, Petróleos de Venezuela S.A. (PetroMiranda), for additional exploration and development of the Junin-6 heavy-oil field in the basin of the River Orinoco in Venezuela.

Recoverable resources at Junin-6 are estimated at 10.96 bn bbl over an area of 447.85 km². 14 wells have been drilled at the Junin-6 territory in the past.

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

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

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

The project leader functions as technical expert on the project and issues directives to the Directors of the joint venture (on the Russian side) regarding implementation of the project. The leader's responsibilities include preparation of a final investment decision regarding further development of the Junin-6 field (based on results obtained from the additional exploration). This decision must be made in 2013.

The following steps were taken in 2011 to progress the Junin-6 project:

**Production**
- A social and environmental audit of the block was completed;
- 30 permits for well construction were obtained from Venezuelan government agencies;
- Access roads and bridges were built to connect the sites of stratigraphic wells;
- Two cluster sites were built: J6-12 and J6-04;
- Well SDZ-271 was reactivated.

**Design and field work**
- Design of an upgrader was completed;
- Work continued on design of surface facilities at the field;
- A project was prepared to enable a rapid early-oil stage before completion of phase I;
- Work continued on land surveying and mapping to build cluster sites and access roads;
- Orders for equipment are being placed and contracts signed as part of the geological survey program for the block and design of surface facilities.

**Objectives and deliverables expected in 2012:**
- Drilling of stratigraphical and test wells; acquisition of information to update the geological and hydrodynamic models; selecting optimal development regimes;
- Launching the early-oil project and producing the first crude oil;
- Preparing the development project;
- Design of block construction and design of the upgrader (Pre-FEED).
The Company’s strategic goals in the refining sector are: raising annual refining in Russia to 38-40 mn t; increasing annual petroleum refining capacity in Europe to 25-30 mn t; making products that meet the Russian Government’s Technical Regulations for fuel quality (Classes 4 and 5); achieving refining depth of 90-95%, and raising the share of light petroleum product output to 77%. Company refineries must also achieve international technology standards, including standards that regulate environmental protection and safety.

Since 2009, the Company has had a program to upgrade and retrofit refining capacity and to build new units. The Omsk Refinery and Yaroslavnefteorgsintez (YaNOS) retrofitted hydrotreatment units for diesel fuel, and in 2010 YaNOS built a new unit for primary refining of crude oil. The Omsk Refinery has also built Russia’s largest isomerization plant instead of the previous one: Isomalk-2. And the Moscow Refinery began retrofitting activities in 2010.

A large-scale upgrade program is now underway at the Omsk, Moscow and Yaroslavl Refineries. The program is designed to improve environmental characteristics of fuels, achieve much deeper refining, and to expand the volume and range of products (high-octane gasoline, diesel fuels, aromatic hydrocarbons, coke, modern bituminous materials and petrochemical products).

In 2011, the Omsk Refinery concluded the first stage of retrofitting of a KT-1/1 catalytic cracking complex. The project will increase production of automotive gasoline and ensure deeper refining of crude oil. Work on new hydrotreatment equipment for catalytic cracking gasoline and diesel fuel also continued, and design work was carried out for a project to build deep refining facilities. Production of bituminous polymer materials was launched at the Omsk Refinery in the reporting year.

Projects in hand at the Moscow Refinery in 2011 included construction of an isomerization unit and equipment for hydrotreatment of catalytic cracking gasoline, as well as retrofitting of the hydrotreatment unit for diesel fuel.

JSC Slavneft-YaNOS completed construction of isomerization and hydrotreatment units for catalytic cracking gasoline. The projects will increase output of high-octane gasoline in a manner that complies with the Technical Regulations.

Gazprom Neft remained among Russia’s leaders as measured by rates of growth of crude oil refining volumes in 2011. The Company increased refining volumes by 6.8% in the reporting year, from 37.9 to 40.5 mn t of oil.

Growth of refining volumes was mainly due to reduction of volumes of external oil refining at the Moscow Refinery.

The Company’s chief refining assets are Omsk Refinery and Moscow Refinery (share in refining – 100%).

In 2011, the Company continued to successfully address two interrelated objectives: increasing refining efficiency and improving the quality of petroleum products.

ANATOLY CHERNER
Deputy CEO Logistics, refining and sales
Moscow Refinery

The Moscow Refinery is a leader in production of high-octane gasoline and diesel fuels, and covers about 40% of the petroleum products needs of the city of Moscow and the surrounding Region.

The refinery’s main products are automotive fuel, diesel fuel, rocket oil, liquefied hydrocarbon gas and road bitumen. Light petroleum products comprise 56.5% of output.

The Moscow Refinery’s installed annual capacity is 12.15 mn t of crude oil. Refining volumes in 2011 were 10.8 mn t, 21% more than in 2010.

Primary refining capacity at the Moscow Refinery was 88.9% loaded in 2011. Refining depth was 72.28% and irretrievable losses during refining were reduced to 0.74% in the reporting year.

The refinery has switched to a two-year maintenance cycle, so that 2011 was comparable with 2009 in terms of the amount of time production equipment was in use. The refinery overhauled units that are part of its ‘smaller production circle’ in November and December 2011.

Output of light petroleum products was 56.6% of total output, or 6.114 mn t in the reporting year. The Refinery produced 2.368 mn t of gasoline, including 2.201 mn t of high-octane AI-95 and AI-92 fuel. The share of high-octane brands in automotive gasoline output increased compared with 2009 by 4.4% to 93.0%.

Other outputs in 2011 were 2.672 mn t of diesel fuel, 649,000 of jet fuel, 960,000 t of bitumen, and 2.837 mn t of marketable fuel oil.

Omsk Refinery

The Omsk Refinery is one of the most up-to-date oil refineries in Russia, and one of the world’s largest with annual installed capacity 21.07 mn t of crude oil. The refinery retained its leadership in Russia in 2011 as measured by output of light petroleum products and aromatic hydrocarbons. Crude oil refining at Omsk in 2011 totaled 19.949 mn t. Primary refining capacities were 94.7% loaded, and refining depth was 84.05%.

The plant’s main product types are automotive gasoline, diesel fuel, construction and road bitumen, boiler fuel (fuel oil), aviation jet fuel, and also a whole range of aromatic hydrocarbons, liquefied hydrocarbon gases, various lubricant oils, road bitumen, additives, catalysts and others. Light petroleum products comprise 64.2% of output.

Upgrading of equipment on the L-24/7 unit for hydrotreatment of diesel fuels facilitated a deparaffinization process so that winter diesel can be produced from summer fuel. Thanks to this technology, the plant can now make more than 32,000 t of additional winter diesel fuel per month during the peak demand period.

The Omsk Refinery also implemented a number of projects in 2011 to improve industrial and environmental safety, including modernization of the nitrogen-oxygen plant, construction of a new plant for dark petroleum products, construction of a complex for bitumen and coke production, as well as facilities to produce liquefied hydrocarbon gas, sulfuric acid and alkali, and retrofitting of a drainage system for treatment facilities.

The Refinery’s G-43-6 unit was adapted to make biceolyte catalysts for catalytic cracking: these components are used to manufacture high-octane gasoline in environmental classes 4 and 5. At present, the Omsk Refinery is Russia’s only producer of catalysts for catalytic cracking.

The Omsk Refinery was a prizewinner once again in 2011 in the ‘Russia’s 100 Best Products’ competition, winning diplomas for its Premium Euro-95 automotive gasoline, high-purity petroleum paraxylene and orthoxylene. There were also winning products from Omsk in the category ‘Products for Industrial Manufacturing’, namely catalytic gas oil, aviation jet fuel and Regular Euro-92 unleaded automotive gasoline.

OIL REFINING AND PETROLEUM PRODUCT OUTPUT BY GAZPROM NEFT OMSK REFINERY, mn t

<table>
<thead>
<tr>
<th>MARKETABLE PRODUCTS OUTPUT</th>
<th>CRUDE OIL REFINING</th>
</tr>
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Source: Company data

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Like other Gazprom Neft refineries, YaNOS has launched a production upgrade program to raise the quality of its petroleum products to Euro-4 and Euro-5 standards and to achieve greater refining depth.

The Refinery has commissioned a hydrotreatment facility for catalytic cracking gasoline with an annual capacity of 800,000 t. The facility reduces sulfur content in gasoline while preserving its high octane number. The cost of the project was RUB 5.22 bn and it represents a stage in the program to upgrade and retrofit Slavneft-YaNOS. The refinery also completed construction of Isomalk-2 – an isomerization plant for С5-С6 gasoline fractions – during 2011. Once commissioned, the plant will raise output of high-octane gasoline from 2.086 mn t in 2011 to 2.48 mn t in 2012.

Starting from January 1, 2012, all automotive gasoline made by YaNOS complies with the environmental standards of Euro-4 or higher.

Slavneft-YaNOS
JSC Slavneft-Yaroslavlnefte-orgsintez (Slavneft-YaNOS) is a producer of fuel and lubricants with a deep oil refining system (installed annual capacity is 15.2 mn t). YaNOS ranks fifth among Russian refineries by primary refining volume and makes a wide range of petroleum products, from high-octane gasoline to high-quality bitumen (more than 100 items in total). Refining depth in 2011 was 65.6%, and light petroleum products were 56.4% of output. YaNOS’s customers include most major corporations in Russia’s central and northwestern regions, as well as airports, the Northern Railway Company and the armed forces.

As a shareholder of JSC Slavneft Oil Company, Gazprom Neft has proportionate access to the refining capacity of JSC YaNOS.

In 2011, primary refining by YaNOS was 14.774 mn t, and the Gazprom Neft share was 7.387 mn t (50%).

The Moscow Refinery was integrated into Gazprom Neft Group during 2011. Non-core industrial processes were outsourced in 2011, which considerably reduced the costs of oil refining and helped the business to focus on key projects.

The refinery is now implementing the first stage of a retrofit and upgrade program, which will raise product quality. The program should last until the end of 2020.

The plant sells most of its products on markets in Moscow and the Moscow Region.
In addition to sales to markets in Serbia, NIS exports motor fuels, benzene, toluene as well as road and construction bitumen to EU member states, Ukraine, Croatia, Montenegro and Bosnia-Herzegovina.

The Panchevo Refinery began construction of a complex for light hydraulic cracking and hydrotreatment in 2010 as part of a program to upgrade NIS refining capacity. The complex will help the Panchevo Refinery to increase refining volumes to the maximum load, providing sufficient output to cover the needs of the Serbian market and export fuels to other Balkan countries. Gazprom Neft is obliged to finance the NIS upgrade program, which is worth € 540 mn, by the terms of an agreement with the Serbian government.

The work includes construction of a hydrogen plant, upgrade and construction of infrastructure facilities, and a number of environmental projects. Construction of the hydraulic cracking complex alone will cost € 396 mn. The complex is scheduled to begin operations in the third quarter of 2012.

The two NIS refineries refined a total 2.359 mn t of crude oil in 2011 (not including commission refining for third parties), which is 17% less than the last year indicators. This decrease is attributable to planned repairs at Panchevo Refinery.

Successful implementation of Gazprom Neft’s petroleum refining and marketing strategy will enable the Company to increase its total refining to 70 mn t of oil by 2020, and maintain its current production-to-refining ratio.

The Company intends to focus on refining development priorities, which include greater efficiency in domestic refining and increase of refining capacity in Europe.

The objectives of current work by the Company to develop its refining business are as follows:
• increase refining capacity proportionally to planned production growth;
• increased depth of crude oil refining;
• raise the quality of engine fuels;
• meet market demand for petroleum products;
• achieve technical and technological efficiency in production;
• establish a process management system matching global standards.
SALES OF PETROLEUM PRODUCTS
SALES OF PETROLEUM PRODUCTS

On November 18, 2009, the Company’s Board of Directors approved a marketing strategy for petroleum product sales in Russian and CIS markets up to 2020. The strategy sets ambitious marketing goals which can be summarised under three headings: business upscaling, brand development, and increase of business efficiency.

PETROLEUM PRODUCT OUTPUTS

In 2011, Gazprom Neft increased its output of petroleum products by 7.6% to 38.3 mn t. This growth was achieved through increased crude oil refining volumes, supported by expansion of the retail network, shorter periods between maintenance at the Omsk Refinery, and consolidation of the volumes of external refining of oil at Moscow Refinery.

Upgrade programs at the Company’s refineries and product range optimization increased output of automotive gasoline by 11.7%, high-quality jet fuel by 5.6%, and Euro-4 and Euro-5 diesel fuel by 2.6 times in 2011.

Implementation of strategy targets for petroleum product sales will place Gazprom Neft among the top three largest vertically integrated oil companies in Russia and the CIS by retail sales in 2020.

Gazprom Neft already owns one of the most extensive retail networks in Russia and the Company secured its positions in the retail fuel market in 2011.

The Company sells petroleum products in Russia and the former Soviet Union mainly through 15 subsidiaries specialised in wholesale and retail marketing of petroleum products.

Sales of petroleum products in the domestic market grew by 18.3% in 2011 compared to 2010 and reached 24.29 mn t.

As of December 31, 2011 the Company’s marketing subsidiaries added 74 new premises to their network of 1,670 filling stations in 2011, of which 1,245 are in Russia and the CIS. Average sales per filling station in Russia rose by 40% to 14.2 t per day.

Small wholese business grew by 70% across the network to reach 7.9 mn t, wholesale (transit) business declined by 55.87% to 1.283 mn t as volumes were reallocated to higher-margin small wholesale channels.

EXPANSION OF FILLING STATION CHAINS, REACHING OUT TO NEW REGIONS

14 regions (at outset)
27 regions (2011)
36 regions (2020) (estimate)

Source: Company data
GAS MOTOR FUELS (LPG, CNG)

Our Petroleum Product Strategy puts particular emphasis on boosting sales of the two main gas motor fuels, which are liquefied petroleum gas (LPG) and compressed natural gas (CNG).

At present LPG and CNG represent less than 4% of total motor fuel sales by Gazprom Neft. LPG has proved more popular as a motor fuel, accounting for 3.3% of total sales, while the share of CNG is only 0.3%.

Sales forecasts show LPG sales continuing to grow at approximately the same rate until 2020, while the share of CNG in fuel sales is expected to rise from 0.3% to about 2.2%.

Gazprom Neft was offering fuel gas at 131 multi-fuel filling stations by the end of 2011. Retail sales of LPG during the year exceeded 90,000 t.

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

Supplies of liquefied gas for the retail network will come from the Company’s own refineries (in Omsk, Moscow, and Yaroslavl), from Gazprom’s gas-processing plants (in Astrakhan, Orenburg, and Surgut), and from SIBUR.

CNG motor fuel infrastructure in Russia is currently rudimentary at present. In 2011, there were 226 automotive natural gas stations in Russia and they were operating at just 17% of capacity on average. Most automotive natural gas stations are run-down and obsolete (their intended service life is 30 years). About 100,000 vehicles in Russia (0.3% of all vehicles) run on natural gas and most have been modified to do so, although some vehicles are specially manufactured in Russia to use natural gas. (Information from the Russian Ministry of Energy, Russian Automotive Manufacturers Association and Gazprom Neft analysis).

LPG SALES VOLUMES IN 2011–2020 (PLAN)

<table>
<thead>
<tr>
<th>LPG Sales Volume</th>
<th>Number of Fuel Gas Filling Stations</th>
</tr>
</thead>
<tbody>
<tr>
<td>90,000 t</td>
<td>131 stations</td>
</tr>
</tbody>
</table>

Source: Company data

RETAIL PROJECT IMPLEMENTATION

(as part of the Gazprom Neft Petroleum Product Sales Strategy on Russian and CIS Markets up to 2020)

<table>
<thead>
<tr>
<th>No.</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>We now have a business presence in 27 regions and have increased the number of filling stations in Russia and the CIS to 1,245, all of which carry the retail brand Gazprom Neft. According to an online poll by Romir Research Holdings in 2011, Gazprom Neft filling stations were among the three best-known brands in Russia.</td>
</tr>
<tr>
<td>2</td>
<td>A unique loyalty program for individual customers – ‘We’re Going the Same Way’ – was designed and introduced at filling stations and is now available wherever the Company has a retail presence in Russia. Nearly 2 mn people had joined the program by the end of 2011, proving its attractiveness to customers and benefit to the Company.</td>
</tr>
<tr>
<td>3</td>
<td>We have begun sales of premium-class motor fuel under the G-Drive brand. G-Drive gasoline accounted for 19% of AI-95 gasoline sales in 2011 at stations where it was available. Pilot sales of G-Diesel began at the end of 2011.</td>
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<tr>
<td>4</td>
<td>A non-cash payment system was created and implemented for corporate clients and helped to raise sales to corporate clients to 1.8 mn t in 2011, with more than 40,000 corporate contracts signed.</td>
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<tr>
<td>5</td>
<td>Standardization of filling-station design reduced planning and construction time per station from 12 to 8 months.</td>
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<tr>
<td>6</td>
<td>Rapid development of non-fuel goods and services at filling stations boosted sales to RUB 4.9 bn in 2011. Trading space in filling stations increased in the period to 32,100 m², and sales per m² rose to RUB 153,000. All outlets adopt a uniform product range.</td>
</tr>
<tr>
<td>7</td>
<td>Operating standards for filling stations and a compliance monitoring system were put in place (in the form of a Manual of Work Rules for Gazprom Neft Filling-Station Personnel and a Quality Control Manual for Filling Stations).</td>
</tr>
</tbody>
</table>

SHARE OF MOTOR FUEL CONSUMPTION

4.0% LPG & CNG

Source: Company data
The main obstacles to development of CNG as a motor fuel in Russia are the absence of a developed network of filling stations, lack of service infrastructure for gas-fuelled vehicles, low volumes of gas-fuelled vehicles manufactured in Russia, outdated legislation and regulation, and lack of Government support for use of natural gas as an automotive fuel.

CNG is environmentally friendly and cost efficient. These are key criteria for public transport and commercial transport in large cities. So these segments of the transport market could be a natural starting point and showcase for large-scale use of natural gas fuel. Most of the potential consumption for CNG is concentrated in major cities, particularly Moscow and St. Petersburg, and could be up to 3 billion m³ annually, or 10 times current consumption. Current limitations on development of CNG as a motor fuel, and the long payback period for relevant investments, mean that development of CNG fuel use is best implemented in Russia’s two capitals – Moscow and St. Petersburg.
JSC Gazprom Neft actively supports development of commodity exchange sales of petroleum products in Russia as a mechanism that ensures efficient, fair and transparent pricing.

Developed of fuel retail has great importance for Gazprom Neft. Establishment of a nationwide brand that is instantly recognizable and trusted will be instrumental in achieving the Company’s strategic goal – to be the leader by sales of petroleum products in Russia.

In 2011, fuel sales through our filling stations in Russia grew by 40% to 4,905 mn t. Sales of gasoline rose by 49% to 3,212 mn t, while sales of diesel fuel rose by 97% to 1,620 mn t.

Asia in Kyrgyzstan, and LLC Gazprom Neft-Belnefteprodukt in Belarus. In 2011, these companies sold a total of 1,396 mn t of petroleum products, representing 20.15% y-o-y growth.

In 2011 small wholesaling volumes in all regions of presence rose by 41% compared to 2010, reaching 7.90 mn t. Traditional transit wholesale through subsidiaries dropped by 55.87% to 1,283 mn t as sales were redirected into the higher-margin small wholesale channels.

LAUNCH OF THE LOYALTY PROGRAM: ‘WE’RE GOING THE SAME WAY’

In March 2010, the Company launched its nationwide loyalty program for individual customers: ‘We’re Going the Same Way’. The program offers a system of deferred discounts: after buying products and services from Gazprom Neft filling stations, participants are entitled to discounts that are recorded as bonuses on their card. The cardholder can use the bonuses they accumulate to pay for other products and services. At present, the program has been taken up in 23 regions where Gazprom Neft has network filling stations, including Moscow, St. Petersburg, Tver, Omsk, Ekaterinburg, Chelyabinsk and elsewhere.

Program results:

- 1.9 million individual members by the end of 2011
- Program is active in all regions where Gazprom Neft has a retail presence

PROGRESS OF THE REBRANDING PROGRAM

Between 2009 and 2011, the Company built 57 filling stations, refitted 163 more and re-branded a further 507.

Gazprom Neft actively supports development of commodity exchange sales of petroleum products in Russia as a mechanism that ensures efficient, fair and transparent pricing.

We view commodity exchange trading as a mechanism for wholesale marketing of petroleum products that helps to build a universally recognised market indicator (index).

Gazprom Neft is a co-founder of CJSC St. Petersburg International Mercantile Exchange (SPIMEX) and has traded petroleum products there on a regular basis since November 2009. Company sales through the Exchange rose by 2.5 times y-o-y in 2011, when Gazprom Neft sold more than 2.5 mn t of petroleum products on the SPIMEX, or 14.4% of total petroleum products supplied by us on the domestic market.

The Company’s share in total sales of petroleum products at the SPIMEX in 2011 exceeded 22%, and our aggregate sales volumes at the Exchange were the second largest of any vertically integrated oil company.
SALES OF PETROLEUM PRODUCTS

(continued)

The structure of our exchange sales of petroleum products in 2011 was as follows: gasoline (303,000 t), diesel fuel (1,336 mn t), fuel oil (668,000 t), aviation fuel (228,000 t) and aromatics (2,000 t). (These figures use SPIMEX transaction data).

The Company has ensured regular information updates on the SPIMEX concerning the Company’s target production and sales figures for petroleum products.

In 2011, the Company organized automated data transmission to report off-exchange transactions with its tradable commodity products in conformity with the Russian Government Decree of January 10, 2011, No. 65, ‘On the Approval of Regulation on Records about Off-Exchange Commodity Transactions, Including Long-Term Supply Contracts, Maintaining Registry of Such Transactions, and Disclosure of Registry Information’, and in conformity with SPIMEX rules for registration of such transactions. In 2011, the Company registered 12,600 off-exchange transactions (since the new Decree took effect on March 1, 2011), or 60% of the total number of off-exchange transactions registered by the SPIMEX for all other companies (21,019 transactions). The total volume of off-exchange transactions registered in 2011 by the Company was above 10.5 mn t.

In its exchange practices, the Company works in strict conformity with recommendations issued by regulating agencies, including those for development of futures markets at exchanges. In 2011, the Company’s specialists assessed operation of commodity exchange trading of futures contracts for delivery of petroleum products in Russia, and the Company’s potential involvement in such a market. As a result, it was decided the Company should apply for the status of Warranting Supplier in the SPIMEX commodity futures market when contracts for supply of summer diesel are made. A service broker for the futures market transactions was selected through a tender procedure, and design work on the transaction technology (Company-Broker-Exchange-Clearing Agent) is currently underway.
**MEDIUM-TERM GOALS & TASKS IN LOGISTICS, REFINING & MARKETING, 2012-2014**

<table>
<thead>
<tr>
<th>REFINING</th>
<th>MARKETING</th>
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<tbody>
<tr>
<td><strong>REFINERY UPGRADES AND INCREASE OF REFINING EFFICIENCY</strong></td>
<td><strong>EXPANSION AND EFFICIENCY IMPROVEMENTS IN THE RETAIL NETWORK</strong></td>
</tr>
<tr>
<td>• Increased output of higher-quality products by retrofitting and construction of units for hydrotreatment of diesel fuel and catalytic cracking of gasoline, and by construction of an isomerization plant at the Moscow Refinery;</td>
<td>• Implementing the program to upgrade and rebrand filling stations;</td>
</tr>
<tr>
<td>• Deeper refining at existing assets: retrofitting of catalytic cracking units at all refineries, construction of deep refining facilities at the Moscow Refinery and Omsk Refinery; construction of coking, tert-amyl methyl ether and MTBE units at the Omsk Refinery, and a hydrocracking complex at YaNOS;</td>
<td>• Growth of sales through filling stations (45% by 2014) by upgrade and rebranding, the loyalty program, and other activities;</td>
</tr>
<tr>
<td>• A program of operating improvements: measures to address efficiency in fuel use and to minimize fuel losses, increase of capacity availability, energy saving measures.</td>
<td>• Major growth in sales of G-Drive branded fuel (gasoline and diesel);</td>
</tr>
<tr>
<td></td>
<td>• Expansion of the filling station chain. Business growth in the Southern Federal District: upgrade and expansion of the Gazpromneft-South filling station chain, purchases of other chains, upgrade and construction of filling stations in Kazakhstan, Krasnoyarsk, Nizhny Novgorod, and Chelyabinsk Region;</td>
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Source: Company data
PREMIUM BUSINESS SEGMENTS
PREMIUM BUSINESS SEGMENTS

We have distinct goals for each sub-segment in our petroleum product business: aviation fuel; lubricants; bituminous materials; petrochemicals; and bunkering. Strategic development plans for each of these sub-segments should lead to a doubling of sales by 2020. Key tasks for our product business units are raising sales efficiency, expanding geographical reach, and increasing market share in premium segments.

AIRCRAFT REFUELING

Gazprom Neft-Aero is a subsidiary of Gazprom Neft created in 2008 and engaged in aircraft refueling and ‘into plane’ fuel sales.

The main components of Gazprom Neft-Aero’s business are as follows:
• sales of aircraft fuel made by Gazprom Neft refineries, and operation of refueling facilities;
• providing a range of services to supply fuel and lubricants to aircraft.

The development strategy of Gazprom Neft-Aero up to 2020 envisages creation of the company’s own network of modern refueling complexes. The company plans to establish a chain of 52 refueling complexes (20 of its own, and 32 leased) in Russian and foreign airports.

Goal: Raising sales to 5 mn t;
Target markets:
• Russia
• Central Asia
• Europe

Gazprom Neft-Aero sells aviation fuel through subsidiaries in Moscow, St. Petersburg, Novosibirsk, Murmansk, Tomsk, Bryansk, other Russian cities, and in Kazakhstan (Astana), Tajikistan (Dushanbe), and Kyrgyzstan (Bishkek). The company also refuels the aircraft of Russian airlines at airports in Southeast Asia, Scandinavia, Europe, Africa, Australia and Latin America.

Gazprom Neft-Aero also exercises quality control of aircraft fuels and lubricants at relevant stages of aviation fuel supply and refueling to ensure timely detection of changes in the quality of aircraft fuels and lubricants as they are delivered and prepared for use, and to ensure that they are fit for use in refueling of aircraft.

Thanks to its ownership of appropriate facilities, the Company can maintain regular supplies of aviation fuel to airports, supply high-quality fuels, use up-to-date aircraft-refueling technologies, and thus ensure flight safety.

Since 2008, Gazprom Neft-Aero has been a designated strategic partner of the International Aviation Transport Association (IATA) for the supply of aircraft fuel.

Gazprom Neft-Aero is the absolute leader in aircraft fuel retailing in Russia. Growth in volume of the company’s retail aviation fuel sales was 53% y-o-y in 2011, and the Company’s share of the Russian market rose from 18% in 2010 to 20% in 2011.

Gazprom Neft has contracts with the Russian Government for aircraft fueling at 11 airfields of the Ministry of Defense. Volumes under these contracts amounted to 265,000 t in 2011.

Gazprom Neft-Aero greatly expanded its sales outside Russia in 2011: aircraft are now refueled in 30 countries (49 cities) compared with 11 countries (18 cities) in 2010.

The company started to offer refueling services in 2011 at the airport which serves the city of Ulyanovsk in the Volga region of Russia.

SHARE OF THE RUSSIAN RETAIL MARKET, %

SALES OF MARINE FUEL, mn t

Source: Company data

Source: Company data
GAZPROM NEFT-AERO GOAL

Raising sales to 5 million tons

TARGET MARKETS

- Russia
- Central Asia
- Europe

SHIP BUNKERING

Gazprom Neft Marine Bunker is a subsidiary of Gazprom Neft, established in 2007 to organize year-round supplies of petroleum products (fuel oil, motor fuels, and lubricants) for marine and river fleets. The Company holds a leading position in the Russian bunkering market, and about 90% of the Company’s customers are foreign ship owners.

SALES OF SHIP FUEL, mn t

2.2 +46.7%

million tons

MARKET SHARE, %

18.5% +2.5 pp

Source: Company data
PORTS IN RUSSIA

INLAND WATERWAYS

<table>
<thead>
<tr>
<th>Moscow</th>
<th>Nakhodka</th>
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<tbody>
<tr>
<td>Yaroslavl</td>
<td>Vladivostok</td>
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<td>Kazan</td>
<td>Vostochny</td>
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<td>Volgograd</td>
<td>Sakhalin</td>
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<td>Rostov-on-Don</td>
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<td>Ust Kut</td>
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<td>Samara</td>
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<td>Astrakhan</td>
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<td>Nyzhny Novgorod</td>
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RUSSIAN FAR EAST

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<tr>
<th>St. Petersburg</th>
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<tr>
<td>Kaliningrad</td>
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<td>Ust Luga</td>
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<td>Primorsk</td>
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RUSSIAN NORTHWEST

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<tr>
<td>Tuapse</td>
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<td>Port Kavkaz</td>
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<td>Taman</td>
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RUSSIAN SOUTH

<table>
<thead>
<tr>
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<tr>
<td>Riga (Latvia)</td>
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<tr>
<td>Klaipeda (Lith)</td>
</tr>
<tr>
<td>Rostok (Germany)</td>
</tr>
<tr>
<td>Konstanta (Rom)</td>
</tr>
</tbody>
</table>

PREMIUM BUSINESS SEGMENTS (continued)

Gazprom Neft Marine Bunker has five regional offices and two subsidiaries. Its fleet of nine bunker boats (two in each of the Russian Far East, Black Sea and St. Petersburg, one barge in Kaliningrad and one in Murmansk, and others in inland waterways) is managed by Gazprom Neft Shipping. Another company, Gazprom Neft Terminal, operates a bunker terminal on the premises of the Kirov Factory in St. Petersburg.

