

CONTENTS

OPEN JOINT STOCK COMPANY GAZPROM STATUTORY ACCOUNTING REPORTS OF THE PARENT COMPANY OAO GAZPROM 2010.....	3
STATUTORY CONSOLIDATED ACCOUNTING REPORTS OF OAO GAZPROM AND ITS SUBSIDIARIES FOR 2010 PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS.....	50

**OPEN JOINT STOCK COMPANY GAZPROM
STATUTORY ACCOUNTING REPORTS
OF THE PARENT COMPANY ОАО ГАЗПРОМ 2010**

**AUDITOR'S REPORT
on Financial Statements 2010**

To the Shareholders of Open Joint Stock Company Gazprom:

Client

Open Joint Stock Company Gazprom.

State registration certificate № 022.726, issued by Moscow Registration Bureau on 25 February 1993.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700070518 issued by the Moscow Department of the Russian Ministry of Taxes and Levies on 2 August 2002.

Nametkina str., 16, Moscow, 117997.

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership "Audit Chamber of Russia" (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

**AUDITOR'S REPORT
on Financial Statements 2010**

To the Shareholders of Open Joint Stock Company Gazprom:

We have audited the accompanying financial statements of Open Joint Stock Company Gazprom (hereinafter – OAO Gazprom) which comprise the balance sheet as of 31 December 2010, and the profit and loss statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2010 and other supplements to the balance sheet and profit and loss statement and explanatory notes (hereinafter all the reports together are referred to as the “financial statements”).

OAO Gazprom's responsibility for the financial statements

OAO Gazprom's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with the Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of OAO Gazprom, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OA0 Gazprom as of 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

Director of ZAO PricewaterhouseCoopers Audit

V.Y. Sokolov

29 March 2011

BALANCE SHEET
as at 31 December 2010

Company OAO GAZPROM
Taxpayer identification number
Field of activity wholesale
Legal form/property form Open Joint Stock Company
Unit of measurement: thousands of RR
Address OAO GAZPROM Russian Federation, 117997,
Moscow, Nametkina str., 16, V-420, GSP-7

Form N1 on OKUD
Date (year, month, day)
OKPO
INN
OKVED
OKOPF/OKFS
OKEI

Codes
0710001
31.12.2010
00040778
7736 050 003
51
47/31
384

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	233,375	176,976
including:			
patents, licenses, trade marks (service marks), other similar rights and assets	111	233,375	176,976
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	3,775,323,711	3,621,565,477
including:			
land plots and natural resources	121	232,890	261,400
buildings, machinery and equipment	122	3,771,022,715	3,615,613,709
Construction in progress	130	162,222,409	268,896,216
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	1,627,870,581	1,517,264,033
including:			
investments in subsidiaries	141	1,403,261,874	1,236,770,566
investments in associates	142	120,402,551	151,743,064
investments in other entities	143	102,725	100,607
loans provided to companies for a period over 12 months	144	12,887,735	23,757,537
Deferred tax assets	145	8,951,991	11,325,511
Other non-current assets	150	46,826,982	51,906,244
Total Section I	190	5,621,429,049	5,471,134,457

ASSETS 1	Line code 2	At beginning of reporting year 3	At end of reporting year 4
II. CURRENT ASSETS			
Inventories	210	206,879,907	255,445,169
including:			
raw materials and other inventories	211	2,345,850	2,636,375
livestock	212	108	108
work in progress	213	138,162,013	166,318,156
finished goods and goods for resale	214	55,786,523	73,970,851
goods dispatched	215	1,797,430	1,554,227
expenses related to future periods	216	8,787,983	10,965,452
Value added tax on purchased goods	220	54,508,068	21,189,481
Accounts receivable (payment expected beyond 12 months after the reporting date)	230	565,444,150	703,918,072
including:			
buyers and customers	231	928,500	464,100
promissory notes receivable	232	-	-
advances issued	234	-	38,859,322
other debtors	235	564,515,650	664,594,650
Accounts receivable (payment expected within 12 months after the reporting date)	240	864,494,248	1,148,339,055
including:			
buyers and customers	241	323,940,334	400,250,553
promissory notes receivable	242	-	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	39,472,908	104,614,692
other debtors	246	501,081,006	643,473,810
Short-term investments	250	58,695,234	20,198,059
loans provided to other companies for a period within 12 months	251	49,304,185	15,316,724
Monetary	260	61,688,603	207,711,746
including:			
cash	261	5,065	7,891
settlement accounts	262	17,830,252	86,670,344
foreign currency accounts	263	40,040,926	117,222,131
other monetary assets	264	3,812,360	3,811,380
Other current assets	270	2,681	21,672
Total Section II	290	1,811,712,891	2,356,823,254
TOTAL SECTIONS I and II	300	7,433,141,940	7,827,957,711

EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
III. EQUITY AND RESERVES			
Charter capital	410	118,367,564	118,367,564
Treasury shares	411	-	-
Additional capital	420	3,771,562,864	3,769,181,002
Legal reserve	430	8,636,001	8,636,001
including:			
reserves and provisions formed in accordance with legislation	431	8,636,001	8,636,001
reserves formed in accordance with foundation documents	432	-	-
Retained earnings (loss)	470	1,982,527,573	2,292,965,777
Social government fund	480	-	-
Total Section III	490	5,881,094,002	6,189,150,344
IV. NON-CURRENT LIABILITIES			
Borrowings	510	919,635,349	862,948,018
bank borrowings due for repayment beyond 12 months	511	156,639,303	97,941,764
other borrowings due for repayment beyond 12 months	512	762,996,046	765,006,254
Deferred tax liabilities	515	151,573,369	136,710,142
Other non-current liabilities	520	-	4,240,609
including:			
promissory notes payable	522	-	-
Total Section IV	590	1,071,208,718	1,003,898,769
V. CURRENT LIABILITIES			
Borrowings	610	163,293,623	129,891,126
bank borrowings due for repayment within 12 months	611	3,973,437	-
other borrowings due for repayment within 12 months	612	-	64,440,169
current portion of long term borrowings	613	159,320,186	65,450,957
Accounts payable	620	299,019,434	502,161,023
including:			
suppliers and contractors	621	185,960,714	307,451,964
salaries payable	622	120,419	253,725
payable to state non-budget funds	623	73,658	52,812
taxes payable	624	43,010,880	41,231,679
other creditors, including:	625	69,853,763	153,170,843
promissory notes payable	626	-	-
advances received	627	10,961,983	136,150,704
other creditors	628	58,891,780	17,020,139
Dividends payable to participants (shareholders)	630	433,806	722,068
Income of future periods	640	-	-
Reserves for future expenses and payments	650	18,092,357	2,134,381
Other current liabilities	660	-	-
Total Section V	690	480,839,220	634,908,598
TOTAL SECTIONS III, IV, V	700	7,433,141,940	7,827,957,711

REFERENCE TO ITEMS ACCOUNTED ON OFF-BALANCE SHEET ACCOUNTS

Line name 1	Line code 2	At beginning of reporting year 3	At end of reporting year 4
Rented fixed assets	910	16,229,147	16,335,434
thereof by leasing	911	4,139,745	4,139,745
Working assets and fixed assets accepted for custody	920	33,288	33,288
Materials accepted for processing	921	-	-
Goods on commission	930	-	-
Equipment accepted for installation	931	-	-
Bad debts of insolvent debtors written off to losses	940	15,244,127	12,016,637
Securities of liabilities and payments received	950	69,716,172	4,388,841
Securities of liabilities and payments issued	960	276,844,764	397,008,630
Housing stock depreciation	970	32,880	33,457
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for use	990	-	-

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**PROFIT AND LOSS ACCOUNT
for 2010**

Company OAO GAZPROM
Taxpayer identification number
Field of activity wholesale
Legal form/property form Open Joint Stock Company
Unit of measurement: thousands of RR

Form N2 on OKUD
Date (year, month, day)
OKPO
INN
OKVED
OKOPF/OKFS
OKEI

Codes
0710002
31.12.2010
00040778
7736 050 003
51
47/31
384

name	Parameter Line code	For reporting period 3	For the similar period of the prior year 4
1	2		
Income from and expenses on ordinary activities			
Sales of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	2,879,390,342	2,486,940,618
including:			
gas	11	2,231,353,909	1,971,269,781
leased assets	12	372,944,949	320,031,155
gas transportation services	13	145,256,818	107,748,996
oil and gas refinery products	14	104,104,742	68,261,423
gas condensate	15	22,444,233	17,037,997
other	16	2,096,309	1,753,748
gas storage services	17	1,189,382	837,518
Cost of goods, products, work, services sold	20	(1,250,746,262)	(1,236,490,907)
including:			
gas	21	(663,164,887)	(743,036,367)
leased assets	22	(375,442,495)	(317,076,500)
gas transportation services	23	(133,186,621)	(109,137,880)
oil and gas refinery products	24	(58,946,079)	(48,946,312)
gas condensate	25	(15,598,830)	(14,735,647)
other	26	(4,022,779)	(3,300,244)
gas storage services	27	(384,571)	(257,957)
Gross profit	29	1,628,644,080	1,250,449,711
Selling expenses	30	(759,227,657)	(658,893,296)
Administrative expenses	40	(47,059,362)	(38,287,506)
Profit (loss) from operations	50	822,357,061	553,268,909
Other income and expenses			
Interest income	60	6,116,580	9,499,731
Interest expenses	70	(69,261,443)	(79,988,279)
Income from investments in other companies	80	41,380,250	96,044,474
Other income	105	2,302,482,271	2,893,297,875
Other expenses	110	(2,577,901,278)	(2,630,407,372)
Profit (loss) before profit tax	140	525,173,441	841,715,338
Deferred tax assets	141	2,429,890	(24,975,446)
Deferred tax liabilities	142	12,697,054	(46,200,066)
Current profit tax	150	(189,568,220)	(119,828,768)
Prior year profit tax	153	11,926,524	17,113
Other expenses out of profit	156	1,918,567	(26,114,898)
Net profit (loss) for the reporting year	190	364,577,256	624,613,273

Parameter		For reporting period	For the similar period
name	Line code	period	of the prior year
1	2	3	4

REFERENCE

Permanent tax liabilities (assets)	200	65,221,308	38,958,580
Basic earnings (loss) per share (in RR)	201	15.40	26.38
Diluted earnings (loss) per share	202	-	-

BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES

Parameter	Line code	For reporting period		For the similar period	
		income	expense	income	expense
name	2	3	4	5	6
1					
Fines and penalties recognized or in respect of which there are court (arbitration) judgements on their recovery	210	870,359	5,527,622	1,950,989	64,524
Profit (loss) of prior years	220	17,782,394	6,744,054	17,193,528	10,770,371
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230	-	-	-	-
Exchange differences on foreign currency transactions	240	211,205,381	205,872,597	395,534,023	383,217,193
Revaluation reserves	250	x	28,854,283	x	15,125,100
Written off past due accounts receivable and accounts payable with expired limitation period	260	898	5,340	11,714	32,477
Release of revaluation reserve	270	2,089,720	x	1,176,332	x

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**FLOW OF EQUITY AND FUNDS
for 2010**

Company OAO GAZPROM
 Taxpayer identification number
 Field of activity wholesale
 Legal form/property form Open Joint Stock Company
 Unit of measurement: thousands of RR

Form N3 on OKUD
 Date (year, month, day)
 OKPO
 INN
 OKVED
 OKOPF/OKFS
 OKEI

Codes
0710003
31.12.2010
00040778
7736 050 003
51
47/31
384

I. Changes in equity

Parameter name	Line code	Charter capital	Additional capital	Legal reserve	Retained profit/loss	Social government fund	Total
1	2	3	4	5	6	7	8
Balance as of 31 December of the year preceding the prior year	70	118,367,564	3,291,511,791	8,636,001	1,355,005,242	-	4,773,520,598
2009 prior year							
Changes in the accounting policy	71	x	x	x	9,078,013	x	9,078,013
Revaluation of fixed assets	72	x	-	x	-	x	-
Balance as of 1 January of the prior year	80	118,367,564	3,291,511,791	8,636,001	1,364,083,255	-	4,782,598,611
Exchange difference	81	x	-	x	x	x	-
Net profit	82	x	x	x	624,613,273	x	624,613,273
Dividends	83	x	x	x	(8,522,465)	x	(8,522,465)
Allocations to the legal reserve	84	x	x	-	-	x	-
Increase of equity due to additional share issue	85	-	-	-	2,841,989	-	2,841,989
increased par value of shares	86	-	x	x	x	x	-
reorganization of the legal entity	87	-	x	x	x	x	-
other transactions	88	-	-	-	-	-	-
Reduction of equity due to reduced par value of shares	89	-	-	-	2,841,989	-	2,841,989
reduced number of shares	90	-	(2,841,989)	-	-	-	(2,841,989)
reorganization of the legal entity	91	-	x	x	x	x	-
other transactions	92	-	x	x	x	x	-
reorganization of the legal entity	93	-	-	-	-	-	-
other transactions	94	-	(2,841,989)	-	-	-	(2,841,989)
Balance as of 31 December of the prior year	95	118,367,564	3,288,669,802	8,636,001	1,983,016,052	-	5,398,689,419

Parameter		Charter capital	Additional capital	Legal reserve	Retained profit/loss	Social government fund	Total
name	Line code						
1	2	3	4	5	6	7	8
2010 reporting year							
Changes in the accounting policy	96	x	x	x	-	x	-
Revaluation of fixed assets	97	x	482,893,062	x	(488,479)	-	482,404,583
Balance as of 1 January of the reporting year							
	100	118,367,564	3,771,562,864	8,636,001	1,982,527,573	-	5,881,094,002
Exchange differences	101	x	-	x	x	x	-
Net profit	102	x	x	x	364,577,256	x	364,577,256
Dividends	103	x	x	x	(56,579,696)	x	(56,579,696)
Allocations							
to the legal reserve	110	x	x	-	-	x	-
Increase of equity due to additional share issue	120	-	11,833	-	2,440,644	-	2,452,477
increased par value of shares	121	-	x	x	x	x	-
reorganization of the legal entity	122	-	x	x	x	x	-
other transactions	123	-	-	-	-	-	-
	125	-	11,833	-	2,440,644	-	2,452,477
Reduction							
of equity due to reduced par value of shares	130	-	(2,393,695)	-	-	-	(2,393,695)
reduced number of shares	131	-	x	x	x	x	-
reorganization of the legal entity	132	-	x	x	x	x	-
other transactions	133	-	-	-	-	-	-
	135	-	(2,393,695)	-	-	-	(2,393,695)
Balance as of 31 December of the reporting year							
	140	118,367,564	3,769,181,002	8,636,001	2,292,965,777	-	6,189,150,344

II. Reserves

Parameter		Balance	Addition	Used	Balance
name	Line code				
1	2	3	4	5	6
Legal reserves formed in accordance with legislation:					
Reserve funds					
prior year	152	8,636,001	-	-	8,636,001
reporting year	153	8,636,001	-	-	8,636,001
Other reserves					
prior year	154	-	-	-	-
reporting year	155	-	-	-	-
Legal reserves formed in accordance with foundation documents:					
Reserve funds					
prior year	158	-	-	-	-
reporting year	159	-	-	-	-
Other reserves					
prior year	160	-	-	-	-
reporting year	161	-	-	-	-
Provisions:					
Provision for impairment of receivables					
	163	-	-	-	-
prior year	164	21,350,717	13,579,452	(245,063)	34,685,106
reporting year	165	34,685,106	18,069,667	-	52,754,773
Provision for impairment of investments					
	166	-	-	-	-
prior year	167	2,575,062	423,814	(54,498)	2,944,378
reporting year	168	2,944,378	9,157,347	(462,451)	11,639,274
Provision for impairment of inventories					
	169	-	-	-	-
prior year	170	-	-	-	-
reporting year	171	-	-	-	-
Other provisions					
prior year	173	-	-	-	-
reporting year	174	-	-	-	-
Provisions for liabilities and charges:					
for vacation bonus expenses					
	175	-	-	-	-
prior year	176	-	-	-	-
reporting year	177	-	-	-	-
for annual work record bonus expenses					
	178	-	-	-	-
prior year	179	-	-	-	-
reporting year	180	-	-	-	-

Parameter		Balance	Addition	Used	Balance
name	Line code				
1	2	3	4	5	6
for annual appreciation bonus expenses	181	-	-	-	-
prior year	182	832,635	1,559,748	(957,061)	1,435,322
reporting year	183	1,435,322	2,233,784	(1,534,725)	2,134,381
for repair works to be incurred	184	-	-	-	-
prior year	185	-	-	-	-
reporting year	186	-	-	-	-
for warranty and service expenses	187	-	-	-	-
prior year	188	-	-	-	-
reporting year	189	-	-	-	-
for contingent liabilities	190	-	-	-	-
prior year	191	21,030,337	-	(4,373,302)	16,657,035
reporting year	192	16,657,035	-	(16,657,035)	-
Other provisions	193	-	-	-	-
prior year	194	-	-	-	-
reporting year	195	-	-	-	-

REFERENCE

Parameter		At beginning of reporting year		At end of reporting year	
name	code	3		4	
1	2	3		6	
1) Net assets	200	5,881,094,002		6,189,150,344	
		From the budget		From non-budget funds	
		For reporting year	For prior year	For reporting year	For prior year
		3	4	5	6
2) Received for:					
expenses on ordinary activities - total	210	-	-	-	-
including:					
capital investments in non-current assets	220	-	-	-	-
including:					

Chief Executive Officer _____ A.B. Miller

(signature)

Chief Accountant _____ E.A. Vasilieva

(signature)

**CASH FLOW STATEMENT
for 2010**

		Codes
	Form N4 on OKUD	0710004
	Date (year, month, day)	31.12.2010
Company	AO GAZPROM	00040778
Taxpayer identification number	OKPO	7736 050 003
Field of activity	wholesale	51
Legal form/property form	Open Joint Stock Company	47/31
Unit of measurement: thousands of RR	OKOPF/OKFS	384
	OKEI	

Parameter		For reporting period	For the similar period of the prior year
name	Line code		
1	2	3	4
Cash at beginning of reporting year	100	61,198,478	73,477,438
Cash flows from operating activities			
Total cash received, including from	110	5,607,166,218	5,057,791,203
sale of goods, products, works and services	111	3,324,350,050	2,955,548,318
sale of other assets	112	1,998,863,546	2,025,344,551
including currency sales	113	1,977,876,452	2,020,270,451
advances received from buyers (customers)	114	130,579,003	9,783,701
budget allocations and other special purpose financing	115	-	-
free of charge	116	-	-
other income	117	153,373,619	67,114,633
Total cash used, including:	120	(4,581,516,586)	(4,436,009,197)
purchased goods, works, services, raw materials and other current assets	150	(1,794,020,900)	(1,778,884,271)
wages and salaries	160	(15,491,257)	(10,215,051)
dividends and interest	170	(53,585,133)	(8,754,026)
settlement of taxes and duties	180	(236,733,312)	(103,716,577)
custom duties	183	(258,358,872)	(414,950,443)
payments to non budget funds	190	(2,229,755)	(1,371,888)
advances paid	191	(131,912,450)	(26,966,331)
other expences	192	(2,089,184,907)	(2,091,150,610)
including currency sale	193	(1,987,658,583)	(1,953,470,196)
Net cash received from operating activity	199	1,025,649,632	621,782,006
Cash movement from investment activity			
Total cash received, including from	200	152,788,206	209,278,969
sale of fixed assets and other non current assets	210	264,636	78,354
sale of securities and other financial investments	220	48,716,666	21,577
dividend received	230	43,259,270	89,302,582
interest income	240	4,008,962	17,714,359
repayment of loans provided to other companies	250	55,238,683	98,989,111
budget allocations and other special purpose financing	255	-	-
proceeds under the investment contract	256	-	-
settlement of securities and other investments	257	1,299,989	3,172,986
other proceeds	260	-	-
Total cash used, including	270	(960,463,033)	(864,450,540)
acquisition of subsidiaries	280	(88,235,662)	(235,194,665)
acquisition of fixed assets, income bearing investments in tangible and intangible assets	290	(866,653)	(1,347,864)
acquisition of securities and other financial investments	300	(35,707,096)	(57,838,521)

Parameter		For reporting period	For the similar period
name	Line code		of the prior year
1	2	3	4
loans provided to other companies	310	(36,753,935)	(43,625,703)
financing of joint construction allocated	320	-	-
to capital construction settlements	325	(694,177,540)	(494,148,583)
other payments, transfers, etc.	330	(104,722,147)	(32,295,204)
Net cash from investment activities	340	(807,674,827)	(655,171,571)
Cash flows from financial activities			
Total cash received, including from	350	125,647,558	433,078,161
proceeds from issue of shares and other equity securities	351	-	-
proceeds from loans provided to other companies	352	125,647,558	433,078,161
other receipts	353	-	-
Total cash used, including	360	(197,109,099)	(411,477,431)
repayment of loans, credits (net of interest)	361	(192,109,099)	(401,477,431)
settlement of financial lease	362	-	-
purchased goods, works, services	363	-	-
other payments, transfers, etc.	364	(5,000,000)	(10,000,000)
Net cash from financial activities	370	(71,461,541)	21,600,730
Net increase (decrease)			
of cash and cash equivalents	380	146,513,264	(11,788,835)
Cash at the end of reporting year	400	207,711,742	61,688,603
Effect of exchange differences	401	(6,977,491)	1,927,149

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**SUPPLEMENT TO THE BALANCE SHEET
for 2010**

Company OAO GAZPROM
Taxpayer identification number
Field of activity wholesale
Legal form/property form Open Joint Stock Company
Unit of measurement: thousands of RR

Form N5 on OKUD	Codes
Date (year, month, day)	0710005
OKPO	31.12.2010
INN	00040778
OKVED	7736 050 003
OKOPF/OKFS	51
OKEI	47/31
	384

