

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended September 30 and June 30, 2010 and the
nine months ended September 30, 2010 and 2009**

Forward-Looking Statements

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

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

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

Company overview

JSC Gazprom Neft and its subsidiaries ("Gazprom Neft" or the "Company") is a vertically integrated oil company operating in the Russian Federation, CIS and Europe. The Company's principal activities include exploration, production of crude oil and gas, production of refined petroleum products and distribution and marketing operations.

JSC Gazprom Neft was created by Presidential Decree Number 872 dated August 24, 1995 under the name of OAO Siberian Oil Company ("Sibneft"). On September 29, 1995 Sibneft's charter was approved when the Government of the Russian Federation issued Resolution Number 972. The Omsk Registration Chamber officially registered Sibneft on October 6, 1995. In October 2005 OAO Gazprom ("Gazprom") acquired a 75.68% stake in Sibneft and became the Company ultimate shareholder. On May 30, 2006 Sibneft was renamed "JSC Gazprom Neft". In April 2009, Gazprom acquired an additional 20% interest in the Company and increased its interest to 95.68%.

Gazprom Neft is Russia's fifth-largest company in terms of crude oil production and third-largest in terms of refining capacity. Most of its upstream assets are concentrated in Western Siberia; its downstream assets comprise three large sophisticated refineries in Russia and two refineries in Serbia. The Company's petroleum products are distributed within the Central, Ural, Siberian regions of Russia, Central Asia and Eastern Europe.

Key Financial and Operational Results

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Revenues (US\$ million)	8 387	8 026	4,5	23 709	16 598	42,8
EBITDA (US\$ million)	2 011	1 550	29,7	5 147	4 269	20,6
Net income (US\$ million)	865	747	15,8	2 366	2 376	(0,4)
Hydrocarbon production including our share in equity affiliates (millions of boe)	98,13	95,73	2,5	288,50	270,62	6,6
Crude oil production including our share in equity affiliates (millions bbl)	93,28	90,66	2,9	273,54	257,47	6,2
Gas available for sale production including our share in equity affiliates (bcf)	29,10	30,39	(4,2)	89,68	78,82	13,8
Production of petroleum products at own and equity affiliates refineries (millions of tonnes)	9,67	8,16	18,5	26,22	23,14	13,3

Operating Segments

The Company's activities are divided into two main operating segments:

- Exploration and production segment – which includes exploration, development and production of crude oil and gas.
- Refining, Marketing and Distribution – which includes refining of crude oil, purchases, sales and transportation of crude oil and refined petroleum products.

The Company's operating segments are interdependent; a portion of the revenues of one segment forms a part of the costs of the other segment. In particular, JSC Gazprom Neft, as a holding company, buys crude oil from its production subsidiaries, part of which is processed at the Company's and other downstream facilities; the refined petroleum products are distributed in the international and domestic markets through the Company's own marketing subsidiaries. In most cases it is difficult to assess market prices for crude oil in the domestic market due to the significant intragroup turnover within the vertically integrated oil companies. The prices set for intragroup purchases of crude oil reflect a combination of market factors such as global crude pricing environment, transportation, crude processing costs, capital investment requirements as well as other factors. Accordingly, the results of operations of these segments on a stand-alone basis do not necessarily represent each segment's underlying financial position and results of operations. For this reason, we do not analyze our segments separately. Refer to Note 20 to the Interim Condensed Consolidated Financial Statements for operating segments financial data.

Changes in the Company's Structure

2010/2009

Iraq

In January 2010, Gazprom Neft as part of a consortium of state oil companies Kogas (Korea), Petronas (Malaysia), TPAO (Turkey) signed a contract with the Government of Iraq to develop the Badra oil field with estimated geological reserves of more than 2 bln. bbl of crude oil. The share of Gazprom Neft's participation in the project as an operator is 30%, Kogas - 22,5%, Petronas - 15%, TPAO - 7,5%, while the Iraqi Government represented by an Iraqi Oil Exploration Company has a 25% stake in the project.

The development of the Badrah field is expected to start in 2010 and is scheduled for 20 years with a possibility of a five-year extension. Peak production is expected to be reached in 2016 and will make up 8.5 mln. tonnes (around 170 kBpd).

Venezuela

In June 2009, Gazprom Neft acquired 20% stake in "NNK" (National Oil Company), which was created for the implementation of oil projects in Latin America by five major Russian oil companies: Gazprom Neft, Rosneft, LUKOIL, TNK -BP and Surgutneftegaz - with equal stakes. In September 2009 the Government of the Russian Federation and the Government of the Bolivarian Republic of Venezuela signed an intergovernmental agreement on cooperation in the implementation of joint strategic projects.

Under this agreement, in April 2010, NNK and Venezolana de Petroleo, SA (CVP) subsidiary of state oil company of Venezuela (PDVSA) have registered a joint venture "Petromiranda" for further exploration and subsequent development of the field Junin-6, located in the heavy oil basin of the Orinoco river in Venezuela. Gazprom Neft will act as the Leader to coordinate and manage the project Junin-6. Under the first stage of the project (2010-2013), it is planned to get all the necessary approvals and to organize tender for service works and implement ecological assessment of the block.

Equatorial Guinea

A Product Sharing Agreement (PSA) for two offshore prospecting blocks has been signed between Gazprom Neft, the Ministry of Mines, Industry and Energy of Equatorial Guinea, and a national oil company in Equatorial Guinea GEPetrol. Gazprom Neft will act as the Project Operator. Forecast recoverable reserves within the two blocks may amount to about 110 mln. tonnes.

During 2010 it is planned to start an initial exploration stage of the project which will last for about 4-5 years. It is expected to carry out additional three-dimensional (3D) seismic studies in one of the two offshore blocks, and to reprocess and interpret historical seismic data in both blocks. Exploratory wells drilling decision will be made according to the results of these seismic studies.

Malka Oil

On February 4, 2010 the Company completed the acquisition of 100% of the share capital of OOO STS-Service, a company previously owned by Malka Oil AB, for a cash consideration of 820 million Swedish Kroner (US\$ 114 million).

STS-Service owns Block 87 in the Tomsk Region comprising Zapadno-Luginetskoye field (currently under development), Nizhneluginetskoye and a part of Shinginskoye field. C1+C2 category reserves comprise 11.5 mln. tonnes, and there are 11 prospective structures within the area. Along with the prospective structures, these fields are located in the immediate neighborhood of Shinginskoye field developed by the Company's subsidiary, Gazpromneft-Vostok LLC, which will integrate OOO STS-Service into its own structure.

Sibir Energy (Sibir)

In the period from April 23, 2009, being the date of the Company's first acquisition of shares in Sibir Energy plc ("Sibir"), until May 18, 2010, the Company invested approximately US\$ 2,513 million to acquire 80.37% of the ordinary shares of Sibir (of which 3.02% was sold during 2010). This acquisition of shares of Sibir provided the Company with effective control over Sibir and indirect control over Moscow Refinery, having increased its effective interest in Moscow Refinery from 38.63% to 68.50%.

On July 19, 2010 the Company sold a 3.02% interest in Sibir to the Moscow Central Fuel Company, a company owned by the Moscow Government. The consideration received was US\$ 101.7 million. Under the terms of the agreement Moscow Central Fuel Company has the option to acquire an additional 2.69% subject to certain conditions precedent. Following the sale of the interest in Sibir to the Moscow Central Fuel Company the Company has decreased its interest in Sibir from 80.37% to 77.35%. In addition, the Company's effective interest in Moscow refinery has decreased from 69.67% to 68.50%. Control of Sibir and Moscow refinery is maintained by the Company following the transaction.