Gazprom Neft Marine Bunker has ambitious plans for expansion of its business, and will enlarge its owned vessel fleet to become more competitive. In early 2012, Gazprom Neft Shipping (a subsidiary of Gazprom Neft Marine Bunker) launched a new boat, Gazprom Neft Nord West, to work in the Greater Port of St. Petersburg.

Gazprom Neft pursues ambitious goals in every line of business, and bunkering is no exception. The company plans to raise its sales of bunker fuel by 20% annually, to expand its operating geography, and strengthen its positions in existing markets inside and outside Russia.

ALEXANDER DYUKOV
Chairman of the Management Board

Source: Company data
The Company also purchased two modern bunkering tankers in 2011 (as part of an approved medium-term investment program) with unlimited ocean-going range and compliant with all applicable international conventions. Company plans envisage further additions to its own fleet, which should expand to 15 vessels by 2020. The company also wants to develop a network of terminals, both owned and leased, to establish full-cycle bunkering infrastructure.

Gazprom Neft Marine Bunker holds secure positions in all of Russia’s main sea and river ports. The company has the strongest domestic presence of all Russia-based bunkering companies, operating in 15 sea ports and nine river ports. In 2011, the company also began operations in ports outside Russia: Tallinn, Riga, Klaipeda, Rostok, and Constanța. The company’s development strategy envisages active growth in international markets: in Europe, the Middle East and Asia. Gazprom Neft Marine Bunker supplies fuel through its own and leased facilities (terminals and bunker vessels). Petroleum products are shipped from the Omsk Refinery and, to a lesser extent, from the Moscow Refinery.

In 2011, Gazprom Neft Marine Bunker strengthened its leadership in the Russian bunker fuel market, raising its market share to 18.5%. ‘Direct-to-ship’ sales of fuel rose by 44% compared to 2010, and reached 1.3 mn t. Total annual sales of ship fuel by the Company grew by 1.5 times to 2.2 mn t.

During the year under review, the company entered new bunkering sales markets in Russia, in the ports of Nizhny Novgorod, Samara and on Sakhalin Island, and also outside Russia in the Baltic ports of Klaipeda, Tallinn and Riga. Plans for the next three years include geographical expansion of sales to other foreign sea ports, and the company is targeting increased market share in Russia to 20% by 2015 and 30% by 2020.

Gazprom Neft Marine Bunker is well prepared to enter foreign markets, having considerable business experience and a skilled and effective managerial team. Sale of quality fuels produced by Gazprom Neft refineries will help the company to make its name as a reliable partner in foreign markets.

Our strategic goal is to take up to 30% of the Russian bunkering market, build our presence outside Russia, and expand our total bunkering services both inside and outside Russia to 7 mn t by 2020. We will achieve this by developing our network of terminals in Russia and expanding our fleet to 15 vessels.

ANATOLY CHERNER
Deputy CEO Logistics, refining and sales

The company expects to more than triple its fuel sales by 2020 in comparison with 2011, taking a sizeable stake in the global market and joining the top-20 largest international bunkering companies. Networking effects will help to expand the customer base and foster long-term cooperation with major international ship operators.
Gazprom Neft Lubricants has production assets in Western Siberia (Omsk), European Russia (Yaroslavl), Moscow Region (Fryazino), and Western Europe (Bari, Italy). The Company has received ISO international quality certificates that confirm its compliance with international standards (ISO 9001:2008, 14001:2004, and OHSAS 18001:2007).

**Development strategy:**

**Goal:**

Creating a national lubricant company, a recognized leader in technologies, marketing and services related to high-tech premium-grade oils, lubricants and service fluids under a global brand.

The company is pursuing various initiatives to achieve these strategic goals.

**Marketing:**

- establishing G-Energy lubricants as a strong international brand under the Gazprom Neft master brand, and ensuring its wide recognition in all segments of the lubricant market;
- building a strong communications platform to assist successful sales of Gazprom Neft lubricants, both inside and outside Russia.

**Production:**

- launching production of 30 new specialized premium-grade products for both cars and trucks, as well as for various industrial sectors;
- investing RUB 2.185 mn to build a new high-tech complex for production and packaging of lubricants at the company’s Omsk division (main production operations are located at Omsk);
- purchase of lubricant production assets in Russia and abroad;
- close cooperation with manufacturers of vehicles, industrial equipment, and high-profile R&D institutes.

**Sales:**

- building a strong distributor network inside and outside Russia;
- strong growth of specialized sales channels: lubricant retail, car service centres and showrooms, and main sectors of manufacturing industry;
- direct cooperation with industry sectors and car manufacturers;
- active promotion of company products on foreign markets in Europe and Asia.

**Key performance indicators during 2011:**

- Share of the market of packaged oils in Russia rose from 8.2% in 2010 to 10.5% in 2011.
- The company doubled sales of its premium-grade products complying with international specifications (G-Family branded products) thanks to strategic corporate transformation from a base-product manufacturer into a customer-oriented manufacturer of high-tech lubricants with considerable marketing expertise.
- Consumer awareness of the premium-grade G-Energy consumer brand rose by 18% in Russia.
- Penetration of new business segments, use of new sales channels (lubricant oils are now supplied to 320 vehicle maintenance centres and 57 hypermarkets in Russia).
- Gazprom Neft Lubricants was the leader in Russia in 2011 in terms of the number of new products brought to market (30 items). The company’s product range now lists over 300 lubricant oils made in Russia and Western Europe.

**A high-profile advertising campaign, promoting the image of G-Family brands as international-quality products for both consumer and business markets, continued in 2011.**

The G-Energy brand is part of the new G-Family cluster. In addition to motor oils for cars, the G-Family includes G-Profi (a range of motor oils for commercial vehicles) as well as G-Box and G-Truck transmission oils (for cars and commercial vehicles), G-Motion and G-Wave (small-engine oils) and a range of other special products.

**The G-Energy style was created by the well-known Italian design studio Italdesign-Giugiaro, to convey several messages to the consumer: leadership, power, high performance, dynamics and speed, all reflected in the unique and sophisticated design of the lube can, the label graphics, and other visual components of the corporate brand.**

G-Family brand lubricants are made by Gazprom Neft Lubricants Italia S.p.A. in Bari, Italy. This high-tech complex can produce 30,000 t of oil and 6,000 t of **DYNAMICS OF PACKAGED OILS SALES, thou t**
plastic lubricants annually. High-precision small-batch mixing processes at Bari can prepare more than 100 product types for all sectors of the lubricant market. The plant has received international quality system certificates for compliance with ISO 9001 and ISO 14001 in production, packaging, storage and sales of oils and lubricants. Technologies used at the Bari plant will also be gradually adopted in the future by Russian facilities. In 2011, the company purchased a new site to manufacture packaged premium-grade products in Fryazino, Moscow Region, with output capacity of 40,000 t of packaged products – motor, transmission, industrial oils and technical liquids. The plant comprises a high-precision mixing workshop, oils packaging, a tank farm of 3,000 m³ capacity, loading and unloading racks, elevated tracks with pump units, warehouses, treatment facilities, as well as the administrative and laboratory building.

Also in the reporting year, the first phase of a lubricant packaging facility was launched in Omsk, rated for annual output of 180,000 t.

In 2011, the company expanded the geography of its lubricant sales in Russia, the CIS, and Western Europe (sales were launched in Greece, Serbia, Spain and Germany). The company’s motor lubricants are now sold in 35 countries. Sales of packaged products rose by 27% in 2011 compared with 2010.

Gazprom Neft Lubricants is working to implement a long-term investment program, which will add new, modern lubricants to the product range, increase market share in Russia and enable further expansion on foreign markets.

BITUMEN MATERIALS & COKE

Gazprom Neft kept its leadership of the bitumen market in Russia during 2011: sales of bituminous materials were 1.846 mn t, representing 33% of the Russian market. The share of exports to CIS countries was 12%. Sales of oil coke rose by 17% from 2010.

Sales of bituminous materials to end-consumers grew by more than 50% in 2011. Sales of bituminous materials and polymer-bitumen binders (packed in one-tonne Clovertainer-type containers) increased by 3.5 times.

Changes in the corporate structure of bituminous materials and coke business units, which were transferred from the New Technologies Development and Application Division to the Bituminous Materials Department, substantially improved sales efficiency and overall development of the bitumen business. The Omsk Refinery started industrial production of premium-class bituminous products in 2011, including polymer-bitumen binders and bituminous emulsions.

Our business strategy in this segment is to strengthen Gazprom Neft’s position in the Russian market for bituminous materials, implement fee-based processing arrangements with third-party companies in regions with intensive road construction work, and to purchase investable bitumen assets, including some in the CIS. Production of bitumen by the Serbian subsidiary, NIS, will also be increased, strengthening its presence in target markets in Central and Eastern Europe.

<table>
<thead>
<tr>
<th>SALES OF BITUMINOUS MATERIALS, thou t</th>
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<tr>
<td>2009</td>
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<tr>
<td>1,765</td>
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</table>

Source: Company data
Gazprom Neft is a major exporter of crude oil and petroleum products. Main export routes are via Novorossiysk and Tuapse seaports on the Black Sea, the Baltic port of Primorsk, and through the Druzhba pipeline to the Czech Republic and Germany.

Gazprom Neft Group exported 13.1 mn t of crude oil in 2011, which is 2.8 mn t or 17.9% less than in 2010. The decline was due to 6.8% increase of crude oil refining by the Company’s refineries in 2011 compared to 2010.

Exports to CIS countries decreased by 0.9% to 2.99 mn t of crude oil, causing an equal decline in revenue from these exports.
Gazprom Neft is a major Russian producer of aromatic hydrocarbons (benzene, paraxylene, orthoxylene and toluene) and olefin liquefied hydrocarbon gases (propane-propylene fraction). Sales of aromatics in 2011 were 393,000 t, of which 263,000 t were sold in Russia. The Company’s share of total Russian consumption of aromatics in 2011 was 16%, while its share of exports was 64%. Output of propane-propylene fraction by the Company’s refineries in 2011 was 295,000 t.

The main challenge for the Company’s petrochemical business units is to achieve growth of market share by entering new high-margin product segments. This will be achieved by expanding the range of petrochemical outputs, helping the Company to build a large-scale vertically integrated petrochemical business by 2020.

In 2011, therefore, our petrochemical business units made plans for increased aromatic hydrocarbon outputs and production of olefin-containing liquefied hydrocarbon gases, and for further refining of these outputs.

### PETROCHEMICAL BUSINESS UNITS OF GAZPROM NEFT

<table>
<thead>
<tr>
<th>Business unit</th>
<th>Location</th>
<th>Production profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Gazprom Neft-Omsk Refinery</td>
<td>Omsk, Russia</td>
<td>Benzene, paraxylene, orthoxylene, toluene, PPF and MTBE</td>
</tr>
<tr>
<td>JSC Slavneft-YaNOS</td>
<td>Yaroslavl, Russia</td>
<td>Benzene, toluene and PPF</td>
</tr>
<tr>
<td>JSC Gazprom Neft-Moscow Refinery</td>
<td>Moscow, Russia</td>
<td>MTBE and PPF</td>
</tr>
<tr>
<td>LLC NPP Petrochemical Industry</td>
<td>Moscow, Russia</td>
<td>Polypropylene</td>
</tr>
<tr>
<td>NIS</td>
<td>Serbia</td>
<td>Benzene and propylene</td>
</tr>
</tbody>
</table>
INNOVATION

The development of innovative activities as a priority is a necessary part of the company’s long-term development plan. Gazprom neft’s strategic goal is to extract 100 million tons of oil equivalent per year by 2020.

The chief factor in innovative development for any company is knowing how to create and effectively exploit new technology. Using the latest technology is a key criterion for the company’s competitiveness.

A whole range of factors exist, such as higher regulated requirements to fuel quality, leveled duties charged on dark and light oil products, new products of refining and petrochemical processing, need to optimize and reduce production costs, growing dependence on imported catalysts and technologies – all of the above make it necessary to further improve the technologies of petroleum refining and petrochemical processing.
Gazprom Neft’s strategic goal is to produce 100 mn TOE annually by 2020. This will require year-on-year growth of hydrocarbon output – a major challenge, which will make great demands on the energy and abilities of the Company’s science and innovation specialists. They need to increase the efficiency of oil production from depleted resources at ageing fields; develop new regions in Yamal, Eastern Siberia and Orenburg Region; begin offshore operations, including work beyond the Arctic Circle in the Pechora Sea, Kara Sea and Barents Sea; implement projects outside Russia; and gain competence in production of non-conventional hydrocarbons, including bitumen, bituminous sands, bituminous shale and high-viscosity crude oil.

The Company’s innovative development strategy up to 2020 includes a range of programs to make exploration more efficient, using the latest advances in geology and geophysics, and exploiting oil and gas deposits with minimal environmental impact. As reserves production will increase over time, the Company will need to create and apply technologies to raise recovery levels of crude from deposits in prematurely drowned fields, fields with hard-to-recover deposits and low saturation. The latest technologies for directional drilling, multi-shaft wells, and drilling of sidetracks will be deployed. At the same time, use of innovative technologies will reduce the cost of well interventions and make workovers much more efficient. The Company will also start to use a range of energy-saving technologies at its fields.

Technology innovation in priority business areas is a prerequisite for the Company’s successful long-term growth.
INNOVATION (continued)

INNOVATION IN EXPLORATION & PRODUCTION

The Company’s main objective in science and technology is to apply the most recent and most appropriate know-how, and to deploy new equipment and technologies, in order to ensure dynamic production growth.

The critical innovation factor for any business is the ability to create and efficiently apply new technical solutions and technologies. Use of advanced technologies is becoming a decisive criterion of corporate competitiveness.

In 2011, a Joint Scientific and Research Centre for Innovation Technologies in Petroleum Production (JSRC) was jointly established by LLC Gazprom Neft Science and Technology Centre and by St. Petersburg State Mining University. The project was part of the Consortium for Development and Implementation of Innovative Technologies for Hydrocarbon Production and Refining, which was created earlier. The JSRC is centred on eight R&D laboratories (for well-log preparation; oil and gas formation physics; rheological and filtration studies; oil and gas field development modelling; research into oil dispersal systems; research into formation petroleum filtering processes, grout and drilling fluid studies; and for analytical control, salt and paraffin deposition, and corrosion). The laboratories have the most up-to-date experimental tools and equipment. In addition, LLC Gazprom Neft STC has allocated RUB 20 mn for the purchase of special equipment, laboratory furniture, and some RUB 10 mn for software. In the reporting year, Gazprom Neft made investments in priority research in the following areas: improving oil yield from formations and well output; research into petroleum composition and properties; solid deposits and corrosion in petroleum production equipment; the composition and testing of liquids used for work area treatment; well kill; repair and insulation work; geological surveying; technology development and adaptation; and calculating the composition of drilling muds and grouts.

In September 2011 specialists of LLC Gazprom Neft STC and experts at the Muravlenkovskneft subsidiary of Gazprom Neft-Noyabrskneftegaz began a project to control water-flooding in a test area at the Sugmutskoye field in order to optimise the formation pressure system and extract hard-to-recover oil reserves in depleted field areas. The project will take three years, but is expected to provide benefits for 10 years and produce 62,300 t of additional crude oil. Additional production as of December 1, 2011, was 1,100 t of oil, which matches earlier estimates.

Specialists from the STC in cooperation with the UfaNIPIneft Research Institute, have developed a comprehensive program for alkali-surfactant-polymer water-flooding and treatment of working areas in production wells and injection wells at Jurassic deposits which are part of the Yaraynerskoye field of Gazprom Neft-Noyabrskneftegaz. The area is characterized by low filtration and capacity properties, and complex geological structure. The project should stabilise development of the deposits, and produce at least 9,200 t of additional crude oil.

In 2011, work was carried out as part of Gazprom Neft’s Integrated Exploration and Research Program at 14 production wells at the Sutorminskoye field (operated by Muravlenkovskneft), in an attempt to deactivate a formation for purposes of transition to a lower horizon. Two new technologies were attempted – injection of compounds based on polymers F100 and WGA111 – and a success rate of 93% was achieved. Daily average oil production rose by 6.5 t as a result. As of January 1, 2012, an additional 6,229 t of crude oil had been produced, and 12 wells were involved.
Work was done to eliminate multiple gaps that compromise sealing of the production string. Interval-based injection of a compound that was previously used at fields of Gazprom Neft-Noyabrskneftegaz enabled sealing of all three tightness gaps in the production string with just one application, thereby saving 240 hours of work for the well overhaul team. The work on reactivation, sealing multiple gaps in the production string and hydrofracturing was rewarded by additional production of 8,300 t of oil, with the average increase of crude yield amounting to 29.8 t/day during the effective period.

Research was carried out in 2011 as part of the project entitled Monitoring of Salt Formation in Well Equipment; Use and Optimisation of Technologies to Prevent Salt Formation to find the causes of solid sediment inside borehole equipment at the Priobskoye, Palyanovskoye and Zimnaye fields (operated by LLC Gazprom Neft-Hantos). The research also sought to select the most appropriate reagents and concentrations in order to address the problem (four out of a possible 16 were selected). The four reagents are being tested in production conditions during 2012. Optimizing the inhibition system to protect borehole equipment has already given a saving of RUB 7.7 mn and a further RUB 14.2 mn is expected to be saved in 2012. Borehole equipment runtime in the salt-rich environment increased from 313 to 382 days (22% growth); in 2013, runtime is expected to reach 420 days (10% improvement). All borehole equipment has undergone salt and acid treatment. The effect of treatment lasts for 21 days on average, and savings of RUB 32.5 mn have been made.

Specialists of the STC carried out test operations in 2011 on technologies and methods to fight corrosion in underground equipment at production wells in the Urmanskoye Field of LLC Gazprom Neft-Vostok. Corrosion inhibitors for borehole equipment were tested, and used as a basis for creating a uniform measure of corrosion inhibitor efficiency for use at the fields of LLC Gazprom Neft-Vostok. The following regulatory and technical documents were prepared and applied to further extend the service life of borehole equipment, and to reduce related operating costs:

- Methodology for classifying wells as requiring special recovery techniques;
- Classifier of corrosion types in borehole equipment;
- Methodology for calculating the relative efficiency of anti-corrosion activities;
- Methodology for selecting protective measures;
- Manual on operation of pipes;
- Forms of test operation and reports on test operation;
- Regulation on preparation of well-kill fluids.

Based on the newly prepared documents, the plan for 2012 is to develop and implement software that is integrated with existing corrosion-related databases in order to calculate and forecast the evolution of corrosive processes in borehole equipment. The activities in 2011 reduced the specific rate of corrosion-caused failures in operating stock from 0.37 to 0.16.

Over the year, the permanent database on idle wells was improved, corporate databases underwent comprehensive integration; automatic selection criteria were added for well intensification; mapping representation materials were developed to support decision-making; and economic analysis was expanded. The system can now build lists of wells ranked by their economic and production performance for purposes of reactivation; design specific interventions that are needed for well reactivation; build additional reports; select submersible equipment; and handle maps and data in an interactive way. Further development of the program will increase the depth and scope of analysis, and add selection methodologies. The time needed to analyse idle wells was reduced by 15 times after the permanent database became available for idle wells of JSC Gazprom Neft-Noyabrskneftegaz and the Muravlenkovskneft branch.

The Company’s subsidiaries and associates worked with STC specialists in 2011, conducting tests of periodic brief activation mode (PBA mode) of the submersible centrifugal pump unit. The result was to increase the service life in low-yield and complex wells by 1.5-2 times, with the same level of power cost savings. When the Company’s standard manual entitled Operations with Submersible Centrifugal Pump Units was written in 2011, STC specialists also worked out rules for selecting PBA mode. Plans for 2012 include further activities to research and implement the PBA mode within the Company. The forecast effect of full-scale adoption of the technology in low-yield complex wells and in variable flow stock is RUB 148 mn in 2014-2016.
Further improvement of petroleum refining and petrochemical technologies is needed in order to comply with Russian Government requirements for fuel quality, to address the implications of levelling of customs duties payable on dark and light petroleum products, to meet demand for new petroleum refining and petrochemical products (premium-grade branded fuels, lubricants, new grades of bitumen and coke), and to optimise and reduce production costs and dependence on foreign-made catalysts and technologies.

The main goals of Gazprom Neft’s innovation and scientific research efforts in petroleum refining are to make competitive products, raise product quality, cut production costs, invent and apply new technologies, products and services, resolve current production problems, and to develop a favorable, innovative corporate image.

In 2011, Company management approved the Strategy for Development of Innovation and Scientific Research in Oil Refining and Petrochemical Processing up to 2020. The document defines the principles and key performance indicators for innovation activities in logistics, refining and sales, as well as key directions to develop innovative technologies in petroleum refining and petrochemical processing: higher product quality (in particular, lower sulphur content and aromatics in gasoline and diesel fuels), deeper refining of crude oil, the development of new product types, higher efficiency, and a smaller environmental footprint. The Strategy envisages annual financing of up to RUB 450 mn for R&D in petroleum refining and petrochemical processing in the period to 2015. Planned investments in 2012 should exceed RUB 200 mn.

R&D in petroleum refining and petrochemical processing is being carried out in partnership with Russia’s major research entities, which have experience in the areas that Gazprom Neft regards as its priorities. The Company’s partners include the Topchiyev Petrochemical Synthesis Institute, the Gubkin Oil and Gas Institute, the Institute for Problems of Hydrocarbon Refining, JSC NPP Neftekhim and others.

During 2011, the Company’s petroleum refining units implemented large long-term innovative projects to develop strategically important technologies, and workshop-level R&D to meet the production needs of a specific refinery. One large-scale innovative project in 2011, carried out jointly with the Siberian Chapter of the Institute of Hydrocarbon Refining under the Russian Academy of Science, was the development and production launch of a biceolyte catalyst for catalytic cracking at Gazprom Neft-Omsk Refinery. Use of the new catalyst helped the Omsk Refinery to increase its output of light petroleum products, achieve deeper refining, and lower sulphur content in products, while also cutting production costs. Gazprom Neft is currently Russia’s only manufacturer of the catalyst.

Key innovation projects scheduled for 2012 include development of technologies to synthesise fluid hydrocarbons of natural gas and associated gas, alkylation with a heterogeneous catalyst, and hydro-conversion of tar oil.
This report offers a review of Gazprom Neft’s financial position as of December 31, 2011, and should be examined together with the Company’s financial statements and related explanations, prepared in accordance with the US Generally Accepted Accounting Principles (US GAAP).
DEFINITIONS & CONVERSION METHODOLOGY

This report offers a review of Gazprom Neft’s financial position as of December 31, 2011, and should be examined together with the Company’s financial statements and related explanations, prepared in accordance with the US Generally Accepted Accounting Principles (US GAAP). This report discloses the financial situation and performance of Gazprom Neft on a consolidated basis.

To convert tons of produced crude oil to barrels, the report uses ratios that take account of the density of crude oil at each of our fields. Purchased petroleum, and other operating figures in barrels, are converted to barrels at 7.3 bbl per ton. Cubic meters are converted to cubic feet at 35.31 ft³ per 1 m³. Crude oil is converted to barrels of oil equivalent (BOE) at 1 barrel per 1 BOE and conversion of gas is at 6,000 ft³ per 1 BOE.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements concerning the financial position, operating results and business of Gazprom Neft and its consolidated subsidiaries. All statements except those that refer to accomplished facts can and should be considered as forward-looking statements. These are statements that describe future expectations based on the present situation and the assumptions of management, and involve known and unknown risks and uncertainties that may cause actual results, performance indicators or events to differ materially from those stated explicitly or implicitly in this Report.

Forward-looking statements include, among others, assertions about potential exposure of Gazprom Neft to market risks, and the expectations, beliefs, estimates, forecasts, projections and assumptions of Company management. Such forward-looking statements are marked with terms and phrases such as: ‘assume’, ‘anticipate’, ‘able’, ‘estimate’, ‘expect’, ‘intend’, ‘might’, ‘plan’, ‘objectives’, ‘outlook’, ‘probably’, ‘project’, ‘will’, ‘seek’, ‘target’, ‘risks’, ‘goals’, ‘should’, and other such similar terms and phrases. Numerous factors exist that can impact future operations of Gazprom Neft and cause its performance to vary materially from the figures in the forward-looking statements included herein. Such factors include (without limitation): (a) crude oil and gas price fluctuations; (b) changes in demand for the company’s products; (c) currency exchange rate fluctuations; (d) results of drilling and production; (e) reserve estimates; (f) loss of market share and competition in the sector; (g) environmental and material risks; (h) risks related to finding assets and property to be acquired, and success in negotiation and closure of such transactions; (i) economic and financial market conditions in various countries and regions; (j) political risks, delay or acceleration of project implementation, cost approval and estimate; and (k) changes in the market environment.

I consider that 2011 was a very good year for the Company. We used our large share in refining to best advantage and raised premium sales. We also succeeded in boosting production. These factors together resulted in excellent financial performance compared with the previous year.

ALEXEY YANKEVICH
Deputy CEO for Economics and Finance

• A new production cluster was created in Orenburg at the eastern sector of the Orenburg field (reassigned from JSC Gazprom) and two fields – Kapitnovskoye and Tsarichanskoye – were purchased;
• 100% of Sibir Energy's capital was consolidated;
• Interest in NIS was increased to 56.15%;
• A lubricant manufacturing plant was purchased in Moscow Region;
• Drilling work started at Iraq's Badra field;
• The possibility of arranging year-round exports of oil by sea from the Novoportovskoye field in northern Yamal Peninsula via the Ob River bay was confirmed;
• An isomerization plant came into operation at the Yaroslavl Refinery;
• The Moscow Refinery started production of Class 4 gasoline and diesel fuel in January;
• The Omsk Refinery began production of Class 4 gasoline in March, and Class 5 in June;
• The Omsk Refinery launched production of bituminous polymer materials;
• Corporate bonds in rubles with total value of RUB 30 bn;
• 113 filling stations were purchased in Novosibirsk, Chelyabinsk, Nizhny Novgorod and Krasnodar;
• Two modern bunker ships went into operation in St. Petersburg;
• Gazprom Neft-Aero began refueling of aircraft at 12 Ministry of Defense airfields, obtaining the status of exclusive jet fuel supplier and aircraft fueling service provider to the Russian Armed Forces.
The one-off events were:
- In 2011: paper loss of USD 403 mn recognized on a change in the fair value of derivatives;
- In 2010: paper profit of USD 59 mn recognized on a change in the fair value of derivatives.

The Company’s operations are in two main segments:
- Exploration and production, consisting of exploration, development, and production of oil and gas.
- Refining, marketing and sales including crude refining, purchasing, sale and transportation of crude oil and petroleum products.

The two segments are interdependent: a part of revenues from one segment is a part of costs in the other. In most cases, market prices for crude oil on the domestic market are hard to calculate due to considerable intra-group turnover within vertically integrated producers. Prices set for intra-group crude oil purchases reflect a combination of such market factors as global oil prices, the costs of transportation and refining, the needs of individual subsidiaries for capital investments, and other factors. Therefore, operating results of either segment considered separately do not necessarily represent the segment’s financial situation and performance. This is why we are not analyzing each segment separately.

Reserves were appraised by third-party specialists from DeGolyer & McNaughton based on Petroleum Reserve Management Standards (PRMS) of the Society of Petroleum Engineers (SPE);
- Reserve figures measured by PRMS classification as stated in the table differ from those stated in the Group’s consolidated reports in the section giving additional information on activities related to exploration and production of oil and gas. The indicators used in the additional information were prepared to meet the requirements of the US Securities and Exchange Commission (SEC), where calculations must use the 12-month average price as of the first day of each month in the reporting period. Reserves measured by the PRMS classification table in the table above use the best estimates of the Company’s management for future prices of oil and natural gas.