Intangible Assets

Parameter name	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property) including rights of:	010	589,508	277,314	(33)	866,789
industrial design, useful model patent holders	011	588,986	277,314	(33)	866,267
owners of software, databases	012	-	-	-	-
owners of IC pattern	013	-	-	-	-
owners of trademarks and service marks, name of goods' origin	014	522	-	-	522
patent holders to plants	015	-	-	-	-
Organisational expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Parameter name	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
Amortization of intangible assets - total including:	050	356,133	689,813

Fixed Assets

Parameter name	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Buildings	060	408,531,137	17,508,661	(1,242,981)	424,796,817
Constructions and transfer mechanisms	061	9,135,451,172	130,407,740	(21,861,127)	9,243,997,785
Machinery and equipment	062	1,274,779,453	52,404,360	(7,608,383)	1,319,575,430
Means of transportation	063	3,690,548	2,420,474	(37,439)	6,073,583
Production and work appliances	064	4,675,959	372,652	(137,211)	4,911,400
Working livestock	065	3,148	-	(368)	2,780
Productive livestock	066	-	-	-	-
Perennial plants	067	35,650	3,605	(3,658)	35,597
Other types of fixed assets	068	349,609	8,827	(34,793)	323,643
Plots of land and natural resources	069	232,890	29,547	(1,037)	261,400
Capital investments in land rehabilitation	070	-	-	-	-
Total	071	10,827,749,566	203,155,866	(30,926,997)	10,999,978,435

Parameter		At beginning of reporting year	At end of reporting year
name	Line code		
1	2	3	4
Total depreciation of fixed assets	140	7,052,425,855	7,378,412,958
including:			
buildings and structure	141	6,090,096,039	6,366,051,080
machinery, equipment, means of transportation	142	959,170,201	1,008,787,257
other	143	3,159,615	3,574,621
Total fixed assets leased out	150	10,733,649,400	10,888,610,690
including:			
buildings	151	377,059,575	391,454,787
structure	152	9,091,389,678	9,189,948,637
machinery and equipment	153	1,262,160,494	1,304,293,546
other	154	3,039,653	2,913,720
Suspended fixed assets	160	43,877,412	55,404,566
Fixed assets put into operation and being in the process of state registration	162	107,039,666	97,671,182

REFERENCE	Line code	At beginning of reporting year	At beginning of prior year
	2	3	4
Result of fixed assets revaluation:			
historical (replacement) cost	171	1,396,328,317	-
depreciation	172	913,923,734	-
	Line code	For reporting period	For the similar period of the prior year
	2	3	4
Changes in the value of fixed assets as a result of fitting-out, rigging up, reconstruction, partial liquidation	180	3,674,177	6,229,301

Form 0710005 p.2

Income bearing investments in tangible assets

Parameter	At beginning of reporting year	Additions	Disposals	At end of reporting year
name	Line code			
1	2	3	4	5
Assets to be leased out	190	-	-	-
Assets for hiring	191	-	-	-
Other	192	-	-	-
Total	193	-	-	-
	Line code	At beginning of reporting year	At end of reporting year	
	2	3	4	
Depreciation of of income bearing investments in tangible assets	200	-	-	

Research and development costs

Parameter name	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Total	310	2,628,853	3,922,643	(3,289,311)	3,262,185
including:					

REFERENCE	Line code	At beginning of reporting year	At end of reporting year
	2	3	4

Total research and development costs in progress	320	236,389	50,551
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	Line code	For reporting period	For the similar period of the prior year
	2	3	4

Total unsuccessful research and development costs posted to non operating expenses	321	4,312	91,052
--	-----	-------	--------

Natural resources development costs

Parameter	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Total natural resources development costs	410	46,118,376	24,477,368	(18,956,838)	51,638,906
including:					
mineral right licences acquisition costs	411	193,873	-	(9,453)	184,420

REFERENCE	Line code	At beginning of reporting year	At end of reporting year
	2	3	4

Costs of natural resources development in progress	412	5,550,138	16,110,251
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	Line code	For reporting period	For the similar period of the prior year
	2	3	4

Costs of unsuccessful natural resources development charged to non-operating expenses	413	3,451,823	2,638,138
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Form 0710005 p.3

Financial investments

Parameter name	Line code	Long-term		Short-term	
		at beginning of reporting year	at end of reporting year	at beginning of reporting year	at end of reporting year
1	2	3	4	5	6
Total investments in share capital					
of other companies, including	510	1,524,994,841	1,391,614,270	-	-
subsidiary and associated companies	511	1,524,888,220	1,391,509,783	-	-
State and municipal securities	515	-	-	-	-
Total securities of other companies, including	520	1,000	1,000	-	-
debt securities (bonds, promissory notes)	521	-	-	-	-
Loans provided	525	12,887,735	23,757,537	49,313,880	15,316,724
Deposits	530	10,192,413	9,270,404	1,285,582	933,424
Other	535	82,706,780	104,260,096	8,127,962	3,947,911
Total	540	1,630,782,769	1,528,903,307	58,727,424	20,198,059

name	Parameter Line code	Long-term		Short-term	
		at beginning of reporting year	at end of reporting year	at beginning of reporting year	at end of reporting year
1	2	3	4	5	6
Of the total financial investments carried at market value:					
Total investments in share capital					
of other companies, including	550	703,124,541	553,334,556	-	-
subsidiary and associated companies	551	703,124,541	553,334,556	-	-
State and municipal securities	555	-	-	-	-
Total securities of other companies, including	560	-	-	-	-
debt securities (bonds, promissory notes)	561	-	-	-	-
Other	565	-	-	-	-
Total	570	703,124,541	553,334,556	-	-

Reference

Changes in financial investments carried at market value due to valuation adjustments	580	301,377,936	(149,789,985)	-	-
For debt securities the difference between the historic cost and face value charged to financial result of the reporting year	590	-	-	-	-

Accounts receivable and accounts payable

name	Narrative Line code	At beginning of reporting year		At end of reporting year	
		3	4	3	4
1	2	3	4	3	4
Accounts receivable:					
total short-term	600	899,576,215		1,201,467,569	
including:					
receivables from buyers and customers	601	359,022,301		453,379,067	
promissory notes receivable	602	-		-	
advances issued	603	39,472,908		104,614,692	
other	604	501,081,006		643,473,810	
total long-term	610	565,444,150		703,918,072	
including:					
receivables from buyers and customers	611	928,500		464,100	
promissory notes receivable	612	-		-	
advances issued	613	-		38,859,322	
other	614	564,515,650		664,594,650	
Total	620	1,465,020,365		1,905,385,641	
Accounts payable					
total short-term	630	462,709,918		632,425,890	
including:					
settlements with suppliers and contractors	631	185,960,714		307,451,964	
advances received	632	10,961,983		136,150,704	
taxes payable	633	43,084,538		41,284,491	
promissory notes payable	634	-		-	
credits	635	80,304,375		19,712,099	
borrowings	636	82,989,248		110,179,027	
other	637	59,409,060		17,647,605	
total long-term	640	919,635,349		867,188,627	
including:					
credits	641	156,639,303		97,941,764	
borrowings	642	762,996,046		765,006,254	
other	643	-		4,240,609	
Total	650	1,382,345,267		1,499,614,517	

Ordinary operating expenses (by types of expenses)

Parameter		For reporting period	For the similar period of the prior year
name	Line code		
1	2	3	4
Materials	710	1,018,649,727	849,651,257
Wages and salaries	720	18,016,155	13,021,132
Social expenses	730	2,537,155	1,615,130
Depreciation	740	345,545,551	295,479,702
Other expenses	750	41,240,929	35,826,352
Total expenses	760	1,425,989,517	1,195,593,573
Changes in the balance (increase [+], decrease,[-]):			
work in progress	765	28,156,143	(339,512)
future period expenses	766	7,429,004	21,264,295
provisions for liabilities and charges	767	699,059	602,687

COLLATERAL

Parameter		At beginning of reporting year	At end of reporting year
name	Line code		
1	2	3	4
Received – total	810	69,716,172	4,388,841
including:		-	-
promissory notes	811	-	-
including past due notes	812	-	-
Pledged assets	820	69,662,777	4,339,939
including:			
fixed asset items	821	4,339,939	4,339,939
securities and other financial investments	822	65,322,838	-
other	823	-	-
Issued total	830	276,844,764	397,008,630
including:			
promissory notes	831	-	-
including past due notes	832	-	-
Pledged assets, including:	840	125,265	127,482
fixed asset items	841	-	-
securities and other financial investments	842	125,265	127,482
other	843	-	-

Government grants

Parameter		For reporting period		For the similar period of the prior year	
name	Line code				
1	2	3	4		
Total budget funds received including:	910	-	-		
	Line code	At beginning of reporting year	Received for reporting period	Repaid for reporting period	At end of reporting year
Total credits from the budget including:	920	-	-	-	-

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

1. GENERAL INFORMATION

The principal activity of OAO Gazprom (hereinafter “the Company”) is the sale of natural gas. The Company is also involved in other types of activities, which include leasing of assets, gas transportation and storage services, sales of gas condensate and refinery products.

The Company is registered at the following address: the Russian Federation, 117997, Moscow, Nametkina street 16 and has branches and representation offices in the following cities: Algiers, Astana, Ashkhabad, Bishkek, Ekaterinburg, Kiev, Kishenev, Krasnodar, Minsk, Moscow, Novy Urengoy, Peking, Riga, Rio de Janeiro, Samara, St.Petersburg, Teheran, Tomsk, Khabarovsk, Yuzhno-Sakhalinsk and the Moscow region.

As of 31 December 2010 and 2009 the Company employed 20,865 and 17,270 persons, respectively.

Due to the amendments made in the Federal Law “On Products Supplies for the Federal Needs” and Federal Law “On Weapons” and the necessity to ensure the security of the Unified gas supply system facilities, the Security Services of OAO Gazprom, its subsidiaries and organizations were restructured and OAO Gazprom branches were founded. In 2010 planned recruitment of staff to inter-regional security divisions was performed in accordance with the recruitment schedule, this resulted in the increased number of employees.

As of 31 December 2010 members of the Board of Directors of OAO Gazprom included:

Zubkov, Victor Alekseevich – Chairman of the Board of Directors

Ananenkov, Alexander Georgievich
Bergmann, Burkhard
Gazizullin, Farit Rafikovich
Karpel, Elena Evgenievna
Miller, Alexei Borisovich

Musin, Valery Abramovich
Nabiullina, Elvira Sakhizadovna
Sereda, Mikhail Leonidovich
Shmatko, Sergei Ivanovich
Yusufov, Igor Khanukovich

As of 31 December 2010 members of the Management Committee of OAO Gazprom included:

Miller, Alexei Borisovich – Chairman of the Management Committee

Aksyutin, Oleg Evgeniyevich
Ananenkov, Alexander Georgievich
Vasilieva, Elena Alexandrovna
Golko, Yaroslav Yaroslavovich
Golubev, Valery Alexandrovich
Dubik, Nikolay Nikolayevich
Ilyushin, Victor Vasiliyevich
Kozlov, Alexander Nikolayevich

Kruglov, Andrei Viacheslavovich
Medvedev, Alexander Ivanovich
Pavlova, Olga Petrovna
Rusakova, Vlada Vilorikovna
Seleznev, Kirill Gennadiyevich
Fedorov, Igor Yuryevich
Khomyakov, Sergei Fedorovich
Cherepanov, Vsevolod Vladimirovich

As of 31 December 2010 members of the Internal Audit Commission of OAO Gazprom included:

Arkhipov, Dmitry Alexandrovich – Chairman of the Internal Audit Commission

Bikulov, Vadim Kasymovich
Kobzev, Andrey Nikolayevich
Lobanova, Nina Vladislavovna
Logunov, Dmitry Sergeyevich

Nosov, Yury Stanislavovich
Pesotsky, Konstantin Valeriyevich
Tikhonova, Maria Gennadiyevna
Yugov, Aleksander Sergeyevich

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law “On Accounting” dated 21 November 1996 No.129-FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No.34n, as well as the Accounting Policy Regulation approved by order of ОАО Gazprom of 29 December 2009 No.416.

Assets and liabilities are measured at actual purchase costs, except for regularly re-valued fixed assets and investments for which current market price is determinable.

Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate effective at the date of the relevant transaction. Cash in currency and deposit accounts with banks, cash in hand, securities (except for shares), accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official rouble exchange rate as of the reporting date. As of 31 December 2010 the rates of exchange were RR 30.4769 to USD 1 (as of 31 December 2009 – RR 30.2442) and RR 40.3331 to EUR 1 (as of 31 December 2009– RR 43.3883).

Exchange differences arising in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded within other income and expenses.

Current and non-current assets and liabilities

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. Accounts receivable and accounts payable including loans are treated as non-current, if the term of their circulation (maturity) exceeds 12 months after the reporting date. Investments are classified as long-term or short-term based on the anticipated period of their use (circulation, ownership or maturity) after the reporting date.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting standard “Accounting for Fixed Assets” (RAR 6/01) approved by the order of the Russian Ministry of Finance dated 30 March 2001, No.26n. Fixed assets include real property assets that are duly recognized in the accounts from the moment they are put into operation and the relevant documents are transferred for the state registration.

Fixed assets put into operation before 1 January 2010 are recorded in the balance sheet at their replacement cost as of this date, less depreciation accumulated for the period of their use. Fixed assets put into operation after 1 January 2010 are recorded at historical cost less depreciation accumulated for the period of their use. Information on the fixed assets revaluation is provided in Note 3.

**GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Fixed assets acquired before 1 January 2002 are depreciated at uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Asset of the USSR National Economy". Fixed assets acquired after 1 January 2002 are depreciated at rates determined based on their estimated useful lives. Classification of fixed assets by depreciation groups approved by the Resolution of the Russian Government dated 1 January 2002 No. 1 ("the Classification"), is used as one of the sources of information about useful lives of fixed assets. The Company adopted the following useful lives for fixed asset groups, adjusted for modifications made in the Classification in the period through 2010:

	Useful lives of assets recognized on the balance sheet (number of years)	
	prior to 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12 – 15	10 – 25
Machinery and equipment	10 – 18	3 – 18
Buildings	20 – 50	7 – 100

Fixed assets are depreciated on a straight line basis.

The following assets are not depreciated:

- land plots;
- suspended assets (above 3 months);
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the generally accepted procedure);
- fully depreciated assets that are still on the balance sheet.

Construction-in-progress

Construction in progress includes, but is not limited to, completed immovable assets that have been put into operation but documents for which have not been transferred to the State Register as of the reporting date. Such assets are depreciated similarly to fixed assets and are presented in the accounting reports at historical cost less depreciation accrued. This practice ensures an adequate representation of the Company's property position as the above assets are actually used in line with their functionality and generate income for the Company.

Investments

Investments are recorded at their historical cost, being their actual cost of acquisition, except for investments for which the market value is determinable.

Investments for which the market value is determinable are re-valued to their current market value at the end of the reporting period. The difference between the market value of these investments as of the reporting date and their prior value is recorded within other income and expenses.

Investments for which significant and constant impairment indicators exist at the reporting date are presented in the year end balance sheet at their carrying (book) value net of the impairment provision. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. For the purposes of determining the provision amount the Company estimated the cost of investments, for which significant and constant impairment indicators exist, on the basis of the available information and created the investment impairment provision in the amount by which the carrying value (historical cost) of investments exceeded their estimated value. Changes in the above provision resulting from the year-end stock-take are posted to other income and expenses.

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded upon their disposal (by types) under the FIFO method. Other investments (including individually identifiable securities (such as promissory notes and certificates of deposit) with an undeterminable market value are recorded upon disposal at the historic cost of each unit.

Income and expenses attributable to transactions with investments are recorded within other income and expenses.

OA0 GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Inventories

The main type of inventory is natural gas pumped into pipelines and underground storage. In the balance sheet gas inventories are measured at the weighted average cost.

Work-in-progress

Work-in-progress includes gas transportation and storage costs attributable to outstanding gas balances.

Selling and administrative costs

Selling costs, except for the cost of natural gas transportation and storage, are expensed in full on a monthly basis. Costs of natural gas transportation and storage are allocated in proportion to the volumes of gas sold and to the volumes of gas pumped into underground storage within the reporting period.

Administrative costs are expensed in full on a monthly basis.

Expenses related to future periods

Costs incurred by the Company in the reporting period but related to future reporting periods (for example, costs associated with implementation of license agreement terms, exploration costs, costs of natural resources development under international projects) are recorded as follows depending on the period when they are written off:

- if in less than 12 months of the reporting period – within current assets (in line “Expenses related to future periods” of the balance sheet);
- if in more than 12 months of the reporting period – within non-current assets (in line “Other non-c assets” of the balance sheet).

These future period expenses are written off in the periods which they relate to in accordance with their intended purposes and on the basis of specific calculations.

Trade accounts receivable

Trade accounts receivable are recorded based on prices contracted between the Company and buyers (customers) taking into account all discounts and mark-ups provided by the Company. Bad debts are written-off when recognized as such.

Unsecured overdue trade receivables are stated net of bad debt provisions. These provisions are based on the judgment of the Company’s management as to the extent to which the debts will not be recovered. Bad debt provisions are recorded within other expenses. A corresponding amount of the provision is released after settlement of doubtful receivables previously provided for as bad debts.

Loans and credits received

Interest on loans and credits received and additional costs related to the receipt of credits and loans are included in other expenses in the reporting period in which they are incurred.

Loans and credits payable by the Company are recognized in the amount of actually received cash.

Deferred Taxes

For accounting and reporting purposes the Company recognizes deferred tax assets, deferred tax liabilities, permanent tax assets and permanent tax liabilities, i.e. amounts that can affect current profit tax expense in the current and/or future reporting periods. Information about permanent and temporary differences is based on the supporting documents. Current profit tax is determined for accounting purposes based on the theoretical expense (theoretical income) related to the profit tax, permanent tax assets and liabilities, deferred tax assets and deferred tax liabilities. This amount corresponds to the current profit tax amount as per the profit tax return.

Deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Revenue recognition

Revenue from sales of products and services rendered is recognized on an accrual basis (as the products/services are delivered/provided and relevant settlement documents presented). Revenues are stated net of value-added tax, excise and similar mandatory charges.

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING DATA AND COMPARATIVES

Changes in the 2010 accounting policies

No significant changes have been introduced in the 2010 accounting policies.

Opening data as of 1 January 2010

As of 1 January 2010 the cost of fixed assets has been recognized taking into account results of the revaluation performed by the independent appraiser - OOO Ernst and Young – Valuation Advisory Services. Recognition of the revaluation resulted in adjusting the opening balances in balance sheet sections Non-current assets and Equity and reserves by 482,404,583.

Line code	Narrative Line code	Amount before the adjustment	Adjustment	After the adjustment
120	Fixed assets	3,292,919,128	482,404,583	3,775,323,711
420	Additional capital	3,288,669,802	482,893,062	3,771,562,864
470	Retained earnings (loss)	1,983,016,052	(488,479)	1,982,527,573

In addition, the following changes have been made in the Reference to items accounted on off-balance sheet accounts:

Line code	Narrative Line code	Amount before the adjustment	Adjustment	After the adjustment
910	Rented fixed assets	5,447,376	10,781,771	16,229,147
960	Security of liabilities and payments issued	175,526,694	101,318,070	276,844,764

The column "Adjustment" in line 910 includes fixed assets that have been leased under trust management contracts.

The column "Adjustment" in line 960 includes guarantees that the Company provided to Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd.

Comparative data for 2009

To ensure comparability of the 2010 profit and loss account the comparative amounts for 2009 have been adjusted for the changes in the accounting treatment of certain administrative expenses.

Line code	Narrative Line code	Amount before the adjustment	Adjustment	After the adjustment
020	Cost of goods, products, work, services sold	1,236,340,473	150,434	1,236,490,907
040	Administrative expenses	38,437,940	(150,434)	38,287,506

Changes in the 2011 accounting policies

No significant changes have been introduced in the 2011 accounting policies. New regulatory documents that will impact accounting and reporting rules are coming into force in 2011, therefore the accounting policies may be changed accordingly.

OA0 GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

4. SEGMENT INFORMATION

Under RAR 12/2000 “Segment Information”, for segment reporting purposes information by operational segments is deemed primary and information by geographical segments – secondary based on the analysis of risk sources and nature as well as generated profit, organizational and management structure and internal reporting systems.

The following principal operational segments can be identified in the Company’s activities:

- Domestic and export sale of gas;
- Leasing of assets.

Other types of the Company’s activities mainly include services related to organization of gas transportation and storage, sale of gas condensate and refinery products, and other. None of these other activities meets the reporting requirements for segments as per RAR 12/2000 “Segment Information”. Therefore, we do not disclose these activities as separate operating segments.

The Company’s assets are primarily located in the territory of the Russian Federation. Gas sales to different geographical regions are disclosed in Note 15.

	Domestic and export sale of gas	Property leased out	Other	Total
For 2010				
Segment revenue	2,231,353,909	372,944,949	275,091,484	2,879,390,342
Segment profit/(loss)	778,600,797	(8,144,669)	51,900,933	822,357,061
Unallocated expenses	x	x	x	(457,779,805)
Capital expenditures for the period	-	272,636,160	7,355,057	279,991,217
Unallocated capital expenditures for the period	-	-	-	14,128,440
Depreciation of fixed assets and intangible assets	-	338,733,771	1,755,177	340,488,948
Unallocated depreciation of fixed assets and intangible assets	x	x	x	1,925,015
As of 31 December 2010				
Segment assets	693,054,373	5,104,700,487	81,518,982	5,879,273,842
Unallocated assets	x	x	x	1,948,683,869
Total assets				7,827,957,711
Segment liabilities	250,910,050	12,357,041	22,649,157	285,916,248
Unallocated liabilities	x	x	x	1,352,891,119
Total liabilities				1,638,807,367
For 2009				
Segment revenue	1,971,269,781	320,031,155	195,639,682	2,486,940,618
Segment profit/(loss)	540,833,856	(1,885,924)	14,320,977	553,268,909
Unallocated expenses	x	x	x	71,344,364
Capital expenditures for the period	-	210,910,344	2,608,342	213,518,686
Unallocated capital expenditures for the period	-	-	-	6,778,276
Depreciation of fixed assets and intangible assets	-	289,165,802	1,517,583	290,683,385
Unallocated depreciation of fixed assets and intangible assets	x	x	x	1,561,695
As of 1 January 2010				
Segment assets	649,352,611	4,764,200,922	72,055,486	5,485,609,019
Unallocated assets	x	x	x	1,947,532,921
Total assets				7,433,141,940
Segment liabilities	77,882,014	11,616,064	20,613,144	110,111,222
Unallocated liabilities	x	x	x	1,441,936,716
Total liabilities				1,552,047,938

OAO GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Segment revenue (income) is generated from transactions with buyers. Administrative costs are allocated by operational segments in proportion to segment revenue. Profit tax expenses and other similar compulsory payments, interests payable and receivable, income from participation in other organizations are not included in segment profit (loss). Other income and expense are not allocated between segments as it is deemed inappropriate or impractical, since the required allocation base is not available.