Sibir Energy plc is a vertically integrated energy company with exploration and production operations in Western Siberia and refining and marketing in the City of Moscow and the Moscow region. Sibir's primary upstream assets include JSC Magma Oil Company (95% Sibir owned) and a 50% interest in Salym Petroleum Development (a joint venture with Royal Dutch Shell). Sibir's total current production is over 80,000 barrels of oil per day. Sibir also holds a 38.63% stake in the Moscow Oil Refinery ("Moscow Refinery"), which is jointly managed with Gazprom Neft, and a network of 134 retail stations in the City of Moscow and the Moscow region through JSC Moscow Fueling Company and JSC Mosnefteproduct.

Naftna Industrija Srbije (NIS)

In February 2009 JSC Gazprom Neft completed the acquisition of a 51% interest in the Serbian oil company NIS for the total consideration of € 400 million. Separately, under the purchase agreement Gazprom Neft is also obliged to invest in NIS upgrade program € 547 million by 2012. As part of the upgrade, measures will be taken to improve the quality of produced oil products to ensure that they meet European standards (Euro-5).

Main Macroeconomic Factors Affecting Results of Operations

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

- Changes in market prices of crude oil and petroleum products;
- Russian Ruble exchange rate versus the US Dollar and Inflation;
- Taxation;
- Changes in transportation tariffs of crude oil and petroleum products.

Changes in Market Prices of Crude Oil and Petroleum Products

The prices for crude oil and petroleum products in the international and Russian markets are the primary factor affecting the Company's results of operations. In the third quarter of 2010 average Brent crude oil price decreased by 1.8% to US\$ 76.86 per barrel compared to second quarter of 2010. Despite volatility of oil prices in the third quarter of 2010, the average price remained practically the same, compared to the first half of 2010 and the fourth quarter of 2009. In the nine months of 2010 Brent increased by 34.6% to US\$ 77.14 per barrel compared to the same period of 2009. We expect prices to remain stable in fourth quarter.

Petroleum product prices in international and Russian markets are primarily determined by the level of world prices for crude oil, supply and demand for petroleum products and competition in different markets. Price dynamics are different for different types of petroleum products.

The following table provides information on average crude oil and petroleum products prices in the international and domestic markets during the periods analyzed:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
International market	(in US\$ per barrel)					
Brent	76.86	78.24	(1.8)	77.14	57.32	34.6
Urals Spot (average Med + NWE)	75.57	76.89	(1.7)	75.92	56.76	33.8
	(in US\$ per tonne)					
Premium gasoline (average NWE)	694.35	732.88	(5.3)	717.44	546.71	31.2
Naphtha (average Med. + NWE)	649.04	683.88	(5.1)	677.44	484.73	39.8
Diesel fuel (average NWE)	668.52	686.02	(2.6)	666.81	507.14	31.5
Gasoil 0.2% (average Med. + NWE)	651.99	671.63	(2.9)	652.38	480.96	35.6
Fuel oil 3.5% (average NWE)	419.77	427.71	(1.9)	428.03	312.01	37.2
Domestic market	(in US\$ per tonne)					
High-octane gasoline	743.21	724.86	2.5	708.86	562.01	26.1
Low-octane gasoline	572.51	575.99	(0.6)	562.48	459.63	22.4
Diesel fuel	484.83	485.43	(0.1)	485.40	408.22	18.9
Fuel oil	251.33	252.58	(0.5)	247.12	183.06	35.0

Source: Platts (international market) and Kortes (domestic market)

Ruble vs. US Dollar Exchange Rate and Inflation

The management of the Company has determined the US Dollar is the functional and reporting currency of the Company as the majority of its revenues, debt and trade liabilities are either priced, incurred, payable or otherwise measured in US Dollars. Accordingly, any Ruble appreciation (depreciation) to the US Dollar affects the results of the Company's operations. In order to mitigate the effects of fluctuation in Ruble - US Dollar exchange rate the Company is engaged in using derivative instruments. Refer to Note 18 to the Interim Condensed Consolidated Financial Statements.

The following table comprises the information on exchange rate movements and inflation during the periods analyzed:

	3rd quarter 2010	2nd quarter 2010	First nine months 2010	2009
Consumer Price Index (CPI), %	1.8	1.2	6.2	8.1
Producer Price Index (PPI), %	2.7	2.8	8.2	14.9
US dollar / Ruble exchange rate as of the end of the period	30.40	31.20	30.40	30.09
Average Ruble/US dollar exchange rate for the period	30.62	30.24	30.25	32.48
Real appreciation (depreciation) of the Ruble against the US dollar, %	4.5	(4.7)	5.7	5.5
Change of the average invert exchange rate (RUB / US\$), %	(1.2)	(1.2)	7.4	(26.3)

Source: the Central Bank of the Russian Federation, the Federal State Statistics Service.

Taxation

The following table provides information on average enacted tax rates specific to the oil and gas industry in Russia for the periods indicated:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Export customs duty	(US\$ per tonne)					
Crude oil	260.03	281.67	(7.7)	268.49	156.56	71.5
Light and middle distillates products	187.23	202.10	(7.4)	193.12	117.80	63.9
Fuel oil	100.87	108.87	(7.3)	104.03	63.44	64.0
Excise on petroleum products	(RUR per tonne)					
Naphtha	4,290.00	4,290.00	-	4,290.00	3,900.00	10.0
High octane gasoline	3,992.00	3,992.00	-	3,992.00	3,629.00	10.0
Low octane gasoline	2,923.00	2,923.00	-	2,923.00	2,657.00	10.0
Diesel fuel	1,188.00	1,188.00	-	1,188.00	1,080.00	10.0
Motor oils	3,246.10	3,246.10	-	3,246.10	2,951.00	10.0
Mineral extraction tax						
Crude oil (RUR per tonne)	2,989.00	2,979.00	0.3	2,948.28	2,136.00	38.0
Crude oil (US\$ per barrel)	13.32	13.44	(0.9)	13.29	8.96	48.3
Natural gas (RUR per 1,000 cm)	147.00	147.00	-	147.00	147.00	-

Crude oil export customs duty rate. Export customs duty rate per tonne of crude oil is established on a monthly basis by the Government of the Russian Federation. The actual rate is based on the average Urals price in the period from the 15th calendar day of the prior month to the 14th calendar day of the current (monitoring period). The rate is effective on the first day of the coming month after the monitoring period.

The Government sets export custom duty rates according to the following formulas:

Quoted Urals price (P), USD per tonne	Maximum Export Custom Duty Rate
0 – 109.50	0%
109.50 – 146.00	35.0% * (P - 109.50)
146.00 – 182.50	USD 12.78 + 45.0% * (P - 146.00)
>182.50	USD 29.20 + 65.0% * (P - 182.50)

Crude oil exports to those CIS countries which are Customs Union members (Kazakhstan, Tadjikistan, Kirgyzstan) are not subject to export duties. Before 2010 crude export to Belorussia were subject to reduced export duty rate defined by special multiple coefficient. The following coefficients were set for the years 2007-2009: 2007 – 0.293, 2008 – 0.335, 2009 – 0.356.

Starting from January 2010, there is no duty reduction for crude oil exported to Belorussia. On January 12, 2007 pursuant to intergovernmental agreement «On regulatory measures for trade and economic cooperation in the sphere of oil and oil products exports» limited volume of crude export from Russia to Belorussia in the amount required for Belorussia domestic consumption established by the Russian Ministry of Energy was exempt from export duty.

Starting from December 1, 2009 the Russian Government set a zero export duty rate for crude oil produced and exported from 13 fields located in East Siberia, which was expanded to 22 fields in January 2010. At the end of June 2010 the Russian Government enacted a new export duty rate for crude oil produced and exported from 13 fields located in East Siberia. These rates will not affect Company's results because of the absence of production in Eastern Siberia.