The number of new wells drilled at fields owned by associates rose to 487 in 2011, representing a 19.7% increase from 2010, mainly due to development of the Krapivinskoye field (Tomskneft).
### Exploration Drilling & Discovered Fields

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<tbody>
<tr>
<td><strong>Consolidated companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration drilling (thou m)</td>
<td>38</td>
<td>64</td>
<td>63</td>
<td>1.6%</td>
<td>68.4%</td>
</tr>
<tr>
<td>Exploration wells drilled</td>
<td>13</td>
<td>21</td>
<td>25</td>
<td>19.0%</td>
<td>61.5%</td>
</tr>
<tr>
<td>Fields discovered</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>300.0%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Oil and gas bearing deposits discovered</td>
<td>5</td>
<td>20</td>
<td>23</td>
<td>15.0%</td>
<td>300.0%</td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration drilling (thou m)</td>
<td>25</td>
<td>38</td>
<td>63</td>
<td>65.8%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Exploration wells drilled</td>
<td>9</td>
<td>14</td>
<td>27</td>
<td>92.9%</td>
<td>55.6%</td>
</tr>
<tr>
<td>Oil and gas bearing deposits discovered</td>
<td>3</td>
<td>27</td>
<td>16</td>
<td>40.7%</td>
<td>800.0%</td>
</tr>
</tbody>
</table>

### Exploration Drilling

<table>
<thead>
<tr>
<th></th>
<th><strong>CONSOLIDATED COMPANIES</strong></th>
<th><strong>ASSOCIATES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td>63,000 meters</td>
<td>63,000 meters</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>~1.6%</td>
<td>+65.8%</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>63 wells</td>
<td>172 wells</td>
</tr>
<tr>
<td><strong>PROVEN RESERVES</strong></td>
<td>25 wells</td>
<td>27 wells</td>
</tr>
<tr>
<td><strong>REVISION OF EARLIER ESTIMATES</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>PURCHASED LICENSES</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td>63 wells</td>
<td>172 wells</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>~1.6%</td>
<td>+65.8%</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>63 wells</td>
<td>172 wells</td>
</tr>
</tbody>
</table>

### Number of Exploration Wells Drilled

<table>
<thead>
<tr>
<th></th>
<th><strong>CONSOLIDATED COMPANIES</strong></th>
<th><strong>ASSOCIATES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td>07 wells</td>
<td>102 wells</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>09 wells</td>
<td>102 wells</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>11 wells</td>
<td>117 wells</td>
</tr>
</tbody>
</table>

### Number of Oil & Gas Bearing Deposits Discovered

<table>
<thead>
<tr>
<th></th>
<th><strong>CONSOLIDATED COMPANIES</strong></th>
<th><strong>ASSOCIATES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td>23 deposits</td>
<td>16 deposits</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>~15.0%</td>
<td>+40.7%</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>355 wells</td>
<td>898 wells</td>
</tr>
</tbody>
</table>

### Reserves of Oil & Gas, mn BOE

<table>
<thead>
<tr>
<th></th>
<th>Gazprom Neft</th>
<th>Slavneft</th>
<th>Tomskneft</th>
<th>SPD</th>
<th>Sever Energia</th>
<th>Messoyakha neftegaz</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proven reserves (December 31, 2009)</strong></td>
<td>4,989</td>
<td>1,489</td>
<td>701</td>
<td>283</td>
<td>–</td>
<td>–</td>
<td>7,462</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>(249)</td>
<td>(69)</td>
<td>(42)</td>
<td>(30)</td>
<td>–</td>
<td>–</td>
<td>(390)</td>
</tr>
<tr>
<td><strong>Revision of earlier estimates</strong></td>
<td>539</td>
<td>(494)</td>
<td>(43)</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Purchased licenses</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>455</td>
<td>–</td>
<td>–</td>
<td>455</td>
</tr>
<tr>
<td><strong>Proven reserves (December 31, 2010)</strong></td>
<td>5,279</td>
<td>926</td>
<td>616</td>
<td>250</td>
<td>455</td>
<td>–</td>
<td>7,526</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>(279)</td>
<td>(69)</td>
<td>(43)</td>
<td>(31)</td>
<td>–</td>
<td>–</td>
<td>(422)</td>
</tr>
<tr>
<td><strong>Revision of earlier estimates</strong></td>
<td>355</td>
<td>83</td>
<td>90</td>
<td>15</td>
<td>355</td>
<td>–</td>
<td>898</td>
</tr>
<tr>
<td><strong>Purchased licenses</strong></td>
<td>317</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>317</td>
</tr>
<tr>
<td><strong>Proven reserves (December 31, 2011)</strong></td>
<td>5,672</td>
<td>940</td>
<td>663</td>
<td>234</td>
<td>810</td>
<td>–</td>
<td>8,319</td>
</tr>
<tr>
<td><strong>Total probable reserves of Group</strong></td>
<td>2,944</td>
<td>1,506</td>
<td>389</td>
<td>101</td>
<td>666</td>
<td>273</td>
<td>5,879</td>
</tr>
<tr>
<td><strong>Total possible reserves of Group</strong></td>
<td>2,456</td>
<td>1,371</td>
<td>276</td>
<td>58</td>
<td>823</td>
<td>299</td>
<td>5,283</td>
</tr>
</tbody>
</table>

* Total including 49.9% share in Slavneft, 50% in Tomskneft, SPD and Messoyakha neftegaz, and 25.5% in SeverEnergia
### MANAGEMENT ANALYSIS OF FINANCIAL PERFORMANCE (continued)

#### PRODUCTION DRILLING

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, %</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling (thou m)</td>
<td>2,259</td>
<td>2,610</td>
<td>2,254</td>
<td>(13.60)%</td>
<td>15.50%</td>
</tr>
<tr>
<td>Number of wells drilled</td>
<td>667</td>
<td>746</td>
<td>735</td>
<td>(1.50)%</td>
<td>11.80%</td>
</tr>
<tr>
<td>Average yield of wells in use (t/day)</td>
<td>16.3</td>
<td>16.06</td>
<td>15.27</td>
<td>(4.90)%</td>
<td>(1.70)%</td>
</tr>
<tr>
<td>Water flood rate, %</td>
<td>82.1</td>
<td>82.18</td>
<td>83.63</td>
<td>1.80%</td>
<td>0.10%</td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling (thou m)</td>
<td>1,296.1</td>
<td>1,623</td>
<td>1,611</td>
<td>(0.70)%</td>
<td>25.20%</td>
</tr>
<tr>
<td>Number of wells drilled</td>
<td>383</td>
<td>407</td>
<td>487</td>
<td>19.70%</td>
<td>6.30%</td>
</tr>
</tbody>
</table>

### PRODUCTION

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, %</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crude oil (mn bbl)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprom Neft-Noyabrskneftegaz</td>
<td>138.05</td>
<td>129.12</td>
<td>120.26</td>
<td>(6.9)%</td>
<td>(6.5)%</td>
</tr>
<tr>
<td>NK Sibneft-Yugra</td>
<td>60.82</td>
<td>69.25</td>
<td>75.10</td>
<td>8.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>12.96</td>
<td>11.10</td>
<td>10.42</td>
<td>(6.1)%</td>
<td>(14.4)%</td>
</tr>
<tr>
<td>NIS</td>
<td>5.14</td>
<td>7.17</td>
<td>8.36</td>
<td>16.6%</td>
<td>39.5%</td>
</tr>
<tr>
<td>Other**</td>
<td>7.97</td>
<td>13.56</td>
<td>19.58</td>
<td>37.0%</td>
<td>70.1%</td>
</tr>
<tr>
<td><strong>Total crude oil production</strong></td>
<td><strong>224.94</strong></td>
<td><strong>230.20</strong></td>
<td><strong>232.72</strong></td>
<td><strong>1.1%</strong></td>
<td><strong>2.3%</strong></td>
</tr>
<tr>
<td>Share in production of Slavneft</td>
<td>69.34</td>
<td>67.33</td>
<td>66.32</td>
<td>(1.5)%</td>
<td>(2.9)%</td>
</tr>
<tr>
<td>Share in production of Tomskneft</td>
<td>40.73</td>
<td>38.72</td>
<td>38.65</td>
<td>(0.21)%</td>
<td>(4.9)%</td>
</tr>
<tr>
<td>Share in production of SPD</td>
<td>14.34</td>
<td>29.88</td>
<td>30.58</td>
<td>2.3%</td>
<td>108.4%</td>
</tr>
<tr>
<td><strong>Total share in crude oil production of associates</strong></td>
<td><strong>124.41</strong></td>
<td><strong>135.93</strong></td>
<td><strong>135.55</strong></td>
<td><strong>(0.3)%</strong></td>
<td><strong>9.3%</strong></td>
</tr>
<tr>
<td><strong>Total crude oil production</strong></td>
<td><strong>349.35</strong></td>
<td><strong>366.13</strong></td>
<td><strong>368.27</strong></td>
<td><strong>0.6%</strong></td>
<td><strong>4.8%</strong></td>
</tr>
<tr>
<td><strong>Gas</strong> (bn ft³)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprom Neft*</td>
<td>73.22</td>
<td>107.93</td>
<td>277.67</td>
<td>157.3%</td>
<td>47.4%</td>
</tr>
<tr>
<td>Share in production of Slavneft</td>
<td>13.25</td>
<td>11.91</td>
<td>14.93</td>
<td>25.4%</td>
<td>(10.1)%</td>
</tr>
<tr>
<td>Share in production of Tomskneft</td>
<td>24.95</td>
<td>20.69</td>
<td>25.74</td>
<td>24.4%</td>
<td>(17.1)%</td>
</tr>
<tr>
<td>Share in production of SPD</td>
<td>–</td>
<td>–</td>
<td>1.86</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total gas production</strong></td>
<td><strong>111.42</strong></td>
<td><strong>140.53</strong></td>
<td><strong>320.20</strong></td>
<td><strong>127.9%</strong></td>
<td><strong>26.1%</strong></td>
</tr>
<tr>
<td><strong>Hydrocarbons (mn BOE)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gazprom Neft**</td>
<td>237.14</td>
<td>248.19</td>
<td>279.00</td>
<td>12.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Share in production of Slavneft</td>
<td>71.55</td>
<td>69.32</td>
<td>68.81</td>
<td>(0.7)%</td>
<td>(3.1)%</td>
</tr>
<tr>
<td>Share in production of Tomskneft</td>
<td>44.89</td>
<td>42.18</td>
<td>42.94</td>
<td>1.8%</td>
<td>(6.0)%</td>
</tr>
<tr>
<td>Share in production of SPD</td>
<td>14.34</td>
<td>29.88</td>
<td>30.89</td>
<td>3.4%</td>
<td>108.4%</td>
</tr>
<tr>
<td><strong>Total hydrocarbon production</strong></td>
<td><strong>367.92</strong></td>
<td><strong>389.57</strong></td>
<td><strong>421.64</strong></td>
<td><strong>8.2%</strong></td>
<td><strong>5.9%</strong></td>
</tr>
<tr>
<td>Daily hydrocarbon production (mn BOE/day)</td>
<td>1.01</td>
<td>1.07</td>
<td>1.16</td>
<td>8.2%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

* Production of gas in 2011 includes saleable gas and use of gas.
** Production by JSC Gazprom Neft Orenburg since purchase date.
PRODUCTION BY JSC GAZPROM NEFT ORENBURG IN FULL YEARS 2011, 2010 & 2009 IS GIVEN BELOW

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil (mn bbl)</td>
<td>3.90</td>
<td>4.04</td>
<td>4.08</td>
</tr>
<tr>
<td>Gas (bn ft³)</td>
<td>0.24</td>
<td>0.22</td>
<td>0.18</td>
</tr>
<tr>
<td>Total production of hydrocarbons (mn BOE)</td>
<td>3.94</td>
<td>4.08</td>
<td>4.11</td>
</tr>
</tbody>
</table>

PURCHASED CRUDE OIL, mn bbl

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil purchased in Russia*, (mn bbl)</td>
<td>24.77</td>
<td>38.62</td>
<td>42.04</td>
<td>8.90%</td>
<td>55.90%</td>
</tr>
<tr>
<td>Oil purchased on the international market, (mn bbl)</td>
<td>16.11</td>
<td>17.42</td>
<td>12.25</td>
<td>(29.70)%</td>
<td>8.10%</td>
</tr>
<tr>
<td>Total oil purchased, (mn bbl)</td>
<td>40.88</td>
<td>56.04</td>
<td>54.29</td>
<td>(3.10)%</td>
<td>37.10%</td>
</tr>
</tbody>
</table>

* Oil purchased in Russia does not include oil from associates Slavneft, Tomskneft and Salym Petroleum Development, which is measured by equity share.

REFINING, mn t

40.49\text{\, million tons} +6.8%\,\%

PETROLEUM PRODUCTION, 2009-2011, mn t

38.34\,\text{\, million tons} +7.6%\,\%

Hydrocarbon production, including the share in production by associates, rose by 8.2% in 2011 due to continued production growth at the Priobskoye field, launch of gas production at the Muravlenkovskoye and Novogodneye fields, and the acquisition of field assets in Orenburg Region (the eastern part of the Orenburg field, the Tsarichanskoye field and the Kapitonovskoye field).
MANAGEMENT ANALYSIS OF FINANCIAL PERFORMANCE (continued)

PETROLEUM PRODUCTS PURCHASED ON INTERNATIONAL MARKETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>Naphta</td>
<td>109</td>
<td>0.16</td>
<td>83</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>97</td>
<td>0.13</td>
<td>539</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>25</td>
<td>0.06</td>
<td>93</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>56</td>
<td>0.07</td>
<td>144</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>287</strong></td>
<td><strong>0.42</strong></td>
<td><strong>878</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>4</td>
<td>0.01</td>
<td>–</td>
</tr>
<tr>
<td>Naphta</td>
<td>25</td>
<td>0.05</td>
<td>109</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>68</td>
<td>0.14</td>
<td>97</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>–</td>
<td>–</td>
<td>25</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>700</td>
<td>0.01</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
<td><strong>0.21</strong></td>
<td><strong>287</strong></td>
</tr>
</tbody>
</table>

Total refining rose by 6.8% in 2011 compared to 2010, due to:
• Maximum load at Company refineries in Russia due to high demand for petroleum products on the domestic market and higher refining margin (year-on-year);
• Full substitution of third-party crude oil by own crude oil by the Moscow Refinery.

Refining by NIS in 2011 fell due to scheduled program to optimise its production structure.

Output of gasoline rose by 11.7% in 2011 compared to 2010, due to:
• Greater efficiency of oil refining than crude exports;
• Higher demand for petroleum products in the domestic market.

Requirements for motor fuels to meet the Government’s Technical Regulation for fuel quality caused the following changes in production structure:
• Lower production of Class 2 gasoline in 2011 compared to 2010, and increased production of Class 3 gasoline;
• Start of production of Class 4 gasoline (by the Moscow Refinery from January 2011, and by the Omsk and Yaroslavl Refineries from February 2011), and of Class 5 gasoline (at the Omsk Refinery from June 2011).

Purchases of petroleum products on international markets rose by 119.0% in 2011 due to increased trading activity and favorable market conditions.

Purchases of petroleum products on the CIS market doubled in 2011 compared to 2010 due to increased trading activity and higher demand for petroleum products in CIS member states.

Purchases of petroleum products on the domestic market rose by 24.5% in 2011 compared to 2010, due to the need to meet high demand for petroleum products at the Company’s filling stations.

The total number of the Company’s operating filling stations rose by 4.6% in 2011 against 2010. The number was determined by partial completion of upgrades of filling stations in Russia, the CIS and Eastern Europe, and the purchase of 113 filling stations in Russia.
## PURCHASES OF PETROLEUM PRODUCTS (IN CIS)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>43</td>
<td>0.05</td>
<td>126</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>12</td>
<td>0.02</td>
<td>25</td>
</tr>
<tr>
<td>Naphta</td>
<td>–</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>57</td>
<td>0.08</td>
<td>117</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>0.02</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>123</td>
<td>0.17</td>
<td>314</td>
</tr>
</tbody>
</table>

## PURCHASES OF PETROLEUM PRODUCTS (DOMESTIC MARKET)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>160</td>
<td>0.24</td>
<td>786</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>53</td>
<td>0.09</td>
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<tr>
<td>Diesel fuel</td>
<td>226</td>
<td>0.49</td>
<td>230</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>87</td>
<td>0.31</td>
<td>112</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>59</td>
<td>0.11</td>
<td>140</td>
</tr>
<tr>
<td>Other</td>
<td>68</td>
<td>0.31</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>653</td>
<td>1.55</td>
<td>1,369</td>
</tr>
</tbody>
</table>
SALES OF PETROLEUM PRODUCTS BY FILLING STATIONS

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating filling stations in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>921</td>
<td>947</td>
<td>1,043</td>
<td>10.1%</td>
<td>2.8%</td>
</tr>
<tr>
<td>CIS</td>
<td>152</td>
<td>181</td>
<td>202</td>
<td>11.6%</td>
<td>50.8%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>473</td>
<td>468</td>
<td>425</td>
<td>(9.2)%</td>
<td>(1.1)%</td>
</tr>
<tr>
<td>Total</td>
<td>1,546</td>
<td>1,596</td>
<td>1,670</td>
<td>4.6%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Average daily sales per operating filling station in Russia (t/day)</td>
<td>9.1</td>
<td>10.3</td>
<td>14.2</td>
<td>37.9%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Operating income depends entirely on business results, which in turn depend on a favorable market environment and the efforts of management.

ALEXEY YANKEVICH
Deputy CEO for Economics and Finance

Average daily sales per filling station in Russia in 2011 rose by 40% compared to 2010 as a result of the ongoing rebranding program for filling stations and higher demand for petroleum products at the Company’s filling stations.

The Company began a rebranding program at filling stations of Sibir Energy. Growth of revenues by 34.2% in 2011 compared to 2010 was due to rising prices for crude oil and petroleum products and to increase of sales volumes.
## OPERATING RESULTS, mn USD

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of petroleum products, oil and gas</td>
<td>23,773</td>
<td>32,176</td>
<td>43,268</td>
<td>34.5%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Other sales</td>
<td>532</td>
<td>736</td>
<td>904</td>
<td>22.8%</td>
<td>38.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,305</td>
<td>32,912</td>
<td>44,172</td>
<td>34.2%</td>
<td>35.4%</td>
</tr>
<tr>
<td><strong>Costs and expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of purchased oil, gas and petroleum products</td>
<td>5,335</td>
<td>7,459</td>
<td>10,817</td>
<td>45.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Operating costs</td>
<td>1,896</td>
<td>2,126</td>
<td>2,464</td>
<td>15.9%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Sales, general and administrative costs</td>
<td>1,287</td>
<td>1,660</td>
<td>1,779</td>
<td>7.2%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Transportation costs</td>
<td>2,262</td>
<td>2,886</td>
<td>3,391</td>
<td>17.5%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Wear, depletion and depreciation</td>
<td>1,503</td>
<td>1,649</td>
<td>1,963</td>
<td>19.0%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Export duties</td>
<td>3,948</td>
<td>5,301</td>
<td>8,092</td>
<td>22.0%</td>
<td>68.0%</td>
</tr>
<tr>
<td>Taxes, except income tax</td>
<td>4,027</td>
<td>5,301</td>
<td>8,038</td>
<td>51.6%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Costs of geological exploration</td>
<td>147</td>
<td>91</td>
<td>74</td>
<td>(18.7)%</td>
<td>(38.1)%</td>
</tr>
<tr>
<td>Other sales costs</td>
<td>297</td>
<td>436</td>
<td>575</td>
<td>31.9%</td>
<td>46.8%</td>
</tr>
<tr>
<td>Loss from asset sales</td>
<td>142</td>
<td>–</td>
<td>–</td>
<td>(100.0)%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,844</td>
<td>28,239</td>
<td>37,193</td>
<td>31.7%</td>
<td>35.5%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>3,461</td>
<td>4,673</td>
<td>6,979</td>
<td>49.3%</td>
<td>35.0%</td>
</tr>
<tr>
<td><strong>Other income / (costs)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from stakes in associates</td>
<td>212</td>
<td>229</td>
<td>248</td>
<td>8.3%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Income from investments</td>
<td>470</td>
<td>9</td>
<td>104</td>
<td>1,055.6%</td>
<td>(98.1)%</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>108</td>
<td>48</td>
<td>66</td>
<td>37.5%</td>
<td>(55.6)%</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(380)</td>
<td>(347)</td>
<td>(329)</td>
<td>(5.2)%</td>
<td>(8.7)%</td>
</tr>
<tr>
<td>Other costs, net</td>
<td>(1)</td>
<td>(309)</td>
<td>(65)</td>
<td>(79.0)%</td>
<td>30,800.0%</td>
</tr>
<tr>
<td>(Negative) / positive effect of exchange rate changes, net</td>
<td>45</td>
<td>(24)</td>
<td>(172)</td>
<td>616.7%</td>
<td>(153.3)%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>454</td>
<td>(394)</td>
<td>(148)</td>
<td>(62.4)%</td>
<td>(186.8)%</td>
</tr>
<tr>
<td><strong>Income before tax</strong></td>
<td>3,915</td>
<td>4,279</td>
<td>6,831</td>
<td>59.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>801</td>
<td>884</td>
<td>1,173</td>
<td>32.7%</td>
<td>10.4%</td>
</tr>
<tr>
<td><strong>Expense / (income) from deferred income tax</strong></td>
<td>13</td>
<td>(43)</td>
<td>71</td>
<td>(265.1)%</td>
<td>(430.8)%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>814</td>
<td>841</td>
<td>1,244</td>
<td>47.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>3,101</td>
<td>3,438</td>
<td>5,587</td>
<td>62.5%</td>
<td>10.9%</td>
</tr>
<tr>
<td><strong>Less: net income from non-controlled share holding</strong></td>
<td>(75)</td>
<td>(287)</td>
<td>(235)</td>
<td>(18.1)%</td>
<td>282.7%</td>
</tr>
<tr>
<td><strong>Net income attributable to JSC Gazprom Neft</strong></td>
<td>3,026</td>
<td>3,151</td>
<td>5,352</td>
<td>69.9%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>
MANAGEMENT ANALYSIS OF FINANCIAL PERFORMANCE (continued)

**SALES TOTAL**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Crude oil, (mn t)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports and sales on international markets</td>
<td>15.57</td>
<td>15.94</td>
<td>13.08</td>
<td>(17.9)%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Exports to CIS</td>
<td>3.32</td>
<td>3.02</td>
<td>2.99</td>
<td>(1.0)%</td>
<td>(9.0)%</td>
</tr>
<tr>
<td>Sales on the domestic market (except Gazprom Neft Orenburg)</td>
<td>0.25</td>
<td>0.01</td>
<td>0.20</td>
<td>1,900.0%</td>
<td>(96.0)%</td>
</tr>
<tr>
<td>Sales on the domestic market (Gazprom Neft Orenburg)</td>
<td>0.56</td>
<td>0.55</td>
<td>0.53</td>
<td>(3.6)%</td>
<td>(1.8)%</td>
</tr>
<tr>
<td><strong>Total sales of crude oil</strong></td>
<td><strong>19.70</strong></td>
<td><strong>19.52</strong></td>
<td><strong>16.80</strong></td>
<td><strong>(13.9)%</strong></td>
<td><strong>(0.9)%</strong></td>
</tr>
<tr>
<td><strong>Gas, (bn m³)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales on the domestic market (except Gazprom Neft Orenburg)</td>
<td>3.43</td>
<td>4.88</td>
<td>9.31</td>
<td>90.8%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Sales on the domestic market (Gazprom Neft Orenburg)</td>
<td>0.70</td>
<td>0.84</td>
<td>0.91</td>
<td>8.3%</td>
<td>20.0%</td>
</tr>
<tr>
<td><strong>Total gas sales on the domestic market</strong></td>
<td><strong>4.13</strong></td>
<td><strong>5.72</strong></td>
<td><strong>10.22</strong></td>
<td><strong>78.7%</strong></td>
<td><strong>38.5%</strong></td>
</tr>
<tr>
<td><strong>Petroleum products, (mn t)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export sales</td>
<td>11.36</td>
<td>12.31</td>
<td>12.63</td>
<td>2.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Exports and sales on international markets</td>
<td>2.29</td>
<td>2.61</td>
<td>2.43</td>
<td>(6.9)%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Exports and sales in CIS</td>
<td>1.90</td>
<td>1.74</td>
<td>2.05</td>
<td>17.8%</td>
<td>(8.4)%</td>
</tr>
<tr>
<td>Sales on the domestic market</td>
<td>17.43</td>
<td>20.54</td>
<td>24.29</td>
<td>18.3%</td>
<td>17.8%</td>
</tr>
<tr>
<td><strong>Total sales of petroleum products</strong></td>
<td><strong>32.98</strong></td>
<td><strong>37.20</strong></td>
<td><strong>41.40</strong></td>
<td><strong>11.3%</strong></td>
<td><strong>12.8%</strong></td>
</tr>
</tbody>
</table>
Growth of revenues by 34.2% in 2011 compared to 2010 was due to rising prices for crude oil and petroleum products and to increase of sales volumes.

**EXTRA SALES OF CRUDE OIL**

The increase of revenues from crude oil exports and sales on international markets by 15.7% in 2011 compared with 2010 was due to a 41.0% growth in oil prices, which was partly offset by a 17.9% fall in sales volumes.

Crude oil exports and sales on international markets dropped by 17.9% in 2011 compared with 2010, due to 6.8% growth in refining at the Company’s own refineries in 2011 against 2010.

**SALES OF CRUDE OIL IN THE CIS**

A 0.9% decline in revenues from oil sales in the CIS during 2011, compared with 2010, was caused by a 1.0% fall in sales.

Growth in revenues from export sales of petroleum products in 2011 by 38.0% compared with 2010 was caused by a 34.5% price increase and a 2.6% increase in sales volumes due to higher demand and 6.8% growth in refining.

Revenues from export sales of petroleum products grew by 38.2% in 2010 compared to 2009, due to an 8.4% increase in sales volumes and price rises of 27.5%.

**SALES OF PETROLEUM PRODUCTS ON INTERNATIONAL MARKETS**

Revenues from sales of petroleum products on international markets grew by 20.2% in 2011 against 2010, as a result of a 29.1% price rise, partly offset by a 6.9% fall in sales volumes.

Revenues from sales of petroleum products on international markets rose by 23.6% in 2010 against 2009, caused by a 14.0% growth in sales volumes and price increase of 8.5%.

Revenues from petroleum products sold in the CIS in 2011 increased by 39.5% against 2010, due to sales volume growth of 17.8%, and an 18.4% rise in prices.

Revenues from sales of petroleum products in the CIS in 2010 were 26.4% higher than in 2009, due to a 38.0% price rise, which was partly offset by an 8.4% decline in sales volumes.

Revenues from sales of petroleum products on the domestic market grew by 52.9% in 2011 against 2010, due to a 29.3% price rise and growth of sales volumes by 18.3%.

Revenues from sales of petroleum products on the domestic market grew by 41.9% in 2010 against 2009, due to 17.8% growth of sales volumes and 20.5% increase of prices. Sales volumes were boosted by a 13.4% growth in refining.

---

**AVERAGE ACTUAL SELLING PRICES, USD/t**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crude oil, (USD/t)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports and sales on international markets</td>
<td>433.46</td>
<td>560.92</td>
<td>791.13</td>
<td>41.0%</td>
<td>29.4%</td>
</tr>
<tr>
<td>Exports to the CIS</td>
<td>298.19</td>
<td>414.57</td>
<td>413.05</td>
<td>0.1%</td>
<td>39.0%</td>
</tr>
<tr>
<td><strong>Petroleum products, (USD/t)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export sales</td>
<td>453.26</td>
<td>578.07</td>
<td>777.28</td>
<td>34.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Sales on international markets</td>
<td>914.85</td>
<td>992.34</td>
<td>1,280.66</td>
<td>29.1%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Exports and sales in CIS</td>
<td>477.37</td>
<td>658.62</td>
<td>780.00</td>
<td>18.4%</td>
<td>38.0%</td>
</tr>
<tr>
<td>Sales on the domestic market</td>
<td>432.07</td>
<td>520.45</td>
<td>673.08</td>
<td>29.3%</td>
<td>20.5%</td>
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</table>
### Export Sales of Petroleum Products

<table>
<thead>
<tr>
<th>Product</th>
<th>2009</th>
<th>2010</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>2,772</td>
<td>4.51</td>
<td>4,006</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>449</td>
<td>0.84</td>
<td>513</td>
</tr>
<tr>
<td>Naphtha</td>
<td>1,131</td>
<td>1.64</td>
<td>942</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>3,179</td>
<td>4.73</td>
<td>4,321</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>2,205</td>
<td>5.08</td>
<td>3,757</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>181</td>
<td>0.25</td>
<td>159</td>
</tr>
<tr>
<td>Other</td>
<td>736</td>
<td>2.21</td>
<td>940</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,531</td>
<td>12.31</td>
<td>10,690</td>
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</table>

### Sales of Petroleum Products on the Domestic Market

<table>
<thead>
<tr>
<th>Product</th>
<th>2009</th>
<th>2010</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>mn t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>224</td>
<td>0.45</td>
<td>55</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>20</td>
<td>0.04</td>
<td>65</td>
</tr>
<tr>
<td>Naphtha</td>
<td>873</td>
<td>1.70</td>
<td>1,131</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>2,477</td>
<td>4.93</td>
<td>3,179</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>1,249</td>
<td>3.61</td>
<td>2,205</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>13</td>
<td>0.02</td>
<td>181</td>
</tr>
<tr>
<td>Other</td>
<td>293</td>
<td>0.61</td>
<td>341</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,149</td>
<td>11.36</td>
<td>7,116</td>
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### Management Analysis of Financial Performance (continued)
SALES OF PETROLEUM PRODUCTS IN THE CIS

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mn USD</td>
<td>t</td>
<td>mn USD</td>
</tr>
<tr>
<td>High-octane gasoline</td>
<td>366</td>
<td>0.60</td>
<td>531</td>
</tr>
<tr>
<td>Low-octane gasoline</td>
<td>79</td>
<td>0.12</td>
<td>149</td>
</tr>
<tr>
<td>Naphtha</td>
<td>15</td>
<td>0.03</td>
<td>84</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>264</td>
<td>0.42</td>
<td>480</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>1</td>
<td>0.00</td>
<td>28</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>114</td>
<td>0.22</td>
<td>92</td>
</tr>
<tr>
<td>Other</td>
<td>185</td>
<td>0.33</td>
<td>235</td>
</tr>
<tr>
<td>Total</td>
<td>1,146</td>
<td>1.74</td>
<td>1,599</td>
</tr>
</tbody>
</table>

OTHER SALES

Other revenues consist mainly of revenues generated by transportation, construction, utilities and other services.

In 2011 and 2010, other revenues grew by 22.8% and 38.3%, respectively, against the previous year, as a result of price rises and growth of sales volumes.