Segment assets include primarily fixed assets, construction in progress, work in progress, finished goods, goods for resale, accounts receivable and other current assets. VAT recoverable on purchased transportation and storage services is not included in segment assets because the required allocation base is not available, Financial investments are not included in segment assets as they are not directly related to the reporting segments.

Segment liabilities include predominantly short-term liabilities except for payables for transportation and storage services, profit tax payable to the budget and borrowings received to finance the Company's activity in general.

Segment capital expenditures include investments in construction items, acquisition of fixed and intangible assets of the corresponding period.

5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31 December 2009						
Historical (replacement) cost	6,348,155,070	812,659,848	1,177,266,356	342,780,472	750,559,503	9,431,421,249
Accumulated depreciation	4,218,776,168	611,830,247	876,760,326	142,790,462	288,344,918	6,138,502,121
Net book value	2,129,378,902	200,829,601	300,506,030	199,990,010	462,214,585	3,292,919,128
As of 31 December 2010						
Historical (replacement) cost	7,403,544,888	945,420,861	1,319,575,430	424,796,817	906,640,439	10,999,978,435
Accumulated depreciation	5,099,555,029	719,665,680	1,006,705,243	187,452,246	365,034,760	7,378,412,958
Net book value	2,303,989,859	225,755,181	312,870,187	237,344,571	541,605,679	3,621,565,477

Net book value of fixed assets leased out to subsidiaries amounted to 3,563,312,977 and 3,249,824,737 as of 31 December 2010 and 2009, respectively.

6. CONSTRUCTION-IN-PROGRESS

	31 December	
	2010	2009
Construction-in-progress	268,821,289	162,147,482
Equipment for installation	74,927	74,927
Total	268,896,216	162,222,409

As of 31 December 2010 and 2009 construction in progress included assets of 239,944,913 and 144,760,887 respectively (net of accumulated depreciation of 2,328,049 and 2,195,743 respectively) that were constructed and put into operation but are still to be registered in the State Register. As of 31 December 2010 most significant assets to be registered in the State Register include the following production infrastructure assets: North European gas pipeline Gryazovets – Vyborg, section 597 – 917 km; gas trunk pipeline UKPG Nizhne-Kvakchinsky GKM-AGRS the city of Petropavlovsk-Kamchatsky; gas condensate pipeline Zapolyarnoye NGKM - Novy Urengoy; gas pipeline from Kudarsky crossing (92.8 km) to the city of Tskhenval.

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

7. INVESTMENTS

Long-term investments

Investments in subsidiaries and associated undertakings

Information on investments in subsidiary and associated undertakings is provided in Note 19.

Investments in subsidiaries (balance sheet line 141) are presented net of impairment provision of 2,280,841 and 461,069 as of 31 December 2010 and 2009, respectively.

Investments in associates (balance sheet line 142) are presented net of impairment provision of 715,312 and 762,726 as of 31 December 2010 and 2009, respectively.

Investments in other companies

Investments in other companies (balance sheet line 143) are presented net of impairment provision of 3,880 and 3,896 as of 31 December 2010 and 2009, respectively.

Loans provided to companies for a period over 12 months

Loans provided to companies for a period over 12 months (balance sheet line 144) include long-term loans of 23,757,537 and 12,887,735 as of 31 December 2010 and 2009 respectively. Loans provided for a period from one to three years, among them, amounted to 5,887,557 and 2,789,809 as of 31 December 2010 and 2009 respectively.

Security of liabilities and payments received (balance sheet line 950) include security of 65,322,838 received for granted loans as of 31 December 2009. As of 31 December 2010 there were no security received for granted loans.

Other long-term investments

Other long-term investments included within Long-term financial investments (balance sheet line 140) are presented net of impairment provision of 8,639,241 and 1,684,497 as of 31 December 2010 and 2009, respectively. The provision relates to investments in joint activities.

	31 December	
	2010	2009
Joint activity	95,250,729	80,258,963
including:		
development of oil and gas fields on the Barents and Pechora Seas shelf (operator – ООО Gazprom нефть shelf)	74,055,505	59,642,626
development of oil and gas fields on the continental shelf of the Socialist Republic of Vietnam (operator – ЗАО Gazprom зарубежнефтегаз)	14,700,444	10,000,886
development of a satellite communication system (ОАО Gazprom космические системы)	3,180,363	3,180,363
Long-term deposits	9,270,404	10,192,413
Other	371,126	764,320
including:		
South Pars (oil and gas field located in Iran)	370,126	763,320
Total	104,892,259	91,215,696

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

7. INVESTMENTS (continued)

Long-term investments amounted to 103,608,320 and 506,634,588 in 2010 and 2009, respectively.

Disposed long-term investments amounted to 88,579,511 and 89,023,422 in 2010 and 2009, respectively.

Long-term investments include securities of other entities of 998,127,084 and 1,106,968,435 as of 31 December 2010 and 2009 respectively, including securities of foreign issuers of 397,450,816 and 363,516,436 as of 31 December 2010 and 2009, respectively.

Short-term investments¹

Short-term investments amounted to 15,466,826 and 10,839,433 in 2010 and 2009, respectively.

Disposal of short-term investments amounted to 17,588,948 and 42,084,335 in 2010 and 2009, respectively.

8. OTHER NON-CURRENT ASSETS

As of 31 December 2010 and 2009 other non-current assets included costs associated with implementation of license agreement terms of 30,160,393 and 30,391,288 and costs associated with implementation of international projects of 12,017,802 and 9,300,146, respectively.

9. ACCOUNTS RECEIVABLE

Trade accounts receivable

	31 December	
	2010	2009
Accounts receivable for gas sold:	286,151,432	260,575,993
in Russia	119,423,389	80,999,795
outside Russia (net of impairment provision of 52,414,144 and 35,081,967 as of 31 December 2010 and 2009 respectively), including to far abroad countries (net of impairment provision in the amount of 2,163,521 and 2,333,900 as of 31 December 2010 and 2009 respectively)	166,728,043	179,576,198
Accounts receivable for leased property (net of doubtful debt provision of 581,138 as of 31 December 2010. No doubtful debt provision was formed as of 31 December 2009)	87,455,343	36,633,603
Accounts receivable for services related to organisation of gas transportation (net of doubtful debt provision of 120,167 as of 31 December 2010. No provision was formed as of 31 December 2009)	6,585,497	8,882,737
Accounts receivable for sold gas condensate and oil and gas refinery products (net of doubtful debt provision of 94 as of 31 December 2010. No provision was formed as of 31 December 2009)	19,745,534	17,712,749
Other trade receivables (net of doubtful debt provision of 12,971 as of 31 December 2010. No provision was formed as of 31 December 2009)	776,847	1,063,752
Total	400,714,653	324,868,834

The increase in accounts receivable for gas sold in the Russia was primarily due to increased accounts receivable from OOO Gazprom Mezhhregiongaz. As of 31 December 2010 and 2009 accounts receivable from OOO Gazprom mezhregiongaz for supplied gas amounted to 98,298,407 and 70,768,617, respectively. In 2009 the debt of OOO Gazprom mezhregiongaz was partially restructured under a relevant agreement. The restructured receivable balance amounted to 928,500 and 12,435,700 as of 31 December 2010 and 2009, respectively.

The decrease in the accounts receivable for the gas sold outside the Russia Federation was primarily due to repayment of the debt in FSU countries, first of all by NAK Naftogaz Ukraine.

OAQ GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

9. ACCOUNTS RECEIVABLE (continued)

In 2007 the Company and OOO Factoring-Finance signed the agreement on the debt assignment to OOO Gazprom mezhregiongaz for the period up to December 2010 in the total amount of 14,798,781 including accounts receivable of 14,477,662 for gas supplied in 2002-2004 and penalty and interest receivable of 321,119. As of 31 December 2010 accounts receivable from OOO Factoring-Finance were settled.

The accounts receivable recorded in the balance sheet line "Accounts receivable from buyers and customers (payments expected within 12 months after the reporting date)" (line 241) are presented net of a bad debt provision of 53,128,514 and 35,081,967 as of 31 December 2010 and 2009, respectively. The doubtful debt provision was calculated net of a deferred excise in the amount of 373,741 and 396,861 as of 31 December 2010 and 2009, respectively. Deferred excise reduced the balance sheet line "Other creditors" (line 628).

Advances receivable

The balance sheet line "Advances issued" (line 234) within accounts receivable payments for which are expected beyond 12 months after the reporting date, includes the advance paid to NAK Naftogaz Ukraine for gas transportation services in the amount of 38,859,322. The short-term part of the advance was recognized in line "Advances issued" (balance sheet line 245) within accounts receivable payments for which are expected within 12 months after the reporting date of 9,921,530 and 26,295,302 as of 31 December 2010 and 2009, respectively.

The balance sheet line "Advances issued" (line 245) within accounts receivable payments for which are expected within 12 months after the reporting date, includes an advance that the Company paid to OOO Gazprom export under the commission agreement for gas purchase in the amount of 81,622,258 as of 31 December 2010.

Other accounts receivable

The Company concludes investment agreements with developers (mainly its subsidiaries) for construction and commencement of production fixed assets. The Company is the owner of all assets constructed under such investment agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of the constructed assets.

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts receivable from other debtors (payments expected beyond 12 months after the reporting date)" (line 235) in the amount of 648,225,919 and 539,607,272 as of 31 December 2010 and 2009, respectively.

A current portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts receivable from other debtors (payments expected within 12 months after the reporting date)" (line 246) in the amount of 516,782,663 and 283,682,657 as of 31 December 2010 and 2009, respectively.

"Accounts receivable from other debtors (payments expected within 12 months after the reporting date)" (balance sheet line 246) include accounts receivable from OOO Gazprom energoholding (former OOO Gazoenergeticheskaya kompania) related to the contract of guarantee of 21,508,289 and 38,339,216 as of 31 December 2010 and 2009 respectively. The Company issued a guarantee to secure the loans obtained by OOO Gazprom energoholding from Gazprombank (Open Joint Stock Company) to finance the purchase of shares of energy companies.

10. CASH

The balance sheet line "Other monetary assets" (line 264) includes cash balances of 3,668,529 and 3,637,686 as of 31 December 2010 and 2009, respectively, which are restricted as to withdrawal under the terms of certain loans (see Note 12).

The cash flow statement line "Other income" (line 117) includes cash paid to the Company by principals under gas transit agency agreements in the amount of 821,127 and 4,739,548 in 2010 and 2009, respectively.

The cash flow statement line "Other expenses" (line 192) includes cash paid by the Company to contractors under gas transportation agency agreements in the amount of 575,901 and 3,710,264 in 2010 and 2009, respectively.

GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

11. EQUITY AND RESERVES

Charter capital

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RR 5 each) and did not change in 2010.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company 2009 results were accrued in the amount of RR 2.39 per one common share. Based on the 2008 results the dividends were accrued in the amount of RR 0.36 per common share.

Reserve capital

In 2010 and 2009 the Company did not make any contributions to the reserve fund from net profit as the target limit of the fund was reached (7.3% of the charter capital).

Additional capital

As of 1 January 2010 the additional capital increased due to the fixed assets revaluation (Note 3).

12. CREDITS AND LOANS

Bank loans

Lender	Credit currency	Maturity	31 December	
			2010	2009
Royal Bank of Scotland AG	US dollar	2013	55,045,726	54,625,436
Credit Suisse International ¹	US dollar	2017	15,988,859	15,866,779
Deutsche Bank AG	US dollar	2010-2014	11,410,440	16,143,664
Royal Bank of Scotland AG ¹	US dollar	2010-2012	10,774,235	17,819,379
Citibank N.A. ¹	US dollar	2011-2021	10,268,911	-
PNB PARIBAS S.A. ¹	Euro	2013-2022	7,108,095	-
Deutsche Bank AG	US dollar	2010-2011	2,906,970	5,770,671
J.P. Morgan Chase Bank	US dollar	2010-2011	1,528,434	3,034,253
Citibank N.A. ¹	US dollar	2010-2012	1,247,932	1,819,558
GAZPROM Sberbank of Russia, (AK Sberbank of Russia (GAZPROM)) ^{2,3}	US dollar	2010-2013	-	70,564,210
Credit Suisse International	Euro	2010	-	10,859,506
Commerzbank AG ¹	US dollar	2010	-	9,473,694
Royal Bank of Scotland AG ¹	US dollar	2010	-	8,151,678
Gazprombank (Open Joint Stock Company) ²	RR	2012	-	7,500,000
Royal Bank of Scotland AG ¹	US dollar	2010	-	6,730,384
Citibank N.A.	US dollar	2010	-	3,973,438
PNB PARIBAS S.A. ^{1,2}	Euro	2011-2012	-	2,851,919
Loans of other banks	US dollar	Various	1,374,261	1,759,109
Total, including:			117,653,863	236,943,678
Due within one year, including current portion of long term loans			19,712,099	80,304,375

¹ Loans received from bank syndicate, as a creditor agent-bank is mentioned

² These loans were repaid ahead of contracted schedule

³ Renamed banks (former name is indicated in round brackets)

**GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

12. CREDITS AND LOANS (continued)

Total amount of loans received in 2010 was 18,061,849; total amount of loans and interest repaid in 2010 was 147,037,528.

For the acquisition of the 20.0002% interest of OAO Gazprom neft in April 2009 the Company raised a long-term loan of 100,611,300 from OAO Sberbank of Russia and a long-term loan of 20,122,260 from OAO Rosselkhozbank. The loan from OAO Rosselkhozbank was fully repaid ahead of time in December 2009. The loan from OAO Sberbank of Russia was partially repaid in the amount of 21,919,608 ahead of time in December 2009. In June 2010 the loan from OAO Sberbank of Russia was repaid ahead of time.

In May 2010 the loan of Gazprombank (Open Joint Stock Company) was repaid ahead of time in the amount of 7,500,000.

In December 2010 the loan of PNB PARIBAS S.A. was repaid ahead of time in the amount of 2,870,567.

In 2010 and 2009 fixed interest rates for long-term foreign currency loans ranged from 5% to 9.63% and from 4.15% to 10.50%, respectively. In addition, in 2010-2009 LIBOR rates were also used.

In 2010 and 2009 LIBOR rates were used for foreign currency short-term loans.

In 2010 the fixed interest rate on long-term bank loans denominated in Russian roubles was 8.0% and in 2009 they ranged from 6.25% to 8.0%.

Borrowing

Lenders	Currency	Maturity	31 December	
			2010	2009
Gaz Capital S.A.	US dollar	2019	69,771,148	69,238,425
Gazprom Sakhalin Holdings B.V.	US dollars	2011	64,440,169	-
Gaz Capital S.A.	Euro	2018	51,219,912	55,099,779
Gaz Capital S.A.	US dollar	2013	48,962,839	48,588,994
Gaz Capital S.A.	Euro	2015	41,715,349	44,875,253
Gaz Capital S.A.	US dollar	2016	41,420,699	41,104,440
Gaz Capital S.A.	Euro	2012	40,445,495	43,509,209
Gaz Capital S.A.	US dollar	2022	40,436,736	40,127,989
Gaz Capital S.A.	US dollar	2014	39,385,996	39,093,806
Gaz Capital S.A.	US dollar	2037	39,137,292	38,838,467
Gaz Capital S.A.	US dollar	2034	37,124,293	36,840,838
Gaz Capital S.A.	Euro	2015	36,809,168	38,144,354
Gaz Capital S.A.	US dollar	2018	34,131,460	33,870,856
Gaz Capital S.A.	Euro	2014	32,803,799	35,288,660
Gaz Capital S.A.	US dollar	2015	30,614,845	-
Gaz Capital S.A.	Euro	2014	28,490,415	30,648,541
White Night Finance B.V.	US dollar	2014	24,417,076	24,230,645
Gazprom International S.A.	US dollar	2010-2020	22,747,073	27,117,502
Gaz Capital S.A.	Euro	2017	20,975,289	22,564,151
Gaz Capital S.A.	Euro	2017	20,346,889	21,888,149
Gaz Capital S.A.	Swiss franc	2011	17,208,860	15,471,747
Gaz Capital S.A.	US dollar	2013	15,670,841	15,551,190
White Night Finance B.V.	US dollar	2014	15,327,341	15,210,313
GAZPROM Germania GmbH	US dollar	2012	13,596,009	-
Gaz Capital S.A.	US dollar	2013	12,389,713	12,295,114
Gaz Capital S.A.	US dollar	2012	8,017,291	7,956,077
Gazstream SA	US dollar	2010-2012	2,367,784	3,524,558
Gaz Capital S.A.	Euro	2010	-	44,278,414
Gaz Capital S.A.	US dollar	2010	-	5,301,968
Golden Gates B.V.	RR	2010	-	3,227,303

**GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

12. CREDITS AND LOANS (continued)

Lenders	Currency	Maturity	31 December	
			2010	2009
Gazstream SA	US dollar	2010	-	1,735,752
A13 series Russian bonds	RR	2012	10,010,800	10,007,200
A9 series Russian bonds	RR	2014	5,133,700	5,132,700
A8 series Russian bonds	RR	2011	5,061,350	5,060,400
A11 series Russian bonds	RR	2014	5,005,650	5,003,750
A4 series Russian bonds	RR	2010	-	5,158,750
Total, including:			875,185,281	845,985,294
Due within one year, including current portion of long term loans			110,179,027	82,989,248

Total amount of loans received in 2010 was 109,474,330; total amount of loans and interest repaid in 2010 was 119,018,861.

As of 31 December 2010 and 2009 long-term loans from Gazprom International S.A. amounting to 22,747,073 and 27,117,502 are secured by export revenues from gas sales to Western Europe.

As of 31 December 2010 and 2009 the long-term borrowings include the loan from Gaz Capital S.A. related to bonds issued in 2004 in the amount of 34,644,000 due on 28 April 2034 at the interest rate of 8.63%. The bonds issued can be redeemed in the amount of the principal balance and interest accrued on 28 April 2014 (put option exercise date).

In 2008 the Company raised a loan from Gaz Capital S.A. related to the issue of loan participation notes of 11,722,800 due in 2013. The loan has a variable interest rate and is linked to Brent oil quotes. In 2010 and 2009 the interest rate was 6.81%.

In November 2010 the company raised two loans: a loan of 31,353,900 due in 2015 at 5.09% from Gaz Capital S.A. and a loan of 13,928,069 due in 2012 at 3.20% from GAZPROM Germania GmbH.

In 2009 interest rates on foreign currency long-term borrowings received from Gaz Capital S.A., Gazprom International S.A. and Gazstream SA as a result of Loan Participation Notes ranged from 4.56% to 9.25%, in 2010 they did not change.

In 2010 interest rates on other foreign currency long-term loans ranged from 3.20% to 10.50% and in 2009 it ranged from 5.30% to 10.50%.

In 2010 interest rates on foreign currency short-term loans was 2.25% and in 2009 it ranged from 2.00% to 3.70 %.

In 2009 interest rates on long-term borrowings (including bonds) denominated in Russian Roubles ranged from 6.77 % to 13.75 % and they did not change in 2010.

13. TAXATION

Profit tax

In 2010 and 2009 theoretical profit tax determined based on accounting profit and statutory rates amounted to 97,293,443 and 152,028,587, respectively. According to the tax returns the profit tax for 2010 and 2009 was 189,568,220 and 119,828,768, respectively.

According to the amended tax returns submitted in 2010, the profit tax amounted to a negative amount of 11,926,524 (the decrease of the current profit tax for 2007 is primarily explained by the application of a special depreciation coefficient). According to the amended tax returns submitted in 2009, the profit tax amounted to a negative amount of 17,113.

Permanent differences which increase the taxable profit amounted to 354,384,925 and 266,802,170 (net of doubtful debt provision), in 2010 and 2009 respectively. Permanent differences which decrease the taxable profit totalled 29,871,185 and 73,711,529 (net of doubtful debt provision) in 2010 and 2009 respectively. Permanent differences that increase the taxable profit exceeded permanent differences that decrease the taxable profit by 324,513,740 and 193,090,641 in 2010 and 2009, respectively. This resulted in the profit tax amount (calculated per tax accounts (the current profit tax)) exceeding the theoretical profit tax amount by 65,221,308 and 38,958,580 in 2010 and 2009, respectively.

OAQ GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

13. TAXATION (continued)

Deductible temporary differences amounted to 21,358,613 and 55,966,499 in 2010 and 2009 respectively; deductible temporary differences settled in 2010 and 2009 totalled 9,209,163 and 180,843,729, respectively. In 2010 incurred deductible temporary differences exceeded settled deductible temporary differences by 12,149,450 as a result of which the deferred tax asset increased by 2,429,890. In 2009 settled deductible temporary differences exceeded incurred deductible temporary differences by 124,877,230 as a result of which the deferred tax asset decreased by 24,975,446.

Deductible temporary differences have primarily arisen from different methods of depreciation used for accounting and tax accounting purposes, in particular, longer useful life of certain fixed assets for tax accounting purposes as compared to useful life of these items for accounting purposes, that has resulted in a deferred tax asset increase of 2,168,664 and 1,678,699 in 2010 and 2009, respectively.

In addition net profit for 2010 was reduced by written off deferred tax assets in amount of 56,370. In 2009 net profit was reduced by written off deferred tax assets of 26,058,876, which included the amount of 26,049,717 that related to the deferred tax asset arisen earlier in connection with the revaluation of investments disposed of in 2009 for accounting purposes.