In the third quarter of 2010 the export customs duty rate on crude oil decreased by 7.7% compared to the second quarter of 2010 and reached US\$ 260.03 per tonne. In the nine months of 2010 the export customs duty rate on crude oil increased by 71.5% to US\$ 268.49 per tonne compared to the same period of 2009. The change was mainly associated with a volatility of Urals prices, which decreased by 1.7% to US\$ 75.57 per barrel in the third quarter compared to the second quarter of 2010 and increased by 33.8% to US\$ 75.92 per barrel in the nine months of 2010 as compared to the same period of 2009.

Export customs duty rate on petroleum products. The export customs duty rate on petroleum products, denominated in US\$ per tonne, is determined by the Government based on the prices for crude oil on international markets and is set separately for light and middle distillates and for fuel oil. Petroleum products export to those CIS countries which are Customs Union members (Kazakhstan, Tadjikistan, Kirgyzstan) are not subject to export duties.

Export customs duty on light and middle distillates products is calculated using the following formula: $0.438 * (\text{Price} * 7.3 - 109.5)$, where Price is the average Urals price in US\$ per barrel. Export customs duty on dark petroleum products is calculated using the following formula: $0.236 * (\text{Price} * 7.3 - 109.5)$.

In the third quarter of 2010 the export customs duty rate on light and heavy petroleum products decreased by 7.4% and 7.3% compared to the second quarter of 2010 and reached US\$ 187.23 and US\$ 100.87 per tone respectively. The change was mainly associated with a decline of export duty for crude oil, which decreased by 7.7% to US\$ 260.03 per tonne in the third quarter compared to the second quarter of 2010. In the nine months of 2010 the export customs duty rate on light and heavy petroleum products raised by 63.9% and 64.0% to US\$ 193.12 and US\$ 104.03 per tone respectively compared to the same period of 2009. The change was mainly associated with an increased of export duty for crude oil by 71.5% to US\$ 268.49 per tonne in the nine months of 2010 as compared to the same period of 2009.

Excise on petroleum products. The responsibility to pay excises on petroleum products in Russia is imposed on refined product producers (except for naphtha). In other countries where the Group operates, excises are paid either by producers or retailers depending on the local legislation.

According to the federal law #282 (as of November 28, 2009) excise on petroleum products in Ruble terms increased by 10.0% starting from January 1, 2010. In the third quarter 2010 and in the nine months 2010 excise recorded under US GAAP statements were also affected by movements in the exchange rate of Ruble against US Dollar. Accordingly, in the third quarter 2010 excise translated into US Dollars decreased by 1.2% compared to second quarter 2010. In the nine months 2010 excise translated into US Dollars increased by 18.1% compared to the same period of 2009.

Mineral extraction tax (MET). Starting from January 1, 2007 mineral extraction tax rate on crude oil (R) is calculated using the following general formula: $R = 419 * (P - 9) * D/261$, where P is the average monthly Urals oil price on the Rotterdam and Mediterranean markets (US\$/bbl) and D is the actual RUR/US\$ average exchange rate. Effective from January 1, 2009 the formula was amended to incorporate higher threshold oil price: $R = 419 * (P - 15) * D/261$.

Depleted oil assets are subject to lower MET. Depleted oil assets are those that have depletion rate exceeding 80%. The depletion rate is calculated by dividing accumulated production volume from the oil field (N) by the field's total reserves (V, where V is ABC1 + C2 reserves volume as per Russian classification). Should the field's depletion rate exceed 80% general MET formula is multiplied by coefficient C, which is calculated as follows: $C = -3.5 * N/V + 3.8$. Thus every marginal percent of depletion in the excess of 80% reduces MET payable by 3.5%.

In the third quarter of 2010 mineral extraction tax rate on crude oil decreased by 0.9% to US\$ 13.32 per barrel compared to the second quarter of 2010. The decrease was driven by decrease in Urals prices in the third quarter of 2010 compared to the second quarter of 2010. In the nine months of 2010 mineral extraction tax rate on crude oil increased by 48.3% to US\$ 13.29 per barrel compared to the same period of 2009. The growth was driven by increase in Urals prices in the nine months of 2010 compared to the same period of 2009.

Natural gas mineral extraction tax rate. The rate of mineral extraction tax for natural gas has remained stable in Ruble terms since January 1, 2006 and equals 147.00 Rubles per thousand cubic meters of natural gas. Associated gas is not subject to MET.

The Company plans to start natural gas production in fourth quarter 2010. Estimated natural gas production volume for 2011 is 4 bcm, that will generate potential MET for gas in the amount of 588 mln. Rubles. The Ministry of Finance of Russian Federation has developed a draft law that assumes increase in MET for natural gas starting from 2011 by 61% with subsequent annual indexation as per projected inflation level. This can potentially increase Company's MET for natural gas up to 948 mln. Rubles in 2011.

Transportation of Crude Oil and Petroleum Products

Gazprom Neft transports its crude oil for export primarily through Russia's state-owned pipeline system, which is operated by JSC Transneft ("Transneft"). The Russian Ministry of Industry and Energy is in charge of providing access to the pipeline system. Capacity in the pipeline network system is generally allocated among all users in proportion to their quarterly supply volumes to the system and on the basis of their requests. Pursuant to the Natural Monopolies Law, pipeline terminal access rights are allocated among oil producers and their parent companies in proportion to the volumes of oil produced and delivered to the Transneft pipeline system (and not in proportion only to oil production volumes).

The Federal Energy Agency currently approves quarterly schedules detailing the precise volumes of oil each producer can transport through the Transneft system. Once the access rights are allocated, oil producers generally cannot increase their allotted capacity in the export pipeline system, although they have limited flexibility in altering delivery routes. Oil producers are generally allowed to assign their access rights to others. Alternative access to international markets bypassing Transneft export routes can be obtained through railroad transport and by tankers.

Transportation of refined products in Russia is performed by means of railway transport and the pipeline system of OJSC Transneftproduct. The Russian railway infrastructure is owned and operated by JSC Russian Railways. Both these companies are state-controlled. Besides transportation of refined products, JSC Russian Railways provides oil companies with crude oil transportation services. We transport the major part of our refined products by railway transport.

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

The following table provides tariffs applied for major transportation routes used by the Company:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Crude oil	(RUR per tonne)					
Exports						
Pipeline	1,333.34	1,269.01	5.1	1,239.98	919.68	34.8
CIS						
Pipeline	1,110.51	964.16	15.2	988.85	756.11	30.8
Transportation to Refineries						
ONPZ	416.69	409.64	1.7	410.95	348.28	18.0
MNPZ	945.70	901.90	4.9	922.37	787.14	17.2
YaNPZ	881.40	808.51	9.0	870.34	721.88	20.6
Petroleum products						
Export						
from ONPZ						
Gasoline	1,939.08	1,944.80	(0.3)	1,970.19	1,704.15	15.6
Fuel oil	2,994.02	2,994.02	-	3,040.03	2,731.13	11.3
Diesel fuel	2,800.49	2,713.71	3.2	2,611.96	2,135.96	22.3
from MNPZ						
Gasoline	1,452.73	1,439.08	0.9	1,498.94	1,254.27	19.5
Fuel oil	1,212.13	1,237.38	(2.0)	1,239.11	1,070.61	15.7
Diesel fuel	1,420.65	1,274.58	11.5	1,343.00	1,369.82	(2.0)
from YaNPZ						
Gasoline	1,676.40	1,788.08	(6.2)	1,729.82	1,570.93	10.1
Fuel oil	1,269.62	1,260.01	0.8	1,266.42	1,121.07	13.0
Diesel fuel	932.80	932.80	0.0	911.74	1,057.78	(13.8)

In the third quarter of 2010 the Company shipped 47.8% (48.4% in the nine months of 2010) of crude oil for export through the Baltic Sea port Primorsk; 22.4 % of crude oil was exported through Transneft's Druzhba pipeline (23.9% in the nine months of 2010) mainly to Germany, Czech Republic and port Gdansk, Poland; 2% of crude oil shipped from the Black Sea ports Novorossiysk (5.1 % in the nine months of 2010) and 12.7% from Tuapse sea port (10.5 % in the nine months of 2010); 15.1 % of crude oil was exported through the recently launched East Siberia - Pacific Ocean pipeline system (ESPO) from Pacific port Kozmino (12.1% in the nine months of 2010). The remaining balance of crude oil in the third quarter of 2009 and in the nine months of 2009 was exported to China via transit pipeline through Kazakhstan.