COST OF PURCHASED OIL, GAS, & PETROLEUM PRODUCTS

The cost of purchased oil, gas, and petroleum products rose by 39.8% in 2010 compared to 2009 as a result of rising crude oil and petroleum product prices, with a consequent growth in sales.

PRODUCTION & REFINING COSTS

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon production costs (except Orenburg)</td>
<td>1,217</td>
<td>1,282</td>
<td>1,499</td>
<td>16.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Hydrocarbon production costs (Orenburg)</td>
<td>13</td>
<td>15</td>
<td>22</td>
<td>46.7%</td>
<td>5.1%</td>
</tr>
<tr>
<td>USD per BOE</td>
<td>5.13</td>
<td>5.17</td>
<td>5.39</td>
<td>4.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Costs of refining at own refineries and refineries of associates, accounted by share in equity</td>
<td>666</td>
<td>829</td>
<td>943</td>
<td>13.8%</td>
<td>24.4%</td>
</tr>
<tr>
<td>USD/t</td>
<td>19.92</td>
<td>21.86</td>
<td>23.29</td>
<td>6.5%</td>
<td>9.7%</td>
</tr>
<tr>
<td>USD per BOE</td>
<td>2.72</td>
<td>2.98</td>
<td>3.18</td>
<td>6.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>1,896</td>
<td>2,126</td>
<td>2,464</td>
<td>15.9%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>
MANAGEMENT ANALYSIS OF FINANCIAL PERFORMANCE (continued)

Costs of hydrocarbon production include costs of materials, maintenance and repairs of equipment used to produce hydrocarbons, costs of labour, fuels, lubricants and electrical power, costs of activities to increase yield, and other costs incurred by the Company’s production units.

Production costs in 2011 grew by 16.9% compared to 2010, as a result of a 3.3% strengthening of the ruble against the dollar, a 12% growth in manufacturer price inflation, and a 12.4% increase of hydrocarbon production by consolidated companies.

The Company’s costs per unit of production in 2011 increased from USD 5.17 to USD 5.39 per BOE, or by 4.3%.

The costs of refining include the costs of materials, maintenance, and repairs of equipment used for hydrocarbon refining, costs of labour, electric power, and other costs incurred by the Company’s refining units.

The costs of refining increased by 13.8% in 2011 against 2010 as a result of the ruble strengthening against the US dollar by 3.3%, a 12% growth in the producers’ inflation rate, and output growth by all refineries.

The Company’s costs per per barrel increased from USD 2.98 in 2010 to USD 3.18 in 2011, or by 6.6%.

As of December 31, 2011, the Company had completed the sale of its interest in an oil field service business.

Starting from 2012, the Company plans to switch to IAS norms in the preparation of its financial reports. The table below discloses the impact of the adoption of IAS norms on the classification of operating costs arising from the sale of the oil field service business:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon production costs (US GAAP, except Orenburg)</td>
<td>1,217</td>
<td>1,282</td>
<td>1,499</td>
<td>16.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>USD per BOE*</td>
<td>5.13</td>
<td>5.17</td>
<td>5.39</td>
<td>4.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Effect from sale of oil field service business</td>
<td>122</td>
<td>173</td>
<td>116</td>
<td>(32.9)%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Reclassifying changes of production in progress from operating costs to cost of goods sold</td>
<td>8</td>
<td>9</td>
<td>16</td>
<td>77.8%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Adjusted operating costs</td>
<td>1,347</td>
<td>1,464</td>
<td>1,631</td>
<td>11.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>USD per BOE*</td>
<td>5.68</td>
<td>5.90</td>
<td>5.85</td>
<td>0.9%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

* Costs of production of hydrocarbons per BOE include information for JSC Gazprom Neft Orenburg since the date of its purchase.

SALES, GENERAL & ADMINISTRATIVE COSTS

Sales, general and administrative costs include general business costs, labour remuneration (except labour remuneration at our production subsidiaries and our own refineries), social payments, bank services, insurance, legal fees, consulting and auditor fees, charity, costs to create provisions for bad debt, and other costs.

Sales, general and administrative costs increased by 7.2% in 2011 as a result of the growing cost of the business, including growth of premium sales and inflation rate.

TRANSPORTATION COSTS

Transportation costs include the costs of bringing crude oil to refineries, and petroleum and products to the end-buyer. They consist of transportation by pipeline, marine/rail freight, handling charges, and other related costs.

An increase in transportation costs for most products in 2011 against 2010 was caused by higher transportation tariffs, growth of the Company’s sales, and a stronger ruble.

WEAR, DEPLETION, AND DEPRECIATION

Wear, depletion, and depreciation costs include exhaustion of oil and gas assets, and depreciation of other fixed assets.

Wear, depletion, and depreciation costs in 2011 rose by 19.0% compared to 2010. This was caused by the increased value of depreciable assets as the Company’s capital investment program continued.

Export customs duties for crude oil rose by 11.4% in 2011 compared to 2010, due to a 39.4% rise in the price of Urals crude oil, which was partly offset by reduced sales volumes.
This growth was caused by increased operating income and better management of working capital.

**Net cash used for investments**

Net cash used for investments increased by 12.4% in 2011 to USD 5,455 mn compared to USD 4,852 mn in 2010, due to an increased number of mergers and acquisitions and a 22.1% increase in capital investments.

Net cash invested fell by 1.1% to USD 4,852 mn in 2010 compared to USD 4,908 mn in 2009. This was caused by lower M&A intensity in 2010 (USD 658 mn less than 2009), partly offset by a 25.3% rise in capital investments.

**Net cash (used in)/generated by financing**

In 2011, net cash used in financing amounted to USD 752 mn against USD 309 mn in 2010. This change was mostly caused by a USD 146 mn decline in net funds generated by loans and credits, and an increase in dividend payments of USD 320 mn.

### OTHER FINANCIAL ITEMS

The change in interest receivable was caused by changes in funds held on current and deposit accounts in banks.

The lower total interest payable in 2011 against 2010 was a result of the Company’s successful efforts to have interest rates reduced.

The effective income tax rate in 2011 was 18.3%, which is comparable to the official income tax rate.

**LIQUIDITY AND SOURCES OF CAPITAL**

**Net cash from operations**

Net cash from operating activities increased by 11.3% to USD 6,001 mn in 2011 compared to USD 5,391 mn in 2010. Growth of net cash funds generated by operations was caused by growth of the Company’s net income, and adjusted by the growth in working capital caused by rising petroleum and petroleum product prices.

Net cash from operating activities increased by 54.1% to USD 5,391 mn in 2010 compared to USD 3,499 mn in 2009.

Export duties and taxes for petroleum products in 2011 rose by 46.6% compared to 2010, as a result of higher export duties for petroleum, partly offset by the cancellation of export duties on petroleum products supplied to Belarus and Kyrgyzstan.

Mineral extraction tax rose by 48.5% in 2011 compared to 2010, due to higher crude oil prices and production increases. The price of Urals crude oil rose by 39.4% in 2011, compared to 2010.

Mineral extraction tax increased in 2010 due to an increase of oil prices, on which the tax is calculated, and because production volumes grew by 2.3%.

Excise duties in 2011 rose by 63.2% compared to 2010 due to an increase in refining volumes at the Company’s refineries, and due to increase in the excise duty rate on January 1, 2011, when the petroleum product excise duty rate was increased under Federal Law No. 306-FZ (effective November 27, 2010).
Net cash used in financial activities in 2010 amounted to USD 309 mn against USD 185 mn received in 2009. The change was caused by a decline in net funds generated by loans and credits of USD 703 mn, partly offset by a USD 209 mn reduction in dividend payments.

**NET CASH (USED IN)/ GENERATED BY FINANCING**

In 2011, net cash used in financing amounted to USD 752 mn against USD 309 mn in 2010. This change was mostly caused by a USD 146 mn decline in net funds generated by loans and credits, and an increase in dividend payments of USD 320 mn.

Net cash used in financial activities in 2010 amounted to USD 309 mn against USD 185 mn received in 2009. The change was caused by a decline in net funds generated by loans and credits of USD 703 mn, partly offset by a USD 209 mn reduction in dividend payments.

The 22.1% growth in capital expenses in 2011 compared to 2010 was caused by the following factors:

- Capital expenses in petroleum refining rose by 120.5% as the Company continued its refinery upgrade program. The program includes construction of a hydrotreatment plant for catalytic cracking with 1.2 mn t annual capacity and a hydrotreatment plant for diesel fuel with 3 mn t annual capacity, both at the Omsk Refinery. When they are launched, the units will make motor fuel in environmental Classes 4 and 5, respectively.
- The 71.9% growth of capital investments in marketing and sales was caused by a rebranding program at filling stations and the purchase of 113 new filling stations.
- The growth of petroleum refining, marketing and sales costs was partly offset by lower capital expenses in exploration and production, which fell by 2.7% due to optimization of well interventions.
- Capital expenses in 2010 rose by 25.3%. This was due to the following factors: Strengthening of the ruble by 4.4% against the dollar, along with cost inflation, caused an 18.4% increase in capital investments in exploration and production.
- A 41.6% increase in capital investments in refining as a result of the Company’s refinery upgrade program;
- A 68.7% growth of capital investments in marketing and sales, as a result of the program to rebrand the filling station chain.

The Company’s loan portfolio is diversified, and includes pre-export financing, syndicated and bilateral loans, ruble bonds and other instruments.

Efforts to refinance debt and achieve a more balanced borrowing policy extended the average repayment period by 27.0% in 2011 against 2010, from 2.1 years to 2.68 years. The average interest rate decreased by 0.59 pp to 3.37%.

In April 2011, the Company negotiated a reduction in the interest rate on a USD 1.5 bn loan, from LIBOR + 2.1% to LIBOR + 1.6%.

In August 2011, the Company placed its second issue of Series 4 bonds for RUB 6.1 bn.

In February 2012, the Company issued Series 11 bonds for RUB 10 bn.
FINANCIAL APPENDICES

**EBITDA CALCULATION**

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>6,037</td>
<td>7,271</td>
<td>10,158</td>
<td>39.7%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Company’s share in EBITDA of associates</td>
<td>(931)</td>
<td>(949)</td>
<td>(1,216)</td>
<td>28.1%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Income from investments</td>
<td>470</td>
<td>9</td>
<td>104</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Income from holdings in associates</td>
<td>212</td>
<td>229</td>
<td>248</td>
<td>8.3%</td>
<td>8.0%</td>
</tr>
<tr>
<td>(Negative) / positive exchange difference, net</td>
<td>45</td>
<td>(24)</td>
<td>(172)</td>
<td>616.7%</td>
<td>(153.3)%</td>
</tr>
<tr>
<td>Other costs, net</td>
<td>(143)</td>
<td>(309)</td>
<td>(65)</td>
<td>(79.0)%</td>
<td>116.1%</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(380)</td>
<td>(347)</td>
<td>(329)</td>
<td>5.2%</td>
<td>(8.7)%</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>108</td>
<td>48</td>
<td>66</td>
<td>37.5%</td>
<td>(55.6)%</td>
</tr>
<tr>
<td>Wear, depletion and depreciation</td>
<td>(1,503)</td>
<td>(1,649)</td>
<td>(1,963)</td>
<td>19.0%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Income before tax</td>
<td>3,915</td>
<td>4,279</td>
<td>6,831</td>
<td>59.6%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

**FINANCIAL INDICATORS**

**FINANCIAL EFFICIENCY**

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Financial efficiency by net income, %</td>
<td>12.76%</td>
<td>10.45%</td>
<td>12.65%</td>
<td>2.2%</td>
<td>(2.3)%</td>
</tr>
<tr>
<td>Return on assets (ROA), %</td>
<td>12.07%</td>
<td>10.88%</td>
<td>16.11%</td>
<td>5.2%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>Return on equity (ROE), %</td>
<td>18.58%</td>
<td>17.18%</td>
<td>24.28%</td>
<td>7.1%</td>
<td>(1.4)%</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE), %</td>
<td>15.44%</td>
<td>15.83%</td>
<td>20.98%</td>
<td>5.1%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

**LIQUIDITY**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Current liquidity ratio</td>
<td>1.15</td>
<td>1.44</td>
<td>2.05</td>
<td>0.4%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Fixed-term liquidity ratio</td>
<td>0.67</td>
<td>0.80</td>
<td>1.13</td>
<td>0.4%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Absolute liquidity ratio</td>
<td>0.18</td>
<td>0.27</td>
<td>0.33</td>
<td>0.2%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

**LEVERAGE**

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</tr>
</thead>
<tbody>
<tr>
<td>Net debt / Total assets, %</td>
<td>17.83%</td>
<td>16.62%</td>
<td>15.74%</td>
<td>(0.9)%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>Net debt / Equity, %</td>
<td>28.71%</td>
<td>25.75%</td>
<td>23.15%</td>
<td>(2.6)%</td>
<td>(3.0)%</td>
</tr>
<tr>
<td>Leverage, %</td>
<td>22.31%</td>
<td>20.48%</td>
<td>18.80%</td>
<td>(1.7)%</td>
<td>(1.8)%</td>
</tr>
<tr>
<td>Net debt / Market capitalization</td>
<td>0.21</td>
<td>0.27</td>
<td>0.26</td>
<td>(0.0)%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>1.10</td>
<td>0.86</td>
<td>0.65</td>
<td>(0.2)%</td>
<td>(0.2)%</td>
</tr>
<tr>
<td>Total debt / EBITDA</td>
<td>1.25</td>
<td>1.06</td>
<td>0.75</td>
<td>(0.3)%</td>
<td>(0.2)%</td>
</tr>
</tbody>
</table>
The investment activities of Gazprom Neft aim to maximize the Company’s value, raise its efficiency, and achieve the Company’s strategic goals.

Conformity of investment plans with the approved Strategy is ensured through a three-year medium-term investment program. The program aims to achieve clear, detailed medium-term targets as it moves towards implementation of the Company’s long-term strategic goals. The program consists of investment projects whose financing needs and economic and operating indicators have been broadly defined, and whose scope is proportional to the Company’s investment capacities.
Large-scale plans for development in all business segments will require considerable investments. Total investments up to 2020, both for current operations and for development, including purchase of assets, are expected to amount to USD 40 bn. More than USD 10 bn will be invested in the period 2012 to 2013.

Investments in 2011 amounted to USD 5.5 bn.

Capital investments by Gazprom Neft in organic growth and maintenance of conventional assets in 2011 amounted to USD 4.0 bn, or 22% more than in 2010:
- Capital investments in crude oil production were USD 2.2 bn (not including investments in NIS). Investments decreased by 8% compared with 2010, due to optimization of the drilling program and infrastructure development program.
- Capital investments in oil refining were USD 0.7 bn in 2011 (not including investments in NIS), which is 61% more than in 2010. Growth of investments compared to 2010 was due to completion of the construction of two large hydrocracking plants at the Omsk Refinery, and the start of construction and installation work in projects to improve motor fuel quality at the NIS Refinery.
- Capital investments in petroleum product marketing grew by 68% in 2011 to USD 0.6 bn. The growth was mainly due to the purchase of large chains of filling stations in Krasnodar Territory, Chelyabinsk, Novosibirsk, and Nizhny Novgorod Region.
- Investments in NIS amounted to USD 0.6 bn in 2011, which is 250% more than in 2010. The growth is explained by the start at NIS of construction work on the hydrocracking complex at the Panchevo Refinery.
- Other investments amounted to USD 0.1 bn.

The Company completed a series of asset purchases in 2011, the most notable of which were:
- Purchase of a 22% holding in Sibir Energy from JSC STK (a corporate entity controlled by the Moscow City Government);
- Purchase of a further 5.15% of the stock of NIS;
- Purchase of assets in Orenburg Region (the eastern section of the Orenburg oil and gas condensate field, and the Tsarichanskoye and Kapitonovskoye fields);
- Sale of a series of oil field service assets. Total investments in the purchase of assets, less revenues from sale of the oil field service businesses, were USD 1.0 bn; investments in foreign projects and projects to develop new assets amounted to USD 0.5 bn. Total investment in ‘non-organic growth’ was therefore USD 1.5 bn.

In 2012, the Company plans to increase its investments in organic growth to USD 4.8 bn, including increases of 13% in exploration and production, of 58% in petroleum refining and of 12% in sales of petroleum products. A further RUB 0.7 bn will be invested to develop new assets and implement major oil production projects. Total investments in non-organic growth should be 53% less than in 2011.

The large-scale investment program in 2012 will address the following key needs:
- Maintaining current production levels at conventional assets;
- Intensifying geological surveying and drilling at new fields (Novoportovskoye, the Messoyakha cluster, and Sibir Energy fields, as well as fields in Orenburg Region);
- Implementing major foreign petroleum production projects in Venezuela, Cuba, Iraq and Equatorial Guinea;
- Retrofitting oil refineries to comply with Russian Government requirements, ensuring transition to Euro-4 from 2012 and to Euro-5 from 2015, with increased output of high-octane gasoline;
- Completing construction of the hydraulic cracking plant at the NIS Refinery;
- Upgrading and rebranding filling stations
- Making the tank farm network compliant with the Company’s formats and standards;
- Reforming the system of aviation fuel supplies to Ministry of Defence airfields, along with improvements to the refueling network.
- Developing our own infrastructure in the bunkering business.
- Increasing production capacity for mixing and packaging of products in Omsk and Central Russia;
- Purchasing bitumen production assets in Russia and the CIS;
- Setting up production facilities for terephthalic acid and PET (polyethylene terephthalate), polypropylene, and caprolactam compounds.

<table>
<thead>
<tr>
<th>CAPITAL INVESTMENTS, mn USD</th>
<th>2011</th>
<th>2012</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Refining</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>NIS</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>4.02</td>
<td>4.79</td>
<td>5.02</td>
</tr>
</tbody>
</table>

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

• Implementing a risk-oriented approach in all aspects of production and management;

• Undertaking systematic analysis of identified risks;

• Building a system to control risks and monitor the efficiency of risk-management activities;

• Making all employees aware of Gazprom Neft’s basic principles and approaches to risk management;

• Ensuring necessary regulatory and methodological support;

• Distributing authority and responsibility for risk management between the Company’s structural units.
RISK MANAGEMENT POLICY

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

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

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

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

The Integrated Risk Management System (IRMS) of Gazprom Neft is a systematic continuous process that identifies, assesses and manages risks. Its key principle is that responsibility for management of various risks is assigned to various management levels depending on the expected financial impact of the specific risks.

As of late 2011, the Company had implemented basic IRMS processes at most of its major subsidiaries and associates, and was thus able to build a detailed Corporate Risk Chart for 2011 by consolidating risk events, from the level of individual subsidiaries/associates to the level of the entire Company.

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

IMPLEMENTATION OF THE IRMS: KEY STAGES

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<tr>
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<tbody>
<tr>
<td>1. The IRMS implementation concept was designed and approved by the Management Board; a Corporate Risk Management Policy was enacted.</td>
<td></td>
<td>1. The ‘Risk Book 2010-2011’ was compiled.</td>
<td>1. Further expansion of IRMS scope: IRMS extended to 20 more business entities (subsidiaries/affiliates, and major projects) and 2 sub-divisions directly subordinate to the corporate centre.</td>
</tr>
<tr>
<td>2. Introduction of a new corporate standard, ‘IRMS: Procedure for identification and assessment of risks, preparing response action, and monitoring compliance’.</td>
<td></td>
<td>2. A Business monitoring technique for Gazprom Neft Group was designed and formalized; six-monthly monitoring of key risks and subsidiary/associate risks was enacted.</td>
<td>2. Integrating the IRMS with the project management and M&amp;A system.</td>
</tr>
<tr>
<td>3. Scope of the IRMS was expanded to cover 29 business entities (20 subsidiaries/associates, and 9 sub-divisions of the centre).</td>
<td></td>
<td>3. Quantitative assessment was carried out for the top 10 risks at six subsidiary/affiliate units in mandatory scope of the IRMS.</td>
<td>3. Organization and support for stages of the risk management process, tied in with the business planning cycle.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Standard formats for presentation of risk-related information to assist business planning were agreed and tested at the six subsidiaries/associates.</td>
<td>4. Developing an IT system to support IRMS processes.</td>
</tr>
</tbody>
</table>

The IRMS was analysed in two stages (in June 2009 and March 2011) by Ernst & Young to ascertain its compliance with best practice.

The Gazprom Neft IRMS was acknowledged as compliant with international practice for construction of Enterprise Risk Management systems.
KEY RISK FACTORS (continued)

The Company is working continuously to improve its approach to basic IRSM processes, with a special focus on efforts to assess risks and integrate the risk management process into such key corporate processes as business planning, project management and M&A.

INDUSTRY RISKS

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

- Risks related to possible change of prices for purchased materials and services;
- Risks related to possible changes of prices for crude oil and its products;
- Risks related to competition within the industry;
- Risks related to geological exploration.

RISK FINANCIAL IMPACT LEVELS AND DISTRIBUTION OF AUTHORITY WITHIN IRMS

<table>
<thead>
<tr>
<th>KEY RISKS</th>
<th>Risk management and assessment of risk management is carried out by the Management Board. Immediate control of this risk category is carried out of business blocks.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLOCK-LEVEL RISKS</td>
<td>Risk management and monitoring at the level of business blocks.</td>
</tr>
<tr>
<td>SUBSIDIARY RISKS</td>
<td>Risk management and monitoring at the level of subsidiaries and associates.</td>
</tr>
</tbody>
</table>

TOP 10
18 KEY RISKS

Management Board
Block
Subsidiary

IRSM PROCESS FLOW CHART AT GAZPROM NEFT GROUP

RISK DETECTION / REVIEW
EVERY YEAR
QUALITATIVE / QUANTITATIVE ASSESSMENT OF RISKS
EVERY YEAR
DESIGNING RISK CONTROL ACTIVITIES
EVERY YEAR
ACTION MONITORING
EVERY QUARTER / HALF-YEAR / YEAR*

* Dependent on the risks severity
Source: Company data
Risks Description Risk management activities

**Risks related to possible change of prices for purchased materials and services**

In the course of its business, Gazprom Neft utilizes the transportation infrastructure of monopolist providers of services for transportation of crude oil and petroleum products, and monopolistic suppliers of electrical energy.

The Company has no control over the infrastructure of these monopolistic providers, nor can it control the tariff rates payable. Tariff rates are controlled by Russian Government agencies, but the rates increase from year to year, creating additional costs for the Company.

The Company takes various steps to mitigate such risks:
- Long-term planning of commodity flows, timely reservation of capacity for transport of crude oil and product volumes, and of rolling stock;
- Optimizing distribution of commodity flows between transport types;
- Use of alternative energy and own sources of power generation. These efforts reduce the risks related to services and products purchased from monopolists to acceptable levels, and ensure continuity of the Company’s operations.

**Risks related to possible changes of prices for crude oil and its products**

The Company’s financial performance directly relates to prices for crude oil and petroleum products. The Company is unable to fully control the prices of its products, which depend on the balance of supply and demand in global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

- The Company uses a range of actions to reduce mineral extraction costs.
- A business planning system is used to calculate different scenarios for Company key performance factors depending on global oil prices. This approach enables cost cutting by reduction or rescheduling of investment programs and by other mechanisms. Such activities help to lower risks to an acceptable level and ensure that the Company can perform as planned.

**Risks associated with competition in the industry**

There is tough competition between leading Russian oil and gas producers in their main lines of business, including:
- Acquisition of sub-soil usage licences for hydrocarbon production in auction sales arranged by the Russian Government;
- Purchase of other companies that own sub-soil licences or assets related to production of hydrocarbons;
- Implementation of foreign projects;
- Contracting major third-party service providers;
- Purchase of high-tech equipment;
- Purchase of existing retail chains and of land to build new retail outlets;
- Expanding sales markets and sales volumes.

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

**Risks related to geological exploration**

A key strategic objective for the Company is to increase the quantity and quality of its hydrocarbon resource base in order to ensure satisfactory production levels, and this largely depends on the success of geological exploration.

The main risk associated with geological exploration is that target levels of hydrocarbon reserves will fail to be confirmed. An important factor is that geological surveying is carried out in various geographical regions, including some with harsh climates, which frequently causes a risk of additional costs.

Gazprom Neft has huge experience of geological surveying and use of the most advanced geophysical methods of hydrocarbon exploration and surveying, and also has modern technologies for drilling and deposit development. These capabilities reduce levels of risk due to geological factors.

**ENVIRONMENTAL RISKS**

Risks Description Risk management activities

**Environmental risks**

Gazprom Neft’s operations have inherent risk of damage to or pollution of the natural environment. This may give rise to civil law liability and require action to eliminate such damage.

The Company is fully aware of its responsibility before the public, and its obligation to ensure safe working conditions and protection of the natural environment. The Company ensures that its operations comply with applicable environmental standards and implements environmental protection programs.

The environmental policy of Gazprom Neft aims to comply with the provisions of the effective environmental regulations, by investing considerable funds in environmental activities, including use of technologies that minimize adverse impact on the environment. As a result, risks related to environmental pollution have been greatly reduced.
KEY RISK FACTORS (continued)

COUNTRY & REGIONAL RISKS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political risks</td>
<td>The political situation in Russia at present is stable, with strong federal and regional executive government. Gazprom Neft is a registered taxpayer in the city of Saint Petersburg, the second-largest city in the Russian Federation, and the capital of the Northwest Federal District, which has huge natural resource potential, advanced industries, and a dense transportation network. Subsidiaries of Gazprom Neft are resident in the following Federal Districts: Central, Northwest, Ural, Volga, Siberia, and the Russian Far East.</td>
<td>On the whole, the Company views the political situation in Russia as stable and does not see any risk of negative developments at present.</td>
</tr>
<tr>
<td>Risks related to foreign assets</td>
<td>The Company has a number of foreign projects underway which aim to expand its production geography. By enteringblems in nation states where the Company has assets; which may lead to a failure to a new regions the Company can obtain additional competitive advantages, but it also runs the risk of underestimating economic and political prochieve business targets.</td>
<td>Currently, Gazprom Neft sees the level of risks related to its foreign assets as acceptable; however, adverse changes cannot be ruled out, since such risks are beyond the Company’s control.</td>
</tr>
<tr>
<td>Corruption risks</td>
<td>As the Company actively enters new international markets, there are increasing risks of anti-corruption laws in the US and UK being extended to the Company.</td>
<td>Gazprom Neft is working on a program to control corruption risks. Essentially, the strategy is to make proactive efforts that minimize risks of liability for any lack of procedures to avert bribery. The program will assess the role of corruption risk in the Company's risk management system, design a corporate regulation, and devise a strategy for communication support and appropriate employee training.</td>
</tr>
</tbody>
</table>

FINANCIAL RISKS

Management of the Company’s financial risk is the responsibility of employees acting within their respective professional spheres.