Taxable temporary differences amounted to 125,035,931 (including 70,941,123 related to the current period) in 2010 and to 373,570,984 in 2009; taxable temporary differences settled in 2010 and 2009 totalled 199,519,161 and 142,411,744, respectively. In 2010 settled taxable temporary differences exceeded incurred taxable temporary differences by 74,483,230 as a result of which the deferred tax liabilities decreased by 12,697,054. In 2009 incurred taxable temporary differences exceeded settled taxable temporary differences by 231,159,240 as a result of which the deferred tax liabilities increased by 46,200,066.

Taxable temporary differences have primarily arisen from revaluation of investments for accounting purposes, for which the current market value can be determined, that has resulted in a deferred tax liabilities decrease of 30,009,045 in 2010 and in a deferred tax liabilities increase of 34,108,708 in 2009.

In 2010 net profit was increased by written off deferred tax liabilities in amount of 2,166,173. In 2009 net profit was increased by written off deferred tax liabilities in amount of 6,364.

Other taxes

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and restored amounts of previously recovered VAT with respect to payment, partial payment issued against forthcoming purchases of goods (works, services, property rights) totalled 312,728,376 and 260,152,117 for 2010 and 2009 respectively.

14. OTHER CREDITORS

As of 31 December 2010 the balance sheet line "Advances Received" (line 627) within accounts payable (payment expected within 12 months of the reporting date) includes the advance of 75,361,038 received from NAK Naftogaz Ukraine for future supply of gas under the contract.

As of 31 December 2010 and 2009 the balance sheet line "Advances Received" (line 627) within accounts payable (payment expected within 12 months of the reporting date) included advances of 55,255,606 and 6,334,099 received by the Company from gas customers under commission agreements between OAO Gazprom and OOO Gazprom export in accordance with the terms of gas supply contracts.

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

15. SALE OF GOODS, WORK AND SERVICES

	2010	2009
Revenue from gas sales:		
in Russia	761,241,719	565,561,358
outside Russia, including	1,470,112,190	1,405,708,423
to far abroad countries	1,026,161,973	1,041,087,414
	2,231,353,909	1,971,269,781
Revenue from leasing out assets	372,944,949	320,031,155
Revenue from sale of gas condensate and refined products	126,548,975	85,299,420
Revenue from sale of gas transportation services	145,256,818	107,748,996
Other	3,285,691	2,591,266
Total	2,879,390,342	2,486,940,618

The 13.2% increase of gas sales revenue was primarily due to increased volumes of gas sale and increased gas prices.

16. COST OF SALES AND SELLING EXPENSES (LINES 020 AND 030 OF THE PROFIT AND LOSS ACCOUNT)

	2010	2009
Purchase cost of gas, including gas sold		
in Russia	263,274,515	224,287,070
outside Russia, including	399,890,372	518,749,297
to far abroad countries	344,796,167	330,324,937
	663,164,887	743,036,367
Gas transportation costs, including		
in Russia	342,524,765	283,592,380
outside Russia, including	410,357,157	373,550,098
to far abroad countries	307,279,152	305,827,985
	752,881,922	657,142,478
Cost of assets leasing	375,442,495	317,076,500
Cost of purchased gas condensate, oil products and their refinery and transportation	80,890,644	65,432,777
Cost of gas transportation services	133,186,621	109,137,880
Cost of other sales	4,407,350	3,558,201
Total	2,009,973,919	1,895,384,203

The decrease in purchased gas costs resulted from reduced volumes and prices of gas purchased outside Russia.

Total costs of used energy resources were 396,283 and 395,475 in 2010 and 2009 respectively. The Company used the following types of energy resources: electric power, heat and gas.

OAQ GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

17. OTHER INCOME AND EXPENSES

	2010		2009	
	Income	Expenses	Income	Expenses
Sale of foreign currency	1,975,762,624	1,975,402,076	2,141,979,104	2,141,520,995
Exchange differences on foreign currency transactions	211,205,381	205,872,597	395,534,023	383,217,193
Market value revaluation of investments	1,097,135	150,887,120	301,561,425	183,489
Income/ expense from the sale of interest in the charter capital of OOO SeverEnergia	48,714,737	43,176,977	x	x
Prior year profit (loss)	17,782,394	6,744,054	17,193,528	10,770,371
Contingent liabilities provision accrual/release	16,657,035	x	4,373,301	x
Income/ expense from the sale of other assets	15,094,519	14,874,102	17	x
Assignment of the right to claim accounts receivable	9,295,631	9,295,631	5,279,595	5,279,840
Bad debt provision accrual/release	1,570,235	19,639,902	1,121,804	14,701,256
Investments impairment provision accrual/release	519,485	9,214,381	54,528	423,844
Contributions to subsidiaries' property	x	94,226,676	x	21,999,279
Charitable contributions	x	12,326,581	x	6,044,218
Costs of mineral resources development	x	3,451,823	x	2,638,138
Income/ expense from the contribution to the charter capital of OOO Novourengoysky GHK	x	x	18,466,581	18,466,581
Other	4,783,095	32,789,358	7,733,696	25,162,168
Total	2,302,482,271	2,577,901,278	2,893,297,875	2,630,407,372

The line "Income/ expenses from the sale of other assets" include separately income and expenses from transactions with financial instruments of forward-type transactions (FIFD). The financial result of FIFD transactions in the amount of 220,410 was recognized as of the transaction date.

The line "Contributions to Subsidiaries' Property" includes contributions made into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004-2010. As of 31 December 2010 and 2009 contributions in the subsidiaries' property that were to be made under the adopted decisions amounted to 8,942,915 and 21,739,539, respectively.

Due to a decrease in the share quotation of investees the Company recognised an expense of 150,887,120 from the market revaluation of the Company's investments in the shares of OAO Gazprom neft as of 31 December 2010. In 2009 the Company recognized an income of 301,561,425 from the market revaluation of investments as of 31 December 2009, including an income of 300,131,417 from the market revaluation of its investment in the shares of OAO Gazprom neft.

The Company's investments in its subsidiary and associated undertakings are of a long-term nature and are not intended to derive profit from the movement of share quotations at Russian stock exchanges.

Income and expenses from the accrual and release of doubtful debt provisions are presented in the Company's accounting reports on a net basis except for income from a release of the bad debt provision in the part related to accounts receivable settled during the year.

The line "Other Expenses" includes pension contributions of 183,230 and 602,626 transferred to OAO Gazprom's joint account in NPF Gazfund in 2010 and 2009, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

The line "Other Expenses" includes penalties of 5,300,759 that the Company recognized under contracts with OAO Severneftegazprom, ZAO Gazprom YRGM Development, ZAO Gazprom YRGM Trading.

**ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

18. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares totalled 23,673,513 during the years ended 31 December 2010 and 2009.

As of the beginning and the end of the reporting period the Company did not have any potentially dilutive securities and therefore the diluted profit per share was not calculated.

19. RELATED PARTIES

Major 100% subsidiaries of ОАО Gazprom:

000 Aviapredpriyatie Gazprom avia	000 Gazprom transgas St. Petersburg
000 Gazprom Burenie	000 Gazprom transgas Saratov
000 Gazprom VNIIGAZ	000 Gazprom transgas Surgut
000 Gazprom dobycha Astrakhan	000 Gazprom transgas Tomsk
000 Gazprom dobycha Krasnodar	000 Gazprom transgas Ufa
000 Gazprom dobycha Krasnoyarsk	000 Gazprom transgas Ukhta
000 Gazprom dobycha Kuznetsk	000 Gazprom transgas Tchaikovsky
000 Gazprom dobycha Nadym	000 Gazprom transgas Yugorsk
000 Gazprom dobycha Noyabrsk	000 Gazprom export
000 Gazprom dobycha Orenburg	000 Gazprom energoholding
000 Gazprom dobycha Urengoy	000 Gazpromtrans
000 Gazprom dobycha shelf	000 Gazflot
000 Gazprom dobycha Yamburg	000 Georesurs
000 Gazprom investproject	000 Novourengovskiy GHK
000 Gazprom investholding	000 Project Finance
000 Gazprom Inform	000 Surgutstroygas
000 Gazprom komplektatsiya	000 Temryukmortrans
000 Gazprom mezhregiongaz	000 Trans-Invest
000 Gazprom neft shelf	000 TyumenNIIgiprogaz
000 Gazprom pererabotka	Gazprom (UK) Limited
000 Gazprom podzemremont Orenburg	Gazprom EP International B.V.
000 Gazprom podzemremont Urengoy	Gazprom Sakhalin Holding B.V.
000 Gazprom PKhG	000 Gazprom finance B.V.
000 Gazprom svyaz	000 Gazprom kapital
000 Gazprom liquefied gas	000 Gazprom transgas Stavropol
000 Gazprom transgas-Kuban	ZAO Yamalgazinvest
000 Gazprom transgas Volgograd	ICHUP Gazprom transgas zapad
000 Gazprom transgas Ekaterinburg	000 Gaz-Oil
000 Gazprom transgas Kazan	000 Gazprom transgas Makhachkala
000 Gazprom transgas Samara	000 Gazprom transgas Nizhni Novgorod
000 Gazprom transgas Moskva	

All the above subsidiary companies, excluding Gazprom finance B.V., Gazprom EP International B.V. and Gazprom Sakhalin Holding B.V., which are registered in the Netherlands, and Gazprom (UK) Limited, which is registered in Great Britain and IChUP Gazprom transgas zapad, which is registered in Republic of Belarus, are registered in Russia. These companies are mainly engaged in producing, transporting and selling natural gas.

In January 2010 the Company additionally contributed to the charter capital of 000 Gazprom energoholding 1,000,000. In May 2010 the increase in the charter capital of 000 Gazprom energoholding was registered. As of 31 December 2009 the Company recorded these contributions in the balance sheet line "Long-term financial investments" (line 140).

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Other major subsidiaries of ОАО Gazprom:

Company's name	% of interest	Type of activity	Location
ООО GazpromPurInvest	99.99	Investment	Russia
ОАО Gazmash	99.99	Manufacture of household fuel using equipment	Russia
ОАО Tsentrgaz	99.99	Construction	Russia
ОАО Vostokgazprom	99.98	Production, processing and sale of gas and gas condensate	Russia
ЗАО Gazpromtrubinvest	99.87	Manufacturing and sale of pipes	Russia
ОАО Lazurnaya	99.69	Design and construction	Russia
ЗАО Kaunasskaya power station	99.5	Generation and sales of electricity	Lithuania
ОАО Gazprom toorgservice	99.0	Trading	Russia
ОАО Gazprom neft	90.0	Oil production, processing and refinery.	Russia
ОАО Daltransgaz	87.99	Transportation of gas	Russia
ЗАО ArmRosgazprom	80.0	Transportation and sale of gas	Armenia
ОАО Zapsibgazprom	76.69	Construction	Russia
ЗАО Gazprom YRGM Development	75.0	Sale of hydrocarbons	Russia
ЗАО Gazprom YRGM Trading	75.0	Gas production, storage and transportation	Russia
ЗАО Gazprom Neft Orenburg	61.8	Oil production, processing and refinery	Russia
ОАО Severneftegazprom	40.0	Production, processing and sale of gas and gas condensate	Russia

In April 2009 the Company acquired from Eni PetroRussia B.V. a 20.0002 % interest in the charter capital of ОАО Gazprom neft for 138,527,489 having realized the stock option entered into in 2007. In addition in December 2009 the Company acquired from Gazprom finance B.V. a 10.9876 % interest in the charter capital of ОАО Gazprom neft for 84,764,642. As of 31 December 2009 the Company recognized on its balance sheet a payable of 15,812,450 to Gazprom finance B.V. for the acquired shares of ОАО Gazprom neft. As of 31 December 2010 the payable has been repaid in full.

In September 2009 the Company acquired from Arctic Russia B.V. a 51 % interest in the charter capital of ООО SeverEnergiya for 43,176,978 having realized the stock option entered into in April 2007. As of 31 December 2009 outstanding accounts payable of the Company for the interest in the charter capital of ООО SeverEnergiya were 35,757,215. As of 31 December 2010 the payable has been repaid in full.

In November 2010 the Company sold a 51% interest in the charter capital of ООО SeverEnergiya to ООО Yamal Razvitie for 48,714,737. Income and expenses from the sale are recorded within other income and expenses (Note 17).

In September 2010 the Company acquired from ОАО Rosneftegaz a 27.39% interest in the charter capital of ОАО Daltransgas for 2,912,000. In October 2010 during the liquidation of wholly owned subsidiaries of ООО Proekt Finance and ООО Trans-invest the Company received 35.58% share in the charter capital of ОАО Daltransgaz amounting to 5,538,183. Liquidation of subsidiaries was completed in January 2011 and the respective entry was made in the Unified state register of legal entities. In December 2010 the Company acquired from ООО GPB Resource a 0.02% interest in the charter capital of ОАО Daltransgaz for 3,375. As a result the Company's interest in ОАО Daltransgaz increased and as of 31 December 2010 was 87.99%.

Major associates of ОАО Gazprom:

Company's name	% of interest	Type of activity	Location
Nord Stream AG	51.0	Construction	Switzerland
Shtockman Development AG	51.0	Gas field development	Switzerland
АО Moldovagaz	50.0	Transportation and sale of gas	Moldova
Blue Stream Pipeline Company B.V.	50.0	Gas transportation	Netherlands
АО YugoRosGaz	50.0	Transportation and sale of gas	Serbia
RosUkrEnergo AG	50.0	Transportation and sale of gas	Switzerland
ТОО KazRosGaz	50.0	Transportation and sale of gas	Kazakhstan
ОАО Belgazprombank	49.02	Banking	Belarus
SGT EuRoPol GAZ S.A.	48.0	Transportation and sale of gas	Poland

OAQ GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Company's name	% of interest	Type of activity	Location
AO Turusgas	45.0	Sale of gas	Turkey
Gazprombank (Open Joint Stock Company)	41.73	Banking	Russia
ZAO Rosshelf	39.51	Production of gas	Russia
OAQ Beltransgaz	50.0	Gas transportation	Byelorussia
AO Lietuvos dujos	37.06	Transportation and sale of gas	Lithuania
AO Latvijas Gaze	34.0	Transportation and sale of gas	Latvia
ZAO Stella Vitae	30.0	Transportation and sale of gas	Lithuania
AO Gazum	25.0	Sale of gas	Finland

In May 2007 the Company signed a contract with the State Property Committee of the Republic of Belarus under which the Company within a four year period starting from 2007 was to acquire a 50% interest in OAQ Beltransgaz for USD 2,500,000. In accordance with the contract in February 2010 the Company acquired a 12.5 % interest in OAQ Beltransgaz for 18,844,375. Taking into account the 37.5% interest acquired by the Company for 53,587,688 in June 2007, February 2008 and February 2009, the Company's investment in OAQ Beltransgaz reached 50% as of 31 December 2010 and its cost of 72,432,063.

Other major related parties

WINGAS GmbH and Co. KG	AO Overgas Inc.
Wintershall Erdgas Handelshaus GmbH & Co. KG	AO Panrusgaz
Wintershall Erdgas Handelshaus Zug AG	AO Promgaz S.P.A.
GWH Gas und Waren Handelshaus GmbH	Gazprom Marketing and Trading Ltd.
GAZPROM Germania GmbH	OAQ Salavatnefteorgsintez
OAQ Gazprom gazenergoset	Sakhalin Energy Investment Company Ltd.
OAQ Novatek	AO Fragas

The Company owns directly or through its subsidiaries the blocks of shares or has ownership interest in the above companies. In addition, the Company has its representatives in the Boards of Directors thus influencing their business significantly. The above companies (except for OAQ Salavatnefteorgsintez and OAQ Gazprom Gazenergoset) are involved in gas transportation and sales.

Related party transactions:

OAQ Gazprom transactions with major wholly owned subsidiaries

	2010	2009
Sale (net of VAT, excise, custom duties and similar payments):		
gas	761,241,719	565,550,245
leasing out of property	361,916,819	310,270,184
gas transportation services	16,054,804	14,429,583
Purchase:		
gas transportation and storage services	706,987,556	593,598,949
gas	290,898,654	261,838,386
liquid hydrocarbons	49,382,041	41,422,577
liquid hydrocarbons processing services	21,348,385	18,465,269

Prices for gas, gas transportation and storage services purchased from wholly owned subsidiary companies of OAQ Gazprom were set in accordance with the Price-List "Internal Settlement (Wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage for OAQ Gazprom Entities" approved by OAQ Gazprom ("inter-group tariffs"). Gas and gas transportation services were provided to major wholly owned subsidiaries based on the above price-list. Prices for liquid hydrocarbons and liquid hydrocarbons processing services purchased from major wholly owned subsidiaries were set in accordance with the Price-List "Internal Settlement (wholesale) Prices of liquid hydrocarbons and Internal Settlement Tariffs for hydrocarbons processing services" approved by OAQ Gazprom.

OAQ GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Accounts receivable from and accounts payable to major wholly owned subsidiaries of OAQ Gazprom were as follows:

	31 December	
	2010	2009
Accounts receivable	1,051,063,612	853,364,406
Accounts payable	247,055,820	167,400,910

In 2010 and 2009 no doubtful debt provision was formed for accounts receivable from major wholly owned subsidiaries of OAQ Gazprom.

Loan debt of major wholly owned subsidiaries of OAQ Gazprom was as follows:

	31 December	
	2010	2009
Loans due beyond 12 months of the reporting date	11,158,304	2,209,095
Loans due within 12 months of the reporting date	3,573,000	5,788,220

Interest on loans that the Company received from its major wholly owned subsidiaries was 751,827 and 1,158,440 in 2010 and 2009, respectively. The Company granted loans to its major subsidiaries at the interest rate in the range from 1.89% to 9.25% and from 5.79 % to 9.00 % in 2010 and 2009, respectively.

Loans that the Company received from its major wholly owned subsidiaries were as follows:

	31 December	
	2010	2009
Loans due within 12 months of the reporting date	64,440,169	-

Interest on loans that the Company received from its major wholly owned subsidiaries was 442,889 and 271,363 in 2010 and 2009, respectively.

The Company received loans from its major wholly owned subsidiaries at the interest rate in the range from 2.25 % in 2010 and from 2.00% to 5.30 % in 2009.

Guarantees issued by the Company on behalf of its major wholly owned subsidiaries totalled 97,530,450 and 57,005,939 as of 31 December 2010 and 2009, respectively.

Transactions with other major subsidiaries

	2010	2009
Sale (net of VAT, excise, custom duties and similar payments):		
services related to organisation of gas transportation	33,070,885	19,215,035
gas	7,409,726	7,076,396
Purchase:		
gas	87,051,526	61,404,368
liquid hydrocarbons	3,528,960	3,558,400

Prices for gas sold to other major subsidiaries were set based in the contracts concluded.

Accounts receivable and accounts payable arising from settlements with other major subsidiaries of the Company were as follows:

	31 December	
	2010	2009
Accounts receivable	16,651,710	16,594,545
Accounts payable	19,572,730	16,077,340

OA0 GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
 (in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

As of 31 December 2010 doubtful debt provision amounting to 170,223 was formed for accounts receivable from other major subsidiaries of the Company; as of 31 December 2009 such provision was not formed.

Loan debt of other major subsidiaries of the Company was as follows:

	31 December	
	2010	2009
Loans due within 12 months of the reporting date	-	14,395,625

Loans due within 12 months of the reporting date are represented primarily by the loan receivable from OOO GazpromPurInvest that amounted to 13,000,000 as of 31 December 2009. As of 31 December 2010 the loan was fully paid-in. Interest on loans that the Company granted to one of its other major wholly owned subsidiaries – OOO GazpromPurInvest - was 862,372 and 598,176 in 2010 and 2009, respectively.

Interest on loans that the Company granted to its other major subsidiaries was 876,913 and 628,926 in 2010 and 2009, respectively.

The Company granted loans to its other major subsidiaries at interest rates ranging from 6.98% to 8.00% in 2010 and 2009, respectively.

Guarantees issued by the Company on behalf of its other major subsidiaries totalled 17,659,895 and 28,841,550 as of 31 December 2010 and 2009, respectively.

Transactions with major associates

	2010	2009
Sale (net of VAT, excise, custom duties and similar payments):		
gas	198,052,619	162,875,087
Purchase:		
gas	9,671,384	2,065,124
gas transportation and storage services, including through the commissioner OOO Gazprom export	33,987,525	37,269,014
	17,829,571	21,045,072

Prices for gas sold at external market to the major associates and prices for gas and transportation and storage services purchased from major associates were set up based on the contracts concluded.

Accounts receivable and accounts payable from settlements with major associates of the Company were as follows:

	31 December	
	2010	2009
Accounts receivable	162,197,441	65,038,874
Accounts payable	22,014,744	9,944,113

As of 31 December 2010 and 2009 the doubtful debt provision of 50,250,623 and 32,748,067 respectively, was formed with respect to accounts receivable from major associated companies.

Loans due are presented by the loans receivable from Nord Stream AG:

	31 December	
	2010	2009
Loans due beyond 12 months of the reporting date	2,509,525	-
Loans due within 12 months of the reporting date	6,170,964	23,234,435

Interest on the loan that the Company provided to its major associate – Nord Stream AG was 812,867 and 320,783 for 2010 and 2009, respectively.

OA O GAZPROM
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Deposits placed by the Company in Gazprombank (Open Joint Stock Company) totalled 10,203,828 and 11,477,995 as of 31 December 2010 and 2009, respectively.

	31 December	
	2010	2009
Deposits due beyond 12 months of the reporting date	9,270,404	10,192,413
Deposits due within 12 months of the reporting date	933,424	1,285,582

The Company's debt to its major associate – Gazprombank (Open Joint Stock Company) – was as follows:

	31 December	
	2010	2009
Loans due beyond 12 months of the reporting date	-	7,500,000

Interest on loans that the Company received from Gazprombank (Open Joint Stock Company) at the interest rate of 8.00% was 236,712 and 600,000 in 2010 and 2009, respectively.