Production of Crude Oil, Gas and Petroleum Products

Crude Oil Production

Gazprom Neft is engaged in the exploration and production of crude oil and gas in Russia and internationally. In Russia our major oil producing subsidiaries are JSC Gazpromneft-Noyabrskneftegaz, Gazpromneft-Khantos LLC and Gazpromneft-Vostok LLC, which conduct activities through fields located in the Yamal-Nenetsky and Khanti-Mansiysky autonomous districts, the Omsk, Tomsk, Tumen and Irkutsk regions. Exploration and production outside of Russia is performed by our subsidiary NIS in Serbia. The Company also participates in several PSA and other projects in Angola, Iraq, Libya, Venezuela and Equatorial Guinea. In addition, the Company has a 50% stake in three production joint ventures which are presented under the equity method in the consolidated financial statements.

The following table represents the Company's crude oil production for the periods indicated:

	3rd quarter	2nd quarter	Change	First nine months	Change	
	2010	2010	%	2010	2009	%
Crude oil						(MMbbl)
Noyabrskneftgaz	32.71	32.70	0.0	97.73	104.15	(6.2)
Yugra	17.63	17.12	3.0	51.30	44.21	16.0
Gazprom Neft	2.77	2.77	-	8.36	10.02	(16.6)
NIS	1.85	1.71	8.2	5.16	3.63	42.1
Others	3.90	2.97	31.3	9.54	5.48	74.1
Total crude oil production by consolidated subsidiaries	58.86	57.27	2.8	172.09	167.49	2.7
Share in Slavneft	16.90	16.85	0.3	50.45	51.98	(2.9)
Share in Tomskneft	9.79	9.59	2.1	28.92	30.73	(5.9)
Share in SPD	7.73	6.95	11.2	22.08	7.27	203.7
Total share in production of equity affiliates	34.42	33.39	3.1	101.45	89.98	12.7
Total crude oil production	93.28	90.66	2.9	273.54	257.47	6.2
Gas						(Bcf)
Gazprom Neft (own)	21.68	22.68	(4.4)	66.32	51.61	28.5
Share in Slavneft	2.85	3.18	(10.4)	9.06	9.86	(8.1)
Share in Tomskneft	4.57	4.53	0.9	14.30	17.35	(17.6)
Total gas production	29.10	30.39	(4.2)	89.68	78.82	13.8
Hydrocarbons						(MMboe)
Gazprom Neft (own)	62.47	61.05	2.3	183.14	176.10	4.0
Share in Slavneft	17.38	17.38	-	51.97	53.62	(3.1)
Share in Tomskneft	10.55	10.35	1.9	31.31	33.63	(6.9)
Share in SPD	7.73	6.95	11.2	22.08	7.27	203.7
Total hydrocarbon production	98.13	95.73	2.5	288.50	270.62	6.6
Daily crude oil production (kboepd)	1.07	1.05	1.9	1.06	0.99	6.6

In the third quarter and in the nine months of 2010 the Company's production of crude oil including share in equity affiliates increased by 2.9% and 6.2% to 93.28 and 273.54 million barrels (12.6 and 37.1 million tonnes) compared to the second quarter of 2010 and nine months of 2009.

In the third quarter crude oil production increase of 2.62 million barrels was due to a longer period (92 days vs. 91 in the second quarter 2010) and due to an increase number of new wells drilled on Priobskoe, Zimnee, Shinginskoe and Zapadno-Salimskoe oil fields.

In the nine months of 2010 crude oil production increase of 16.07 million barrels was due to acquisitions made through 2009 and 2010 (NIS, Sibir and Malka) 18.07 million barrels that was partially compensated by a decline in production at oil fields located in Noyabrsk region and constrained by Priobskoye, Zimnee and Shinginskoe field due to an increase number of new wells drilled.

In the third quarter and in the nine months of 2010 the Company produced 29.10 and 89.68 billions of cubic meters of associated gas available-for-sale and natural gas (including share in production of equity affiliates). A decrease of 4.2% and an increase 13.8%, respectively, compared with 30.39 and 78.82 billions of cubic meters in the second quarter of 2010 and in the nine months of 2009. This increase relates to the Company's program for the utilization of associated gas (described below), particularly due to the launch of a gas pipeline (460 million m³ per year) from Eti-Purovskoye field in fourth quarter 2009, and due to increase of associated gas refining at Sibur capacities after reconstruction.

In June 2010, Gazprom Neft adopted a complex program for the utilization of associated gas at Priobskoye field with the goal of increasing its efficient use, mitigating environmental and tax risks and increasing revenues from the sale of additional volumes of associated gas and its refined products. In particular, the program provides for the construction of associated gas gathering and transportation facilities. These measures will help to utilize up to 500 million m³ of associated gas per year at Uzhno-Balykский gas refining complex and reach the level of associated gas utilization of 95% at Priobskoye field.

The following table summarizes the Company's crude oil purchases for the periods indicated:

(MMbbl)	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Crude oil purchases in Russia	9.22	9.91	(7.0)	26.25	18.56	41.4
Crude oil purchases internationally	6.58	2.66	147.4	14.09	11.28	24.9
Total crude oil purchases	15.80	12.57	25.7	40.34	29.84	35.2

* Crude oil purchases in Russia exclude purchases from the Company's equity affiliates Slavneft, Tomskneft and Salym Petroleum Development.

In the third quarter and in the nine months of 2010 the Company increased the volumes of crude oil purchased by 25.7% and 35.2% to 15.80 and 40.34 million barrels (2.17 and 5.54 million tonnes), respectively, compared to the corresponding periods as a result of trading activities expansion.

Refining, Marketing and Distribution

Refining

Gazprom Neft operates three large refineries in Russia: Omsk (19.5 mtpa), which is fully owned by the Company; its Moscow refinery (approximately 12.5 mtpa), where the company has recently increased its interest to 69.7%; and Slavneft's Yanos (15.2 mtpa), which Gazprom Neft shares with TNK-BP on a 50:50 basis. Gazprom Neft also holds a 51% stake in Serbian NIS, which operates two refineries (Pancevo and Novi Sad) with a total refining capacity of 6.3 mtpa. Given the company's interest in each of these refineries, it has access to the total crude distillation capacity of approximately 42.8 mtpa (859,800 bbl per day).