<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan risk</td>
<td>Company management pays significant attention to management of loan risk.</td>
<td>Gazprom Neft has taken a number of steps to manage loan risk, including: counterparty solvency evaluation; individual lending limits depending on the counterparty’s financial situation; control of advance payments; control of accounts receivable by lines of business, etc. Thanks to these measures, Company management is confident that there is no serious risk at present of the occurrence of losses in excess of the Company’s loan loss provisions. The Company holds its temporarily unused cash on account at various Russian banks. It is part of Company policy to ensure that these banks are regularly checked for solvency and ranked by reliability.</td>
</tr>
<tr>
<td>Borrowing risk</td>
<td>Gazprom Neft efficiently controls risks associated with its borrowing activities.</td>
<td>The Company actively uses alternative sources of loan financing in addition to bank loans. The Company’s stable financial situation (confirmed by international rating agencies) helps it to mobilize funds in Russian and foreign banks with comparative ease.</td>
</tr>
<tr>
<td>Currency risk</td>
<td>Gazprom Neft generates most of its gross revenues from export sales of crude oil and petroleum products. This means fluctuation of ruble exchange rates may impact the Company’s financial and business performance.</td>
<td>The Company’s currency exchange risk is considerably mitigated by its foreign currency liabilities: the Company takes a large part of its loans on the international credit market in US dollars, and associated loan servicing costs are also in US dollars. The currency structure of revenues and liabilities acts as a hedging mechanism where opposite factors offset each other. A balanced structure of currency claims and liabilities minimizes the impact of currency risk factors on the Company’s financial and business performance.</td>
</tr>
<tr>
<td>Risks</td>
<td>Description</td>
<td>Risk management activities</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Interest risk</td>
<td>As a major borrower, the Company is exposed to risk of changing interest rates. The international financial market remains the main source of loans, and most of the Company’s debt portfolio consists of loans and credits in US dollars. Interest rates payable on a part of existing loans is based on interbank rates (LIBOR), while the other part (its share is not fixed and may change) has no fixed interest rate and can vary. Any increase in the latter rates could lead to higher costs of debt servicing. Higher borrowing costs may have a negative impact on the Company’s solvency and liquidity ratios.</td>
<td>The LIBOR rate is currently on a modest upward trend, but the need for further growth stimulus in the world economy makes the probability of substantial increases (more than 1%) negligible. Therefore, taking account of the structure of Gazprom Neft’s current loan portfolio, it is fair to say that interest rate risk is at a low level for the Company.</td>
</tr>
</tbody>
</table>

**LEGAL RISKS**

Gazprom Neft acts in strict compliance with the standards of Russian law and that of other jurisdictions where it has operations. The Company cannot rule out future adverse changes in Russian law in the long run, since most such risk-forming factors are beyond the Company’s control. Negative impacts in this risk category are mitigated by monitoring and timely response to changes in various spheres of the law, and by ongoing interaction with legislative and executive governments, and with social organizations on issues of interpretation, correct application and improvement of legislation.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks related to changes in tax law</td>
<td>Gazprom Neft is one of the largest taxpayers in the Russian Federation; it pays federal taxes, regional and local taxes, including value-added tax, corporate income tax, mineral extraction tax, corporate property tax and land tax.</td>
<td>In the course of its business, the Company constantly monitors all changes to tax law, and changes in interpretation and application of existing tax law. The Company also advises Government on improvement of legislation and the creation of new regulatory acts in the field of taxation.</td>
</tr>
<tr>
<td>Risks related to changes in customs regulations and duties</td>
<td>The Company is engaged in foreign trade, and is thus exposed to risks related to changes in laws and government regulation in the sphere of foreign trade, and to customs law specifying the procedure for passage of commodities across the customs border of the Russian Federation, as well as adoption and enforcement of customs regimes, and introduction and collection of customs duties. Risks include the possibility that the Russian Government might change the level of customs duties (both import and export duties) payable on various commodities for which Gazprom Neft has signed foreign contracts. The main consequence of such risk would be higher costs and lower efficiency of exports.</td>
<td>The Company complies with customs control procedures and processes all documents required for both export and import operation. It has sufficient financial and human resources to ensure compliance with customs-related rules and regulations.</td>
</tr>
<tr>
<td>Risks related to changes in license compliance of main line of business</td>
<td>Evolution of current sub-soil legislation tends towards detailed regulation of sub-soil usage by the Government, more rational use of sub-soil areas, and strict compliance with legal standards of environmental protection.</td>
<td>Gazprom Neft operates its license areas in strict conformity with the requirements of Russian sub-soil law, and updates its license agreements to keep them compliant with relevant laws. The Company analyses and assesses legislative initiatives by relevant ministries and departments in the sphere of sub-soil law and licensing. Proposed and discussed amendments to current legal acts will have an overall favorable effect on sub-soil practices and license-governed activities in the Russian Federation. Gazprom Neft is not aware of any legal risks associated with loss of sub-soil rights or violation of current law due to changes in the law.</td>
</tr>
<tr>
<td>Risks related to changes in court practice on issues relevant to Company business</td>
<td>Under the current system of enforcement, in the Russian Federation the highest courts have the most significant legal positions (the Constitutional Court of the Russian Federation, the Supreme Court, and the Supreme Arbitration Court), which can influence the company’s business activities.</td>
<td>Gazprom Neft regularly monitors verdicts by high courts, and assesses the impact of trends in interpretation of the law by district arbitration courts. The Company proactively uses the results of such monitoring to protect its lawful rights and interests in court, and to resolve legal issues that arise from its operations. Therefore, risks related to changes in court practices are viewed as negligible.</td>
</tr>
</tbody>
</table>
HEALTH, SAFETY, & THE ENVIRONMENT

THE COMPANY’S KEY OBJECTIVES IN THE SPHERE OF HEALTH SAFETY & ENVIRONMENT (HSE), & CIVIL DEFENSE FROM 2011 TO 2013 ARE AS FOLLOWS:

• To develop an integrated safety system in the industrial, environmental, occupational and civil defence spheres;

• To reduce injury rates among employees;

• To ensure achievement of targets for rapid reduction of adverse industrial impacts on the environment.
For Gazprom Neft, implementation of a leadership strategy is not only about achievement of the best production and financial performance. Upscaling of the business and achievement of new production horizons also require further improvement in the quality of environmental management and work to raise levels of safety in the workplace. Gazprom Neft is pursuing the ambitious goal of joining the leading global petroleum producers in terms of the standards of industrial, environmental and occupational safety that it seeks to adopt.

Activities by Gazprom Neft in HSE and civil defense are based on established Company policy in these spheres, coordinated at head office by the Company’s Department for Industrial Safety.

Scheduled work continued in 2011 for the establishment of an HSE and civil defence system in compliance with the approved corporate strategy.

Progress is impossible without assessment of current HSE efficiency and the setting of goals. In 2011, the Company developed and successfully applied an integrated HSE and civil defense indicator. The single indicator unites measures of accident and injury rates, as well as measures of progress in implementation of fire safety, transport and environmental programs by subsidiaries. The Azimut IT control system was used to monitor indicator levels and progress in program implementation on a quarterly basis.

In 2011, the Company audited its system for control of health, safety, environment and civil defense aspects at key business units in crude oil production, refining, and product supplies. Such audits are an integral part of the Company’s system of HSE control, help to evaluate the current state of the system and devise informed recommendations on ways of improving it.

**OCCUPATIONAL HEALTH & SAFETY**

The Company seeks to achieve ongoing improvement in levels of safety at work by consistently reducing rates of accident, injury and work-related illness.

Implementation of measures as part of the corporate HSE and civil defense system led to a major decline in the rate of fatal injuries (by 38%) in 2011.

### IMPLEMENTING THE POLICY OF INTEGRATED MANAGEMENT OF WORK AND ENVIRONMENTAL SAFETY, OF LABOR PROTECTION

<table>
<thead>
<tr>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building database</td>
<td>Development of regulations’ base</td>
<td>Improving investigation quality</td>
<td>Implementing plans for adjustment measures</td>
<td>Analysis of system efficiency and system adjustments</td>
</tr>
<tr>
<td>Raising consistency of incident tracking</td>
<td>Training</td>
<td>Production control and audit</td>
<td>Developing comprehensive projects and programmes</td>
<td>Launch of ongoing regime of improvement for work and system processes</td>
</tr>
<tr>
<td></td>
<td>Incident analysis, data sharing</td>
<td>Risk assessment</td>
<td>Management system analysis</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data
The number of instances when employees had to be evacuated from their workplace due to risks of illness or due to hospitalization has been substantially reduced over a period of three years.

The Company is implementing a set of measures to raise levels of vehicle transport safety. The rate of road accidents has declined year-on-year as a result (by 24% in 2010 and by 34% in 2011).

Policy and standards of corporate HSE and civil defense at Gazprom Neft are oriented towards reduction of risks and prevention of emergencies. Company subsidiaries have funds and material reserves set aside to ensure rapid response to possible emergencies. Readiness of subsidiaries for such rapid emergency response is tested regularly through drills and training.

**ENVIRONMENTAL SAFETY**

Gazprom Neft implements a set of organizational and technical measures that are designed to consistently reduce negative impact on the natural environment. The measures are based on global best practice and are implemented as part of a uniform policy that ensures environmental safety compliance, efficient planning and a high degree of integration of environmental measures throughout the Company’s production chain.

The aim of the Company’s environmental activities is to maintain environment-related risks at a socially acceptable level. Environmental risks generated by negative impact of Company production facilities on the natural environment are controlled at all stages of environment management, from risk detection to monitoring to enforcement and control over preventive and corrective action.

Such efforts require mobilization of considerable funds, which are invested to develop and adopt innovative technologies, upgrade production equipment, prepare project documents, conduct on-site environmental monitoring and monitoring of the environmental situation, handle industrial and consumer waste, train and re-train specialists, and for other environment-related activities.

Development of existing facilities, commissioning of new fields and acquisition of new production assets generally increases gross emissions of harmful substances into the atmosphere. This means there is an urgent need to adopt measures to reduce such emissions.

In 2011, Gazprom Neft became the first Russian oil company to transfer emission reduction units (ERUs, each representing 1 ton of CO2), obtained in line with the established procedure for implementation of the Kyoto Protocol mechanism in Russia, from the Russian national register to that of another country. This occurred when the Company transferred about 295,000 ERUs, obtained between August and December 2009, from Russia’s Carbon Unit Registry to Japan’s National Carbon Unit Registry.

### Table: Injuries Rate, LTIFR

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR (accidents per 100,000 equivalent full-time employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>0.70</td>
</tr>
<tr>
<td>2009</td>
<td>0.60</td>
</tr>
<tr>
<td>2010</td>
<td>0.60</td>
</tr>
<tr>
<td>2011</td>
<td>0.56</td>
</tr>
</tbody>
</table>

### Table: Fatal Injuries Rate, AAR

<table>
<thead>
<tr>
<th>Year</th>
<th>AAR (accidents per 100,000 equivalent full-time employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2.20</td>
</tr>
<tr>
<td>2009</td>
<td>2.33</td>
</tr>
<tr>
<td>2010</td>
<td>2.20</td>
</tr>
<tr>
<td>2011</td>
<td>2.17</td>
</tr>
</tbody>
</table>

### Table: Number of Instances When Personnel Were Evacuated for Health Reasons

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>101</td>
</tr>
<tr>
<td>2010</td>
<td>67</td>
</tr>
<tr>
<td>2011</td>
<td>49</td>
</tr>
</tbody>
</table>

### Table: Number of Road Accidents, acc

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>141</td>
</tr>
<tr>
<td>2010</td>
<td>141</td>
</tr>
<tr>
<td>2011</td>
<td>141</td>
</tr>
</tbody>
</table>

Source: Company data
In 2011, the Company took various steps to raise the efficiency of water resource utilization. Facilities with a treatment capacity of 125 m³/hour were built and commissioned in stage one of a program to upgrade treatment facilities of AT Gazpromneft-Omsk Refinery. At this site, purified and decontaminated residential sewage can be sued as a water input for industrial processes. Work was also carried out to retrofit treatment facilities at the Slavneft-Yaroslavl Refinery, and the cooling towers at Slavneft-YaNOS underwent a major overhaul. The measures improved water supply arrangements at these business units and helped to reduce their water intake needs.

As part of their environmental safety programs, Company subsidiaries and associates are carrying out laboratory control of the quality of surface waters and ground water, design work on environmental protection zones for water intake wells, purchase of boom guards and installation of jetty facilities for cargo handling, as well as construction, repair, and servicing of local purification plants, and other measures. Business units in the exploration and production segment took steps in 2011 to improve safety of submerged crossings and pipelines over waterways.

Since 2009, the Company has been implementing a strategic program to reclaim oil-contaminated land. In 2011, exploration and production units carried out detailed inventory to obtain accurate information on the extent of such land and subsequent reclamation work restored 135 hectares. Work was also carried out to reclaim 5,374 hectares of land that was disturbed during construction of crude oil production facilities.

Efforts to deal with industrial waste have focused on legal compliance, the reduction of environmental impact and of costs in processing of drilling sludge, and maximum reintegration of large-scale waste outputs into the natural environment, thus reducing the cost of land reclamation. The Company makes extensive use of scientific solutions to waste management.

In 2011, the Company created a document regulating activities to design, equip and operate sludge storage, and to develop technologies that would reintegrate drilling waste into soil-generating rock. A scientific document was also prepared to help in identification of land that was disturbed during construction of drilling sludge storage areas. The document contains criteria for possible self-restoration of drilling waste storage facilities, and underlines the need for sludge treatment and land reclamation. The document should enhance the efficiency and quality of work to reclaim land used for sludge storage.

The HSE activities of Gazprom Neft are described in detail in the Company’s 2011 Report on Sustainable Development.
POWER GENERATING & ENERGY SAVING

KEY ENERGY-SAVING MEASURES:

- Reducing electricity consumption by pumps, air cooling devices, transformer substations and compressors through the installation of energy-saving equipment, including frequency-adjusted drives;
- Increasing thermal exchange processes and more complete fuel combustion in furnaces;
- Optimizing the recovery system during primary crude refining, and using secondary energy resources;
- Using energy-efficient submersible centrifugal pumps;
- Optimizing the operating regimes of submersible equipment and booster pumps.
Gazprom Neft is taking steps to ensure efficient energy use. Company business units are developing and applying measures to reduce electricity consumption, and implementing programs for efficient use of energy.

The Company has also initiated programs to develop power generating infrastructure and rational use of energy as part of Gazprom Neft’s strategy of production development, which involves launch of new industrial facilities and therefore increases energy needs. The work includes efforts to make internal and external supplies of electric power more dependable, and to increase the capacity of power generating units through modernization and technical improvement.

At the moment, Gazprom Neft is adoptinh energy-saving as its main strategy for reducing the share of energy consumption costs as a proportion of overall production costs. In this regard it is implementing medium-term programs of energy efficiency enhancement.

Gazprom Neft’s business units are currently implementing regular energy saving initiatives. The aim is to make such initiatives more systematic both in terms of technologies used for energy efficiency and also of the management resources required.

In 2011, the Company invested RUB 369 mn to finance project surveys, construction and installation work concerning upgrades to internal and external power supply systems at business units in the oil refining segment (see Table below).

Proactive energy-saving is a strategic priority for Gazprom Neft. The energy component in unit production costs at Company business units is being reduced through energy-saving activities as part of wider medium-term programs to raise energy efficiency.

Progress in these programs during 2011 is evident from energy savings worth RUB 771 mn and RUB 963 mn in the refining and crude oil production segments, respectively.

Key energy-saving measures are as follows:

- Increasing thermal exchange processes and more complete fuel combustion in furnaces;
- Reducing electricity consumption by pumps, air cooling devices, transformer substations and compressors through the installation of energy-saving equipment, including frequency-adjusted drives;
- Optimizing the recovery system during primary crude refining, and using secondary energy resources;

<table>
<thead>
<tr>
<th>Business unit</th>
<th>Description of activities</th>
<th>Financing in 2011, mn RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Neft-Omsk Refinery</td>
<td>Retrofitting the internal and external power supply system, upgrade of electrical equipment.</td>
<td>271</td>
</tr>
<tr>
<td>Gazprom Neft-Moscow Refinery</td>
<td>Retrofitting the internal and external power supply system</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: Company data
• Using energy-efficient submersible centrifugal pumps (UENTS);
• Optimizing the operating regimes of submersible equipment and booster pumps.

The Company is currently working on creating a permanent energy management system throughout Gazprom Neft. This will enable the transition from various one-off energy saving measures to a platform of systematic technology and management solutions.

The Company’s crude-oil production units work continuously to reduce atmospheric emissions, particularly by achieving higher levels of utilization of associated oil gas (AOG). The Company has a program to raise the AOG utilization rate to 95% by constructing gas-collection networks and facilities, including power generating facilities, that can use the gas.

Atmospheric emissions in the petroleum refining block have been consistently reduced thanks to environmental actions, which include retrofitting of production capacity, replacement of burners in plant furnaces, adding modern emission-reducing devices to tanks, and ensuring airtight seals when petroleum products are tanked. In October 2010, the Omsk Refinery commissioned an Isomalk-2 isomerization plant for light gasoline fractions. The complex is the largest in Europe, and enables production of a high-octane component for saleable gasoline with zero content of sulphur, aromatics and unsaturated hydrocarbons. Integration of the complex in industrial processes at Omsk has increased crude oil refining depth and raised output of high-octane automotive gasoline of environmental Classes 4 and 5. This plant was in operation throughout the year under review.

The Company’s petroleum product supply units have carried out comprehensive analysis of the environmental and economic impact of deploying systems at filling stations that can recover light petroleum product vapours.

### CONSUMPTION OF PURCHASED ELECTRICITY IN THE EXPLORATION & PRODUCTION SEGMENT

<table>
<thead>
<tr>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011 (plan)</th>
<th>2011 (fact)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power supplied under supply/sale contracts</td>
<td>thou RUB*</td>
<td>8,552,348</td>
<td>10,208,101</td>
<td>11,766,365</td>
</tr>
<tr>
<td></td>
<td>thou KwH</td>
<td>5,460,206</td>
<td>4,866,404</td>
<td>4,435,658</td>
</tr>
<tr>
<td>Purchased electric power (less transit)</td>
<td>thou RUB</td>
<td>29,622</td>
<td>26,184</td>
<td>38,559</td>
</tr>
<tr>
<td></td>
<td>thou GCal</td>
<td>141,512</td>
<td>111,738</td>
<td>159,508</td>
</tr>
<tr>
<td>Purchased thermal power (less transit)</td>
<td>thou RUB</td>
<td>5,136</td>
<td>5,132</td>
<td>6,817</td>
</tr>
<tr>
<td></td>
<td>thou m³</td>
<td>208.6</td>
<td>170.8</td>
<td>195.4</td>
</tr>
<tr>
<td>Cold water supply</td>
<td>thou RUB</td>
<td>0</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>thou m³</td>
<td>0</td>
<td>0</td>
<td>0.333</td>
</tr>
<tr>
<td>Hot water supply</td>
<td>thou RUB</td>
<td>0</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>thou m³</td>
<td>0</td>
<td>0</td>
<td>0.333</td>
</tr>
</tbody>
</table>

* Electric power purchases, not including VAT.

### KEY PROGRAM DIRECTION

<table>
<thead>
<tr>
<th>Key program direction</th>
<th>Economy plan/fact</th>
<th>Effect, mn RUB plan/fact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of thermal exchange processes, and improved fuel consumption in furnaces</td>
<td>71/34 thou tons</td>
<td>326/577 mn RUB</td>
</tr>
<tr>
<td>Optimized recovery system during primary crude refining and use of secondary energy resources</td>
<td>76/153 thou GCal</td>
<td>53/111 mn RUB</td>
</tr>
<tr>
<td>Reduced electric power consumption by pumps, air cooling devices, transformer substations and compressors owing to installation of energy-saving equipment, including frequency-adjusted drives</td>
<td>3,335/3,300 thou KwH</td>
<td>5.0/4.6 mn RUB</td>
</tr>
<tr>
<td>Use of energy-efficient facilities of electro centrifugal pumps</td>
<td>13,713/18,370 thou KwH</td>
<td>35.3/42.9 mn RUB</td>
</tr>
<tr>
<td>Optimized operation mode of downhole equipment and booster pump stations</td>
<td>7,485/24,039 thou KwH</td>
<td>13.8/47.0 mn RUB</td>
</tr>
</tbody>
</table>

### COST OF ELECTRICAL ENERGY (REFINING, LOGISTICS AND SALES), mn RUB

5,585 10.7% mn RUB

### COST OF THERMAL ENERGY (REFINING, LOGISTICS AND SALES), mn RUB

4,933 20.4% mn RUB

Source: Company data
WORK WITH MEDIA & GOVERNMENT

MAIN PRINCIPLES

- The Company maintains a dialogue with the Federal Government and with governmental agencies to improve legal regulation of the oil and gas industry, and to promote a favourable investment climate in Russia.

- Gazprom Neft liaises with the press-centers of regional administrations in Yamalo-Nenets and Khanty-Mansiysk Autonomous Districts and also in Omsk Region as part of its cooperation with sub-federal levels of government.

- Gazprom Neft has its own Regional Policy Concept, which has been implemented since 2010 and ensures that the Company’s work with Russian regions is conducted on a systematic basis.
Gazprom Neft continued to work closely in 2011 with stakeholders in government and society, based on the principles of dialogue and partnership.

The Company promotes transparency by informing stakeholders about all aspects of its business. The Company published 120 official communications during 2011, and top executives gave 34 interviews to mass media. Press tours were organised to the Yeti-Purovskoye field (operated by JSC Gazprom Neft-Noyabrskneftegaz) and the Omsk Refinery.

Internet sites of Gazprom Neft Group and its companies remain the main tool of communication with external audiences. All Group websites were tied into a single integrated system in 2011, which has made information about Group business more accessible to stakeholders.

Gazprom Neft’s corporate website came top in a rating of websites of Russia’s 30 biggest companies listed in the RTS Classic share index in 2011, which has made information about Group business more accessible to stakeholders.

Gazprom Neft’s corporate website came top in a rating of websites of Russia’s 30 biggest companies listed in the RTS Classic share index in 2011. The number of visitors to the site increased by 53% in 2011 in comparison with 2010.

The main advertising tools used by Gazprom Neft in 2011 were national TV (reaching at least 80% of the customer target audience), and outdoor advertising including non-standard media (reaching at least 40% of the target audience). Radio, print and digital news media were also used.

The Company has traditionally favoured sports sponsorship as a means of promoting its brands and securing customer loyalty. In 2011, Gazprom Neft continued its cooperation with Zenit Soccer Club, and with Avangard and TsSKA Ice-Hockey Clubs, whose games were broadcast by leading national TV channels and enjoyed high audience ratings.

By supporting professional sports clubs, Gazprom Neft obtains rights to use players and athletes in its promotional and PR campaigns: two campaigns have been developed that feature players in the Russian national ice-hockey team and Zenit soccer players to promote the Company’s new G-Drive fuel brand. Sportsmen have also participated in special events for the Company, including new filling station openings.

According to independent market research findings, spontaneous awareness of Gazprom Neft filling stations reached 42% by the end of 2011, representing an improvement of 13% compared with late 2010. Prompted awareness of the brand in regions in which it has filling stations added 9 percentage points to reach 81%. Gazprom Neft is now in strong second place among filling station chains in Russia when measured by all main image and recognition criteria.

Gazprom Neft plays an active part in ongoing dialogues concerning legal regulation in the oil and gas industry and creation of a favorable investment climate in Russia. In 2011, the Company took part in working groups developing an oil and gas industry roadmap up to 2020 as well as the final version of a new tax system for the industry, which has already been partly implemented (in the form of the 60/66 customs duty system). Besides Gazprom neft specialists have participated in expert assessment of the Government Regulation entitled Measures to Reduce Flare Burning of Associated Petroleum Gas. Elaboration of the above Government Regulation is purposed to accounting features of the new, small and remote fields.

The Company reached agreement in 2011 on favorable terms of access to the Arctic Circle-Purpe oil pipeline, which will be built at the expense of JSC Transneft.

The Company is also working with other Russian oil and gas producers, the Ministry of Energy, the Ministry of Industry and Commerce, and Rostekhnadzor (the industrial standards agency) to assist a transition from directives to objectives as the basis for safety regulation at processing and petrochemical facilities. The new approach will allow more flexibility in selection of project solutions, reduce capital construction costs, and improve levels of quality and safety.

Gazprom Neft, together with other oil companies, has also been involved in negotiations with the Government of Khanty-Mansiysk Autonomous District in a joint effort to improve regional tax regulation.
THE PRIORITIES OF THE COMPANY’S SOCIAL ACTIVITIES IN THE REGIONS WHERE IT OPERATES INCLUDE:

- Construction and repairs to schools, hospitals, sports and recreational facilities, and housing;
- Assistance to socially significant projects in the spheres of sport and culture, as well as programs to support children and young people;
- Preserving cultural and historic heritage.
The Company's operations have a material impact on development of the territories where such operations are carried out, and the Company's activities are fundamental to the economies of some of its operating regions. Sustainable development and modernization of society in regions where oil production, refining and sales subsidiaries of Gazprom Neft operate are important conditions for successful implementation of the Company's large-scale strategic plans. Gazprom Neft contributes to the social and economic development of Russian regions as a dynamic business entity, as a major taxpayer and employer, and as a partner for local governments and communities in their efforts to address local issues. The Company works consistently to build partner relationships with local administrations and communities, guided by Russian law and by the specific local development issues associated with industrial and regional development.

Gazprom Neft’s Regional Policy Concept, approved in 2010, determines the Company’s partnership with regional governments, orienting it towards the Company’s own strategic goals, and raising the efficiency of the Company’s social investments. The Concept is based on the Russian Government’s Energy Strategy, as well as social and economic development strategies being implemented by regional governments, and also along with current laws and regulatory acts of Russia and its constituent entities. The formulation of the Concept took account of the Company’s past experience of interaction with regional governments and local communities.

The Company’s regional policy is mainly implemented through social and economic agreements with regional and municipal (local) administrations. The procedure for preparing and signing such social and economic agreements is regulated by the Company’s corporate standard entitled Procedure for Preparing and Signing Social and Economic Agreements.

The agreements set out mutual obligations which are assumed by the Company and its partner regions in initiatives such as economic cooperation, joint measures to develop the engineering and scientific potential of a specific region, or steps to address social and environmental issues.

In 2011, the Company signed 26 socio-economic agreements with federal subjects and municipalities, including the governments of Yamal-Nenets Autonomous District, Khanty-Mansiysk Autonomous District, Omsk Region, Ulyanovsk Region, Orenburg Region, Tomsk Region and Tyumen Region. In 2011 Gazprom Neft designed and adopted a corporate Charity Program.

Total charity spending by Gazprom Neft in 2011 was RUB 1,440 mn, of which RUB 1,403 mn was spent on charity programs as part of socio-economic agreements signed with administrations in the Company's regions of presence, and RUB 37 mn was spent to finance implementation of the special program to address shortages of donor blood in Russia.

The Company is keen to support junior sport, since spending for these purposes represents an investment in the health of the next generation of Russia’s citizens. A good example of the Company’s efforts in this direction is the annual ice-hockey tournament, the Gazprom Neft Cup for junior teams in the Continental Ice-Hockey League.
HUMAN RESOURCE DEVELOPMENT

Building a world-class personnel team is critical for successful implementation of Gazprom Neft’s strategy to establish itself as a global leader in the petroleum industry.

The Company’s efforts in human resource management seek to develop new competences in its employees, to promote responsibility and creativity, and to create an environment where each employee feels involved in joint efforts as part of a shared strategy.

Company HR activities take account of trends on the employment market, which are regularly subjected to analysis by Company experts. Employment relations at the Company are based on mutual respect and human rights.

HR MANAGEMENT STANDARDS

The Company’s HR management strategy is based on a uniform system of policies and standards that are being gradually extended to all business units.

Work continued in 2011 to develop the efficiency management system that enables rapid assessment and control of employee efficiency through multi-level managerial indicators and individual targets set for each employee.

A program for regular personnel assessment has been developed and approved, which complements the current efficiency management system by annual assessment of employee performance using universal criteria of professional, ethical and managerial nature. The assessment system launch in CC has been preceded by a broad awareness campaign addressed to all employees.

As our business geography expands, the Company has worked out a uniform concept of mobile personnel, which regulates the procedure for relocation of employees to work elsewhere in Russia and abroad, including a list of compensations and benefits to be used as additional incentives for relocation and the procedure for their allocation.

A system of grades has been established, setting the same clear and transparent principles at all business units for regulating remuneration, training and employee assessment. The grade system has been adopted by all main business units throughout the Company.

In 2011, a large-scale project was carried out to move the corporate headquarters of Gazprom Neft from Moscow to St. Petersburg.

This involved the transfer of 670 employees in a short period, and special attention was paid to creation of a suitable compensation system, which helped the Company to keep its most valuable employees. Unprecedented work was also carried out to recruit and hire new employees in Saint Petersburg in order to ensure that operation of all Company business units continued without interruption. Over two thirds (68%) of the workforce at Gazprom Neft’s corporate headquarters were replaced in 2011 as a result of the relocation.

THE COMPANY WORKFORCE

Gazprom Neft employs about 59,000 people in 24 regions of Russia, and also in Kyrgyzstan, Kazakhstan, Tajikistan, Ukraine, Belarus, Serbia, Austria and Italy.

A large proportion of Gazprom Neft personnel – nearly one third (29%) – are concentrated in Yamal-Nenets Autonomous District with most of them working at production units. Omsk Region has 14% of Group employees. The share of employees in St. Petersburg nearly doubled in 2011 to 5.5% after Group headquarters moved from Moscow to St. Petersburg.

SIZE OF WORKFORCE, persons

58,905 persons
48,339 employees
47,686
45,775
44,640
42,114
40,153
39,895
38,905

Source: Company data
The overall number of personnel decreased by 9% in 2011 y-o-y due to business restructuring and a focus on core personnel. The Group partially disposed of its oil field service units and outsourced some of its production and refining functions. These initiatives reduced the number of Gazprom Neft employees.

However, the Company’s sales units (aircraft refueling and petroleum product supplies) experienced strong growth in 2011. As a result of this growth, and given that the Company acquired new assets in these segments too, staff numbers in these segments increased.

**LABOR COSTS**

An efficient employee incentive scheme encourages good performance, which in turn helps to achieve the Company’s business objectives. The Company is therefore committed to developing and implementing a comprehensive incentives system based on competitive wage levels, results-driven remuneration, and a social welfare component.

The Company maintains level of remuneration which is the market-average for the Russian oil and gas industry, and salaries are reviewed each year. The average monthly wage per employee in 2011 was RUB 59,989.

Labour costs grew by 11.5% in 2011 compared with 2010 to RUB 45.3 bn taking into account costs associated with the transfer of head office employees to St. Petersburg and costs associated with acquisitions.
Contents

During 2011, the Company continued development of its system of technical competence monitoring, which helps to plan technical training based on the results of employee testing. During the year, more than 200 profiles were prepared in the oil refining segment, and the system now has a total of 500 profiles. Increasing use is made of distance learning techniques for employees.

Growth in the share of employees who underwent training in the reporting year, as well as the ultimate share, provides an indication of training and development success. The growth at Gazprom Neft amounted to 0.1% in 2011, and the share was 0.85% in 2011. These figures are higher than the sector average.

New cooperation and partnership links have been forged with training providers in St. Petersburg following relocation of the Company’s head office to the city. Interaction with higher education in St. Petersburg is also growing: a Uniform Research and Scientific Center of Innovative Technologies of Oil Production was opened at St. Petersburg’s Mining University jointly with the Gazpromneft Science and Technology Centre, and agreement was reached with St. Petersburg State University on running Company internships for University students.

Social Benefits

The Company’s business units provide various social benefits and payments to employees beyond what they are entitled to under Russian law. Social benefits at most business units include voluntary medical insurance, insurance against accidental injury, food payments, financial assistance in case of urgent need, and other items.

In 2011, the Company adopted a uniform system of social benefits that harmonized the list of benefits and related procedures. Under the system, practically all business units in the Group will provide accident insurance by the end of 2014.