Guarantees issued by the Company on behalf of major associates totalled 63,728,311 and 22,445,864 as of 31 December 2010 and 2009, respectively.

Transactions with other major related parties

	2010	2009
Sale (net of VAT, excise, custom duties and similar payments):		
gas	262,656,439	291,682,570
gas condensate and oil refinery products	86,518,070	58,113,548
services related to organisation of gas transportation	66,439,812	51,203,483
Purchase:		
gas	245,823,657	227,684,818
gas transportation and storage services, including	5,166,762	6,779,785
through the commissioner OOO Gazprom export	5,166,762	6,779,785

Prices for gas sold at external market to the other major related parties and prices for gas transportation and storage services purchased from other major related parties were set up based on the contracts concluded.

Accounts receivable and accounts payable from settlements with other major related parties of the Company were as follows:

	31 December	
	2010	2009
Accounts receivable	58,913,756	55,810,157
Accounts payable	25,724,306	7,879,906

In 2010 and 2009 no doubtful debt provision was formed for accounts receivable from other major related parties of the Company.

Loans payable due to other major related party of the Company GAZPROM Germania GmbH were as follows:

	31 December	
	2010	2009
Loans due beyond 12 months of the reporting date	13,596,009	-

Interest on loan that the Company received from GAZPROM Germania GmbH at the interest rate of 3.20% per annum was 36,851 in 2010.

**ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

19. RELATED PARTIES (continued)

Guarantees issued by the Company on behalf of other major related parties totalled 100,259,858 and 101,318,070 as of 31 December 2010 and 2009, respectively.

Remuneration to key management personnel

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom), including salary, bonuses and remuneration for serving in the management bodies of the Company, amounted to 1,243,354 and 1,203,766 and for the years ended 31 December 2010 and 2009, respectively. The above amounts include personal income tax and social contributions (prior to 01.01.2010 - the unified social tax). Government officials, who are directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of directors) is determined by the terms of the annual employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation, the Company makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

The Company provided medical insurance and indemnity insurance for key management personnel. Voluntary medical insurance was 699 and 656 and indemnity insurance was 1,365 and 1,314 as of 2010 and 2009, respectively.

20. CONTINGENCIES

Contingencies in respect of guarantees issued

	31 December 2010	1 January 2010
Outstanding guarantees issued on behalf of:		
Sakhalin Energy Investment Company Ltd.	100,259,858	101,318,070
OOO Novourengoysky GHK	62,867,143	42,884,581
Nord Stream AG	50,005,302	-
OOO Severny Europeysky Trubny Proekt	40,251,384	-
OOO Gazprom investproject	21,490,067	6,659,877
OAO Severneftegazprom	16,433,390	27,536,138
Production company VIS	16,030,000	-
OAO Gazprom kosmicheskiye sistemy	13,923,904	6,983,445
Blue Stream Pipeline Company B.V.	13,723,009	19,790,500
OOO Trade House Truboprovod	12,658,886	-
OOO Gazprom neft shelf	9,502,486	10,237,145
Gazprom Lybia B.V.	8,899,255	8,831,306
EM Interfinance Limited	5,693,648	5,785,118
Blackrock Capital Investments Limited	4,823,583	4,899,553
ZAO Achimgaz	4,330,488	4,840,879
Devere Capital International Limited	4,217,122	5,671,750
OOO Gazprom export	2,627,755	2,662,787
OOO Investgazavtomatika	2,448,906	3,154,864
OAO Gazavtomatika	2,342,487	-
ZAO Kaunasskaya power station	1,226,505	1,305,413
Mortgage Lending Assistance Fund Gazpromipoteka	1,196,292	1,202,032
ZAO Gaztransit	724,559	972,098
OOO Stroygazconsulting	-	8,841,227
MRK Energy DMCC	-	8,619,597
OOO Gazprom burenie	-	1,221,426
Other	1,332,601	3,426,958
Total	397,008,630	276,844,764

**ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)**

20. CONTINGENCIES (continued)

In June 2008 the Company issued a number of guarantees to Bank of Tokyo-Mitsubishi YFJ Ltd. for Sakhalin Energy Investment Company Ltd. within the Company's share (50%) in the liabilities of Sakhalin Energy Investment Company Ltd. regarding the loans received. The guarantees were issued for the period of loans received by Sakhalin Energy Investment Company Ltd., but not later than 15 December 2021. Total liabilities guaranteed amounted to 100,259,858 and 101,318,070 as of 31 December 2010 and 2009.

In March 2010 the Company issued a guarantee to Societe General Bank for Nord Stream AG guaranteeing the completion of works under Stage 1 of Nord Stream pipeline construction project. According to the terms of this guarantee the Company shall be obliged to repay debt to the creditors of the Stage 1 of the project within its share (51%), if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of the first pipeline. As of 31 December 2010 the liabilities guaranteed amounted to 50,005,302.

In 2010 the Company issued the guarantee to Gazprombank (Open Joint Stock Company) valid until October 2011 to secure the loans raised by OOO Severnyy Europeyskiy Trubny Proekt. As of 31 December 2010 total guarantees amounted to 40,251,384.

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Company, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream SA. The Company guaranteed the above loans until July 2013. As of 31 December 2010 and 2009 the guarantees amounted to 13,723,009 and 19,790,500, respectively.

In December 2004 and June 2005 the Company guaranteed loans raised by OOO Gazprom neft shelf (former OOO Sevmorneftegaz) from ING Bank N.V. for the financing of fixed assets construction for a period until June 2016 and November 2015, respectively. In January 2007 the Company issued additional guarantees for the liabilities of OOO Gazprom neft shelf to Blueward Shipping Company Ltd. and Nostalgic Moon Shipping Company Ltd. under shipping agreements. The guarantee shall be valid for 25 years after the vessels are transferred to OOO Gazprom neft shelf. As of 31 December 2010 and 2009 guarantees totalled 9,502,486 and 10,237,145, respectively.

In 2006 the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands for five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland with respect to the bonds issued by them and due in December 2012, June 2018, December 2009, December 2009, and December 2015, respectively. The bonds were issued for the purposes of financing the construction of a transit gas pipeline in the territory of Poland to be carried out by EuRoPol Gaz s.a. In December 2009 liabilities related to the bonds of DSL Assets International Limited and United Energy Investments Limited were settled. As a result the total amount of guarantees issued to Asset Repackaging Trust Five B.V. was 14,734,353 and 16,356,421 as of 31 December 2010 and 2009, respectively.

Based on the Company's estimates there are no the third parties' obligations secured by ОАО Gazprom guarantee with significant risk of non-fulfilment as of 31 December 2010. Therefore, the Company did not create the provision for the issued guarantees as of 31 December 2010.

ОАО ГАЗПРОМ
EXPLANATORY NOTE TO THE ACCOUNTING REPORTS
(in thousand Russian Roubles, unless otherwise stated)

20. CONTINGENCIES (continued)

Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. There are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Company.

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. As of 31 December 2010 management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

29.03.2011

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**STATUTORY CONSOLIDATED ACCOUNTING REPORTS
OF ОАО ГАЗПРОМ AND ITS SUBSIDIARIES FOR 2010 PREPARED
IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS**

AUDITOR'S REPORT

**on the Statutory consolidated accounting reports of
OA O Gazprom and its subsidiaries prepared in accordance with the legislation of Russian Federation 2010**

To the Shareholders and Board of Directors of Open Joint Stock Company Gazprom:

Client

Open Joint Stock Company Gazprom.

State registration certificate № 022.726 was issued by the Moscow Registration Bureau on 25 February 1993.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700070518 issued by the Moscow Department of the Russian Ministry of Taxes and Levies No. 2 on August 2, 2002.

Russian Federation, 117997, Moscow, Nametkina str., 16.

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Moscow Department of the Russian Ministry of Taxes and Levies No. 39 on 22 August 2002.

Member of non-profit partnership "Audit Chamber of Russia" (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

AUDITOR'S REPORT

on the Statutory consolidated accounting reports of ОАО Gazprom and its subsidiaries prepared in accordance with the legislation of Russian Federation 2010

To the Shareholders and Board of Directors of Open Joint Stock Company Gazprom:

We have audited the attached Statutory consolidated accounting reports of Open Joint Stock Company Gazprom (ОАО Gazprom) and its subsidiaries (the Group) which comprise the Consolidated balance sheet as of 31 December 2010, and the Consolidated statement of income, the Consolidated statement of changes in shareholders' equity and the Consolidated statement of cash flow for the year ended 31 December 2010 and Notes to the consolidated accounting reports (hereinafter all the reports together are referred to as the "Statutory consolidated accounting reports").

Open Joint Stock Company Gazprom's responsibility for the Statutory consolidated accounting reports

Open Joint Stock Company Gazprom's management is responsible for the preparation and fair presentation of these Statutory consolidated accounting reports in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of the Statutory consolidated accounting reports that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion as to whether the Statutory consolidated accounting reports are fairly presented based on our audit. We conducted our audit in accordance with the Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statutory consolidated accounting reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statutory consolidated accounting reports. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the Statutory consolidated accounting reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Statutory consolidated accounting reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of Open Joint Stock Company Gazprom, as well as evaluating the presentation of the Statutory consolidated accounting reports.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the Statutory consolidated accounting reports.

Opinion

In our opinion, the Statutory consolidated accounting reports present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and the results of its operations and its cash flows for the 2010 year in accordance with the reporting rules established in the Russian Federation.

Director of ZAO PricewaterhouseCoopers Audit

V.Y. Sokolov

28 April 2011

OAO GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2010
 (in million Roubles)

Note	ASSETS	As of 1 January 2010	As of 31 December 2010
	I. NON-CURRENT ASSETS		
	Intangible assets, including:	816,832	743,232
5	goodwill on subsidiaries	814,347	740,554
6	Fixed assets, including:	4,705,594	4,682,348
	buildings, constructions, machinery and equipment	4,648,775	4,619,458
7	Construction in progress	1,186,394	1,634,928
8,19	Long-term financial investments, including:	1,040,180	1,043,982
	investments in subsidiaries	45,800	40,660
	investments in associates	691,795	668,599
	investments in other companies	171,077	185,530
	loans issued to companies beyond 12 months	90,317	110,401
	other long-term financial investments	41,191	38,792
15	Deferred tax assets	39,575	45,395
	Other non-current assets	223,815	255,644
	TOTAL Section I	8,012,390	8,405,529
	II. CURRENT ASSETS		
9	Inventories, including:	353,954	399,858
	raw materials and other inventories	126,503	127,490
	work in progress	5,651	5,505
	finished goods and goods for resale	190,111	234,861
	goods dispatched	4,809	4,815
	expenses related to future periods	26,880	27,187
	Value added tax on purchased goods	139,645	158,639
10	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	124,705	177,823
	buyers and customers	22,896	9,326
	promissory notes, bills of exchange receivable	13	11
	advances paid	41,792	115,587
	other accounts receivable	60,004	52,899
10	Accounts receivable (payment expected within 12 months of the reporting date), including:	915,286	941,514
	buyers and customers	383,757	417,979
	promissory notes, bills of exchange receivable	629	21
	advances paid	227,262	281,520
	other accounts receivable	303,638	241,994
	Short-term financial investments, including:	178,384	255,638
	loans issued to companies due within 12 months	86,641	76,524
11	other short-term financial investments	91,743	179,114
12	Monetary assets, including:	184,875	343,997
	cash on hand	243	259
	rouble bank accounts	92,911	162,018
	non-rouble bank accounts	87,174	177,085
	other monetary assets	4,547	4,635
	Other current assets	216	485
	TOTAL Section II	1,897,065	2,277,954
	TOTAL ASSETS	9,909,455	10,683,483

OAO GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2010
 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2010	As of 31 December 2010
13	III. EQUITY AND RESERVES		
	Charter capital	118,368	118,368
	Treasury shares	(127,071)	(126,853)
	Additional capital	4,215,241	4,205,420
	Legal reserves, including:	24,627	25,630
	reserves and provisions formed in accordance with legislation	10,051	10,382
	reserves formed in accordance with foundation documents	14,576	15,248
	Retained earnings	3,192,436	3,927,048
2,6	Social government fund	1,117	862
	TOTAL Section III	7,424,718	8,150,475
	Minority interest	250,019	236,662
	IV. NON-CURRENT LIABILITIES		
14	Loans and borrowings, including:	1,127,839	1,125,609
	bank borrowings due for repayment beyond 12 months of the reporting date	317,631	314,417
	loans due for repayment beyond 12 months of the reporting date	810,208	811,192
15	Deferred tax liabilities	173,293	173,431
	Other non-current liabilities	1,986	7,574
	TOTAL Section IV	1,303,118	1,306,614
	V. CURRENT LIABILITIES		
14	Loans and borrowings, including:	336,986	190,005
	bank borrowings due for repayment within 12 months of the reporting date	77,223	48,666
	loans due for repayment within 12 months of the reporting date	26,124	13,938
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	233,639	127,401
	Accounts payable, including:	525,651	745,393
	suppliers and contractors	300,056	440,746
	promissory notes, bills of exchange payable	5,434	207
	salaries payable	8,949	9,795
	payable to state non-budget funds	1,382	1,335
	payable to budget	109,803	116,804
	advances received	23,978	150,849
	other accounts payable	76,049	25,657
	Dividends payable	2,355	2,403
	Income of future periods	3,182	3,311
29	Provisions for future expenses and payments	63,426	48,620
	TOTAL Section V	931,600	989,732
	TOTAL EQUITY AND LIABILITIES	9,909,455	10,683,483

A.B. Miller
 Chairman of the Management Committee

E.A. Vasilieva
 Chief Accountant

OAO GAZPROM
CONSOLIDATED STATEMENT OF INCOME for the year ended 31 December 2010
 (in million Roubles)

Note		For 2010	For 2009
	INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES		
16	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	3,661,699	3,118,462
17	Cost of goods, products, works and services sold	(2,337,996)	(2,133,943)
17	Commercial expenses	(136)	(144)
17	Management expenses	(157,214)	(139,876)
	Profit from sales	1,166,353	844,499
	OTHER INCOME AND EXPENSES		
	Interest income	15,302	17,863
	Interest expense	(88,916)	(99,935)
	Income from investments in other companies	4,584	4,821
18	Other income	3,601,620	3,824,197
18	Other expenses	(3,718,505)	(3,783,751)
8	Capitalized profit of associates	72,630	47,772
	Profit before profit tax	1,053,068	855,466
15	Deferred tax assets	11,981	4,605
15	Deferred tax liabilities	(29,345)	(21,185)
15	Current profit tax	(265,167)	(189,339)
15	Other similar payments	35,741	112
	Net profit of the reporting period before minority interest	806,278	649,659
	Minority interest	(30,345)	(15,540)
	Net profit of the reporting period	775,933	634,119
	FOR REFERENCE:		
15	Permanent tax liabilities	58,841	30,562
21	Basic earnings per share (in Roubles)	33.81	26.99

A.B. Miller
 Chairman of the Management Committee

E.A. Vasilieva
 Chief Accountant

28 April 2011

OAO GAZPROM
CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for the year ended 31 December 2010
(in million Roubles)

Note		For 2010	For 2009
	Balance at the end of the prior reporting period (Section III of the Consolidated Balance Sheet)	6,904,488	6,238,999
3	Change in opening balance	520,230	41,314
	Balance at the beginning of the reporting period (Section III of the Consolidated Balance Sheet)	7,424,718	6,280,313
	Decrease (increase) of treasury shares	218	(126,474)
	(Decrease) increase of additional capital, including:	(9,821)	46,344
	change in the Group structure and change of interest in subsidiaries	11,768	44,578
	differences resulting from the translation of foreign investments	(15,850)	8,403
	revaluation surplus upon disposal of revalued fixed assets	(6,097)	(8,895)
	other movements	358	2,258
	Increase of legal reserve, including:	1,003	984
	change in the Group structure and change of interest in subsidiaries	(3)	334
	allocation from retained earnings	1,006	650
	other movements	-	-
	(Decrease) increase in retained earnings, including:	(41,321)	69,702
	change in the Group structure and change of interest in subsidiaries	9,801	71,459
	revaluation surplus upon disposal of revalued fixed assets	6,097	8,895
	dividends	(55,007)	(8,528)
	allocations to legal reserve	(1,006)	(650)
	other movements	(1,206)	(1,474)
	Net profit of the reporting period	775,933	634,119
	Decrease of social government fund, including:	(255)	(500)
6	social assets transferred to State authorities	(255)	(500)
	Decrease of special purpose financing	-	-
	Balance at the end of the reporting period (Section III of the Consolidated Balance Sheet)	8,150,475	6,904,488

A.B. Miller
 Chairman of the Management Committee

E.A. Vasilieva
 Chief Accountant

28 April 2011

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2010
(in million Roubles)

Note		For 2010	For 2009
12	Cash at the beginning of the reporting period	182,530	258,355
	Cash provided by operating activities		
	Total cash received, including:	4,937,084	4,098,731
	sales of goods, products, works and services	4,484,069	3,809,919
	sales of accounts receivable and other assets	13,109	6,682
	advances received from buyers (customers)	93,516	16,132
	other receipts	346,390	205,917
	impact of changes in exchange rates on sales and purchases of currency	-	60,081
	Total cash used, including:	(3,639,983)	(3,364,741)
	payment for purchased goods, works, products, services	(1,592,998)	(1,661,017)
	wages, salaries and social payments	(285,335)	(244,958)
	dividend and interest payments	(77,861)	(26,400)
	settlements with budget	(731,328)	(523,230)
	settlements with customs	(474,682)	(564,722)
	advances paid	(183,379)	(75,994)
	interest payments for borrowings and loans received	(91,903)	(98,450)
	other payments	(191,243)	(169,970)
	impact of changes in exchange rates on sales and purchases of currency	(11,254)	-
	Net cash provided by operating activities	1,297,101	733,990

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2010
(in million Roubles)

Note		For 2010	For 2009
	Cash flows used for investing activities		
	Total cash received, including:	372,633	232,160
	sales of fixed assets and other non-current assets	3,064	5,902
11, 27	sales of securities and other financial investments	142,942	24,983
	redemption of securities and other financial investments	90,111	133,116
	return of loans issued	56,496	17,899
	other receipts	80,020	50,260
	Total cash used, including:	(1,374,831)	(1,108,596)
	acquisition of fixed assets and other non-current assets	(42,126)	(34,716)
	acquisition of subsidiaries	(76,687)	(219,917)
	purchase of securities and other financial investments	(222,726)	(145,226)
	financing of construction in progress	(947,903)	(629,037)
	loans issued	(72,458)	(72,577)
	other payments	(12,931)	(7,123)
	Net cash used for investing activities	(1,002,198)	(876,436)
	Cash flows (used for) provided by financing activities		
	Total cash received, including:	369,858	834,972
	loans and borrowings received	369,647	833,760
	sales of treasury shares	45	255
	other receipts	166	957
	Total cash used, including:	(503,347)	(766,083)
	repayment of borrowings (net of interest)	(477,449)	(733,786)
	purchase of treasury shares	(40)	(272)
	other payments	(25,858)	(32,025)
	Net cash (used for) provided by financing activities	(133,489)	68,889
	Net increase (decrease) of cash	161,414	(73,557)
12	Cash at the end of the reporting period	343,944	184,798
	FOR REFERENCE:		
	Impact of changes in exchange rates	(6,398)	4,750

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

28 April 2011

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

1. GENERAL INFORMATION

OAQ Gazprom and its subsidiaries (the "Group") operate one of the largest gas pipeline systems in the world and are responsible for substantially all gas production and high pressure gas transportation in the Russian Federation. The Group is a major exporter of gas to European countries. The Group is engaged in oil production, refining activities and electricity/heat generation.

The Group is directly involved in the following principal activities:

- Exploration and production of gas;
- Transportation of gas;
- Sales of gas on internal and external markets;
- Production of crude oil and gas condensate;
- Processing of oil, gas condensate and other hydrocarbons, and sales of refined products.

Other activities representing principal activities but not forming separate operating segments mainly include gas storage, electricity and heat energy generation and sale, construction, and production of other works and services.

The Group operates as a vertically integrated business (see Note 4). The Group's assets are mainly located on the territory of the Russian Federation.

On average, the Group employed 389,702 and 383,375 people in 2010 and 2009, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

The statutory consolidated accounting reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 21 November 1996 No. 129-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, and other statutory accounting and reporting regulatory acts included in accounting and reporting regulatory system of organizations in the Russian Federation.

Assets and liabilities are accounted for at actual purchase costs, except for fixed assets that are revalued on a regular basis, investments for which fair value is determinable, and other assets against which impairment provisions have been formed in accordance with the applicable accounting rules and regulations.

Basis of consolidation

In accordance with the methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112 ("the Methodology recommendations"), the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Shareholder's Equity, Consolidated Statement of Cash Flow and the Notes to the consolidated accounting reports (together, the "statutory consolidated accounting reports") comprise a consolidation of the statutory accounting reports of OAQ Gazprom and its principal subsidiaries and associates.

Accounting policy for the year 2010 of OAQ Gazprom and its subsidiaries is approved by Order No. 415 dated 29 December 2009.

All significant investments in subsidiary undertakings which exercise a significant influence on the financial position and financial results of the Group have been included in the consolidated accounting reports in compliance with the consolidation methodology, with the exception of the Group's banking subsidiaries which have been accounted for on the basis prescribed for inclusion in the consolidated accounting reports of investments in associates and included within investments in subsidiaries of the Consolidated Balance Sheet. Investments in companies with the 50% interest owned by the Group and in case the Group does not exercise control over these companies are accounted for as investments in associates in the Consolidated Balance Sheet.

Statutory consolidated accounting reports include investments in associates, acquisition price and financial results of which are stated on the equity basis in these consolidated accounting reports.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate determined by Central Bank of Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments) denominated in foreign currency were recorded using the official Rouble exchange rate as of 31 December 2010. The rate of exchange as of 31 December 2010 was RR 30.4769 to USD 1 (as of 31 December 2009 – RR 30.2442), RR 40.3331 to EUR 1 (as of 31 December 2009 – RR 43.3883).