The following table summarizes the Company's production of petroleum products for the periods indicated:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Refining throughput:	(MMTonnes)					
Omsk	5.07	4.67	8.6	14.24	14.02	1.6
Moscow	2.39	1.65	44.8	6.17	3.87	59.4
Panchevo and Novi Sad	0.83	0.71	16.9	2.20	1.74	26.4
Share in Yaroslavl	1.93	1.65	17.0	5.26	5.08	3.5
Total refining throughput	10.22	8.68	17.7	27.87	24.71	12.8
Production of petroleum products	(MMTonnes)					
High octane gasoline	1.71	1.38	23.9	4.20	4.11	2.2
Low octane gasoline	0.26	0.21	23.8	0.64	0.71	(9.9)
Naphtha	0.44	0.43	2.3	1.33	1.66	(19.9)
Diesel	3.05	2.52	21.0	8.37	7.15	17.1
Fuel oil	1.81	1.68	7.7	5.45	4.25	28.2
Jet fuel	0.78	0.65	20.0	1.92	1.65	16.4
Other	1.62	1.29	25.6	4.31	3.61	19.4
Total production	9.67	8.16	18.5	26.22	23.14	13.3

In the third quarter and in the nine months of 2010 the Company produced 9.67 and 26.22million tonnes of petroleum products, respectively. The increase of 18.5% in the third quarter compared to the second quarter of 2010 and the increase of 13.3% in the nine months of 2010 as compared to the corresponding period of 2009 were primarily due to two-year cyclical maintenance works at Company's refineries during 2010 and acquisition of Sibir during 2009.

The following table summarizes the Company's petroleum products purchases for the periods indicated:

	3rd quarter 2010			2nd quarter 2010			Change, %	
	US\$ million	Million of tonne	Average price (US\$/tonne)	US\$ million	Million of tonne	Average price (US\$/tonne)	US\$ million	Million of tonne
High octane gasoline	149	0.22	677.27	147	0.21	700.00	1.4	4.8
Low octane gasoline	31	0.06	516.67	30	0.06	500.00	3.3	-
Naphtha	36	0.06	600.00	38	0.06	633.33	(5.3)	-
Diesel	132	0.27	488.89	125	0.24	520.83	5.6	12.5
Fuel oil	30	0.10	300.00	32	0.11	290.91	(6.3)	(9.1)
Jet fuel	28	0.05	560.00	37	0.06	616.67	(24.3)	(16.7)
Other	20	0.05	400.00	12	0.04	300.00	66.7	25.0
Total	426	0.81	525.93	421	0.78	539.74	1.2	3.8

The following table summarizes the Company's petroleum products purchases for the periods indicated:

	First nine months 2010			First nine months 2009			Change, %	
	US\$ million	Million of tonne	Average price (US\$/tonne)	US\$ million	Million of tonne	Average price (US\$/tonne)	US\$ million	Million of tonne
High octane gasoline	407	0.62	656.45	311	0.91	341.76	30.9	(31.9)
Low octane gasoline	76	0.15	506.67	59	0.22	268.18	28.8	(31.8)
Naphtha	87	0.14	621.43	33	0.07	471.43	163.6	100.0
Diesel	369	0.73	505.48	348	1.35	257.78	6.0	(45.9)
Fuel oil	104	0.35	297.14	81	0.39	207.69	28.4	(10.3)
Jet fuel	91	0.16	568.75	93	0.14	664.29	(2.2)	14.3
Other	45	0.12	375.00	29	0.51	56.86	55.2	(76.5)
Total	1,179	2.27	519.38	954	3.59	265.74	23.6	(36.8)

Marketing and Distribution

The Company primarily markets its own crude oil and petroleum products for export through Gazprom Neft Trading GmbH, its trading subsidiary in Austria. Petroleum products are distributed within Russia, CIS and Eastern Europe through approximately 1,5 thousand petrol stations, operating under different brands. In the middle of 2009, we launched a program to consolidate and rebrand all our stations on the domestic market under the brand of "Gazprom Neft". This project aims to establish a unified network of filling stations through modernization of over 1000 filling stations in 14 territorial subjects of the Russian Federation within 2009 - 2012.

The following table summarizes the Company's retail network as of the end of the periods indicated:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Active petrol stations						
			(units)			
In Russia	929	935	(0.6)	929	894	3.9
In CIS	176	161	9.3	176	126	39.7
In Eastern Europe	472	472	-	472	473	(0.2)
Total petrol stations	1,577	1,568	0.6	1,577	1,493	5.6
Average daily sales per one retail site in Russia (tonnes per day)	11.12	9.83	13.1	9.98	8.93	11.8

The launch of the project was preceded by a process to unify management and operations and establish a single brand for all Gazprom Neft retail operations in Russia. There are several standard design formats developed for Gazprom Neft branded filling stations in accordance with the size and functional interpretation of the outlet. This addresses new signs, retraining service personnel, adding services, installing a computer network, etc. The expected impact on our bottom line will be growth in volumes per location and also margin expansion as we roll the rebranding out over the next few years.

Results of Operations

The following table represents the Company's results of operations for the periods there to:

(in US\$ million)	3rd quarter 2010	2nd quarter 2010	Change %	First nine months		Change %
				2010	2009	
Revenues						
Refined products and oil and gas sales	8,213	7,811	5.1	23,141	16,237	42.5
Other	174	215	(19.1)	568	361	57.3
Total	8,387	8,026	4.5	23,709	16,598	42.8
Costs and other deductions						
Cost of purchased oil, gas, petroleum products	1,999	1,788	11.8	5,325	3,609	47.5
Operating expenses	550	517	6.4	1,522	1,355	12.3
Selling, general and administrative expenses	414	426	(2.8)	1,200	875	37.1
Transportation expenses	705	725	(2.8)	2,117	1,596	32.6
Depreciation, depletion and amortization	463	390	18.7	1,205	1,115	8.1
Export duties	1,566	1,779	(12.0)	4,929	2,540	94.1
Taxes other than income tax	1,313	1,290	1.8	3,810	2,693	41.5
Exploration expenses	11	20	(45.0)	54	77	(29.9)
Cost of other sales	93	137	(32.1)	316	245	29.0
Total	7,114	7,072	0.6	20,478	14,105	45.2
Operating income	1,273	954	33.4	3,231	2,493	29.6
Other income (expense)						
Share in income of equity affiliates	35	51	(31.4)	165	215	(23.3)
Gain on investment	5	-	-	5	470	(98.9)
Gain on sale of investments	4	-	-	4	-	-
Interest income	7	1	600.0	27	116	(76.7)
Interest expense	(71)	(97)	(26.8)	(260)	(265)	(1.9)
Other expense, net	(40)	(22)	81.8	(92)	(104)	(11.5)
Foreign exchange gain, net	(32)	33	(197.0)	48	81	(40.7)
Total	(92)	(34)	170.6	(103)	513	(120.1)
Income before income taxes	1,181	920	28.4	3,128	3,006	4.1
Provision for income taxes	279	159	75.5	642	621	3.4
Deferred income tax expense (benefit)	(5)	5	(200.0)	(25)	(29)	(13.8)
Total	274	164	67.1	617	592	4.2
Net income	907	756	20.0	2,511	2,414	4.0
Less: Net income attributable to non-controlling interest	(42)	(9)	366.7	(145)	(38)	281.6
Net income attributable to Gazprom Neft	865	747	15.8	2,366	2,376	(0.4)

Revenues

The following table analyses revenues for the periods indicated:

(in US\$ million)	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Crude oil						
Export and sales on international markets	2,098	2,374	(11.6)	6,580	4,531	45.2
Export to CIS	315	361	(12.7)	918	744	23.4
Domestic sales	1	-	-	1	49	(98.0)
Total crude oil sales	2,414	2,735	(11.7)	7,499	5,324	40.9
Gas						
Sales on international markets	30	25	20.0	73	54	35.2
Domestic sales	22	26	(15.4)	127	75	69.3
Petroleum products						
Export	1,581	1,527	3.5	4,866	3,513	38.5
Sales on international markets	754	616	22.4	1,880	1,422	32.2
Export and sales in CIS	403	329	22.5	990	731	35.4
Domestic sales	3,009	2,553	17.9	7,706	5,118	50.6
Total petroleum products sales	5,747	5,025	14.4	15,442	10,784	43.2
Other sales	174	215	17.9	568	361	50.6
Total sales	8,387	8,026	22.5	23,709	16,598	35.4