The Company works closely with trade unions to develop and implement social programs. More than two thirds of the Company’s employees in Russia are trade union members, and the unions are actively involved in issues related to occupational and social rights and interests of Company employees. The Company has an inter-regional trade union organization, which gathers employee responses to the Company’s social and economic policies, and helps to develop employee policy. Mutual obligations of employees and the Company with respect to social and economic issues, industrial safety and employment matters are regulated by collective agreements.

Training & Development

The Company continued throughout 2011 to build its system of personnel training and development based on a corporate model of competencies, and aligned with business objectives. Five modular corporate training programs were designed and launched during the year (a total of 25 have been implemented to date) and the corporate training matrix was expanded.

Unique target programs that match strategies of the Company’s business units represent a new direction in corporate training at Gazprom Neft. Such programs include:

• Development of Fields with Complex Geological Structure (jointly with Shell Corporate University) — 25 persons trained;
• Supervision in Drilling (the Schlumberger Training Center) — 26 persons trained;
• FivePlus (developing the competence of high-potential employees to fill top executive positions at Group subsidiaries jointly with ECOPSI Consulting on the basis of Skolkovo Moscow School of Management) — 17 persons trained;
• Gazprom Neft Project Academy program (Skolkovo Moscow School of Management) — 40 persons trained;
• Project Management in Petroleum Refining (jointly with the French Institute of Petroleum) — 40 persons trained.

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INTERNAL CORPORATE COMMUNICATIONS

In 2011 Gazprom Neft paid a great deal of attention to developing systems of internal corporate communications, with the aim of supporting continuous dialogue between management and employees, improving the quality of the working environment, and perfecting management processes within the company. Such exchange of information within the company should enable more effective discussion of subjects that are important to both parties.

The strategy for internal corporation communications includes active development of modern communications tools, allowing the provision of regular information exchange within the company: systems of corporate mass media, feedback tools, meetings between employees and Gazprom Neft management, as well as organizing joint events – corporate celebrations, sporting events, creative competitions, and other kinds of events. Twenty-two company enterprises have had intranet websites installed, which is an effective tool to reach employees, as well as a means of receiving feedback.

The system of link exchange and banner exchange has allowed us to integrate all sites into a single information space with a total reach of more than 25,000 employees.

Informative content for the internal corporate communications channels is put together bearing in mind the company’s strategic priorities, the audience’s informational needs, and the content of corporate culture development programs. Studying the most topical issues at company enterprises is done with the aid of annual research on the social-psychological atmosphere within the teams. These results form the basis for developing a plan of events for the year. Together with feedback systems, which include a range of tools to gather questions and comments from employees, the research allows us to create a balanced program of information for our internal audience. In 2011, we conducted an audit on the current state of our corporate culture, determining the whole model and formulating the Group’s corporate values. This became the platform for creating the information content for our corporate media.

An important element in the internal corporate communications systems is the open dialogue between company leaders and employees. With this in mind, the websites all have functioning sections ‘Ask the Management’.

The opportunity to ask questions is also offered during special meetings at which company leaders meet personally with the divisions. The central event is the Corporate Forum, held in 2011 for the second time, but on the basis of its success already a firm company tradition. The forum is a new format of ‘tie-free meetings’ – one of the best international practices in corporate management. For the forum, 350 delegates from all of the company’s affiliates and subsidiaries came together to discuss the hot topics directly with management. Answers to all the questions – and at the time of the second forum there were more than 400 – are published on the company’s intranet websites, and will serve as source material for publication in the Neftegaz section. Another effective mean of disseminating the forum results is briefings at the various companies, in the course of which the company’s position will be communicated to each and every employee.
CORPORATE GOVERNANCE.
THE BOARD OF DIRECTORS & THE MANAGEMENT BOARD

STRUCTURE OF GAZPROM NEFT’S GOVERNING BODIES:

The General Meeting of Shareholders is the supreme governing body and covers the most important issues of Company business. The Annual General Meeting of Shareholders of Gazprom Neft was held on 09.06.2011 (Minutes No. 0101/01 dated 14.06.2011, http://ir.gazprom-neft.ru/general-shareholders-meeting/2011/).

The Board of Directors exercises general and strategic management in order to increase the Company’s shareholder value. The Board of Directors monitors the work of the Company’s executive management bodies to ensure such work is conducted efficiently.

The Management Board is a collegiate executive body that manages the Company’s current business.

The Chief Executive Officer is the Company’s principle executive manager and acts as Chairman of the Management Board.
The General Meeting of Shareholders elects an Audit Commission, whose competencies include examination and analysis of the Company’s financial situation, functioning of the internal control system and risk management system, as well as legal compliance of business transactions.

For annual audits of financial reports under Russian Accounting Standards (RAS) and Generally Accepted Accounting Principles (US GAAP), Gazprom Neft contracts a third party auditor, who is designated annually by the General Meeting of Shareholders based on a proposal by the Board of Directors.

The constitution, competence and organization of the Company’s management and control bodies are regulated by Gazprom Neft’s Articles of Incorporation, and the following internal documents of the Company:
- Regulation concerning the General Meeting of Shareholders of Gazprom Neft;
- Regulation concerning the Board of Directors of Gazprom Neft;
- Regulation concerning the Management Board of Gazprom Neft;
- Regulation concerning the Chief Executive Officer of Gazprom Neft;
- Regulation concerning the Audit Commission of Gazprom Neft.

The Articles of Incorporation and Corporate Regulations of Gazprom Neft can be examined by all interested parties on the official website of Gazprom Neft (http://ir.gazprom-neft.ru/corporate-governance/).
THE DIRECTORS

Russian corporate law states that the Board of Directors is responsible for determining the Company’s corporate priorities and setting main guidelines for its business. In view of the strategic importance of the Board of Directors, it must enjoy the confidence of shareholders and its functions must be performed in the most efficient manner possible.

In accordance with Gazprom Neft's Articles of Incorporation, 10 Directors are elected to the Board. The Board of Directors includes members of the Management Committee of JSC Gazprom and is chaired by the Chairman of the Management Committee of JSC Gazprom, Alexey Miller. The presence of key executives from the parent company confirms the high degree of professionalism of the Board of Directors of Gazprom Neft.

In view of the structure of the Company's registered capital, which is 95.68% held by JSC Gazprom (90.00% directly and 5.68% indirectly through Gazprom Finance B.V.), the presence on the Board of top executives of the majority owner is entirely justified.

The Board of Directors of Gazprom Neft is largely independent from the Company’s management: the only executive director on the Board is Alexander Dyukov, who is the Chairman of the Management Board of Gazprom Neft.

Gazprom Neft has a transparent procedure for the election of members of the Board of Directors:

• The Company allows its shareholders two months to nominate their candidates to the Board (the minimum period required by law is one month);
• The Company makes timely disclosure of information about current Directors and candidates to the Board;
• The Company regularly interacts with the depositary bank, which issues depositary receipts;
• The Company uses and explains the cumulative voting procedure to elect Directors to the Board;
• The Company announces the results of voting on agenda items, stating the quorum and number of votes cast for each voting option;
• The Company publishes the Minutes of General Meetings through a publicly accessible medium: its official website;
• The Company discloses the agenda of Board meetings and decisions taken at those meetings in publicly accessible media: Interfax News Service, and the official Company website.
As of December 31, 2011, the Company Board, elected by the Annual General Meeting on June 9, 2011, consisted of the following Directors:

**MILLER ALEXEY BORISOVICH**  
(Chairman of the Board of Directors)  
B. 1962, graduate of the Leningrad Voznesenskiy Institute of Finance and Economics.  
Doctoral Candidate of Economic Science.  
Since 2001, Chairman of the Management Committee of JSC Gazprom.  
Since 2003, Deputy Chairman of the Board of Directors of JSC Gazprom.

**GOLUBEV VALERY ALEXANDROVICH**  
B. 1952, graduate of the Leningrad Ulyanov Electrical Institute, and the National Economic Academy of the Russian Government.  
Doctoral Candidate of Economic Science.  
2003-2006, Member of the Management Board of JSC Gazprom.  
2005-2006, Head of the Investment and Construction Department of JSC Gazprom, Chief Executive Officer of LLC Gazkomplektimpex  
Since 2006, Deputy Chairman of the Management Committee of JSC Gazprom.

**KRUGLOV ANDREY VYACHESLAVOVICH**  
B. 1969, graduate of the St. Petersburg Institute of Refrigeration Technologies.  
Since 2004, Deputy Chairman of the Management Committee of JSC Gazprom, Head of the Finance and Economics Department of JSC Gazprom.
SELEZNEV KIRILL GENNADIEVICH

B. 1974, graduate of the Baltic Ustinov Technical University, and St. Petersburg State University.
Doctoral Candidate of Economic Science.
Since 2002, Head of the Department of Marketing and Refining of Gas and Liquid Hydrocarbons at JSC Gazprom.
Since 2003, Member of the Management Committee of JSC Gazprom.
Since 2004, Chief Executive Officer of LLC Mezhrergiongaz (after 2010, LLC Gazprom Mezhrregiongaz).

CHEREPAHOV VSEVOLOD VLADIMIROVICH

B. 1966, graduate of Moscow Lomonosov State University.
1999 to 2008, Chief Geological Engineer, Nadym Oil and Gas Production Branch of LLC NadymGazprom.
2008, Chief Geological Engineer, Nadym Oil and Gas Production Branch of LLC Gazprom Production Nadym.
Since 2011, Head of the Department for Production of Gas, Condensate, and Petroleum, JSC Gazprom, Member of the Management Committee of JSC Gazprom.

DUBIK NIKOLAY NIKOLAEVICH

B. 1971, graduate of Moscow Lomonosov State University.
2005–2008, Deputy Head of the Legal Department at JSC Gazprom.
2008, First Deputy Head of the Legal Department of JSC Gazprom.
Since 2008, Head of the Legal Department of JSC Gazprom, Member of the Management Committee of JSC Gazprom.
Honored Lawyer of the Russian Federation.
CORPORATE GOVERNANCE.
THE BOARD OF DIRECTORS
& THE MANAGEMENT BOARD (continued)

PAVLOVA OLGA PETROVNA
B. 1953, graduate of the Far-Eastern State University, Doctoral Candidate of Law.
2003-2011, Head of the Department of Property Management and Corporate Relations.
2004-January 2012, Member of the Management Committee of JSC Gazprom.

DYUKOV ALEXANDER VALERIEVICH
Share in registered capital (as of 31.12.2011)
0.005357%
B. 1967, graduate of the Leningrad Shipbuilding Institute.
In 2001, MBA degree at the International Management Institute of St. Petersburg.
2005-2006, President of JSC SIBUR Holding.
2006, Chief Executive Officer, LLC SIBUR.
2006, Chairman of the Board, JSC SIBUR Holding.
2006-2008, President of Gazprom Neft.
Since January 2008, Chairman of the Management Board, Chief Executive Officer of Gazprom Neft.

MIKHEEV ALEXANDER LEONIDOVICH
B. 1944, graduate of the Gas and Oil Production Department of Moscow Gubkin Institute of the Petrochemical and Gas Industry.
Since 2003, First Deputy Head of the Department of Marketing and Refining of Gas and Liquid Hydrocarbons at JSC Gazprom.
ALISOV VLADIMIR IVANOVICH

B. 1960, graduate of the Law Faculty of Leningrad Zhdanov State University.
2004-2007, Head of the Legal Department of JSC Gazpromregiongaz
2007-2008, Deputy Head of the Legal Department of JSC Gazprom.
Since 2008, First Deputy Head of the Legal Department of JSC Gazprom.
Member of the Russian Bar Association,
Member of the Corporate Governance Expert Council attached to the Russian Federal Service for Financial Markets.
Honored Lawyer of the Russian Federation.

The Chairman and the Directors of the Board had no share holdings in the Company during the reporting year (except for Alexander Dyukov).

Alexander Dyukov increased his shareholding in Gazprom Neft from 0.002614% to 0.00536% during the reporting year. There were no other transactions by members of the Board of Directors to purchase or sell Company shares during the reporting year.

In 2011, no legal action was brought against any of the Directors.
INFORMATION ABOUT CHANGES IN THE CONSTITUTION
OF THE COMPANY’S BOARD DURING THE REPORTING YEAR

From January 1, 2011 and until the date of
the Annual General Meeting held on June 09,
2011, the Board of Directors of Gazprom Neft
consisted of the following members:
1. Miller, Alexey Borisovich (Chairman of
the Board of Directors)
2. Golubev, Valery Alexandrovich
3. Kruglov, Andrey Vyacheslavovich
4. Dubik, Nikolay Nikolaevich
5. Pavlova, Olga Petrovna
6. Kalinkin, Alexander Vyacheslavovich
7. Seleznev, Kirill Gennadievich
8. Dyuikov, Alexander Valeryevich
9. Mikhailov, Alexander Leonidovich
10. Alisov, Vladimir Ivanovich

There were no other changes in
membership of the Company’s Board of
Directors.

ACTIVITIES BY GAZPROM NEFT’S BOARD
OF DIRECTORS DURING 2011

Gazprom Neft’s Board of Directors meets
as scheduled, in line with best corporate
management practice, enabling the Board to
carry out its business efficiently.

Main activities of the Board of Directors
in 2011.

In strategic and investment planning:
• Examined progress in the Development
Strategy of Gazprom Neft up to 2020;
• Approved the Investment Program of
Gazprom Neft for 2011–2012;
• Examined the forecast investment plan up
to 2014;
• Examined the project to relocate
the Company’s employees to a head office in
St. Petersburg;

• Examined the principles and procedure of
investment decisions by Gazprom Neft;
• Analysed the financial and economic
efficiency of Gazprom Neft’s participation in
the capital of various investment targets;
• Presented and examined information on
energy supply to Gazprom Neft facilities;
• Examined the principles underlying
the internal audit system at Gazprom Neft.

In budget planning and financing of
Company operations:
• Approved the Budget of Gazprom Neft for
2011 and 2012;
• Approved the Cost Optimization Program of
Gazprom Neft for 2011 and 2012;
• Examined estimates for the Budget and Cost
Optimization Program of Gazprom Neft up to
2014;
• Approved multiple loan transactions;
• Approved transactions to secure obligations
assumed by companies of Gazprom Neft Group;
• Approved issue of exchange and corporate
bonds by Gazprom Neft.

In corporate governance:
• Approved the new version of the Code of
Corporate Conduct;
• Approved a series of resolutions on
corporate issues, including convening
of an Extraordinary General Meeting
of Shareholders of Gazprom Neft to
approve a new version of the Articles of
Gazprom Neft;
• Recommended remuneration to the Board
of Directors and Audit Commission for 2010.

Miscellaneous:
• Approved a number of transactions with
interest;
• Examined involvement of executive
directors of Gazprom Neft in managing
bodies of third party organisations;
• Took decisions on participation/ending
of participation in other organizations as
part of the ongoing corporate restructuring
program;
• During sports seasons, approved
sponsorship for sports clubs in Gazprom Neft
operating regions (Zenit Soccer Club, and
SKA Ice-Hockey Club).

As a tool that aims to keep Directors
informed about the Company’s operating
results, the Articles and Regulations concerning
the Management Board of Gazprom Neft
require that the Directors should receive
quarterly MD&A reports.
BOARD COMMITTEES

The Board of Directors of Gazprom Neft has two standing committees that ensure the Board operates efficiently: the Audit Committee, and the Human Resources and Remuneration Committee. The Committees were created to carry out preliminary in-depth research into matters within their competence before these matters are submitted to the Board. The procedures governing the activities of the Committees are described in the respective Regulations.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF GAZPROM NEFT

The Audit Committee assists the Board of Directors in the control of financial and business activities of the Company by assessing the efficiency of internal control systems, including mechanisms that control and determine the preparation, presentation, completeness, and reliability of financial and other reporting, and also by monitoring the Company’s risk management system. The Audit Committee helps to establish a constructive dialog with the third-party auditor, financial and business controllers, and the Company’s internal auditors.

Since 2010, the Audit Committee has worked according to its schedule. Its work is directly related to the Board’s Action Plan and includes examination of financing and investment planning issues.

In 2011, the Audit Committee:

- Examined information on Gazprom Neft’s additional investment projects in 2011;
- Examined the Gazprom Neft Investment Program for 2012 and recommended that the Board approve the program;
- Analysed drafts of the Company’s Business Plan and Budget (financial plan) for 2012, including the financial borrowing program for Gazprom Neft Group, and the estimate up to 2014 (the Board approved the Budget as recommended by the Committee);
- Carried out preliminary examination of the draft Cost Optimization Program for Gazprom Neft in 2012 and estimates up to 2014;
- Analysed progress of the financial borrowing and debt portfolio management program of Gazprom Neft Group in 2011;
- Passed resolutions on Gazprom Neft external financing;
- Examined a number of matters related to loans, guarantees and securities issued by the Company as collateral for its subsidiary and associate units;
- Analysed the terms of a number of transactions with interest;
- Examined a series of corporate issues:
  - pre-examined the draft of the 2010 Annual Report;
  - analysed the annual accounts of Gazprom Neft for 2010;
  - analysed the auditor’s report on the annual accounts of Gazprom Neft;
  - examined the nomination of an external auditor and related payable fees;
  - examined draft distribution of profits for 2010, and proposals to pay a part of the profits as dividends.

As of December 31, 2011, the Audit Committee had the following members:
1. Kruglov, Andrey Vyacheslavovich (Chairman)
2. Pavlova, Olga Petrovna
3. Dubik, Nikolay Nikolaevich

There were no changes in membership of the Audit Committee in 2011.

HUMAN RESOURCES AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS OF GAZPROM NEFT

According to the Regulation governing the Human Resources and Remuneration Committee, its main function is to examine all aspects of matters within the competence of the Board of Directors regarding the Company’s employment policy and remuneration payable to members of governing bodies and the Company’s Audit Commission, and to prepare recommendations for decisions by the Board.

During preparation of the Annual General Meeting of Gazprom Neft in 2011, the Human Resources and Remuneration Committee:

- Recommended remuneration payable to the Directors of the Board and the Audit Commission of Gazprom Neft;
- Examined procedural issues relating to the Annual General Meeting of Shareholders.
MEMBERSHIP OF THE MANAGEMENT BOARD

In 2011, the Company formalized the procedure for the annual efficiency assessment of the Board of Directors. The Human Resources and Remuneration Committee assessed the activities of the Board of Directors in June 2011. In its report, the Committee struck a positive note regarding the Board’s work.

The Committee acknowledged that the Board had examined a greater number of issues than previously, and that Board Directors took an active part in discussions and provided assistance to the Board Committees.

Members of the Human Resources and Remuneration Committee during the reporting period were as follows:

1. Pavlova, Olga Petrovna (Chairperson);
2. Kruglov, Andrey Vyacheslavovich;
3. Dubik, Nikolay Nikolaevich.

After the Annual General Meeting in 2011, the newly elected Board of Directors decided to leave the membership of the Human Resources and Remuneration Committee unchanged.

The structure of executive bodies at Gazprom Neft is regulated by the Company Articles: they are the Management Board and the Chief Executive Officer.

The Management Board of Gazprom Neft is a collegiate executive body that manages current activities.

In accordance with the Articles of Gazprom Neft, the Management Board comprises Directors as nominated by the CEO of Gazprom Neft. The Management Board’s term in office is determined by the Board of Directors. The professional qualifications that Management Board members are required to have are determined by internal corporate documents.

The Company’s Chief Executive Officer, Alexander Dyukov (elected in December 2006, re-elected in December 2011) is also the Chairman of the Management Board and organises its activities. In the absence of the Chairman of the Executive Management, his functions are delegated to one of three elected deputies (Vadim Yakovlev (First Deputy), Vitaly Baranov and Anatoliy Cherner).

As of December 31, 2011, the Management Board of Gazprom Neft had 10 members: the CEO and his deputies, acting within their respective competences as directed by the CEO.
DYUKOV ALEXANDER VALERIEVICH
Chairman of the Management Board, Chief Executive Officer, Gazprom Neft

B. 1967, graduate of the Leningrad Shipbuilding Institute.
In 2001, MBA degree at the International Management Institute of St. Petersburg.
2005-2006, President of JSC SIBUR Holding.
2006, Chief Executive Officer, LLC SIBUR.
2006, Chairman of the Board, JSC SIBUR Holding.
2006-2008, President of Gazprom Neft.
Since January 2008, Chairman of the Management Board, Chief Executive Officer of Gazprom Neft.

YAKOVLEV VADIM VLADISLAVOVICH
Deputy Chairman of the Management Board, First deputy CEO

B. 1970, graduate of the Moscow Engineering and Physics Institute, and the Higher School of Finance at Moscow International University. In 1999, certified by the Association of Chartered Certified Accountants. In 2009, awarded a diploma by the British Institute of Directors.
2005-2006, Deputy CEO for Business and Finance at LLC SIBUR-Russian Tires.
2006-2008, Head of the Budget Planning Department at Gazprom Neft.
Since January 2008, Deputy Chairman of the Management Board of Gazprom Neft, Deputy CEO for Business and Finance.
Since May 2010, First Deputy CEO, Financial Director
Since August 2011, First Deputy CEO for Exploration and Production, Strategic Planning, M&A.

CHERNER ANATOLIY MOISEEVICH
Deputy Chairman of the Management Board, Deputy CEO for Logistics, Refining and Sales

B. 1954, graduate of Grozny Petroleum Institute.
Since 2006, Vice President of Gazprom Neft for Refining and Sales.
Since January 2008, Deputy Chairman of the Management Board of Gazprom Neft, Deputy CEO for Logistics, Refining and Sales; responsible for oil refining, logistics, and sales of petroleum and products.
CORPORATE GOVERNANCE.
THE BOARD OF DIRECTORS & THE MANAGEMENT BOARD (continued)

BARANOV VITALY VITALYEVICH
Deputy Chairman of the Management Board
Deputy CEO for Administrative Issues

B. 1966, graduated in 1993 from the St. Petersburg Economy and Finance University, specialising in Economics and Production Management.
2008, training at London Business School (London, UK) MBA, Senior Executive Program.
Since 2003, posts at Sibur Group, consecutively in positions of Advisor, President for General Issues, and Head of the President’s Office.
Since May 2006, Vice President for Administrative Issues at Sibur
Since March 2009, Deputy CEO of Gazprom Neft for Administrative Issues.
Since June 2009, appointed to the Management Board of Gazprom Neft.

BARYSHNIKOV VLADISLAV VALERIEVICH
Member of the Management Board
Deputy CEO for International Business Development

B. 1965, graduate of the Red-Banner Military Institute, North-Western Academy of Public Service.
State Councillor of the Russian Federation, 3rd Class.
Since April 2009, Deputy CEO for International Business Development.
Since November 2009, Member of the Management Board of Gazprom Neft.
In charge of the Company’s international business and interaction with foreign partners.

DYBAL ALEXANDER MIKHAILOVICH
Member of the Management Board
Deputy CEO for Corporate Communications

B. 1966, graduate of Leningrad Electrical institute.
2007-2008, Vice President of Gazprom Neft.
Since January 2008, Member of the Management Board of Gazprom Neft, Deputy CEO for Corporate Communications.
in charge of regional and information policy, as well as internal, corporate and marketing communications.
ILYUKHINA ELENA ANATOLIEVNA
Member of the Management Board,
Deputy CEO for Legal and Corporate Issues


KRAVCHENKO KIRILL ALBERTOVICH
Member of the Management Board,
Deputy CEO for Management of Foreign Assets


ANTONOV IGOR KONSTANTINOVICH
Member of the Management Board
Deputy CEO for Security

YANKEVICH ALEXEY VIKTOROVICH
Member of the Management Board
Deputy CEO for Economics and Finance


ZILBERMINTS BORIS SEMENOVICH
Deputy Chairman of the Management Board


There were no changes in membership of the Management Board of Gazprom Neft in 2011. No lawsuits were brought against the CEO or members of the Management Board in 2011. In March 2012, Boris Zilbermints stepped down from the Management Board and was replaced by Alexey Yankevich.
TOTAL REMUNERATION PAID TO DIRECTORS & MEMBERS OF THE MANAGEMENT BOARD

By resolution of the General Meeting, the Directors who are not employed in executive positions at the Company (Non-executive Directors), received payments for their work in 2010 equal to 0.005% of EBITDA as per consolidated US GAAP financial reports filed by Gazprom Neft for 2010.

In addition to this base remuneration, the Directors received additional remuneration for the functions of Chairman of the Board (50% of remuneration paid to a Director), Member of a Committee of the Board of Directors (10% of remuneration paid to a Director), and Chairman of a Committee of the Board of Directors (50% of remuneration paid to a Committee Member).

Total remuneration paid to members of the Board of Directors in 2011, based on the results of 2010, was RUB 112 mn (the amount includes personal income tax).

The Company has a structured and objective program of remuneration for top executives and senior executives, which ensures a relationship between short-term goals and the amount of remuneration. The Company’s remuneration system generally follows market principles of remuneration and consists of three components:

- Monthly remuneration for functions carried out in accordance with an employment contract and the Company’s staff list (based on a system of grades where each grade corresponds to a specific salary range, target bonus, and additional compensations);
• Annual remuneration based on achieved performance targets: a set of target figures is approved for each executive, and achievement of these targets determines the ultimate amount of annual remuneration; individual targets include a balanced combination of indicators, but EBITDA is the main indicator for each top manager;
• Long-term motivation: the Company has an effective long-term motivation scheme for top management, based on growth in value of the Company’s shares over a three-year period.

Incomes paid to the members of the Management Board in 2011 totalled RUB 717 mn. This includes salaries for the reporting period, tax charges and other mandatory payments to government budget and off-budget funds, compensation for annual paid leave in the reporting period, and payments for medical treatment and services. The members of the Management Board received no additional remuneration for their work on management bodies of Gazprom Neft or its subsidiaries.

THE INTERNAL AUDIT DEPARTMENT

Conduct of internal audits, including:
• Confirming the accuracy of the Company’s financial accounts;
• Evaluating the efficiency of the internal control system for business processes;
• Ensuring integrity of the Company’s assets;
• Confirming compliance with legal standards and corporate regulations;
• Monitoring implementation of measures to address failings.

Organising the integrated risk management system (IRMS), including:
• Developing and updating the methodological basis for the IRMS (analysis of standalone and systemic risks, preparing recommendations);
• Listing, review, analysis, assessment and updates concerning the Company’s risks;
• Monitoring and efficiency evaluation of measures implemented to control key risks and specific risks of the Company’s business units;
• Implementing the IRMS in corporate management processes (business planning, project risk management, target-specific management).

Measures to prevent fraud, including:
• Special inspections to identify evidence of fraud;
• Preparing recommendations on fraud prevention;
• Creation and maintenance of a hotline to provide information on fraud.

Development of a methodology for internal audits, and interaction with regional internal audit units, including:
• Developing methodological documents to regulate activities of the Internal Audit Department;
• Functional management of regional internal audit units;
• Methodological support and occupational training for employees of the Internal Audit Department and of regional internal audit units;
• Quality control of the internal audit function.

Subordination of the internal audit service, interaction with the issuer’s Management Board and the Board (Supervisory Council): the Internal Audit Department reports directly to the Company’s CEO. The Board of Directors coordinates appointment (and subsequent resignation) of the head of the Internal Audit Department.

Interaction between the internal audit function and the issuer’s external auditor:
The Internal Audit Department reports on a regular basis to the Gazprom Neft Board of Directors and also presents information to the Audit Committee about material non-compliance found during inspections of financial and business activities at the Company.
INFORMATION DISCLOSURE & INVESTOR RELATIONS

INVESTOR RELATIONS

The Company places great emphasis on interaction with its current and prospective shareholders. Levels of information disclosure to Gazprom Neft’s shareholders and to investors have increased significantly recently, as confirmed by a series of investor relations studies by independent agencies as well as awards to the Company for its achievements in investor relations.

SHARE MARKET

The Company share price rose by 15.5% on the MICEX in 2011 and stood at RUB 148.18 at the end of the year. Gazprom Neft’s capitalization as of December 31, 2011 was USD 23.68 bn.

DEPOSITARY RECEIPTS

Programs of ADRs and GDRs issued on Company shares continued in 2011. At the end of 2011, the total number of ADRs issued on common shares was equivalent to 93 mn shares (2.0% of the Company’s registered capital).
The Company arranges meetings with investors and shareholders on a regular basis in order to promote awareness, and participates in all major investment conferences. About 300 meetings were held during 2011 and the Company’s investor relations unit attended 17 investment conferences.

Every year since 2010, the Company has held an Investor Day with participation by top Company executives, where analysts and investors can obtain answers to their questions from the Company’s principal decision makers.

Gazprom Neft won several awards for its investor relations between 2009 and 2011. The Company was pronounced best for financial information disclosure among global oil and gas companies in the IR Global Rankings (IRGR) 2010 and 2011. IRGR is a comprehensive international rating system that prepares rating lists of IR-websites, online corporate annual reports, financial information disclosure procedures, levels of information disclosure to Gazprom Neft’s shareholders and to investors have increased significantly recently, as confirmed by a series of investor relations studies by independent agencies as well as awards to the Company for its achievements in investor relations.

Since 2008, the Company has organised investor conference calls with top investment managers on a regular basis. Since 2008, Gazprom Neft has published quarterly MD&As as an attachment to its US GAAP-compliant financial reports. Since 2009, the Company has published statistical reference books (Databook and Datafeed) to assist in-depth analysis of its operations.

As of December 31, 2011, the shareholder register contained 9,339 accounts, belonging to 16 corporates, 9,312 individuals, 1 trust manager and 10 nominees.