Exchange differences resulting from transactions with assets and liabilities during the year denominated in foreign currency, and from their recalculation as of the reporting date, are included in the Consolidated Statement of Income as other income and expenses.

Exchange differences arising from the translation of the assets and liabilities and income and expenses of foreign subsidiaries and associates are recognized as translation differences and included in additional capital. Statements of Income of foreign entities are translated at average exchange rates of relevant foreign currency for the year.

Current and non-current assets and liabilities

On the Consolidated Balance Sheet accounts receivable and accounts payable, including loans and borrowings, are treated as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not specified. All other assets and liabilities are treated as non-current.

Investments are classified as current or non-current based on the estimated period of use (circulation, possession or maturity) after the reporting date.

Goodwill of subsidiaries

In the consolidated accounting reports goodwill arising on the acquisition of subsidiary undertakings represents the positive difference between the nominal value of acquired investments in subsidiaries and the nominal value of their shares at the date of acquisition. Goodwill is amortized on a straight-line basis over 20 years starting from the month following the month of acquisition. Amortization charge of goodwill for the period is shown within other expenses in the Consolidated Statement of Income.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting rule “Accounting for Fixed Assets” (RAR 6/01) approved by Order of the Russian Ministry of Finance dated 30 March 2001, No. 26n. Fixed assets include real estate assets which have been put into operation, documents for the state registration of title for which were submitted.

In the consolidated accounting reports fixed assets are recorded at replacement cost (as of 1 January 2010) or historical cost (additions of 2010 year) net of depreciation accumulated for the period of their use. Certain assets of the certain group companies (including Gazprom neft Group entities, OAO WGC-2, OAO WGC-6, OAO TGC-1) are reported at historical cost net of depreciation accumulated for the period of their use. The management of OAO Gazprom does not believe that this has a material impact on the consolidated accounting reports.

Fixed assets recorded on the subsidiaries' balance sheets include state social assets. The Group's companies received these assets without title transfer, in the course of restructuring of the unified gas supply system and assets of the state gas concern Gazprom. These assets were accounted for in accordance with the procedures effective at that period by creating the fund of social assets in the amount equal to their net book value. When the subsidiaries were restructured to the subsidiary undertakings of the Group these assets jointly with the fund of social assets were transferred to the Group's companies. When these assets are transferred to the municipal authorities (or disposed otherwise) their net book value is charged to the above mentioned fund recorded in line “Social government fund” of the Consolidated Balance Sheet. Although this practice represents a deviation from the established procedure, Management of OAO Gazprom believes that it ensures fair presentation of the Group's property relations as the assets are used according to their functional purposes and the Group is held liable for their maintenance and safety.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Fixed assets accounted before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy". Fixed assets acquired after 1 January 2002 are depreciated at rates based on estimated useful lives of these assets. Classification of fixed assets by depreciation groups approved by Government Resolution of the Russian Federation No.1 dated 1 January 2002, is used as one of the sources of information about useful lives of fixed assets. The Group has adopted the following useful lives for fixed asset groups:

	Useful lives of assets recorded on the balance sheet (number of years)	
	before 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12 – 15	7 – 15
Machinery and equipment	10 – 18	5 – 25
Buildings and roads	8 – 100	10 – 50
Social assets	5 – 50	5 – 50

All fixed assets are depreciated on a straight-line basis.

The following assets are not depreciated:

- land;
- suspended assets (above 3 months);
- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the general procedure), public amenities and other similar assets.

Construction in progress

Construction in progress includes, but without limitation to, completed fixed assets, which have been put into operation but documents for the state registration of title for which have not been submitted to the State Register. Such assets are depreciated similarly to depreciation of fixed assets and in the consolidated accounting reports they are recorded at historical cost less accumulated depreciation. Although this practice represents a deviation from the established procedure, the management of OAO Gazprom believes that it ensures appropriate presentation of the Group's operations as the assets are used in practice and generate income to the Group.

Financial investments

Investments are recorded at their historical cost (actual acquisition costs) except for investments for which market value is determinable and investments for which impairment provision is created.

Investments for which market value is determinable are restated to their market value as of the end of the reporting year. The change in the investment value at the reporting date and the date of previous valuation is recorded in other income and expenses.

Investments for which market value is non-determinable and there are indications as of the reporting date that the decline in their value is significant and constant are recorded on the Consolidated Balance Sheet as of the end of the reporting year at their carrying (book) value net of impairment provision. The investment impairment provision is determined annually based on the stock taking results as of 31 December. While determining the provision, the Group calculated the estimated value of investments, showing significant steady decline, based on available information and created the investment impairment provision in the amount by which the carrying value of investments exceeded their estimated value. Changes in provision introduced based on stock-taking results as of 31 December are posted to other expenses and income.

OA O GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded by types in the statutory accounting reports upon disposal under the first in, first out (FIFO) method. Other investments (including individually identifiable securities such as promissory notes and certificates of deposit) for which the market value is not determinable are recorded upon disposal at the historical cost of each unit.

Income and expenses related to investments are included within other income and expenses.

Inventories and costs

Raw materials are recognized at their actual cost of purchase or production. Dispatch into production or other disposals of inventories are recorded using the average cost method.

Oil and gas produced and purchased but unsold and retained in storages and pipelines as of the end of the reporting period are reported in line "Finished goods and goods for resale" of the Consolidated Balance Sheet. Disposals of finished goods and goods for resale are recorded using the average cost method.

Transportation costs related to the transportation of natural gas on the territory of Russia and abroad are allocated between volumes of gas sold and gas in pipelines and storage as of the end of the reporting period. Transit costs for gas, oil and refined products are shown in "Cost of goods, products, works and services sold" of the Consolidated Statement of Income.

Impairment provision is created for raw materials and other inventories used in production, works and services, if current market value of those goods, works and services is less than their actual cost as of reporting date.

Work in progress is carried at actual cost of production less general administrative expenses.

Finished goods are carried at the simplified actual cost of production less general administrative expenses.

Cash

In accordance with the approved methodological guidelines on the procedures for preparing statutory accounting reports (Order of the Ministry of Finance of the Russian Federation dated 22 July 2003 No. 67n "On Reporting Forms") foreign currency cash balances and all foreign currency receipts and payments reported in the Consolidated Statement of Cash Flow are restated using the exchange rates of the Central Bank of the Russian Federation effective at the end of the respective periods.

Cash used for the acquisition of subsidiaries is disclosed in the Consolidated Statement of Cash Flow in line "Acquisition of subsidiaries" in section "Cash flows used for investing activities". Cash on the balance of acquired subsidiaries at the date of acquisition is disclosed in line "Other receipts" of the above section of the Consolidated Statement of Cash Flow within investing activities.

Management expenses

These expenses include general administrative costs, which are expensed in the reporting period, on a monthly basis.

Accounts receivable

Trade receivables are recorded based on prices contracted between the Group and buyers (customers) taking account of all discounts (markups) provided by the Group. Bad debts are written off when recognized as such.

Unsecured overdue accounts receivable, including "Other accounts receivable" are stated net of bad debt provisions. These provisions are based on the judgement as to the extent to which the debts will not be recovered. Bad debt provisions are recorded within other expenses in the Consolidated Statement of Income. Corresponding amount of provision is recorded in other income (recognised as bad debt) upon repayment of doubtful receivables.

AO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Despite the fact, that accounting for bad debt provision in line "Other accounts receivable" of the Concolidated Accounting Reports is a deviation from Russian Accounting Standards, set by current regulatory documents, management of OAO Gazprom beleives, that such presentation gives more true and fair view of the position of the Group.

Loans and borrowings received

Interest on credits and loans received and additional costs attributable to the receipt of credits and loans are included in other expenses in the reporting period, in which they are incurred.

OAO Gazprom is the Group's main credit raiser. The majority of the finance acquired are general purpose loans and borrowings which are passed on to subsidiaries under investment agreements (the subsidiaries are acting as developers). Due to investment process specifics and following the principle of rational accounting the Group does not calculate any loan interest on non-investment activities for inclusion in the cost of investment assets.

The Group accounts for loans or credits payable in the amounts actually received.

Provisions for future expenses and payments

The Group accruals provisions for future expenses related to annual performance bonuses. The provision for year-end bonuses payable to its employees is determined based on the Group's established procedures for calculating year-end bonuses and charged to expenses on ordinary activities.

Deferred taxes

For the purposes of consolidated accounting reports the Group recognizes non-temporary tax assets and non-temporary tax liabilities, deferred tax assets and deferred tax liabilities, i.e. amounts that can affect current profit tax expenses in the current or future reporting periods.

Information about non-temporary and temporary differences is based on the supporting documents. Current profit tax is determined based on theoretical expense (theoretical income) related to profit tax, non-temporary tax assets and liabilities, deferred tax assets and liabilities for accounting purposes. The amount corresponds to current tax according to profit tax return. On the Consolidated Balance Sheet deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

Revenue and other income recognition

Revenues from sales of goods and services rendering are recognized at the moment when goods are shipped (or services rendered) and corresponding settlement documents are submitted to customers. In the consolidated accounting reports revenues are presented net of value added tax, customs duties and other similar mandatory payments.

Other income primarily include transactions related to the sale of foreign currency and investments, positive exchange differences arising from foreign currency transactions and releases of impairment provisions for doubtful debts and investments.

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS

Changes in the 2010 accounting policies

Accounting Policy of OAO Gazprom and its subsidiaries sets out that accounting for natural resources development expenses shall be performed in accordance with "Planning and accounting procedures for natural resources development expenses".

The Order of OAO Gazprom dated 25 August 2009 No. 254 confirmed the new "Planning and accounting procedures for natural resources development expenses" effective from 1 January 2010. According to the new regulation wells drilling expenses shall be accounted within expenses related to future periods, rather than within construction in progress.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS (continued)

Since 1 January 2010 the wells drilling expenses have been accounted within other non-current assets in the Consolidated Balance Sheet. Before that these expenses were reported within construction in progress.

Opening data as of 1 January 2010

The 2010 opening Consolidated Balance Sheet has been formed by way of adjusting the 2009 closing Consolidated Balance Sheet for:

- revaluation of fixed assets performed by independent appraisers as of 1 January 2010 according to the decisions of OAO Gazprom subsidiaries' management;
- changes in the accounting for wells drilling expenses where drilling works have been started but have not been finished as of 1 January 2010;
- reclassification from current assets to non-current assets of value added tax related to construction in progress under investment agreements, that is to be transferred to investor upon completion of construction works in the period exceeding 12 months after 31 December 2009.

The above mentioned corrections impacted the Consolidated Balance Sheet as follows:

Item	As of 31 December 2009	Adjustment	As of 1 January 2010
I. NON-CURRENT ASSETS			
Fixed assets, including:	4,185,800	519,794	4,705,594
buildings, constructions, machinery and equipment	4,129,702	519,073	4,648,775
Construction in progress	1,236,578	(50,184)	1,186,394
Other non-current assets	168,658	55,157	223,815
TOTAL Section I	7,487,623	524,767	8,012,390
II. CURRENT ASSETS			
Value added tax on purchased goods	144,618	(4,973)	139,645
TOTAL Section II	1,902,038	(4,973)	1,897,065
TOTAL ASSETS	9,389,661	519,794	9,909,455
III. EQUITY AND RESERVES			
Additional capital	3,691,791	523,450	4,215,241
Retained earnings	3,196,008	(3,572)	3,192,436
Social government fund	765	352	1,117
TOTAL Section III	6,904,488	520,230	7,424,718
Minority interest	250,455	(436)	250,019
TOTAL EQUITY AND LIABILITIES	9,389,661	519,794	9,909,455

To ensure comparability of the data for 2010 to comparative amounts for 2009 in the Consolidated Statement of Income amounts for 2009 were adjusted for:

- the reclassification of amount related to Profit tax of previous years from Current profit tax to Other similar payments;
- the specification of revenue and cost of sales related to trading operations without actual delivery performed by Gazprom Germania Group.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS (continued)

Item	Amount before adjustment (for 2009)	Adjustment	Amount after adjustment (for 2009)
INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES			
Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	3,116,092	2,370	3,118,462
Cost of goods, products, works and services sold	(2,135,697)	1,754	(2,133,943)
Profit from sales	840,375	4,124	844,499
OTHER INCOME AND EXPENSES			
Other income	3,826,544	(2,347)	3,824,197
Other expenses	(3,781,974)	(1,777)	(3,783,751)
Current profit tax	(188,244)	(1,095)	(189,339)
Other similar payments	(983)	1,095	112

To ensure comparability to the 2010 data the comparative amounts for 2009 in the Consolidated Statement of Cash Flow have been adjusted among other things for the changes in the accounting policy related to recognition of well drilling expenses when drilling works have been started but have not been finished as of 1 January 2010, as well as for the updated amounts of revenues and cost of sales relating to trading operations without actual delivery performed by Gazprom Germania Group.

Item	Amount before adjustment (for 2009)	Adjustment	Amount after adjustment (for 2009)
Cash provided by operating activities			
Total cash received, including:			
sales of goods, products, works, services	3,814,020	(4,101)	3,809,919
other receipts	201,816	4,101	205,917
Total cash used, including:	(3,355,080)	(9,661)	(3,364,741)
payment for purchased goods, works, products, services	(1,651,806)	(9,211)	(1,661,017)
advances paid	(75,544)	(450)	(75,994)
Net cash provided by operating activities	743,651	(9,661)	733,990
Cash flows used for investing activities			
Total cash used, including:	(1,118,257)	9,661	(1,108,596)
financing of construction in progress	(611,553)	(17,484)	(629,037)
other payments	(34,268)	27,145	(7,123)
Net cash used for investing activities	(886,097)	9,661	(876,436)

Changes in the 2011 accounting policies

The following changes will come into force starting from the 2011 accounting reports:

- Russian accounting rule "Estimated liabilities, contingent liabilities and contingent assets" (RAR 8/2010) approved by the Order of the Russian Ministry of Finance dated 13 December 2010 No.167n;
- Russian accounting rule "Segment information" (RAR 12/2010) approved by the Order of the Russian Ministry of Finance dated 8 November 2010 No.143n;
- Russian accounting rule "Cash flow statement" (RAR 23/2011) approved by the Order of the Russian Ministry of Finance dated 2 February 2011 No.11n.

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS (continued)

The Order of the Russian Ministry of Finance "On financial reporting forms" dated on 2 July 2010 No.66n comes into force starting from the 2011 accounting reports. In view of different disclosure required by this order and order of presentation of data in accounting reports for 2010 (which is in compliance with the Order of the Russian Ministry of Finance dated 22 July 2003 No.67n), some figures in the consolidated accounting reports for 2010 will be presented as changes of opening and comparative amounts on other lines in the consolidated accounting reports for 2011.

The Order of the Russian Ministry of Finance dated 24 December 2010 No.186n comes into force starting from the 2011 accounting reports and introduces amendments to a number of regulatory legal acts on accounting:

- Russian accounting rule "On accounting and financial reporting in Russian Federation" approved by the Order of the Russian Ministry of Finance dated 29 July 1998 No.34n;
- Russian accounting rule "Accounting of fixed assets" (RAR 6/2001) approved by the Order of the Russian Ministry of Finance dated 30 March 2001 No.26n;
- Russian accounting rule "Accounting of intangible assets" (RAR 14/2007) approved by the Order of the Russian Ministry of Finance dated 27 December 2007 No.153n;
- Russian accounting rule "Accounting of corporate profit tax" (RAR 18/2002) approved by the Order of the Russian Ministry of Finance dated 19 November 2002 No.114n;
- Russian accounting rule "Accounting of assets and liabilities nominated in foreign currencies" (RAR 3/2006) approved by the Order of the Russian Ministry of Finance dated 27 November 2006 No.154n.

Besides, the changes affected the Methodical guidance on accounting of fixed assets, approved by Order of the Russian Ministry of Finance dated 13 October 2003 No.91n, Methodical guidance on accounting of inventories, approved by the Order of the Russian Ministry of Finance dated 28 December 2001 No.119n. The changes aim to bring the methodical guidances in line with the updated Russian accounting rules.

Currently the management of ОАО Gazprom estimates the possible impact of the above mentioned regulatory documents on the consolidated accounting reports of the Group.

4. SEGMENT INFORMATION

Under RAR 12/2000 "Segment Information", for segment information purposes information by business segments is deemed primary and information by geographical segments - secondary based on the analysis of sources and inherent risks as well as generated profit, the organizational and management structure and internal reporting systems.

The following business segments are identified within the Group:

- Production of gas - geologic exploration and production of gas;
- Transportation - transportation of gas;
- Distribution of gas - sales of gas on internal and external markets;
- Production of crude oil and gas condensate - exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining - processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Other - other activities, including production and sales of electric and heat energy, construction and gas storage.

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
As of 1 January 2010							
Segment assets	1,519,653	3,688,106	896,281	970,675	452,998	1,048,028	8,575,741
Unallocated assets							1,714,488
Inter-segment elimination							(380,774)
Total assets							9,909,455
Segment liabilities	100,121	135,788	195,403	179,689	79,856	147,560	838,417
Unallocated liabilities							1,777,075
Inter-segment elimination							(380,774)
Total liabilities							2,234,718

GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

4. SEGMENT INFORMATION (continued)

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
For 2009							
Capital expenditures for the period	203,000	231,723	27,185	74,811	44,239	54,018	634,976
Depreciation	67,383	226,576	4,547	26,954	11,733	26,795	363,988
Capitalized profit of associates	2,088	2,702	19,061	19,035	(779)	5,665	47,772
As of 31 December 2010							
Segment assets	1,651,911	4,007,043	1,062,591	908,713	453,191	1,185,131	9,268,580
Unallocated assets							2,074,543
Inter-segment elimination							(659,640)
Total assets							10,683,483
Segment liabilities	95,209	306,784	433,569	222,311	134,242	187,748	1,379,863
Unallocated liabilities							1,576,123
Inter-segment elimination							(659,640)
Total liabilities							2,296,346
For 2010							
Capital expenditures for the period	202,416	407,571	37,578	83,097	70,726	81,922	883,310
Depreciation	81,495	263,526	5,678	36,507	16,944	35,250	439,400
Capitalized profit (loss) of associates	(460)	3,181	19,430	40,365	1,530	8,584	72,630

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other non-current assets. Investments into unconsolidated subsidiaries, associates, equity investments and joint activity are allocated to the reporting segments on the basis of primary activity of these entities. Other financial investments are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

Segment liabilities include primarily short-term liabilities except for profit tax and other taxes payable to the budget for which there is no basis for allocation and loans and borrowings received to finance the Group operations.

Inter-segment elimination include intercompany balances.

Segment capital expenditures include capital investments in fixed assets of the corresponding periods.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

4. SEGMENT INFORMATION (continued)

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
For 2010							
Segment revenues							
Inter-segment sales	334,524	558,851	187,555	250,433	8,545	24,893	1,364,801
External sales	6,394	62,053	2,157,670	247,644	709,085	478,853	3,661,699
Total segment revenues	340,918	620,904	2,345,225	498,077	717,630	503,746	5,026,500
Segment expenses							
Inter-segment expenses	(4,549)	(86,890)	(896,923)	-	(273,051)	(103,388)	(1,364,801)
External expenses	(268,226)	(513,954)	(602,036)	(420,888)	(331,636)	(358,606)	(2,495,346)
Total segment expenses	(272,775)	(600,844)	(1,498,959)	(420,888)	(604,687)	(461,994)	(3,860,147)
Segment profit from sales	68,143	20,060	846,266	77,189	112,943	41,752	1,166,353
For 2009							
Segment revenues							
Inter-segment sales	292,164	485,973	118,693	188,070	6,845	19,470	1,111,215
External sales	5,473	47,029	1,966,063	215,047	540,505	344,345	3,118,462
Total segment revenues	297,637	533,002	2,084,756	403,117	547,350	363,815	4,229,677
Segment expenses							
Inter-segment expenses	(3,830)	(58,485)	(779,612)	-	(206,765)	(62,523)	(1,111,215)
External expenses	(237,933)	(466,357)	(703,548)	(331,540)	(259,525)	(275,060)	(2,273,963)
Total segment expenses	(241,763)	(524,842)	(1,483,160)	(331,540)	(466,290)	(337,583)	(3,385,178)
Segment profit from sales	55,874	8,160	601,596	71,577	81,060	26,232	844,499

The inter-segment sales mainly consist of:

- Production of gas – of gas to the Distribution and Processing of gas segments;
- Transportation – rendering gas transportation services to the Distribution of gas segment;
- Distribution of gas – sales of gas to the Transportation segment for own needs;
- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing;
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices mainly for Production of gas and Transportation segments are established by OAO Gazprom management with the objective of providing for the specific funding requirements of the individual subsidiaries within separate segment. Prices are determined on the basis of the statutory accounting reports of the individual subsidiaries on a cost plus basis.

Segment revenues (income) of the Group are generated from transactions with customers. Profit tax expense and other similar mandatory payments, interest income and expense, income from investments in other companies are not included in the segment profit (loss). Other income and expenses are not allocated by segments because it is deemed impracticable and as the required allocation base is not available.