Sales Volumes

The following table analyses sales volumes for the periods indicated:

	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Crude oil						
	(MMTonnes)					
Export and sales on international markets	3,86	4,29	(10,0)	12,05	11,37	6,0
Export to CIS	0,72	0,87	(17,2)	2,30	2,62	(12,2)
Domestic sales	-	-	-	-	0,47	(100,0)
Total crude oil sales	4,58	5,16	(11,2)	14,35	14,46	(0,8)
Gas domestic sales (bcm)	0,83	0,88	(5,7)	3,33	2,53	31,6
Petroleum products						
	(MMTonnes)					
Export	2,90	2,68	8,2	8,67	8,30	4,5
Sales on international markets	0,77	0,63	22,2	1,95	1,61	21,1
Export and sales to CIS	0,60	0,53	13,2	1,57	1,68	(6,5)
Domestic sales	5,72	4,98	14,9	15,09	12,82	17,7
Total petroleum products sales	9,99	8,82	13,3	27,28	24,41	11,8

Realized Average Sales Prices.

The following table analyses the Company's average prices for the periods indicated:

(US\$ per tonne)	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Crude oil						
Export and sales on international markets	543,52	553,38	(1,8)	546,06	398,50	37,0
Export to CIS	437,50	414,94	5,4	399,13	283,97	40,6
Petroleum products						
Export	545,17	569,78	(4,3)	561,25	423,25	32,6
Export to CIS	671,67	620,75	8,2	630,57	435,12	44,9
Domestic sales	526,05	512,65	2,6	510,67	399,22	27,9

In the third quarter and in the nine months of 2010 the Company's revenues increased by 4.5% and 42.8% to US\$ 8,387 million and US\$ 23,709 million compared to the second quarter of 2010 and the nine months of 2009, respectively. The growth was attributable to the increase in Urals prices as well as an increase in sales volumes.

Crude Oil Export Sales

In the third quarter of 2010 crude oil export revenues decreased by 11.6% to US\$ 2,098 million as compared to the second quarter of 2010. The decrease was driven by a 1.7% decline in sales prices and 10.0% in sales volumes. The decrease in sales volumes was associated with increase in refining volumes by 17.7%.

In the nine months of 2010 crude oil export revenues increased by 45.2% to US\$ 6,580 million as compared to the nine months of 2009. The increase was driven by a growth in sales prices by 37.0% and an increase of 6.0% in relative volumes of crude oil export sales. The increase in sales volumes was attributable to seasonable decline in refining volumes at Omsk and Moscow Refineries during second quarter of 2010.

Crude Oil Sales to CIS

In the third quarter of 2010 crude oil sales to CIS decreased by 12.7% to US\$ 315 million compared with US\$ 361 million in the second quarter of 2010. The decline was associated with the decrease in relative volumes by 17.2% which partially compensated by a 5.4% increase in sales prices.

In the nine months of 2010 crude oil sales to CIS increased by 23.4% to US\$ 918 million compared to the same period of 2009. The increase was driven by a growth in sales prices by 40.6%, which was partially offset by a decrease of 12.2% in relative volumes of crude oil export sales.

Petroleum Products Export Sales

The following table sets forth the Company's revenues and volumes of petroleum products sold to export for the periods indicated:

	3rd quarter 2010		2nd quarter 2010		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
Naphtha	278	0.43	299	0.43	(7.0)	-
Diesel	592	0.90	605	0.90	(2.1)	-
Fuel oil	577	1.38	498	1.17	15.9	17.9
Jet fuel	46	0.07	39	0.05	17.9	40.0
Other	88	0.12	86	0.13	2.3	(7.7)
Total	1,581	2.90	1,527	2.68	3.5	8.2

In the third quarter of 2010 revenues from export sales of petroleum products increased by 3.5% to US\$ 1,581 million compared to the second quarter of 2010. The increase was driven by a growth in relative sales volumes 8.2%, which was offset by a 4.3% decrease in sales prices.

The following table sets forth the Company's revenues and volumes of petroleum products sold to export for the periods indicated:

	First nine months 2010		First nine months 2009		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
High octane gasoline	57	0.09	173	0.37	(67.1)	(75.7)
Low octane gasoline	-	-	18	0.04	(100.0)	(100.0)
Naphtha	873	1.29	667	1.38	30.9	(6.5)
Diesel	2,073	3.20	1,600	3.41	29.6	(6.2)
Fuel oil	1,486	3.51	827	2.60	79.7	35.0
Jet fuel	120	0.17	-	-	-	-
Other	257	0.41	228	0.50	12.7	(18.0)
Total	4,866	8.67	3,513	8.30	38.5	4.5

In the nine months of 2010 revenues from export sales of petroleum products increased by 38.5% to US\$ 4,866 million as compared to the same period of 2009. The increase was driven by a growth in sales prices by 32.6% as well as a 4.5% increase in relative volumes of petroleum products export sales.

Petroleum Products Sales on international markets

In the third quarter of 2010 revenues from sales of petroleum products on international markets increased by 22.4% to US\$ 754 million compared to the second quarter of 2010. It was due to an increase in sales volumes by 22.2%, which was supported by an increase in sales prices by 0.1%.

In the nine months of 2010 revenues from sales of petroleum products on international markets increased by 32.2% to US\$ 1,880 million compared to the same period of 2009. It was due to an increase in sales volumes by 21.1% as well as an increase in sales prices by 9.2%.

Petroleum Products Sales to CIS

The following table sets forth the Company's revenues and volumes of petroleum products sold to CIS for the periods indicated:

	3rd quarter 2010		2nd quarter 2010		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
High octane gasoline	140	0.17	114	0.16	22.8	6.3
Low octane gasoline	22	0.03	20	0.03	10.0	-
Diesel	160	0.25	121	0.19	32.2	31.6
Jet fuel	23	0.04	23	0.04	-	-
Other	58	0.11	51	0.11	13.7	(0.0)
Total	403	0.60	329	0.53	22.5	13.2

In the third quarter of 2010 revenues from sales of petroleum products to CIS increased by 22.5% to US\$ 403 million as compared to the second quarter of 2010. The increase was driven by a growth in sales prices by 8.2% and by a 13.2% increase in relative volumes of petroleum products to CIS.

The following table sets forth the Company's revenues and volumes of petroleum products sold to CIS for the periods indicated:

	First nine months 2010		First nine months 2009		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
High octane gasoline	342	0.44	227	0.42	50.7	4.8
Low octane gasoline	55	0.08	44	0.09	25.0	(11.1)
Naphtha	2	0.01	61	0.17	(96.7)	(94.1)
Diesel	348	0.55	188	0.41	85.1	34.1
Fuel oil	12	0.03	4	0.02	200.0	50.0
Jet fuel	92	0.18	122	0.34	(24.6)	(47.1)
Other	139	0.28	85	0.23	63.5	21.7
Total	990	1.57	731	1.68	35.4	(6.5)

In the nine months of 2010 revenues from sales of petroleum products to CIS increased by 35.4% to US\$ 990 million as compared to the same period of 2009. It was due to an increase in sales prices by 44.9%, which was partially offset by a 6.5% decrease in relative volumes of petroleum products to CIS.