Gazprom Neft had no issued preference shares as of December 31, 2011.

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corporate governance, etc. The ratings are based on research into the activities of public corporations using methodology provided by MZ Consult, which is a leading IR consultancy. The IRGR rating also put Gazprom Neft among the top five companies for financial information disclosure in Europe, and second among oil and gas producers in the ‘Best IR Website’ category.

The Company took a number of prizes in the annual IR Magazine Russia & CIS Awards. IR Magazine is the only specialist international magazine to have awarded prizes to best IR teams worldwide for 19 years. In 2009, Gazprom Neft ranked second in the ‘Best IR in the Crisis Environment’ category. In 2010, the Company won ‘Best Chairman/CEO for Investor Relations’ and came third in the ‘Best IR for a Corporate Transaction’ category.

In 2011, Gazprom Neft’s website was named the best among the 30 largest Russian companies (measured by capitalization in the RTS Standard Index), according to Investis Co., which is the European leader in consulting services for website development. Also in 2011, the Company received a Prizewinner Diploma in the 5th St. Petersburg competition for corporate websites and annual reports in the category of ‘Best IR Section of a Corporate Website’.

SHARE MARKET & CAPITALIZATION

ISSUED SECURITIES OF GAZPROM NEFT, KEY FACTS

Common shares with state registration ID 1-01-00146-A, issued on 17.06.2003
Par value of each share: RUB 0.0016
Number of shares issued: 4,741,299,639
Total issue value: RUB 7,586,079,4224
Stock search ID: SIBN.

TRADING IN COMPANY SHARES

Gazprom Neft shares are traded in Russia on the MICEX and RTS, which are the main trading floors of the JSC MICEX-RTS unified stock exchange. As of December 31, 2011, Gazprom Neft shares amounted to 0.72% and 0.62% of the MICEX and RTS indexes, respectively.

Sales of Gazprom Neft shares in 2011 on all MICEX trading sites amounted to RUB 68 bn (USD 2,333 mn) compared with RUB 76 bn (USD 2,481 mn) in 2010.

American depositary receipts (ADRs) issued on shares of Gazprom Neft represented 0.2% of total foreign ADR trading in the IOB system on the London Stock Exchange in 2011 (value of trades was USD 1,123 mn).

The Company share price rose by 15.5% on the MICEX in 2011 and stood at RUB 148.18 at the end of the year. Gazprom Neft’s capitalization as of December 31, 2011 was USD 23.68 bn. The investment community singled out the following key external factors as having a positive influence on prices for shares of Gazprom Neft:

• The Company’s record-breaking cash-flow performance and improved efficiency in capital investments;
• New production assets of good quality;
• Successful operation of mature fields;
• Technology superiority of the Company’s refining capacity;
• Development of premium sales channels;
• High standards of information disclosure and management dialog with investors.

The Company sees strong fundamental drivers for growth of its capitalization in 2012.

PRICES OF GAZPROM NEFT SHARES ON THE MICEX VERSUS THE MICEX INDEX & THE URALS REFERENCE OIL BRAND (CF BRENT CRUDE) IN 2011

Source: Bloomberg data
The Company believes it has the best value-added business among Russian oil companies in terms of refining depth, sales capacity, and new oil production projects in Russia which, with expected taxation changes, will create considerable value for the Gazprom Neft. Based on generally accepted market indicators, Gazprom Neft remained undervalued by the market in 2011 compared with international oil companies and with Russian-based peers. These factors together ensure considerable competitive advantages for the Company, offering substantial potential for value growth in the long term.

DEPOSITARY RECEIPT PROGRAM

Programs of American and Global Depositary Receipts (ADRs and GDRs) issued on Company shares continued in 2011. The receipts were traded on over-the-counter markets in the US, the UK, Germany and elsewhere. One ADR is equivalent to five common shares of Gazprom Neft. At the end of 2011, the total number of ADRs issued on common shares was equivalent to 93 mn shares (2.0% of the Company’s registered capital).

Trading in Gazprom Neft ADRs amounted to USD 1,209 mn in 2011, of which USD 1,123 mn was through the IOB system of the London Stock Exchange, USD 44 mn on the OTCQx market, and USD 42 mn on other markets in Europe (mostly Germany).

The depository for receipts on shares of Gazprom Neft is the Bank of New York Mellon (101 Barclay Street, 22nd Floor, New York, New York, 10286).
**DIVIDEND HISTORY**

The Company paid RUB 21.1 bn in 2011 as dividends in respect of the full financial year of 2010, representing 22% of consolidated net profits (US GAAP standards). This is among the highest payout ratios in the industry.

Dividend policy is a key aspect of corporate governance, and an important indicator of how a company respects the rights of its shareholders.

The main principles of Gazprom Neft’s dividend policy are as follows:

- Ensuring maximum transparency in the mechanism of dividend calculation and payment: The Company has now formalized the dividend policy, to which it has adhered in practice during recent years, by approving a Regulation on Dividend Policy that sets a minimum dividend rate payable on shares. The Regulation calls for 15% of the Company’s net profit under US GAAP to be paid as dividends;
- Compliance with applicable Russian legislation, the Company’s Articles and corporate documents: Shareholders included in the register on the date of compilation of the list of shareholders, and with the right to attend the General Meeting (at which dividends are approved), are entitled to receive dividends. The record date for holders of depositary receipts is named separately by the depository bank (BNY Mellon);

**COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT**

Corporate governance at Gazprom Neft is based on an unfailing respect for shareholder rights, a high quality of investment planning, a logical system of internal audits and risk management, a high degree of financial and information transparency, and a professional and efficient Board of Directors.

The Company unfailingly observes the provisions of current legislation, which are mainly designed to ensure respect for and effective protection of shareholder rights.

Gazprom Neft ensures equal treatment of its shareholders, who own shares of a single type.

- All shares issued by the Company are of a single type;
- Each share gives one vote to its holder.

The Company ensures that shareholders can exercise authority over their stock without restraint, delay or duress.

The Company uses the services of a professional shareholder registration agent, ensuring a reliable and efficient system for registration and confirmation of shareholder rights.

**GAZPROM NEFT ADRS**

<table>
<thead>
<tr>
<th>Ticker ID</th>
<th>GZPFY (GAZ, SCF)</th>
<th>Closing price on 31.12.2011</th>
<th>USD 23.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSIP</td>
<td>36829G107</td>
<td>52-week max.</td>
<td>USD 27.89</td>
</tr>
<tr>
<td>Ratio</td>
<td>1 ADR = 5 common shares</td>
<td>52-week min</td>
<td>USD 16.10</td>
</tr>
<tr>
<td>Effective since</td>
<td>April 20, 1999</td>
<td>Monthly trading on the IOB</td>
<td>USD 95 mn</td>
</tr>
<tr>
<td>SEDOL</td>
<td>5109407</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>ISIN</td>
<td>RU0009062467</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Depository bank</td>
<td>BNY Mellon</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
Gazprom Neft operates efficient procedures to convene and conduct General Meetings of Shareholders.
- At least 30 days notice is given to shareholders regarding forthcoming General Meetings. Notifications of such meetings are communicated by two methods: via hard copy mailout to each shareholder, and via a notice published in the Russian daily newspaper Rossiyskaya Gazeta.
- Shareholders have the opportunity to examine in advance all information which should be made available to them before the General Meeting (all of the information is posted on the Company’s official website, and Russian and English versions of the information are posted simultaneously).
- Shareholders can also examine materials at the Company’s main office.

- Registration of shareholders attending the General Meeting is carried out using the simplest and least prohibitive method: the high proportion of minority holders who attend General Meetings proves that there are no technical obstacles to attendance.
- Shareholders may vote by proxy at General Meetings.
- Voting is carried out using voting slips.
- Cumulative voting is used to elect the Board of Directors.
- The procedure for voting on each agenda item is explained before voting begins, including detailed explanation of the principle of cumulative voting; the reverse side of each voting slip has an example showing how it must be filled out.

- Vote counting at General Meetings is done by a professional registration agent.
- The rules of the General Meeting guarantee equal opportunities for all shareholders to speak out and ask questions on the order of business (including questions to members of the Company’s Management Board, who always attend General Meetings of Shareholders).
- The results of voting are announced at the General Meeting.
- Minutes of General Meetings are posted on the Company’s official website and can be freely examined.

<table>
<thead>
<tr>
<th>Period</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid per share, RUB.</td>
<td>8.0822</td>
<td>5.40</td>
<td>5.40</td>
<td>3.57</td>
<td>4.44</td>
</tr>
<tr>
<td>Total dividends paid, RUB</td>
<td>38,320,131,942</td>
<td>25,603,018,051</td>
<td>25,603,018,051</td>
<td>16,926,439,711</td>
<td>21,051,370,397</td>
</tr>
<tr>
<td>% of US GAAP net profit paid as dividends</td>
<td>38%</td>
<td>24%</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Issuer governing body, which decided to pay dividends</td>
<td>General Meeting of Shareholders</td>
<td>General Meeting of Shareholders</td>
<td>General Meeting of Shareholders</td>
<td>General Meeting of Shareholders</td>
<td>General Meeting of Shareholders</td>
</tr>
<tr>
<td>Date of General meeting which announced dividends, number and date of minutes</td>
<td>22.06.2007, Minutes No. 42 (27.06.2007)</td>
<td>20.06.2008, Minutes No. 45 (30.06.2008)</td>
<td>22.06.2009, Minutes No. 47 (03.07.2009)</td>
<td>29.06.2010, Minutes No. 0101/01 (01.07.2010)</td>
<td>09.06.2011, Minutes No. 0101/01 (14.06.2011)</td>
</tr>
<tr>
<td>Deadline to pay announced dividends</td>
<td>31.05.2008</td>
<td>31.05.2009</td>
<td>31.05.2010</td>
<td>31.05.2011</td>
<td>08.08.2011</td>
</tr>
<tr>
<td>Form and other terms of announced dividend</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash</td>
</tr>
<tr>
<td>Share of scheduled dividends, which were not paid out, %</td>
<td>0.010%</td>
<td>0.012%</td>
<td>0.013%</td>
<td>0.015%</td>
<td>0.063%</td>
</tr>
</tbody>
</table>

* Dividends were not paid to shareholders who failed to communicate details needed to pay dividends, as required under clause 5, Article 44 of the Federal Law No. 208 on Joint-Stock Companies (26.12.1995). Dividends payable to unidentified shareholders are paid as soon as the rights of the shareholder are established.
The Company ensures the right of shareholders to a share in profits
• Gazprom Neft has a clear minimum threshold for dividend payments: 15% of the Company’s net profits under US GAAP.
• The Company practises a policy of rapid dividend payment to its minority shareholders (the Company transfers dividend payments to the accounts of minority shareholders no later than three months after the decision to pay dividends).

The Company exercises efficient control over its financial and business activities
• PWC – the world’s largest auditing service provider – is hired to conduct annual financial audits.
• An Audit Commission is elected, with membership consisting of the parent Company’s internal auditors.
• Gazprom Neft operates an efficient Internal Audit Department, comprising highly-skilled professionals. Auditors at the Company’s subsidiaries report to Gazprom Neft’s Internal Audit Department.
• The Board has set up an Audit Committee, to which the Internal Audit Department reports; the Committee meets regularly to discuss Company business matters that are within its scope of competence as specified in the Regulation on the Audit Committee.

Gazprom Neft seeks to ensure maximum transparency
• The Board has approved a Regulation on Information Policy.
• The Company does not conceal any substantial information of a negative character.
• The Company ensures a high level of disclosure concerning its operations (including the structure of equity, as well as financial and operating information), using available media, such as press releases published in real time.

• The Company ensures rapid disclosure of information to prevent obsolescence of disclosed data.
• In publishing information, the Company uses disclosure methods that enable unrestricted, user-friendly and least expensive access to information.
• When disclosing information, the Company ensures that no audience has priority over other audiences.
• The Company discloses information/documents at the request of its shareholders, as prescribed by legislation.
The Company ensures that its governance structure is as efficient as possible
• The Company’s governance bodies employ highly skilled and certified professionals.
• The Company’s corporate documents clearly state the competence of each governance body.
• The Company’s governance bodies do not employ managers from competing companies.
• The Company’s governance bodies do not employ individuals found guilty of business crimes or crimes against the Government, public services, federal or municipal agencies, and also do not employ individuals who have been subject to administrative penalties for any business or financial crime, tax crime, or securities-related offense.
• Executive officers are obliged to refrain from any action that may give rise to a conflict of interests, and must report to the Company any information concerning situations/transactions that may lead to a conflict of interest.
• The Board of Directors reports to the General Meeting of Shareholders.

• The Board has standing committees: the Audit Committee, and the Human Resources and Remuneration Committee. The Company has formed a collegiate body, the Management Board, which reports to the General Meeting and to the Board of Directors.
• The procedure for meetings of the Company’s governance bodies is clearly regulated in corporate documents.

The Company observes international standards of social responsibility; objectives in the social sphere are integrated into the Company’s long-term strategy
• Gazprom Neft has prepared and published sustainable development reports over a number of years.
• The Company implements large-scale programs to improve industrial, environmental and occupational safety.
• Gazprom Neft takes part in social and economic development of Russian regions.
• The Company implements a policy of incentivization and personal development for its personnel.
GAZPROM NEFT CREDIT RATINGS IN 2011

Gazprom Neft’s long-term credit ratings were confirmed in 2011 as BBB- (Standard & Poor’s) and Baa3 (Moody’s), with both carrying a stable forecast.

At the end of 2010, Standard & Poor’s reviewed and changed its rating forecast for Gazprom Neft from negative to stable. Simultaneously, the agency confirmed the Company’s long-term credit rating of BBB- and its national scale rating of ruAA+.

The Company’s ratings were not reviewed by Standard & Poor’s during 2011.

The Company’s credit ratings are investment grade, which creates additional opportunities for loan financing and reduces the cost of loans.

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Scale</th>
<th>Rating</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>International scale, foreign currency</td>
<td>BBB-</td>
<td>Stable</td>
</tr>
<tr>
<td></td>
<td>International scale, national currency</td>
<td>BBB-</td>
<td>Stable</td>
</tr>
<tr>
<td></td>
<td>National scale (Russia)</td>
<td>ruAA+</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>International scale, foreign currency</td>
<td>Baa3</td>
<td>Stable</td>
</tr>
</tbody>
</table>

RATINGS HISTORY

DEBENTURES

Long-term loans and credits to Gazprom Neft rose to USD 6,450 bn during 2011, representing an increase of 1.5% from USD 6,357 bn at the end of 2010. The current part of the long-term debt as of December 31, 2011 was USD 1,030 bn. Meanwhile, the Company’s short-term debt dropped by 24% in 2011 to USD 247 mn from USD 325 mn in 2010.

New borrowing in 2011 was in the form of club loans and ruble bonds.

The currently effective loan contracts contain terms that impose certain restrictions on corporate performance ratios such as consolidated EBITDA to consolidated interest payable, consolidated loan debt to consolidated net asset value, and consolidated loan debt to consolidated EBITDA. The Company complied with all such requirements as of December 31, 2011.

Loan agreements with Sberbank of Russia were signed in December 2011; these funds are expected to be drawn mainly during the first and second quarters of 2012.

FINANCING PLANS IN 2012

Gazprom Neft plans to source borrowing in excess of USD 2 bn in 2012. The following instruments might be used:

- ruble bonds,
- euro bonds,
- bilateral loans,
- club loans,
- syndicated loan,
- ECA financing,
- other.
On February 7, 2012 the Company successfully completed placement of its series-11 bonds (10-year maturity) with a total value of RUB 10 bn. The yield was set at 8.25% with a put option exercisable three years after the placement.

### Key Loans and Credits in 2011 and After the Reporting Date

<table>
<thead>
<tr>
<th>Creditor</th>
<th>Loan principal</th>
<th>Contract date</th>
<th>Maturity</th>
<th>Interest rate (incl. dollar swap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ruble bonds, series 08-09</td>
<td>RUB 20,000,000,000</td>
<td>February 8, 2011</td>
<td>February 2016</td>
<td>8.5%</td>
</tr>
<tr>
<td>Ruble bonds, series 10</td>
<td>RUB 10,000,000,000</td>
<td>February 8, 2011</td>
<td>January 2018</td>
<td>8.9%</td>
</tr>
<tr>
<td>Ruble bonds, series 04</td>
<td>RUB 10,000,000,000</td>
<td>August 5, 2011</td>
<td>April 2018</td>
<td>8.2%</td>
</tr>
<tr>
<td>Bank club loan</td>
<td>USD 870,000,000</td>
<td>April 29, 2011</td>
<td>October 2016</td>
<td>LIBOR+1.5%</td>
</tr>
<tr>
<td>Ruble bonds, series 11</td>
<td>RUB 10,000,000,000</td>
<td>February 7, 2012</td>
<td>February 2022</td>
<td>8.25%</td>
</tr>
</tbody>
</table>
Glossary: Key Terms, Definitions & Acronyms

2D, 3D
Seismic exploration.

ADR of Gazprom Neft
American Depositary Receipt, issued on shares of Gazprom Neft. One ADR is equivalent to five common shares of Gazprom Neft.

APS
Associated petroleum gas – a form of natural gas.

Asia Pacific
The Asia-Pacific region. This includes the nation states of continental Asia, the Americas and the Pacific Rim.

Associate company, associate
A company in which Gazprom Neft Group holds at least 20% of voting shares (for a joint-stock company) or 20% of registered capital (for a limited liability company).

Baltic States
Estonia, Latvia and Lithuania.

BOE
Barrels of oil equivalent.

Catalytic cracking
Thermal catalytic refining of petroleum fractions to produce high-octane gasoline.

Central Asia
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

CIS
Commonwealth of Independent States: all former Republics of the USSR, except Estonia, Latvia and Lithuania.

CNG
Compressed natural gas.

Coking
Refining of liquid and solid fuels by heating them in the absence of air. As the fuel decomposes, it produces solid coke and volatile particles.

DTS
Digital trading site.

DSEM
Differentially specific method of electric research.

EBITDA
Net profit before interest, tax, depreciation and amortization.

EU
European Union.

FSFM of Russia

FTS of Russia
Federal Tariff Service.

Gas processing plant
Gas and/or condensate refining plant.

Gazprom Neft Group, the Group, Gazprom Neft
All companies of the Group that comprises JSC Gazprom Neft (the parent company) and its subsidiaries.

Geological survey
Geological surveying for exploration purposes.

Hydrocarbon reserves in categories С1+С2
Category С1 represents reserves of oil and gas proven to exist in standalone wells, with favorable industrial and geological data for other wells. Category С2 represents reserves of oil and gas, the existence of which is suggested by geological and geophysical information within known gas-bearing areas. Reserves of category С2 are preliminary estimates that are used to plan detailed survey work at specific fields.

Hydrocracking
A cracking technique used in refining of crude oil fractions with a high boiling point, fuel oils or tar oil to make gasoline, diesel fuel and jet fuel, lubricant oils etc.

Hydrofracturing
Injection of water at high pressure to a bedrock formation in order to increase the size and extent of fractures.

Hydrotreatment
Purification of petroleum products to remove organic sulphuric, nitric, and oxygen-based compounds using molecules of hydrogen. Hydrotreatment raises the quality of petroleum products.

ISO 14001 Standard
International standard for environmental protection that sets requirements for environment management quality and is used to work out legally compliant environmental policies. The standard regulates environmental aspects of corporate activities that are controllable and require monitoring. This is a voluntary standard that does not supersede legislated requirements.

JV
Joint venture.

Khanty-Mansiysk AD (KhMAD)
Khanty-Mansi Autonomous District – Yugra.

LNG
Liquefied natural gas.
LPG
Liquid petroleum gas.

m³
Cubic meter of natural gas, measured at pressure of one atmosphere and temperature of 20°C.

MET
Mineral extraction tax.

MICEX
Moscow Interbank Currency Exchange.

Netback
Selling price less shipping and handling.

Non-CIS countries
Nation-states other than the CIS and the Baltic states.

OE
Oil equivalent.

PBV
Polymer-bituminous binding materials.

Possible reserves
Unproven reserves, which are less likely to be extracted than probable reserves, based on the analysis of engineering and geological data. There must be at least 10% probability that actual production will be equal to or more than the estimate of proven, probable, and potential reserves.

Primary refining
Crude oil distillation using atmospheric-vacuum devices. Crude oil enters the distillation columns to undergo an atmospheric pressure distillation process, which splits it into a number of fractions: light and heavy gasoline fractions, kerosene fraction, diesel fraction, and fuel oil as a residue. The quality of the obtained fractions does not meet standards for marketable petroleum products, so the fractions must undergo further (secondary) refining.

PRMS and SEC international standards
International classification and estimate of hydrocarbon reserves by the standards of the Petroleum Resources Management System (PRMS) and US Securities and Exchange Committee (SEC).

Probable reserves
Unproven reserves, which are most likely to be extracted based on the analysis of engineering and geological data. There must be at least 50% probability that actual production will be equal to or greater than the estimate of proven and probable reserves.

Prospecting and exploration drilling
All prospecting and exploration drilling carried out during the reporting period, including total distance drilled in wells, which have been fully drilled or are in the process of being drilling, but will be completed in the next reporting period.

Proven reserves
Quantities of liquid, gaseous and solid hydrocarbons, which, according to engineering and geological information, are most likely to be produced by industrially available methods from known deposits starting from a specific date, under the existing economic conditions, with generally accepted operating techniques, and in compliance with applicable effective national regulations.

PSA
Production sharing agreement.

R&D
Research and development.

Refining depth
A refining indicator defined as the percentage ratio of obtained petroleum products, not including bulk fuel oil, to the original quantity of crude oil.

Refining output capacity
Maximum possible output by a plant unit in a specific period.

Replacement ratio
Gross increment of proven reserves, divided by total production in the period.

RTS
Russian Trading System (stock exchange).

Siberian light
Siberian light crude oil.

TCF
ton of conventional fuel (carbon equivalent), equals 877 m³ of natural gas.

UGSS
Unified gas supply system. The Russian gas pipeline system, owned by JSC Gazprom.

USD
Dollars of the United States of America.

VAT
Value added tax.

VIOC
Vertically integrated oil company.

Yamal-Nenets AD (YaNAD)
Yamal-Nenets Autonomous District.

YANOS
Yaroslavl Refinery Slavneft-ANOS.
MAIN MACROECONOMIC FACTORS IMPACTING COMPANY PERFORMANCE

The Main macroeconomic factors that have an impact on the Company’s performance include:
• Changing market prices for crude oil and petroleum products;
• Fluctuation of the ruble-dollar exchange rate and inflation;
• Taxation;
• Changing transportation tariffs for crude oil and petroleum products.

CHANGING MARKET PRICES FOR CRUDE OIL AND PETROLEUM PRODUCTS

Prices for crude oil and products on the global and Russian markets are the main factor influencing the Company’s business performance. The average price in 2011 for one barrel of Brent oil was USD 111.26, which is 40.0% more than in 2010.

Petroleum product prices on global and Russian markets are mainly determined by global prices for crude oil, supply and demand for petroleum products, and competition on different markets. Price dynamics differ for different products.

RUBLE-DOLLAR EXCHANGE RATE AND INFLATION

The Company’s management chose the US dollar as the operating and reporting currency, since most revenues, and most financial and trading liabilities are receivable, payable, redeemable, or otherwise represented in the US currency. Therefore, changes in the ruble-dollar exchange rate can influence the Company’s performance. The Company uses derivative financial instruments in order to mitigate the effect of ruble-dollar exchange rate fluctuations.

TAXATION

Crude oil export customs duty. The export customs duty on crude oil is set monthly by the Russian Government based on the average Urals brand price during the monitoring period. The monitoring period begins on the 15th calendar day of the previous month, and ends on the 14th calendar day of the current month. The rate is effective from the first day of the next calendar month after the monitoring period.

Crude oil exported to CIS countries that are member states of the Customs Union (Kazakhstan and Belarus) are exempt from export customs duty for crude oil. Until 2010, crude exports to Belarus were subject to lower export duties calculated using a special coefficient. The following coefficients were set between 2007 and 2009: 0.293 in 2007, 0.335 in 2008, and 0.356 in 2009.

In October 2011, the new 60/66/90 export duty regime for crude oil and petroleum products came into effect. The new regime lowers the percentage in the bottom line of the above table from 65% to 60%.

Export duties for petroleum products. Export duty rates for petroleum products are set by the Russian Government. Products exported to member states of the Customs Union (Kazakhstan and Belarus) are exempt from export customs duties.

Until February 2011, export duty rates for light and medium distillates were calculated using the formula:

\[ 0.438 \times (\text{Price} \times 7.3 - 109.5), \]

where Price means average monthly price of Urals crude oil in US dollars per barrel. Export duties for heavy petroleum products were calculated using the formula:

\[ 0.236 \times (\text{Price} \times 7.3 - 109.5). \]

ADDITIONAL INFORMATION

<table>
<thead>
<tr>
<th>BRENT, USD/bbl</th>
<th>CHANGE OF PRODUCERS’ PRICE INDEX, %</th>
<th>THE AVERAGE RUB-USD RATE FOR THE PERIOD, RUB/USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>111 (+38.8%)</td>
<td>12.0 (−4.7 pp)</td>
<td>29.4 (−3.3%)</td>
</tr>
<tr>
<td>USD/bbl</td>
<td>percent</td>
<td>RUB/USD</td>
</tr>
<tr>
<td>Q2 09 10 11</td>
<td>09 10 11</td>
<td>09 10 11</td>
</tr>
</tbody>
</table>

Source: Platts (international market)

Source: Central Bank of Russia

7 Shown in the 2011 Financial Report
### Export customs duty (USD per ton)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil</td>
<td>408.92</td>
<td>273.61</td>
<td>179.33</td>
<td>49.5%</td>
<td>52.6%</td>
</tr>
<tr>
<td>Light and medium distillates</td>
<td>274.08</td>
<td>196.66</td>
<td>133.13</td>
<td>39.4%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>208.21</td>
<td>105.94</td>
<td>71.74</td>
<td>96.5%</td>
<td>47.7%</td>
</tr>
</tbody>
</table>

### Mineral extraction tax (rubles per t)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (rubles per ton)</td>
<td>4,455</td>
<td>3,074</td>
<td>2,299</td>
<td>44.9%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Crude oil (USD per barrel)</td>
<td>21</td>
<td>14</td>
<td>10</td>
<td>49.7%</td>
<td>39.7%</td>
</tr>
<tr>
<td>Gas (rubles per 1,000 cubic cm)</td>
<td>237</td>
<td>147</td>
<td>147</td>
<td>61.2%</td>
<td>–</td>
</tr>
</tbody>
</table>
The system for calculating export duty rates for petroleum products was changed by Russian Government Decree No. 1155 (December 27, 2010), which took effect from February 1, 2011. From that date, export duty rates for petroleum products are calculated by the formula:

\[ R = K \times \text{Roil} \]

where Roil is the export duty per ton of crude oil, and K is a coefficient that calculates the duties applicable for various types of petroleum products as a percentage of the crude oil duty, as shown in the table below:

### EXPORT DUTY RATES FOR CRUDE OIL

<table>
<thead>
<tr>
<th>Urals price, USD per ton</th>
<th>Maximum duty rate payable ( (P = \text{Urals price}) )</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 109.50</td>
<td>0%</td>
</tr>
<tr>
<td>109.50 – 146.00</td>
<td>35.0% ( (P – 109.50) )</td>
</tr>
<tr>
<td>146.00 – 182.50</td>
<td>USD 12.78 + 45.0% ( (P – 146.00) )</td>
</tr>
<tr>
<td>&gt;182.50</td>
<td>USD 29.20 + 65.0% ( (P – 182.50) )</td>
</tr>
</tbody>
</table>

### EXPORT DUTIES FOR PETROLEUM PRODUCTS

<table>
<thead>
<tr>
<th></th>
<th>October 1, 2011 to December 31, 2014</th>
<th>From January 1, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and medium distillates</td>
<td>0.66</td>
<td>0.66</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>0.66</td>
<td>1.00</td>
</tr>
<tr>
<td>Gasoline</td>
<td>0.90</td>
<td>0.90</td>
</tr>
</tbody>
</table>

### EXCISE ON OIL PRODUCTS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 01.01–30.06</th>
<th>01.07–31.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class 3</td>
<td>5,672</td>
<td>7,382</td>
<td>7,882</td>
<td>9,750</td>
<td>10,725</td>
</tr>
<tr>
<td>Class 4</td>
<td>5,143</td>
<td>6,822</td>
<td>6,822</td>
<td>8,560</td>
<td>9,416</td>
</tr>
<tr>
<td>Class 5</td>
<td>5,143</td>
<td>6,822</td>
<td>5,143</td>
<td>3,143</td>
<td>5,657</td>
</tr>
<tr>
<td>Straight-run</td>
<td>6,089</td>
<td>7,824</td>
<td>7,824</td>
<td>9,617</td>
<td>10,579</td>
</tr>
<tr>
<td>Other</td>
<td>5,995</td>
<td>7,725</td>
<td>8,225</td>
<td>10,100</td>
<td>11,110</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class 3</td>
<td>2,485</td>
<td>3,814</td>
<td>4,300</td>
<td>5,860</td>
<td>6,446</td>
</tr>
<tr>
<td>Class 4</td>
<td>2,247</td>
<td>3,562</td>
<td>3,562</td>
<td>4,934</td>
<td>5,427</td>
</tr>
<tr>
<td>Class 5</td>
<td>2,247</td>
<td>3,562</td>
<td>2,962</td>
<td>4,334</td>
<td>4,767</td>
</tr>
<tr>
<td>Other</td>
<td>2,753</td>
<td>4,098</td>
<td>4,300</td>
<td>5,860</td>
<td>6,446</td>
</tr>
<tr>
<td>Engine oils</td>
<td>4,681</td>
<td>6,072</td>
<td>6,072</td>
<td>7,509</td>
<td>8,260</td>
</tr>
</tbody>
</table>
In 2011, the Company exported 49.4% of its total oil supplies (48.0% in 2010) through the Baltic port of Primorsk; 21.67% of crude was exported through the Druzhba pipeline (24.9% in 2010), mostly to Germany and the Czech Republic; 6.42% of crude exports were delivered by sea through Novorossiysk seaport, including 1.88% of Siberian Light Crude (3.7% in 2010), and 8.31% through Tuapse seaport (9.7% in 2010); 14.2% of crude oil exports were sent through the East Siberia-Pacific Ocean transit pipeline via the port of Kozmino (13.7% in 2010).