Information on sales by geographical segments is presented in Note 16. Information on assets by geographical segments is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

5. GOODWILL ON SUBSIDIARIES

Note		Gross book value	Accumulated amortization	Net book value
	As of 1 January 2010			
19, 23	OAO Gazprom neft	539,720	(88,992)	450,728
19, 24	Sibir Energy plc	94,962	(2,374)	92,588
19, 27	OOO SeverEnergiya and its subsidiaries	66,664	(7,068)	59,596
19	OAO Mosenergo	46,612	(5,660)	40,952
19	OAO WGC-2	45,468	(3,468)	42,000
19	OAO WGC-6	41,611	(3,265)	38,346
19	OOO Gazprom neft shelf	37,416	(8,952)	28,464
19, 25	OAO TGC-1	35,518	-	35,518
19, 24	OAO Moscovsky NPZ	8,963	(224)	8,739
19	OAO Daltransgaz	5,702	(285)	5,417
	Others	14,027	(2,028)	11,999
	Total	936,663	(122,316)	814,347
	Additions			
19, 24	Sibir Energy plc	21,946		
19	OOO Gazovie Magistraly Tumeny	6,285		
19	OAO Daltransgaz	1,288		
19, 24	OAO Moscovsky NPZ	977		
	Others	3,412		
	Total	33,908		
	Disposal			
19, 27	OOO SeverEnergiya and its subsidiaries	(66,664)	9,568	(57,096)
19, 24	Sibir Energy plc	(3,030)	24	(3,006)
19, 24	OAO Moscovsky NPZ	(115)	1	(114)
	Others	(671)	33	(638)
	Total	(70,480)	9,626	(60,854)
2	Amortization charge			
	OAO Gazprom neft		(26,986)	
	Sibir Energy plc		(5,325)	
	OOO SeverEnergiya and its subsidiaries		(2,500)	
	OAO Mosenergo		(2,331)	
	OAO WGC-2		(2,273)	
	OAO WGC-6		(2,080)	
	OOO Gazprom neft shelf		(1,871)	
	OAO TGC-1		(1,776)	
	OAO Moscovsky NPZ		(474)	
	OAO Daltransgaz		(296)	
	OOO Gazovie Magistraly Tumeny		(157)	
	Others		(778)	
	Total		(46,847)	

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

5. GOODWILL ON SUBSIDIARIES (continued)

Note	Gross book value	Accumulated amortization	Net book value
As of 31 December 2010			
	539,720	(115,978)	423,742
OAO Gazprom neft			
Sibir Energy plc	113,878	(7,675)	106,203
OAO Mosenergo	46,612	(7,991)	38,621
OAO WGC-2	45,468	(5,741)	39,727
OAO WGC-6	41,611	(5,345)	36,266
OOO Gazprom neft shelf	37,416	(10,823)	26,593
OAO TGC-1	35,518	(1,776)	33,742
OAO Moscovsky NPZ	9,825	(697)	9,128
OAO Daltransgaz	6,990	(581)	6,409
OOO Gazovie Magistraly Tumeny	6,285	(157)	6,128
Others	16,768	(2,773)	13,995
Total	900,091	(159,537)	740,554

6. FIXED ASSETS

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
Net book value as of 31 December 2008						
	2,266,963	281,937	414,135	601,067	459,362	4,023,464
Revaluation of fixed assets	1,869	294	2,533	33,103	7,566	45,365
Net book value as of 1 January 2009						
	2,268,832	282,231	416,668	634,170	466,928	4,068,829
As of 1 January 2009						
Historical (replacement) cost	6,321,759	923,970	1,405,649	915,790	822,236	10,389,404
Accumulated depreciation	(4,052,927)	(641,739)	(988,981)	(281,620)	(355,308)	(6,320,575)
Net book value	2,268,832	282,231	416,668	634,170	466,928	4,068,829
Additions	72,004	55,976	129,374	91,800	150,043	499,197
Disposals	(598)	(1,975)	(1,460)	(8,222)	(5,983)	(18,238)
4 Depreciation	(179,918)	(35,805)	(74,685)	(31,658)	(41,922)	(363,988)
Net book value as of 31 December 2009						
	2,160,320	300,427	469,897	686,090	569,066	4,185,800
3 Revaluation	329,642	48,318	18,517	81,768	41,549	519,794
Net book value as of 1 January 2010						
	2,489,962	348,745	488,414	767,858	610,615	4,705,594
As of 1 January 2010						
Historical (replacement) cost	7,410,461	1,132,703	1,651,648	1,133,548	1,063,368	12,391,728
Accumulated depreciation	(4,920,499)	(783,958)	(1,163,234)	(365,690)	(452,753)	(7,686,134)
Net book value	2,489,962	348,745	488,414	767,858	610,615	4,705,594
Additions	59,432	40,218	113,468	60,875	153,781	427,774
Disposals	(707)	(1,542)	(1,385)	(4,330)	(3,656)	(11,620)
4 Depreciation	(209,645)	(44,418)	(92,055)	(37,991)	(55,291)	(439,400)
Net book value as of 31 December 2010						
	2,339,042	343,003	508,442	786,412	705,449	4,682,348

OA0 GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

6. FIXED ASSETS (continued)

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2010						
Historical (replacement) cost	7,466,783	1,163,292	1,758,927	1,188,050	1,211,922	12,788,974
Accumulated depreciation	(5,127,741)	(820,289)	(1,250,485)	(401,638)	(506,473)	(8,106,626)
Net book value as of 31 December 2010	2,339,042	343,003	508,442	786,412	705,449	4,682,348

In 2010 the Group entities continued to transfer social assets which were obtained in the course of privatization to local authorities (see Note 2). The transferred assets which were obtained in the course of privatization amounted to RR 255 in 2010 (in 2009 – RR 500).

7. CONSTRUCTION IN PROGRESS

	As of 1 January 2010	As of 31 December 2010
Construction in progress	1,085,170	1,463,795
Equipment for installation	101,224	171,133
Total	1,186,394	1,634,928

The balance of construction in progress as of 1 January and 31 December 2010 includes assets constructed and put into operation in the amount of RR 235,930 and RR 309,139 (net of accumulated depreciation in the amount of RR 8,050 and RR 8,510), respectively, subject to registration of the title in the State Register, documents for which had not yet been submitted.

Construction in progress mostly consists of construction of new objects of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo – Ukhta, Sakhalin – Khabarovsk – Vladivostok and North Europe pipeline, as well as arrangement of Bovanenkovo field, construction of semisubmersible drilling platform on Shtockman field.

8. LONG-TERM FINANCIAL INVESTMENTS

Investments in subsidiaries

Included within investments in subsidiaries in the Consolidated Balance Sheet are investments in bank subsidiaries of the Group in the amount of RR 7,705 and RR 0 as of 1 January and 31 December 2010, respectively (see Note 28).

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 5,759 and RR 5,125 as of 1 January and 31 December 2010, respectively. The impairment provision primarily relates to non-core investments.

Investments in associates

Note		Carrying value		Capitalized profit (loss)	
		as of 1 January 2010	as of 31 December 2010	for 2010	for 2009
20, 29	Sakhalin Energy Investment Company Ltd.	176,748	138,928	31,336	8,673
20	OA0 Tomskneft VNK and its subsidiaries	89,848	85,520	1,651	4,390
20	OA0 NGK Slavneft and its subsidiaries	81,254	81,531	2,812	3,597
20	OA0 Beltransgaz*	54,363	75,582	3,067	742
20	OA0 Gazprombank	39,577	46,566	7,491	3,635
20	WINGAS GmbH & Co. KG	45,907	41,595	4,125	3,481
20, 29	Nord Stream AG	32,373	39,066	(1,587)	(729)
20	TOO KazRosGaz	18,675	27,034	9,521	9,941
20	OA0 Salavatnefteorgsintez	19,272	19,940	668	(1,678)
	Shtokman Development AG	14,298	17,741	(442)	102

OA0 GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

8. LONG-TERM FINANCIAL INVESTMENTS (continued)

		Carrying value		Capitalized profit (loss)	
		as of	as of		
		1 January 2010	31 December 2010	for 2010	for 2009
20, 29	SGT EuRoPol GAZ S.A.	17,744	17,314	(171)	596
	Wintershall AG	11,325	11,003	2,023	1,690
20, 29	Blue Stream Pipeline company B.V.	8,907	10,875	1,872	2,093
20	Salym Petroleum Development N.V.	7,412	9,871	2,462	1,888
20	AO Lietuvos dujos	8,481	8,352	714	698
20	AO Latvijas Gaze	7,430	7,151	529	406
	ZAO Nortgaz	4,331	5,023	783	455
20	AO Gazum	4,507	4,040	735	789
29	ZAO Achimgaz	1,650	3,054	1,404	(532)
	Bennfield Ltd.**	22,418	-	-	-
	Others	25,275	18,413	3,637	7,535
	Total	691,795	668,599	72,630	47,772

* In February 2010 the Group acquired 12.5% interest in OAO Beltransgaz for USD 625 million. As a result the Group increased its interest in OAO Beltransgaz up to 50%.

** The Group established control over Bennfield Ltd. in the 2 quarter 2010.

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 127 and RR 73 as of 1 January and 31 December 2010, respectively.

Investments in other companies

As of 1 January and 31 December 2010 the line "Investments in other companies" of the Consolidated Balance Sheet includes an investment in OAO Novatek in the amount of 19.39% and 9.99% of shares in statutory fund respectively, with carrying value amounting to RR 117,538 and RR 110,471 respectively.

The line "Investments in other companies" of the Consolidated Balance Sheet includes an investment in OAO TGC-5 in the amount of 5% of shares in statutory fund, with carrying value amounting to RR 726 and RR 1,119 as of 1 January and 31 December 2010, respectively and an investment in OAO Enel WGC-5 in the amount of 5.27% and 0% of shares in statutory fund respectively, with carrying value amounting to RR 3,983 and RR 0 as of 1 January and 31 December 2010, respectively.

The line "Investments in other companies" of the Consolidated Balance Sheet also includes investments in shares of other energy companies, with carrying value amounting to RR 44,338 and RR 54,410 as of 1 January and 31 December 2010, respectively.

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 1,230 and RR 1,251 as of 1 January and 31 December 2010, respectively. The impairment provision primarily relates to non-core investments.

Loans issued to companies due beyond 12 months

The line "Loans issued to companies beyond 12 months" of the Consolidated Balance Sheet includes the loan to OAO Mezhregionteploenergo, denominated in RR maturing in 2017, in the amount of RR 24,400 and RR 26,537 as of 1 January and 31 December 2010 respectively.

Loans issued to companies beyond 12 months in the Consolidated Balance Sheet include a foreign currency loan to the associated undertaking WINGAS GmbH & Co. KG maturing in 2015 in amount of RR 16,609 and RR 15,439 as of 1 January and 31 December 2010, respectively. In 2010 and 2009 the average interest rate on this loan was 2.6% and 2.3%, respectively.

OA O GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

8. LONG-TERM FINANCIAL INVESTMENTS (continued)

Other long-term financial investments

	As of 1 January 2010	As of 31 December 2010
Joint activity, including:	20,996	21,536
development of a satellite communication system (operator – OAO Gazprom kosmicheskiye sistemy)	3,180	3,180
Other, including:	20,195	17,256
long-term deposits	12,953	13,251
third party promissory notes	6,296	3,534
South Pars project (oil and gas field in Iran)	763	370
Total	41,191	38,792

The Group's long-term deposits with subsidiary banks amounted to RR 840 and RR 0 as of 1 January and 31 December 2010, respectively (see Note 28).

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 2,413 and RR 9,188 as of 1 January and 31 December 2010, respectively, and are primarily related to joint activity.

9. INVENTORY

Raw materials and other inventories

In Consolidated Balance Sheet values of raw materials and other inventories in amount of RR 126,503 and RR 127,490 are disclosed net of impairment allowance in amount of RR 2,485 and RR 2,353 as of 1 January and 31 December 2010, respectively.

Finished goods and goods for resale

In Consolidated Balance Sheet values of finished goods and goods for resale in amount of RR 190,111 and RR 234,861 are disclosed net of impairment allowance in amount of RR 918 and RR 268 as of 1 January and 31 December 2010, respectively.

	As of 1 January 2010	As of 31 December 2010
Gas in pipelines and storages	151,291	184,981
Oil and refinery products	23,773	25,317
Goods for resale	15,047	24,563
Total	190,111	234,861

10. ACCOUNTS RECEIVABLE

Accounts receivable (payment expected beyond 12 months of the reporting date)

The Accounts Receivable line in the Consolidated Balance Sheet includes long-term receivables for gas in the amount of RR 13,163 (including accounts receivable related to RosUkrEnergo amounting to RR 11,842) and RR 868 as of 1 January and 31 December 2010 respectively.

As of 31 December 2010 the Advances issued line in the Consolidated Balance Sheet includes an advance in amount of RR 38,859 issued to NJSC "Naftogas of Ukraine" on account of gas transportation services.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

10. ACCOUNTS RECEIVABLE (continued)

Accounts receivable (payment expected within 12 months of the reporting date)

As of 1 January and 31 December 2010 accounts receivable from buyers and customers in the Consolidated Balance Sheet include the following:

	As of 1 January 2010	As of 31 December 2010
Receivables from Europe and other countries gas, crude oil, gas condensate and refined products customers	190,151	187,055
Receivables from Domestic gas, crude oil, gas condensate and refined products customers	69,442	110,046
Receivables from FSU gas, crude oil, gas condensate and refined products customers	53,151	33,285
Receivables from electric and heat energy sales customers	25,040	28,702
Other trade debtors	45,973	58,891
Total	383,757	417,979

The increase in trade receivables is explained primarily by revenues growth from gas sales to domestic customers (see Note 16).

As of 1 January and 31 December 2010 accounts receivable from buyers and customers are stated net of impairment provision of RR 121,074 and RR 159,725, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 397 and RR 374 as of 1 January and 31 December 2010, respectively.

As of 1 January and 31 December 2010 advances issued in the Consolidated Balance Sheet include advances of RR 117,343 and RR 123,909, respectively, issued for capital construction purposes.

As of 1 January and 31 December 2010 the advances issued include current portion of the advance issued to NJSC "Naftogas of Ukraine" in the amount of RR 26,295 and RR 9,922, respectively.

As of 1 January and 31 December 2010 other accounts receivable of the Consolidated Balance Sheet include the following:

	As of 1 January 2010	As of 31 December 2010
Overpayment of taxes to the budget	56,744	48,716
Settlements on claims	18,705	18,662
Other	228,189	174,616
Total	303,638	241,994

As of 1 January and 31 December 2010 other accounts receivable are stated net of the impairment provision of RR 13,932 and RR 7,773, respectively.

11. OTHER SHORT-TERM FINANCIAL INVESTMENTS

	As of 1 January 2010	As of 31 December 2010
Short-term deposits	73,024	171,127
Third party promissory notes	15,789	5,151
Shares, bonds and participatory interests	2,757	2,689
Other	173	147
Total	91,743	179,114

The Group's short-term deposits in subsidiary banks amounted to RR 2,251 and RR 0 as of 1 January and 31 December 2010, respectively.

As of 31 December 2010 the other short-term financial investments include deposits in the amount of RR 58,331, which represent cash received from sale of 9.4% of shares of OAO Novatek. As of 31 December 2010 these cash balances in the amount of RR 20,000 and RR 38,331 are placed on deposit with OAO VTB Bank and OAO Gazprombank, respectively.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

11. OTHER SHORT-TERM FINANCIAL INVESTMENTS (continued)

As of 1 January and 31 December 2010, other short-term financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 465 and RR 466, respectively.

12. MONETARY ASSETS

The Group had cash balances in Roubles and foreign currencies with its banking subsidiaries of RR 29,663 and RR 0 as of 1 January and 31 December 2010, respectively (see Note 28).

Other monetary assets in the Consolidated Balance Sheet include balances of RR 3,639 and RR 3,669 as of 1 January and 31 December 2010, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

13. EQUITY

OAQ Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2010 and amounted to 23,674 million with nominal value of 5 Roubles each.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group totals 724 million and 723 million as of 1 January and 31 December 2010, respectively.

Shares held by subsidiaries are not taken into account in calculation of earnings per share (see Note 21).

The Group retains control over all treasury shares held by its subsidiaries.

In accordance with the decision of the General shareholders meeting, based on the 2009 results of OAQ Gazprom, final dividends were paid in 2010 in the amount of 2.39 Roubles per ordinary share. Based on the 2008 results dividends were paid in 2009 in the amount of 0.36 Roubles per ordinary share.

14. LOANS AND BORROWINGS

Bank borrowings

Lender	Currency	Maturity	As of 1 January 2010	As of 31 December 2010
The Royal Bank of Scotland AG	US Dollar	2013	54,625	55,046
Natixsis SA*	US Dollar	2015	-	45,721
Banque Societe Generale	US Dollar	2011	32,838	33,051
WestLB AG*	US Dollar	2008 – 2013	30,446	25,744
Russian National Commercial Bank	US Dollar	2012	18,872	19,018
OAQ Sberbank Rossii (AK Sbergatelnny bank RF (OAQ))	US Dollar	2012	25,937	16,643
Credit Suisse International	US Dollar	2017	15,867	15,989
Bank of Tokyo-Mitsubishi UFJ Ltd.	US Dollar	2012	15,184	15,259
JP Morgan Chase Bank	US Dollar	2012	12,757	12,847
OAQ VTB Bank	US Dollar	2012	12,226	12,317
Deutsche Bank AG	US Dollar	2008 – 2014	16,144	11,410
The Royal Bank of Scotland AG*	US Dollar	2007 – 2012	24,550	10,774
Citibank International pls*	US Dollar	2010 – 2021	-	10,269
Deutsche Bank AG	US Dollar	2014	-	9,217
Bank of Tokio-Mitsubishi UFJ Ltd.	US Dollar	2015	-	9,198
Banque Societe Generale*	Euro	2011	8,395	7,799
Credit Agricole CIB*	US Dollar	2013	-	7,633
BNP Paribas SA*	Euro	2013 – 2022	-	7,108
GK Vnesheconombank	Rouble	2013 – 2025	-	6,621
Deutsche Bank AG	US Dollar	2014	6,058	6,115

GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

14. LOANS AND BORROWINGS (continued)

Lender	Currency	Maturity	As of 1 January 2010	As of 31 December 2010
The Royal Bank of Scotland AG*	US Dollar	2008 – 2013	5,479	5,521
ZAO Raiffeisenbank	US Dollar	2013	-	3,050
OAO Nordea Bank	US Dollar	2014	-	3,048
Deutsche Bank AG	US Dollar	2008 – 2011	5,770	2,907
BNP Paribas SA*	Euro	2023	2,070	2,211
OAO TransKreditBank	Rouble	2012	2,718	1,970
JP Morgan Chase Bank	US Dollar	2008 – 2011	3,034	1,528
OAO Sberbank Rossii (AK Sbergatelnny bank RF (OAO))	US Dollar	2010	70,564	-
GK Vnesheconombank	US Dollar	2010	22,751	-
Credit Agricole CIB*	US Dollar	2010	18,156	-
Credit Suisse International	Euro	2010	10,860	-
Commerzbank AG*	US Dollar	2010	9,474	-
The Royal Bank of Scotland AG*	US Dollar	2010	8,152	-
OAO Gazprombank	Rouble	2010	7,500	-
E.ON Rurgaz AG	Euro	2010	4,589	-
Citibank N.A.	US Dollar	2010	3,973	-
BNP Paribas SA	Euro	2010	2,852	-
Other	Various	Various	67,833	64,310
Total, including			519,674	422,324
Due within one year, including current portion of long-term borrowings			202,043	107,907

*Loans received from syndicate of banks, named lender is the bank-agent.

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 5% to 10.95% and from 3.68% to 12.5% in 2010 and 2009 respectively. Also in 2010-2009 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

Long-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 5% to 16.85% and 6.25% to 16.85% in 2010 and 2009 respectively.

Short-term foreign currency denominated borrowings had fixed interest rate 8.11% in 2010. In 2009 interest rates on short-term foreign currency denominated borrowings ranged from 5.5% to 12%. Also in 2010-2009 short-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

14. LOANS AND BORROWINGS (continued)

Short-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 7.6% to 15.5% and from 9.6% to 20.2% in 2010 and 2009 respectively.

Loans

Borrowing / Creditors	Currency	Maturity	As of 1 January 2010	As of 31 December 2010
Loan participation notes issued in April 2009*	US Dollar	2019	69,238	69,771
Loan participation notes issued in October 2007*	Euro	2018	55,100	51,220
Loan participation notes issued in June 2007*	US Dollar	2013	48,589	48,963
Loan participation notes issued in May 2005*	Euro	2015	44,875	41,715
Loan participation notes issued in November 2006*	US Dollar	2016	41,104	41,421
Loan participation notes issued in December 2005*	Euro	2012	43,509	40,445
Loan participation notes issued in March 2007*	US Dollar	2022	40,128	40,437
White Nights Finance B.V.	US Dollar	2014	39,441	39,744
Loan participation notes issued in July 2009*	US Dollar	2014	39,094	39,386
Loan participation notes issued in August 2007*	US Dollar	2037	38,838	39,137
Loan participation notes issued in April 2004*	US Dollar	2034	36,841	37,124
Loan participation notes issued in July 2009*	Euro	2015	38,144	36,809
Loan participation notes issued in April 2008*	US Dollar	2018	33,871	34,131
Loan participation notes issued in October 2006*	Euro	2014	35,289	32,804
Loan participation notes issued in November 2010*	US Dollar	2015	-	30,615
Loan participation notes issued in June 2007*	Euro	2014	30,649	28,490
Structured export notes issued in July 2004**	US Dollar	2007 – 2020	27,118	22,747
Loan participation notes issued in November 2006*	Euro	2017	22,564	20,975
Loan participation notes issued in March 2007*	Euro	2017	21,888	20,347
Russian bonds issued in April 2010*****	Rouble	2013	-	20,000
Loan participation notes issued in April 2009*	CHF	2011	15,472	17,209
Loan participation notes issued in July 2008*	US Dollar	2013	15,551	15,671
Loan participation notes issued in April 2008*	US Dollar	2013	12,295	12,390
Loan participation notes issued in April 2009*****	Rouble	2019	10,427	11,173

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

14. LOANS AND BORROWINGS (continued)

Borrowing / Creditors	Currency	Maturity	As of 1 January 2010	As of 31 December 2010
A13 series Russian bonds, issued in June 2009	Rouble	2012	10,007	10,011
Eurofert Trading Limited llc***	Rouble	2015	-	8,600
Loan participation notes issued in November 2007*	Japanese yen	2012	7,956	8,017
Loan participation notes issued in July 2009*****	Rouble	2016	8,429	8,000
A9 series Russian bonds, issued in February 2007	Rouble	2014	5,133	5,134
A8 series Russian bonds, issued in November 2006	Rouble	2011	5,060	5,061
Russian bonds-03 Series, issued in December 2009****	Rouble	2014	5,038	5,039
A11 series Russian bonds, issued in June 2009	Rouble	2014	5,004	5,006
Russian bonds issued in July 2009*****	Rouble	2011	5,000	5,000
Eurofert Trading Limited llc***	Rouble	2015	-	5,000
Russian bonds-02 Series, issued in March 2006****	Rouble	2016	4,909	4,910
Russian bonds-01 Series, issued in September 2006****	Rouble	2011	4,799	4,801
Gazstream SA	US Dollar	2006 – 2012	3,525	2,368
Russian bonds issued in April 2007***	Rouble	2012	2,916	1,547
Loan participation notes issued in September 2003*	Euro	2010	44,278	-
000 Aragon*****	Euro	2010	7,343	-
Loan participation notes issued in November 2007*	Japanese yen	2010	5,302	-
A4 series Russian bonds, issued in February 2005	Rouble	2010	5,159	-
Russian bonds issued in July 2007***	Rouble	2010	5,001	-
Wintershall Holding GmbH *****	Euro	2010	4,906	-
Golden Gates B.V.	Rouble	2010	3,227	-
Stock bonds-B0-02, issued in August 2009****	Rouble	2010	2,079	-
Gazstream SA	US Dollar	2010	1,736	-
Other loans	Various	Various	38,319	22,072
Total, including			945,151	893,290
Due within one year, including current portion of long-term borrowings			134,943	82,098

* Issuer of these bonds is Gaz Capital S.A.