Petroleum Products Domestic Sales

The following table sets forth the Company's revenues and volumes of petroleum products sold on domestic market for the periods indicated:

	3rd quarter 2010		2nd quarter 2010		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
High octane gasoline	1,123	1.51	902	1.23	24.5	22.8
Low octane gasoline	153	0.25	135	0.22	13.3	13.6
Diesel	849	1.74	782	1.57	8.6	10.8
Fuel oil	238	0.73	226	0.76	5.3	(3.9)
Jet fuel	324	0.65	292	0.61	11.0	6.6
Other	322	0.84	216	0.59	49.1	42.4
Total	3,009	5.72	2,553	4.98	17.9	14.9

In the third quarter of 2010 domestic petroleum products revenues increased by 17.9% to US\$ 3,009 million as compared to the second quarter of 2010. The increase was driven by a growth in sales prices by 2.6% as well as a 14.9% increase in relative volumes of petroleum products.

The following table sets forth the Company's revenues and volumes of petroleum products sold on domestic market for the periods indicated:

	First nine months 2010		First nine months 2009		Change, %	
	US\$ million	Millions of tonne	US\$ million	Millions of tonne	US\$ million	Millions of tonne
High octane gasoline	2,833	3.89	1,737	3.01	63.1	29.2
Low octane gasoline	379	0.62	423	0.81	(10.4)	(23.5)
Diesel	2,232	4.51	1,452	3.49	53.7	29.2
Fuel oil	758	2.54	463	2.31	63.7	10.0
Jet fuel	784	1.63	586	1.46	33.8	11.6
Other	720	1.90	457	1.74	57.5	9.2
Total	7,706	15.09	5,118	12.82	50.6	17.7

In the nine months of 2010 domestic petroleum products revenues increased by 50.6% to US\$ 7,706 million as compared to the nine months of 2009. The increase was driven by a growth in sales prices by 27.9% as well as a 17.7% increase in relative volumes of petroleum products.

Other Sales

Other revenues consist primarily of sales of services such as processing services, transportation, construction, utilities and other services.

Other sales were US\$ 174 million in the third quarter and US\$ 568 million in the nine months of 2010 that is lower than in the second quarter of 2010 by 19.1% and higher than in the nine months of 2009 by 57.3. It was due to seasonable changes in volumes of some services provided by the Company.

Costs and Other Deductions

Crude Oil, Petroleum and Other Products Purchased

In the third quarter and in the nine months of 2010 cost of purchased crude oil, gas and petroleum products increased by 11.8% and 47.5% to US\$ 1,999 million and US\$ 5,325 million compared to the second quarter of 2010 and the nine months of 2009, respectively. This increase was primarily due to a growth in crude oil and petroleum products prices and the Company's recent acquisitions.

Operating Expenses

The following table comprises operating expenses for the periods indicated:

(in US\$ million)	3rd quarter	2nd quarter	Change %	First nine months		Change %
	2010	2010		2010	2009	
Hydrocarbon extraction expenses	313	305	2.6	883	880	0.3
Own refining expenses	167	152	9.9	446	283	57.6
Refining expenses at equity affiliates refineries	70	60	16.7	193	192	0.5
Total	550	517	6.4	1,522	1,355	12.3

Hydrocarbon Extraction Expenses

Our hydrocarbon extraction expenses include expenditures related to raw materials and supplies, maintenance and repairs of extraction equipment, labor costs, fuel and electricity costs, activities to enhance oil recovery and other similar costs at our extraction subsidiaries.

In the third quarter of 2010 the Company's extraction expenses slightly increased by 2.6% to US\$ 313 million compared to the second quarter of 2010. It was due to a 2.3% increase in hydrocarbon production and the nominal Ruble depreciation to US Dollar by 1.2%. The Company's average hydrocarbon extraction cost per barrel of oil equivalent increased from US\$ 5.00 to US\$ 5.01, or by 0.2%.

In the nine months of 2010 the Company's extraction expenses increased by 0.3% to US\$ 883 million compared to the same period of 2009. The increase was attributable to an increase in hydrocarbon production as well as the nominal Ruble appreciation to US Dollar. The Company's average hydrocarbon extraction cost per barrel of oil equivalent decreased from US\$ 5.00 to US\$ 4.82, or by 3.6% compared to the nine months of 2009.

Refining Expenses at Own Refineries

Our refining expenses at own refineries include expenditures related to raw materials and supplies, maintenance and repairs of productive equipment, labor costs and electricity costs and other similar costs at our refinery subsidiaries.

In the third quarter of 2010 the Company's refining expenses at own refineries increased by 9.9% to US\$ 167 million compared to the second quarter of 2010. An increase mainly relates to a 17.9% growth in refining volumes at the Company's refineries (a 8.6% growth at Omsk, 44.8% - at Moscow and 16.9% - Panchevo) in the third quarter of 2010 compared to the second quarter of 2010. The Company's average refining expenses at own refineries per barrel of crude oil processed decreased from US\$ 2.95 to US\$ 2.75 in the third quarter of 2010 compared to the second quarter of 2010.

In nine months of 2010 the Company's refining expenses at own refineries increased by 57.6% to US\$ 446 million compared to the nine months of 2009. An increase mainly relates to a 15.2% growth in refining volumes at the Company's refineries as well as higher cost of heat and electric power. The Company's average refining expenses at own refineries per barrel of crude oil processed increased from US\$ 2.16 to US\$ 2.69 in the nine months of 2010 compared to the same period of 2009.

Refining Expenses at Equity Investee Refineries

In the third quarter of 2010 the Company's refining expenses at equity investee refineries increased by 16.7% to US\$ 70 million compared to the second quarter of 2010. It was due to a 17.0% growth in refining volumes and the nominal Ruble depreciation to US Dollar by 1.2%. The Company's average refining expenses at equity investee refineries per barrel of crude oil processed decreased from US\$ 4.96 to US\$ 4.95 in the third quarter of 2010 compared to the second quarter of 2010, or by 0.2%.

In the nine months of 2010 the Company's refining expenses at equity investee refineries stated approximately at 2009 level. Moscow Refinery became the Company's subsidiary from June 2009 and its expenses were included as Refining Expenses at Own Refineries together with relative volumes for that period. The Company's average refining expenses at equity investee refineries per barrel of crude oil processed increase from US\$ 3.85 to US\$ 5.01 in the nine months of 2010 compared to the same period of 2009 due to higher cost of heat and electric power as well as the nominal Ruble appreciation to US Dollar.

Selling, General and Administrative Expenses

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

In the third quarter of 2010 the Company's selling, general and administrative expenses decreased by 2.8% to US\$ 414 million as compared to the second quarter of 2010. A decrease was mainly associated with remuneration repayments which were occurred during the second quarter of 2010.

In the nine months of 2010 the Company's selling, general and administrative expenses increased by 37.1% to US\$ 1,200 million as compared to the same period of 2009. The growth was due the expanded activities and the Company's recent acquisitions.

Transportation Expenses

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

In the third quarter of 2010 our transportation expenses decreased by 2.8% to US\$ 705 million compared to the second quarter of 2010. It was due to seasonable changes in relative trading volumes as well as the nominal Ruble depreciation to US Dollar by 1.2%.

In the nine months of 2010 our transportation expenses increased by 32.6% to US\$ 2,117 million compared to the same period of 2009. The increase was driven by a growth in transportation tariff and recent Company's acquisitions.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expenses include depletion of oil and gas producing assets and depreciation of other fixed assets.

In the third quarter and in the nine months of 2010 our depreciation, depletion and amortization expenses increased by 18.7% and 8.1% to US\$ 463 million and US\$ 1,205 compared to the second quarter of 2010 and the nine months of 2009, respectively. The increase was a result of the growth in depreciable assets due to the Company's capital expenditure program.