The structure of crude exports to the CIS countries in 2011 was as follows: 88.97% to Belarus (76.39% in 2010) and 11.03% to Kazakhstan (23.61% in 2010).

### Transportation Tariffs for Crude Oil and Products

Transportation tariff policy is designed by the Government and aims to ensure a balance of interests between the Government and all parties involved in the process of transportation. Transportation tariffs for natural monopolies are set by the Federal Tariff Service of the Russian Federation (FTS). The tariffs depend on the transport route, volume of supplies, distance and other factors. Tariffs are adjusted to account for the inflation rate as forecast by the Russian Ministry for Economic Development, capital financing needs of the owners of transportation infrastructure, other macroeconomic factors, and the break-even point for justifiable costs incurred by natural monopolies. The FTS reviews the tariffs at least once a year, including tariffs for cargo handling, transshipment, and others.

#### Transportation Tariffs for Crude Oil (RUB per ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>MET for crude oil</td>
<td>419</td>
<td>446</td>
<td>470</td>
</tr>
</tbody>
</table>

#### Transportation Tariffs for Natural Gas (RUB/000 m³)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MET for natural gas</td>
<td>251*</td>
<td>265*</td>
<td>278*</td>
</tr>
</tbody>
</table>

* Reduced MET rates for gas are available to taxpayers who are not owners of facilities in the Unified Gas Supply System (UGSS) and are not entities in which owners of facilities in the Unified Gas Supply System directly and/or indirectly hold more than 50% interest.

In 2011, the Company exported 49.4% of its total oil supplies (48.0% in 2010) through the Baltic port of Primorsk; 21.67% of crude was exported through the Druzhba pipeline (24.9% in 2010), mostly to Germany and the Czech Republic; 6.42% of crude exports were delivered by sea through Novorossiysk seaport, including 1.88% of Siberian Light Crude (3.7% in 2010), and 8.31% through Tuapse seaport (9.7% in 2010); 14.2% of crude oil exports were sent through the East Siberia-Pacific Ocean transit pipeline via the port of Kozmino (13.7% in 2010). The structure of crude exports to the CIS countries in 2011 was as follows: 88.97% to Belarus (76.39% in 2010) and 11.03% to Kazakhstan (23.61% in 2010).

Mineral extraction tax (MET). The rate of mineral extraction tax for crude oil in 2011 (R) was calculated by the formula:

\[ R = 419 \times K_p \times K_d \times K_r. \]

The terms are explained as follows:

\[ K_p = (P - 15) \times D / 261, \]

where \( P \) is the average monthly price of Urals brand at the Rotterdam and Mediterranean Commodity Exchanges (USD/barrel), and \( D \) is the average monthly ruble-dollar exchange rate.

\[ K_d = 3.8 - 3.5 \times N / V, \]

where \( N \) is the total accrued production of oil at the specific area, and \( V \) is the initial recoverable oil reserves at the area, according to information in the National Balance of Mineral Reserves as of January 01, 2006.

If the extent of deposit depletion at a specific area exceeds 1, the \( K_d \) coefficient is assumed to be equal to 0.3.

In other cases, \( K_d \) is made equal to 1.

\[ K_r = 0.125 \times V_r + 0.375, \]

where \( V_r \) is initial recoverable oil reserves, defined as total reserves in categories \( A, B, C_1 \), and \( C_2 \) at the area, according to the approved National Balance of Mineral Reserves in the year prior to the tax period.

Federal Law No. 307 (27.11.2010), set base rates of MET between 2011 and 2013 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>MET for crude oil</td>
<td>419</td>
<td>446</td>
<td>470</td>
</tr>
<tr>
<td>MET for natural gas</td>
<td>251*</td>
<td>265*</td>
<td>278*</td>
</tr>
</tbody>
</table>
### EFFECTIVE TARIFF RATES FOR THE COMPANY’S MAIN TRANSPORTATION ROUTES

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change, % 2011-2010</th>
<th>Change, % 2010-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crude oil (RUB/tons)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipeline</td>
<td>937.19</td>
<td>1,273.93</td>
<td>1,424.27</td>
<td>11.8%</td>
<td>35.9%</td>
</tr>
<tr>
<td>CIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipeline</td>
<td>749.33</td>
<td>994.75</td>
<td>1,217.41</td>
<td>22.4%</td>
<td>32.8%</td>
</tr>
<tr>
<td><strong>Transportation to refineries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Omsk Refinery</td>
<td>351.51</td>
<td>416.17</td>
<td>446.25</td>
<td>7.2%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Moscow Refinery</td>
<td>629.22</td>
<td>945.49</td>
<td>667.00</td>
<td>(29.5)%</td>
<td>50.3%</td>
</tr>
<tr>
<td>YANOS</td>
<td>705.57</td>
<td>860.70</td>
<td>903.75</td>
<td>5.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td><strong>Petroleum products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports from Omsk Refinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>1,718.86</td>
<td>1,964.06</td>
<td>2,105.71</td>
<td>7.2%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>2,717.20</td>
<td>3,036.06</td>
<td>3,224.28</td>
<td>6.2%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>2,056.74</td>
<td>2,573.51</td>
<td>2,578.56</td>
<td>0.2%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Exports from Moscow Refinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>1,263.82</td>
<td>1,569.28</td>
<td>732.56</td>
<td>(53.3)%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>1,075.39</td>
<td>1,287.96</td>
<td>1,340.74</td>
<td>4.1%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>1,347.11</td>
<td>1,361.91</td>
<td>1,419.03</td>
<td>4.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Exports from Yaroslavl Refinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>1,574.17</td>
<td>1,699.24</td>
<td>1,407.73</td>
<td>(17.2)%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>1,130.93</td>
<td>1,269.50</td>
<td>1,368.56</td>
<td>7.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>1,005.33</td>
<td>927.40</td>
<td>1,232.97</td>
<td>32.9%</td>
<td>(7.8)%</td>
</tr>
</tbody>
</table>
This Annual Report was pre-approved by Resolution No. PT-0102/20 of the Board of Directors of JSC Gazprom Neft at the Board meeting held on April 11, 2012.

Chief Executive Officer
A.V. Dyukov

Chief Accountant
O.N. Makretskaya
This Annual Report was prepared based on information known to Open Joint-Stock Company Gazprom Neft and its subsidiaries (‘Gazprom Neft’) on the date of reporting. This Report contains forward-looking statements that represent expectations of the Company’s executive management. Such estimates are not based on any actual circumstances, and they include all statements concerning the Company’s intentions, opinions or current expectations as regards its activities, financial situation, liquidity, future growth, strategy, and the industry in which Gazprom Neft operates. By their very nature, such forward-looking statements are exposed to risks and factors of uncertainty because they describe events and depend on circumstances that may or may not occur in future.

Such words as ‘assume’, ‘believe’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘surmise’, ‘examine’, ‘might’, along with other similar words and phrases, also expressed as negations, typically mark forward-looking statements. Such assumptions contain risks and uncertainties, both expected and unforeseeable. Therefore, future performance may differ from current expectations, and the users of this information must not base their own estimates solely on the information contained herein.

In addition to official information concerning the activities of Gazprom Neft, this Annual Report also contains information received from third parties. Such information was obtained from sources viewed by Gazprom Neft as reliable. Nevertheless, we cannot guarantee the accuracy of such information, which may be abbreviated or incomplete.

Gazprom Neft does not guarantee that actual results, scope or indicators of its performance or performance of the industry in which the Company operates will exactly match the results, scope or indicators contained explicitly or implicitly in any forward-looking statement included herein or elsewhere. Gazprom Neft cannot be held responsible for any losses that a party may sustain as a result of reliance of such forward-looking statements. Excep in cases directly regulated under the applicable law, the Company shall not assume any obligation to distribute or publish any updates or adjustments to its forward-looking statements that would reflect any changes of expectation or contain new information, or describe any subsequent events, conditions or circumstances.
APPENDIX
LARGE TRANSACTIONS & RELATED-PARTY TRANSACTIONS

In 2011, JSC Gazprom Neft was not party to any transactions that could qualify as large transactions under effective Russian law.

LIST OF RELATED PARTY TRANSACTIONS IN 2011, APPROVED BY GOVERNING BODIES OF JSC GAZPROM NEFT

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of counterparty</th>
<th>Object and main terms of the transaction</th>
<th>Related party in the transaction</th>
<th>Minutes No. and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JSC Gazprom Neft (guarantor)</td>
<td>Supplementary Agreement No.1 to Guarantee Contract No. 273/10-V-P of December 24, 2010, between JSC Gazprom Neft and GPB (lender)</td>
<td>- Board Directors of JSC Gazprom Neft, who are also Directors of GPB (JSC): A.B. Miller, A.V. Kruglov, K.G. Seleznev; - JSC Gazprom as the holder of more than 20% of stock issued by GPB (JSC), which is a party in the transaction, because its affiliates (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilyeva) simultaneously hold positions on the Board of GPB (JSC).</td>
<td>Minutes-0102/04, Meeting date March 28, 2011</td>
</tr>
<tr>
<td></td>
<td>GPB (JSC) (lender)</td>
<td></td>
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<tr>
<td></td>
<td>CJSC Gazprom Neft Orenburg (borrower)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>JSC Gazprom Neft (advertiser); CJSC Soccer Club Zenit (diffuser of advertising)</td>
<td>Advertising services contract between JSC Gazprom Neft and CJSC Soccer Club Zenit.</td>
<td>- The JSC Gazprom shareholder, JSC Gazprom, since its affiliates GPB (JSC) and LLC Gazprom Transgaz St. Petersburg hold more than 20% in CJSC FC Zenit; - Board Director and Chief Executive Officer of JSC Gazprom Neft, A.V. Dyzkov, who is also Board Director and President of CJSC FC Zenit; - Board Director of JSC Gazprom Neft K.G. Seleznev, who is also Board Director of CJSC FC Zenit</td>
<td>Minutes-0102/08, Meeting date May 10, 2011</td>
</tr>
<tr>
<td>3</td>
<td>Naftna Industrija Srbije a.d. (lender)</td>
<td>Special-purpose loan from JSC Gazprom Neft to Naftna Industrija Srbije a.d. of up to €256,200,000 (Two hundred and fifty-six million two hundred thousand euros). Loan purpose: program financing to retrofit and upgrade the Borrower’s production facilities under the contract for purchase of the Borrower’s stock, dated December 24, 2008, but in all events at least 6 (six) months after loan provision, and ending on the last business day of the effective loan period. Interest rate for each loan: EUR LIBOR 12 months + 2% per annum.</td>
<td>- The JSC Gazprom Neft shareholder, JSC Gazprom, since its affiliate NIS Co. is a party to the transaction, and also because its affiliate JSC Gazprom Neft holds more than 20% in NIS, which is a party to the transaction; - Executive Officers of JSC Gazprom Neft (K.A. Kravchenko, A.M. Cherny, I.K. Antonov, V.V. Yakovlev and V.V. Barishnikov), who are also Directors of GPB (JSC): A.B. Miller, A.V. Kruglov, K.G. Seleznev, V.V. Yakovlev and V.V. Barishnikov, who are also Board Directors of NIS.</td>
<td>Minutes-0102/08, Meeting date May 10, 2011</td>
</tr>
<tr>
<td></td>
<td>JSC Gazprom Neft (lender)</td>
<td>Loan contract signed between JSC Gazprom Neft and Sibir Energy Ltd. (GPN 11/12100/0236, dated February 14, 2011). Loan principal not exceeding 10,000,000,000 rubles. Loan currency is Russian rubles. Provision in full or by instalments. Repayment by December 31, 2013 inclusive. Interest rate not exceeding 5% per annum.</td>
<td>- JSC Gazprom, because its affiliate JSC Gazprom Neft holds more than 20% in Sibir Energy Ltd; - member of the Management Board of JSC Gazprom Neft V.V. Yakovlev, who is simultaneously Chairman of the Board of Sibir Energy Ltd.</td>
<td>Minutes-0102/08, Meeting date May 10, 2011</td>
</tr>
<tr>
<td>No.</td>
<td>Name of counterparty</td>
<td>Object and main terms of the transaction</td>
<td>Related party in the transaction</td>
<td>Minutes No. and date</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------</td>
<td>---------------------</td>
</tr>
</tbody>
</table>
| 5   | JSC Gazprom Neft (guarantor); Bank GPB (JSC); JSC Moscow Refinery (principal) | Provision by JSC Gazprom Neft of a guarantee for the obligations of JSC Moscow Refinery, to secure performance of the guarantees issued by GPB (JSC) for amounts repayable to GPB (JSC) in respect of letters of credit opened by GPB (JSC) to corporate persons non-resident in Russia (Beneficiaries) and/or corporate persons resident in Russia (Payees) under a contract signed between JSC Moscow Refinery, and the Beneficiary or Payee to deliver goods and/or provide services and/or perform works, to be settled with a letter of credit, payment by JSC Moscow Refinery of all fees and costs of GPB (JSC), and also penalties on the following main terms:  
  - Liability of the guarantor is limited to 1,500,000,000 rubles;  
  - The payment currency is Russian rubles;  
  - Effective period of the guarantee expires on December 15, 2013, at the latest.  
| - Board Directors of JSC Gazprom Neft, who are also Directors of GPB (JSC): A.B. Miller, A.V. Kruglov, K.G. Seleznev;  
- JSC Gazprom as the holder of more than 20% of the shares of GPB (JSC), because its affiliates (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilyeva) hold positions on the Board of GPB (JSC);  
- member of the Management Board of JSC Gazprom Neft A.M. Cherny, who is Chairman of the Board of JSC Moscow Refinery, which is the beneficiary in the approved transaction. | Minutes-0102/08 Meeting date May 10, 2011 |
| 6   | JSC Gazprom Neft (guarantor); Bank GPB (JSC); LLC T2K North-West (Principal) | JSC Gazprom Neft provides a guarantee to GPB (JSC), which secures performance of the obligation of LLC T2K North-West to GPB (JSC) for amounts repayable to GPB (JSC) under an issued bank guarantee, and the obligation to pay fees and costs of GPB (JSC) to JSC Pulkovo Airport to secure discharge of an obligation to make investments under a sales contract between LLC T2K North-West and JSC Pulkovo Airport, on the following main terms:  
  - Liability of the guarantor is limited to 80,000,000 rubles;  
  - Payment currency is Russian rubles;  
  - The guarantee is effective until July 31, 2011 inclusive.  
| - Board Directors of JSC Gazprom Neft, who are also Directors of GPB (JSC): A.B. Miller, A.V. Kruglov, K.G. Seleznev;  
- JSC Gazprom as the holder of more than 20% of shares in GPB (JSC), because its affiliates (A.B. Miller, A.V. Kruglov, K.G. Seleznev, M.L. Sereda, E.A. Vasilyeva) simultaneously hold positions on the Board of GPB (JSC). | Minutes-0102/08 Meeting date May 10, 2011 |
| 7   | JSC Gazprom Neft (Customer); JSC Gazprom (Contractor) | A service contract for gas transportation between JSC Gazprom Neft and JSC Gazprom ("the Contract") on the following main terms:  
  - The Contractor provides services to organise gas transportation as and how regulated in the Contract (attachment);  
  - Contract price not exceeding 3,500,000,000 rubles;  
  - Services provided between January 1, 2011, and December 31, 2011, inclusively.  
| - JSC Gazprom, because it is a party to the transaction;  
- Chairman of the Board of Directors of JSC Gazprom Neft A.B. Miller, who is also Chairman of the Management Committee and Deputy Chairman of the Board of Directors of JSC Gazprom;  
- Board Directors of JSC Gazprom Neft, who also serve on the Management Committee of JSC Gazprom: V.A. Golubev, K.G. Seleznev, N.N. Dubik, A.V. Kruglov, O.P. Pavlova | Minutes-0102/09 Meeting date May 11, 2011 |
| 8   | JSC Gazprom Neft (Customer); NIS (Contractor) | A contract with NIS on works/services to install a roof-top advertising structure for JSC Gazprom Neft ("the contract") on the following main terms:  
  - Object of the contract: works/services to install a roof-top advertising structure for JSC Gazprom Neft ("the advertising structure") on the roof of the office building of NIS Petrol, Novi Belgrade (Republic of Serbia, Belgrade, ul. Milentij Popovic, 1).  
  - Contract price: €74,222 (seventy-four thousand, two hundred and twenty-two euros) including VAT;  
  - Service period: the Contractor shall begin providing services on the first business day after contract signing; service period – 30 (Thirty) business days; the first and last day for provision of each service are regulated in the Time Schedule, which is an integral part of the contract (Attachment);  
  - Effect of the contract: effect of the contract begins after signing by both parties and remains until both parties have fully discharged their obligations.  
| - The JSC Gazprom shareholder, JSC Gazprom, because its affiliate NIS is a party to the transaction, and its affiliate JSC Gazprom Neft holds more than 20% in NIS, which is a party to the transaction;  
- Executive Officers of JSC Gazprom Neft (K.A. Kravchenko, A.M. Cherny, I.K. Antonov, V.V. Yakovlev and V.V. Barshnikov), who are also Board Directors in NIS | Minutes-0102/09 Meeting date May 11, 2011 |
<table>
<thead>
<tr>
<th>No.</th>
<th>Name of counterparty</th>
<th>Object and main terms of the transaction</th>
<th>Related party in the transaction</th>
<th>Minutes No. and date</th>
</tr>
</thead>
</table>
| 9   | JSC Gazprom Neft (Customer)  
     JSC Moscow Refinery (Carrier) | A contract to transport liquid sulphur between JSC Gazprom Neft and JSC Moscow Refinery ('the contract') on the following main terms:  
• Object of the contract: the Carrier shall use its vehicles to transport/deliver the list of products received from a third-party (consignor) on the Customer's instructions, release it to authorised persons at the consignor's warehouse, and Customer shall pay for fare as stated in the contract;  
• Cargo not to exceed 130,000 tons  
• Fees not to exceed 1,155 rubles per ton with VAT.  
• Carrier's liability in the transaction not to exceed 150,150,000 rubles.  
• Payment currency: Russian rubles  
• Service period: from the signing date until December 31, 2012. | Member of the Management Board of JSC Gazprom Neft A.M. Chern, is also a Board Director of JSC Moscow Refinery | Minutes-0102/11  
Meeting date June 8, 2011 |
| 10  | JSC Gazprom Neft;  
     Salym Petroleum Development N.V. | A contract on joint work by JSC Gazprom Neft and Salym Petroleum Development N.V. ('the contract') on the following main terms:  
• Object of the contract: creating a simple partnership (not incorporated) between JSC Gazprom Neft and Salym Petroleum Development N.V. to unite the assets, knowledge, experience, and efforts specified in the contract ('joint activities') in order to generate income from sale of Emission Reduction Units of greenhouse gas produced by joint operation of a gas-turbine electric power plant at the West-Salym field of Salym Petroleum Development N.V.  
• Contract price: contributions to joint activities by the parties for the effective period:  
  • Salym Petroleum Development N.V. – 1,501,654,823.86 rubles (99%);  
  • JSC Gazprom Neft – 15,168,240.54 rubles (1%).  
• The contributions shall be refunded to original owners in their entirety at the end of the period of joint activity.  
• Effect of the contract: from the signing date, until:  
  a. Both parties agree to discontinue the joint activities;  
  b. The earliest of joint project expiry under the Kyoto Protocol, or June 01, 2013;  
  c. 10 days after one Partner is in receipt of the other Partner's request to terminate the contract. | The member of the Management Board of JSC Gazprom Neft B.S. Zilbermints is also a member of the Supervisory Panel of Salym Petroleum Development N.V. | Minutes-0102/11  
Meeting date June 8, 2011 |
| 11  | JSC Gazprom Neft (Agent);  
     JSC Moscow Refinery (Principal) | Agency contract between JSC Gazprom Neft and JSC Moscow Refinery ('the Contract'), on the following main terms:  
• Object of the contract: the Agent shall take legal actions on behalf and in the name of Principal to purchase materials and equipment ('Goods') for the Principal and also to purchase necessary works/services for the Principal;  
• Contract price (Agent's fee): not more than 1.0%, incl. VAT, of the Goods' value;  
• Agent's liability under the contract not to exceed 40,000,000 rubles;  
• Payment currency: Russian rubles;  
• Effect of the contract: from signing until December 31, 2013; payments to be made until they have been made in full. | The member of the Management Board of JSC Gazprom Neft A.M. Chern, is also a Board Director of JSC Moscow Refinery | Minutes-0102/11  
Meeting date June 8, 2011 |
| 12  | JSC Gazprom Neft (Agent);  
     JSC Moscow Refinery (Principal) | Agency contract between JSC Gazprom Neft and JSC Moscow Refinery ('the Contract'), on the following main terms:  
• Subject matter: the agent shall take legal and other actions for a fee, on behalf of the Principle, to purchase materials and equipment ('Goods') for the Principal on agreed terms (attachment):  
• Contract price (Agent's fee): not above 1.0%, including VAT, of the price of the Goods to be purchased by the agent;  
• The Agent's liability shall not exceed 150,000,000 rubles;  
• Payment currency: Russian rubles;  
• Effect of contract: from signing until December 31, 2013; payments to be made until they have been made in full. | The member of the Management Board of JSC Gazprom Neft A.M. Chern, is also a Board Director of JSC Moscow Refinery | Minutes-0102/11  
Meeting date June 8, 2011 |
<table>
<thead>
<tr>
<th>No.</th>
<th>Name of counterparty</th>
<th>Object and main terms of the transaction</th>
<th>Related party in the transaction</th>
<th>Minutes No. and date</th>
</tr>
</thead>
</table>
| 13  | Vneshekonombank           | A transaction between JSC Gazprom Neft and State Corporation Bank for Development and Foreign Trade (Vneshekonombank), for a placement-sale of documentary non-convertible interest-bearing bearer's bonds issued by JSC Gazprom Neft (series 08, national registration ID 4-08-00146-A, date of government registration 10.08.2010) totaling 400,000 (four hundred thousand) bonds with par value of 1,000 (one thousand) rubles each, on the terms stated in the decision to issue the bonds and in the bond prospectus, which was approved by resolution of the Board of Directors of JSC Gazprom Neft on June 18, 2010, Minutes No. 0102/18. | The shareholder of JSC Gazprom Neft, JSC Gazprom, due to the status of its following affiliates:  
- Board Director Elvira S. Nabiullina is a Member of the Supervisory Council at the State Corporation Bank for Development and Foreign Trade (Vneshekonombank), which is a party to the transaction;  
- Chairman of the Board of Directors Viktor A. Zubkov is a Member of the Supervisory Council in State Corporation Bank for Development and Foreign Trade State Corporation (Vneshekonombank), which is a party to the transaction | Minutes-0102/14  
Meeting date July 11, 2011                                                                                     |
| 14  | Sberbank of Russia        | Transactions between JSC Gazprom Neft and Open Joint-Stock Company Sberbank of Russia, as follows:  
1) on placement-sale of documentary non-convertible interest-bearing bearer's bonds issued by JSC Gazprom Neft (series 08, national registration ID 4-08-00146-A, date of government registration August 10, 2010), totaling 3,500,000 (three million five hundred thousand) bonds with par value of 1,000 (one thousand) rubles each, on the terms stated in the decision to issue bonds and in the bond prospectus, approved by resolution of the Board of Directors of JSC Gazprom Neft on June 18, 2010, Minutes No. 0102/18;  
2) on placement-sale of documentary non-convertible interest-bearing bearer's bonds issued by JSC Gazprom Neft (series 09, national registration ID 4-09-00146-A, date of government registration 10.08.2010), totaling 3,500,000 (three million five hundred thousand) bonds with par value of 1,000 (one thousand) rubles each, on the terms stated in the decision to issue the bonds and the bond prospectus, approved by resolution of the Board of Directors of JSC Gazprom Neft on June 18, 2010, Minutes No. 0102/18;  
3) on placement-sale of documentary non-convertible interest-bearing bearer's bonds issued by JSC Gazprom Neft (series 10, national registration ID 4-10-00146-A, date of government registration August 10, 2010), totaling 3,000,000 (three million) bonds with par value of 1,000 (one thousand) rubles each, on the terms stated in the decision to issue the bonds and the bond prospectus, approved by resolution of the Board of Directors of JSC Gazprom Neft on June 18, 2010, Minutes No. 0102/18. | The shareholder of JSC Gazprom Neft, JSC Gazprom, since its affiliate Elvira S. Nabiullina is a Member of the Supervisory Council of Open Joint-Stock Company Sberbank of Russia | Minutes-0102/14  
Meeting date July 11, 2011                                                                                     |
| 15  | CJSC Soccer Club Zenit    | Supplementary Agreement No.1 to the Contract between JSC Gazprom Neft and CJSC Soccer Club Zenit No. GPN-11/09000/00225/P of 01.01.2011 (the Contract), under which:  
Clause 4.1 of the Contract shall be restated as follows:  
"Cost of advertising services provided under Contract from 01.01.2011 to 31.12.2011, amounts to 450,205,084 (four hundred and fifty million two hundred and five thousand and eighty-four) rubles and 75 kopeks, plus VAT (18%) of 81,036,915 (eighty-one million thirty-six thousand nine hundred and fifteen) rubles 25 kopeks. Total contract price is thus 531,242,000 (five hundred and thirty-one million two hundred and forty-two thousand) rubles." |  
1. The shareholder of JSC Gazprom Neft, JSC Gazprom, since its affiliates (GPB (JSC), LLC Gazprom Transgaz Saint Petersburg) hold more than 20% in CJSC FC Zenit;  
2. The Board Director and CEO of JSC Gazprom Neft A.V. Dyukov, who is the Board Directors and President of CJSC FC Zenit;  
3. The Board Director of JSC Gazprom Neft K.G. Seleznev who is a member of the Board of Directors of CJSC FC Zenit. | Minutes-0102/15  
Meeting date July 13, 2011                                                                                     |
<table>
<thead>
<tr>
<th>No.</th>
<th>Name of counterparty</th>
<th>Object and main terms of the transaction</th>
<th>Related party in the transaction</th>
<th>Minutes No. and date</th>
</tr>
</thead>
</table>
| 16  | JSC Gazprom Neft (Advertiser); CJSC SKA Ice Hockey Club (Advertising agent) | An advertising services contract between JSC Gazprom Neft and CJSC SKA Ice Hockey Club (‘the contract’) on the following main terms:  
- Object of the contract: CJSC SKA Ice Hockey Club shall conduct advertising campaigns as instructed by the Advertiser to promote the Advertiser’s retail brands; during which the Advertiser shall enjoy the status of ‘SKA Ice Hockey Club’s Sponsor’ and receive a sponsorship package of advertising services in respect of participation of CJSC SKA Ice Hockey Club teams in matches of the second stage of the Continental Ice Hockey League Championship (Russian Open Ice Hockey Championship) for the 2010-2011 season, and in matches of the Continental Ice Hockey League Championship (Russian Open Ice Hockey Championship) for the 2011-2012 season.  
- Contract price: 972,320,000 (Nine hundred and seventy-two million three hundred and twenty thousand) rubles, including VAT at 18%.  
- Service period: March 01, 2011 to December 31, 2012. | Board Director, A.V. Dyukov, CEO of JSC Gazprom Neft, also a Board Director in CJSC SKA Ice Hockey Club | Minutes-0102/15  
Meeting date July 13, 2011 |
| 17  | JSC Gazprom Neft (Lender); LLC Gazprom Neft-Invest (Borrower) | JSC Gazprom Neft (Creditor) issues an interest-free loan to LLC Gazprom Neft-Invest (Borrower) amounting to 7,000,000,000 (Seven billion) rubles, repayable by January 31, 2012, to enable LLC Gazprom Neft-Invest to purchase 100% of stock issued by Tzar Petrol Investments Limited. | The shareholder of JSC Gazprom Neft, JSC Gazprom, because its affiliate LLC Gazprom Neft-Invest is a party to the transaction. | Minutes-0102/23  
Meeting date October 17, 2011 |
| 18  | JSC Gazprom Neft (Supplier), JSC Moscow Refinery (Refiner) | A petroleum refining contract between JSC Gazprom Neft and JSC Moscow Refinery (‘the Contract’) on the following main terms:  
- Object of the contract: crude oil refining  
- Refining volume: not to exceed 8 million tons;  
- Cost of refining per 1 ton of oil: 1,151 rubles (with VAT);  
- Payment currency: Russian rubles;  
- Service period: until June 30, 2012. | The member of the Management Board of JSC Gazprom Neft A.M. Cherner, is a Board Director of JSC Moscow Refinery | Minutes-0102/28  
Meeting date November 3, 2011 |