Export Duties

Export customs duties include duties related to the export of both crude oil and petroleum products. The following table presents export customs duties for the periods analyzed:

(in US\$ million)	3rd quarter	2nd quarter	Change	First nine months		Change
	2010	2010	%	2010	2009	%
Export customs duties for crude oil	1,087	1,332	(18.4)	3,480	1,834	89.7
Export customs duties for petroleum products	479	447	7.2	1,449	706	105.2
Total export customs duties	1,566	1,779	(12.0)	4,929	2,540	94.1

In the third quarter of 2010 export customs duties decreased by 12.0% to US\$ 1,566 million compared to the second quarter of 2010 due to 10.0% decrease in export volumes of crude oil, which was compensated by an increase in export customs duty rates.

In the nine months of 2010 export customs duties decreased by 94.1% to US\$ 4,929 million compared to the nine months of 2009 due to a 6% increase in export volumes of crude oil as well as an increase in export customs duty rates.

Taxes Other Than Income Taxes

The following table summarizes the Company's taxes other than income taxes for the periods indicated:

(in US\$ million)	3rd quarter	2nd quarter	Change	First nine months		Change
	2010	2010	%	2010	2009	%
Mineral extraction taxes	747	752	(0.7)	2,196	1,455	50.9
Excise	470	432	8.8	1,289	992	29.9
Property tax	48	38	26.3	128	82	56.1
Other taxes	48	68	(29.4)	197	164	20.1
Total taxes other than income tax	1,313	1,290	1.8	3,810	2,693	41.5

In the third quarter of 2010 taxes other than income tax increased by 1.8% to US\$ 1,313 million compared to the second quarter of 2010. It was mainly due to an increase in excise tax resulting from a growth in volumes of petroleum products produced.

In the nine months of 2010 taxes other than income tax increased by 41.5% to US\$ 3,810 million compared to the same period of 2009. It was due to an increase in mineral extraction tax rate by 48.3% as well as excise rates resulting from a growth in volumes of petroleum products produced.

Interest Income

In the nine months of 2010 interest income decreased by 76.7% to US\$ 27 million compared to the same period of 2009. A decrease relates to a lower level of placed deposits during 2010.

Interest Expense

In the third quarter and in the nine months of 2010 interest expense decreased by 26.8% and 1.9% to US\$ 71 million and US\$ 260 million compared to the second quarter of 2010 and the nine months of 2009, respectively. It was due to a decrease in outstanding loans compared to the second quarter of 2010 and the same period of 2009.

Income Tax Expenses

In the third quarter and in the nine months of 2010 effective income tax rate was 23.2% and 19.7%, in the second quarter of 2010 and in the nine months of 2009 the effective income tax rate was 17.8% and 19.7%, respectively. These rates reflect the enacted income tax rate in the Russian Federation of 20% with some adjustments made due to non-taxable income or expenses.

Adjusted EBITDA (Earnings before Interest, Income Tax, Depreciation and Amortization) to Income before Provision for Income Taxes) is reconciled below:

(in US\$ million)	3rd quarter	2nd quarter	First nine months	
	2010	2010	2010	2009
Adjusted EBITDA	2,011	1,550	5,147	4,269
The Company's share in EBITDA of equity affiliates	(275)	(206)	(711)	(661)
Gain on investment	5	-	5	470
Gain on sale of investment	4	-	4	-
Share in income of equity affiliates	35	51	165	215
Foreign exchange (loss) / gain, net	(32)	33	48	81
Other expenses, net	(40)	(22)	(92)	(104)
Interest expense	(71)	(97)	(260)	(265)
Interest income	7	1	27	116
Depreciation, depletion and amortization	(463)	(390)	(1,205)	(1,115)
Income before income taxes	1,181	920	3,128	3,006

EBITDA represents earnings before interest, income tax, depreciation and amortization. EBITDA is a supplemental non-GAAP financial measure used by management, as well as industry analysts, to evaluate operations. Management believes that EBITDA represents useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is not used by management as an alternative to net income as an indicator of the Company's operating performance, as an alternative to any other measure of performance in conformity with US GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. EBITDA does not have a standardized meaning prescribed by US GAAP.

Adjusted EBITDA represents the Company's EBITDA and its share in equity affiliates' EBITDA.

Liquidity and Capital Resources

Cash Flows

(in US\$ million)	For the nine months		Change %
	2010	2009	
Net cash provided by operating activities	4,319	2,413	79.0
Net cash used in investing activities	(3,008)	(4,066)	(26.0)
Net cash (used in) provided by financing activities	(958)	502	(290.8)

Net Cash Provided by Operating Activities

In the nine months of 2010 net cash provided by operating activities was US\$ 4,319 million as compared to US\$ 2,413 million in the same period of 2009. The increase of US\$ 1,906 million or 79.0% in net cash provided by operating activities was due to the following:

- an increase in net income adjusted for gain on investment of US\$ 567 million;
- an increase in income from affiliates (net of dividends received) of US\$ 122 million;
- a decrease in working capital of US\$ 1,008 million;
- an increase in depreciation, depletion and amortization accrued for the period of US\$ 90 million.

Net Cash Used in Investing Activities

In the nine months of 2010 net cash used in investing activities was US\$ 3,008 million compared to US\$ 4,066 million in the same period of 2009 (26.0% decrease). The decrease of US\$ 1,058 million in the net cash used in investing activities was mainly due to a lower level of M&A activities and a higher level of capital expenditures in the nine months of 2010 compared to the same period of 2009.

Net Cash (Used in) Provided by Financing Activities

In the nine months of 2010 net cash used in financing activities was US\$ 958 million as compared to net cash provided by financing activities in amount of US\$ 502 million for the same period of 2009. A decrease was mainly due to decrease in net loans proceeds over repayments by US\$ 1,669 million supported by a decrease in dividend payments of US\$ 209 million in the nine months of 2010 compared to the same period of 2009.

Capital Expenditures

The following table represents the Company's capital expenditures:

(in US\$ million)	3rd quarter 2010	2nd quarter 2010	Change %	First nine months 2010	2009	Change %
Exploration and production	759	555	36.8	1,798	1,371	31.2
Noyabrskneftegaz	355	245	44.9	777	513	51.5
Yugra	228	184	23.9	578	621	(6.9)
Gazprom Neft.	22	21	4.8	53	20	165.0
Khantos	29	30	(3.3)	101	84	20.2
Archinskoe	28	23	21.7	71	23	208.7
Vostok	23	18	27.8	52	36	44.4
Other	74	34	117.6	166	74	125.3
Refining	142	111	27.9	328	212	54.7
Omsk	93	90	3.3	231	188	22.9
Other	49	21	133.3	97	24	304.2
Marketing and distribution	90	55	63.6	187	146	28.2
Russia	41	27	51.9	107	116	(7.6)
CIS	42	25	68.0	68	24	183.3
Eastern Europe	7	3	133.3	12	6	100.0
Others	27	14	92.9	48	54	(11.9)
Total capital expenditures	1,018	735	38.5	2,361	1,783	32.4

In the third quarter and in the nine months of 2010 the Company's capital expenditures increased by 38.5% and 32.4% to US\$ 1,018 and US\$ 2,361 million as compared to the second quarter of 2010 and the nine months of 2009. The increase was due to a growth in exploration and production activities by 36.8% and 31.2% and in refining by 27.9% and 54.7% due to launching the modernization program at the Company's refineries.

Debt obligations

As of September 30, 2010 the Company's long-term debt was US\$ 5,528 million as compared to US\$ 5,628 million as of December 31, 2009.

The following table shows maturities of long-term loans as of September 30, 2010 (in US\$ million):

<u>Year due</u>	<u>Amount due</u>
2011	1,316
2012	1,172
2013	2,547
2014	248
2015 and further	245
	<hr/>
	5,528