** Issuer of these bonds is Gazprom International S.A.

*** Issuers of these bonds are OAQ WGC-2 and OAQ WGC-6.

**** Issuer of these bonds is OAQ Mosenergo.

***** Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

***** Issuer of these bonds is OAQ Gazprom neft.

***** Issuer of these bonds is OAQ TGC-1.

**GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)**

14. LOANS AND BORROWINGS (continued)

As of 1 January and 31 December 2010 long-term loans (including current portion of long-term loans) of RR 27,118 and RR 22,747, respectively, were secured by cash from gas sales contracts to Western Europe.

Fixed interest rates on long-term foreign currency denominated loans ranged from 4.56% to 10.5% in 2010 and 2009. Fixed interest rates on long-term loans denominated in Russian Roubles ranged from 7% to 16.7% and from 6.77% to 16.99% in 2010 and 2009, respectively.

In 2010 and 2009 fixed interest rates on short-term loans denominated in Russian Roubles ranged from 0.3% to 12% and from 5% to 19.5% respectively. In 2010 and 2009 fixed interest rates on short-term foreign currency denominated loans ranged from 6% to 9.8% and from 6% to 13%, respectively.

As of 1 January and 31 December 2010 long-term borrowings included loans received from Gaz Capital S.A. in connection with the issue in 2004 of the loan participation notes of USD 1,200 million at an interest rate of 8.625% due on 28 April 2034. The loan participation notes can be presented for payment in the amount of the principal debt and accumulated interest before the maturity date, i.e. on 28 April 2014 (put option exercise date).

15. TAXATION

Profit tax

In 2010 and 2009 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 211,265 and RR 174,262, respectively. According to the tax returns the profit tax in 2010 and 2009 included within the line Current Profit Tax amounted to RR 265,167 and RR 189,339, respectively.

According to updated tax returns submitted in 2010 the profit tax amounted to minus RR 12,424 (decrease of current profit tax in 2007 was mainly due to application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment). According to updated tax returns submitted in 2009 the profit tax amounted to minus RR 1,095.

In 2010 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RR 292,805 (in 2009 by RR 156,448). The permanent differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge for tax purposes, social expenses, charitable donations, expenses exceeding prescribed limits and other non-production costs.

In 2010 and 2009 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 145,789 and RR 145,159, respectively.

Deductible temporary differences incurred in 2010 principally arise from the elimination in accounting records of unrealised income from intergroup transactions, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, and the fact that expenses for geological and geophysical exploration and annual bonuses are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2010 and 2009 totaled RR 85,818 and RR 121,976, respectively. Settlement of these differences in 2010 is principally due to investments revaluation to fair value in accounting records, recognition of the profit that was formerly excluded as unrealised income from intergroup transactions for accounting purposes in the current period, decrease of the current tax base related to geological and geophysical exploration expenses, as well as annual bonuses and other expenses recognized for accounting purposes in prior periods.

In 2010 and 2009 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 222,647 (including RR 168,544 for the current period) and RR 156,541, respectively. Taxable temporary differences in 2010 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment, investments revaluation to fair value in accounting records, storage costs included in the cost of finished goods for accounting purposes as well as write-off for tax purposes of expenses for licences for the use of subsurface resources within two years.

AO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

15. TAXATION (continued)

Taxable temporary differences settled in 2010 and 2009 totaled RR 74,848 and RR 49,752, respectively. Settlement of these differences in 2010 is principally due to increase of the current tax base by the amount of costs of storage included in the cost of finished goods recognized in prior period for accounting purposes, as well as by the amount of depreciation charge, accrued on fixed assets, useful life of which for accounting purposes is longer than for tax purposes, during prior tax periods.

Other similar payments

Other similar payments in the Consolidated Statement of Income include other charges payable to budget and non-budget funds out of current year profit, prior years profit tax, as well as deferred tax write-on fixed assets disposal:

	For 2010	For 2009
Deferred tax assets and liabilities write-off	(24,213)	103
Previous year profit tax	(12,424)	(1,095)
Late payment charges and other taxes	888	803
Fines	8	77
Total	(35,741)	(112)

Deferred tax assets and liabilities write-off in 2010 includes mainly deferred tax liability write-off in amount of RR 22,942, accrued in 2009 as a result of revaluation to fair value of shares of OAO Gazprom held by ZAO Gerosgaz, the Group's subsidiary. After liquidation of ZAO Gerosgaz in 2010, its assets and liabilities were transferred to Gazprom Gerosgaz Holding B.V., the Group's subsidiary, without uprise of tax differences.

Prior years profit tax includes results of profit tax recalculation in 2007 for application of a specific rate 2 to standard depreciation rate of fixed assets used in aggressive environment, that according to updated tax returns for 2007, reduced Current profit tax by RR 12,983.

16. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES

	For 2010	For 2009
Gas sales (net of VAT, excise and other similar mandatory payments)		
Russian Federation	614,702	494,931
Former Soviet Union countries (excluding Russian Federation)	450,137	371,152
Europe and other countries	1,099,225	1,105,453
Net sales of gas	2,164,064	1,971,536
Sales of refined products (net of VAT, excise and other similar mandatory payments)		
Russian Federation	412,208	297,885
Former Soviet Union countries (excluding Russian Federation)	36,042	35,951
Europe and other countries	260,835	206,669
Net sales of refined products	709,085	540,505
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	74,697	56,771
Former Soviet Union countries (excluding Russian Federation)	25,988	26,562
Europe and other countries	146,959	131,714
Net sales of oil and gas condensate	247,644	215,047
Sales of electric and heat energy (net of VAT)		
Russian Federation	290,659	191,334
Former Soviet Union countries (excluding Russian Federation)	3,476	3,706
Europe and other countries	3,326	126
Net sales of electric and heat energy	297,461	195,166
Sales of gas transportation services (net of VAT)		
Russian Federation	60,775	46,063
Former Soviet Union countries (excluding Russian Federation)	1,278	966
Europe and other countries	-	-
Net sales of gas transportation services	62,053	47,029

GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

16. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES (continued)

	For 2010	For 2009
Other sales (net of VAT)		
Russian Federation	165,904	134,908
Former Soviet Union countries (excluding Russian Federation)	7,683	6,664
Europe and other countries	7,805	7,607
Total other sales	181,392	149,179
Net sales	3,661,699	3,118,462

Sales of gas in 2010 increased by 10% compared to 2009. Revenue growth is mainly due to increase of gas sales prices in Russian Federation, set by Federal Tariffs Service, as well as of average prices and volume of deliveries to Former Soviet Union countries. Whereby, the volume of deliveries to customers in Russian Federation remained at the level of 2009.

Increase of refined products sales in 2010 compared to 2009 was mainly due to increase of sales prices and volume of deliveries by Gazprom Neft Group companies to customers in Russian Federation.

Consolidation of OAO TGK-1 with Gazprom Group since December 2009 and sales increase in other energy companies of the Group resulted in 52% increase of electric and heat energy sales in 2010 compared to 2009.

17. COST OF GOODS, PRODUCTS, WORKS AND SERVICES SOLD, COMMERCIAL AND MANAGEMENT EXPENSES

	For 2010	For 2009
Depreciation and amortization	425,664	369,053
Purchased gas	329,434	452,028
Taxes included in cost of sales	287,012	241,869
Staff costs and social expenses	275,894	234,391
Transit costs for gas, oil and refined products	275,143	233,240
Purchased oil	255,129	194,806
Repairs and maintenance	175,726	149,565
Cost of goods for resale	110,510	90,937
Materials	83,254	86,160
Energy	63,633	43,404
Rent, lease payments	31,276	30,654
Insurance	21,013	24,322
Other	161,658	123,534
Total cost of goods, products, works and services sold, commercial and management expenses	2,495,346	2,273,963

The decrease of purchased gas is primarily explained by decline of volume and price of gas purchased outside Russian Federation.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RR 170,455 and RR 144,907 in 2010 and 2009, respectively.

The cost of purchased oil increased mainly due to a rise in oil world market prices.

Other expenses primarily include cost of geologic exploration, storage costs, costs of refining, transportation services, legal and consulting fees, heat energy transfer services to final consumers, telecommunication, advertisement and other services.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

18. OTHER INCOME AND EXPENSES

Note	For 2010		For 2009		
	Income	Expenses	Income	Expenses	
	Sales and purchases of foreign currency	2,548,131	2,547,452	2,653,538	2,652,950
	Income/expenses from trading activity without delivery	446,083	439,827	356,865	352,694
	Exchange differences	274,966	265,862	486,443	476,421
	Transactions with securities, including promissory notes	149,069	135,929	32,139	30,248
	Amortization of goodwill	-	46,847	-	37,116
	Bad debt provision	-	43,792	-	28,415
	Social expenses	-	24,937	-	21,869
	Provisions for contingent events	16,704	23,644	-	32,201
	Income /Expense related to sales of other assets	18,993	18,271	2,380	2,706
	Profit and losses of previous years identified in the reporting period	27,251	12,685	23,030	16,114
	Fees and penalties for breach of contracts	2,295	2,686	2,654	611
	Investments impairment provision	-	5,479	-	667
	Services of credit organizations	-	4,976	-	6,090
	Transfer of the Group claims to third parties	12,348	12,506	13,671	17,703
	Income/expenses related to gratuitous transfer of assets	82	3,841	409	5,213
	Income and expenses from sale and contribution of fixed assets to charter capital	3,744	2,216	6,264	3,329
	Accounts receivable write off	-	1,975	-	3,135
	Adjustment of investments (to fair value)	68,373	-	119,268	-
26	Gain from swap of assets transaction	-	-	103,030	-
	Other	33,581	125,580	24,506	96,269
	Total	3,601,620	3,718,505	3,824,197	3,783,751

Transactions with securities including promissory notes include income and expenses from sale of 9.4% of shares of OAO Novatek in amount of RR 57,462 and RR 54,755 respectively, as well as income and expenses from sale of share in charter capital of OOO SeverEnergiya in amount of RR 48,715 and RR 43,177 respectively (see Note 27).

Other income and expenses related to accrual (release) of bad debt provision, impairment provision for financial investments are reported net except for provision for contingent events.

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP
Principal subsidiaries as of 31 December 2010

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Aviapredpriyatie Gazprom avia	100	Air transportation services	Russia
	ZAO ArmRosgazprom	80	Gas transportation and gas distribution	Armenia
	Vemex s.r.o.	50	Gas distribution	Czech Republic
	OAO Vostokgazprom	100	Gas production	Russia
	OOO Gazovie Magistraly Tumeny	100	Gas network operation	Russia
	OOO Gazprom Burenie	100	Exploration, wells construction	Russia
	OOO Gazprom VNIIGAZ	100	Research and development	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	Gazprom Gerosgaz Holding B.V.	100	Investing	Netherlands

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	Gazprom Global LNG Ltd.	100	Participation in LNG production and realization projects	United Kingdom
	OOO Gazprom dobycha Astrakhan	100	Production and refining of hydrocarbons	Russia
	OOO Gazprom dobycha Krasnodar	100	Gas production	Russia
	OOO Gazprom dobycha Krasnoyarsk	100	Exploration, geophysics	Russia
	OOO Gazprom dobycha Nadym	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Noyabrsk	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Orenburg	100	Production, refining and transportation of hydrocarbons	Russia
	OOO Gazprom dobycha Urengoy	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha shelf	100	Development of hydrocarbons fields	Russia
	OOO Gazprom dobycha Yamburg	100	Production of hydrocarbons	Russia
	Gazprom EP International B.V.	100	Investments, asset management	Netherlands
	OOO Gazprom invest Vostok	100	Construction	Russia
	OOO Gazprom invest Zapad	100	Construction	Russia
	ZAO Gazprom invest Yug	100	Construction	Russia
	OOO Gazprom investholding	100	Investing	Russia
	OOO Gazprom Inform	100	Informational and technical assistance	Russia
	OOO Gazprom komplektaciya	100	Trading	Russia
	Gazprom Libyen Verwaltungs GmbH	100	Investing	Germany
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	OOO Gazprom Mezhrefiongaz (OOO Mezhrefiongaz)**	100	Gas distribution	Russia
	ZAO Gazprom neft Orenburg	100	Exploration and sales oil and petroleum gas	Russia
	Gazprom Neft Trading GmbH	100	Oil products trading	Austria
	OOO Gazprom neft shelf	100	Development of oil and gas fields	Russia
23	OAO Gazprom neft	96	Exploration, refining and sales of crude oil	Russia
	OOO Gazprom pererabotka	100	Refining of hydrocarbons	Russia
	OOO Gazprom podzemremont Orenburg	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom podzemremont Urengoy	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom PKhG	100	Gas storage	Russia
	Gazprom Sakhalin Holding B.V.	100	Foreign investing	Netherlands
	OOO Gaprom togservis	100	Trading	Russia
	OOO Gazprom transgas Volgograd	100	Gas transportation	Russia
	OOO Gazprom transgas Ekaterinburg	100	Gas transportation	Russia
	OOO Gazprom transgas Kazan	100	Gas transportation	Russia
	OOO Gazprom transgas Makhachkala	100	Gas transportation	Russia
	OOO Gazprom transgas Moskva	100	Gas transportation	Russia
	OOO Gazprom transgas Nizhny Novgorod	100	Gas transportation	Russia
	OOO Gazprom transgas Samara	100	Gas transportation	Russia
	OOO Gazprom transgas St. Petersburg	100	Gas transportation	Russia
	OOO Gazprom transgas Saratov	100	Gas transportation	Russia
	OOO Gazprom transgas Stavropol	100	Gas transportation	Russia
	OOO Gazprom transgas Surgut	100	Gas transportation	Russia

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Gazprom transgas Tomsk	100	Gas transportation	Russia
	OOO Gazprom transgas Ufa	100	Gas transportation	Russia
	OOO Gazprom transgas Ukhta	100	Gas transportation	Russia
	OOO Gazprom transgas Tchaikovsky	100	Gas transportation	Russia
	OOO Gazprom transgas Yugorsk	100	Gas transportation	Russia
	OOO Gazprom transgas-Kuban	100	Gas transportation	Russia
	Gazprom Finance B.V.	100	Investing	Netherlands
	OOO Gazprom tsentremont	100	Agency on technical maintenance and repairs	Russia
	OOO Gazprom export	100	Foreign trade	Russia
	OOO Gazprom energo	100	Electric energy transmission	Russia
	OOO Gazprom energoholding	100	Investing, asset management	Russia
	ZAO Gazprom YRGM Development***	100	Gas distribution	Russia
	ZAO Gazprom YRGM Trading***	100	Gas distribution	Russia
	OOO Gazpromneft-Vostok	100	Oil and gas production	Russia
	ZAO Gazpromneft-Kuzbass	100	Oil products trading	Russia
	OAO Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
	OAO Gazpromneft-Omsk	100	Oil products trading	Russia
	OAO Gazpromneft-Omskiy NPZ	100	Oil refining	Russia
	ZAO Gazpromneft-Severo-Zapad	100	Oil products trading	Russia
	OOO Gazpromneftfinans	100	Investing	Russia
	OOO Gazpromneft-Khantos	100	Oil and gas production	Russia
	OOO Gazpromneft-Centr	100	Oil products trading	Russia
	OOO GazpromPurInvest	100	Investing	Russia
	OAO Gazpromregiongaz	100	Gas network operation	Russia
	OOO Gazpromtrans	100	Forwarding services	Russia
	OAO Gazpromtrubinvest	100	Production and sales of pipes	Russia
	OOO Gazflot	100	Transportation, offshore field development	Russia
	OOO Georesurs	100	Exploration, geophysics	Russia
	OAO Daltransgaz	100	Gas transportation	Russia
	OOO Zapolyarneft	100	Oil and gas production	Russia
	OAO Zapsibgazprom	77	Construction	Russia
	ZMB (Schweiz) AG	100	Gas distribution	Switzerland
	ZAO Kaunasskaya power station	99	Electric power generation and distribution	Lithuania
	OAO Krasnoyarskgazprom	75	Exploration, geophysics	Russia
24	OAO Moscovsky NPZ	77	Processing and distribution of refined products	Russia
	OAO Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
22	Naftna Industrija Srbije	51	Extraction and Processing of oil distribution of refined products	Serbia
	OOO NK Sibneft-Yugra	100	Oil and gas production	Russia
	OOO Novourenogysky GHK	100	Construction of gas chemical complex	Russia
	OAO WGC-2	58	Production and sales of electric and heat energy	Russia
	OAO WGC-6	61	Production and sales of electric and heat energy	Russia

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ZAO Purgaz	51	Gas production	Russia
	OAO Regiongazholding	56	Construction and maintenance of gas facilities	Russia
	ZAO Rosshelf	57	Investments in oil and gas fields	Russia
	ZAO RSh-Centre	100	Information, consulting and transportation services	Russia
	OAO Severneftegazprom***	50	Exploration, processing and sales of gas and gas condensate	Russia
24	Sibir Energy Ltd (Sibir Energy plc)**	78	Exploration, processing and sales of hydrocarbons	United Kingdom
	OOO Sibmetahim	100	Gas processing and sales of petrochemicals	Russia
	OAO Spetsgazavtotrans	51	Construction and transportation Services	Russia
25	OAO TGC-1	52	Production and sales of electric and heat energy	Russia
	OAO Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	OOO Faktoring-Finance	90	Investing	Russia
	OAO Tsentrغاز	100	Construction	Russia
	OAO Tsentrenergogaz	66	Repair and maintenance of gas equipment	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

* cumulative share of the Group in charter capital of investees

** marked subsidiaries were renamed (their former names are presented in brackets)

*** Group's portion of voting shares

**** the company Sibir Energy plc was re-registered from being a public company to a private company in 2011

Principal associates as of 31 December 2010

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Exploration and production of gas and gas condensate	Russia
OAO Beltransgaz	50	Transportation and gas supply	Belarus
Bosphorus Gaz Corporation A.S.	51	Gas distribution	Turkey
Wintershall AG	49	Production of oil and gas distribution	Germany
WINGAS GmbH & Co. KG	50	Transportation and sales of gas	Germany
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	50	Gas distribution	Germany
Gaz Project Development Central Asia AG	50	Gas extraction	Switzerland
OAO Gazprombank	42	Banking	Russia
AO Gazum	25	Gas distribution	Finland
Blue Stream Pipeline Company B.V.	50	Construction, gas transportation	Netherlands
SGT EuRoPol GAZ S.A.	48	Transportation and gas distribution	Poland

OA0 GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Company	Share in Charter Capital*, %	Type of activity	Location
TOO KazRosGaz	50	Gas processing and sales of gas and refined products	Kazakhstan
AO Latvijas Gaze	34	Transportation and gas distribution	Latvia
AO Lietuvos dujos	37	Transportation and gas distribution	Lithuania
AO Moldovagaz	50	Transportation and gas distribution	Moldova
ZAO Nortgaz	51	Exploration and sale of gas and gas condensate	Russia
Nord Stream AG	51	Construction, gas transportation	Switzerland
AO Overgaz Inc.	50	Gas distribution	Bulgaria
RosUkrEnergo AG	50	Gas distribution	Switzerland
OA0 Gazprom neftekhim Salavat (OA0 Salavatnefteorgsintez)**	50	Processing and distribution of refined products	Russia
Salym Petroleum Development N.V.	50	Oil production	Netherlands
Sakhalin Energy Investment Company Ltd.	50	Oil production, production of LNG	Bermuda Islands
OA0 NGK Slavneft	50	Production of oil, sale of oil and refined products	Russia
OA0 Tomskneft VNK	50	Oil production	Russia
AO Turusgas	45	Gas distribution	Turkey
Shtokman Development AG	51	Exploration and production of gas	Switzerland
OOO Yamal razvitie***	50	Investment, asset management	Russia

* cumulative share of the Group in charter capital of investments

** the company was renamed in 2011 (former name is in the brackets)

*** the company owns 51% share in the charter capital of OOO SeverEnergiya

20. RELATED PARTIES

As defined by RAR 11/2008 "Related parties", parties are considered to be related if one party has the ability to control another party for exercise significant influence over another party in making financial and operational decisions, or parties are engaged in joint activity. A non-state pension fund acting in favor of entity's employees is also considered a related party.

Associates and other major related parties

In 2010 and 2009 the Group had following operations with major associates and other related parties:

	For 2010	For 2009
Revenue (net of VAT, excises and other similar mandatory payments):		
Gas sales		
OA0 Beltransgaz	122,983	83,306
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	77,487	104,370
ZAO Panrusgaz	69,708	64,068
WINGAS GmbH & Co.KG	41,716	55,472
AO Gazum	27,654	25,119
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	21,050	13,304
AO Overgaz Inc	19,134	16,360
AO Moldovagaz	17,125	20,785
Promgaz SPA	13,600	11,435
AO Lietuvos dujos	10,942	8,129
PremiumGas S.p.A.	9,808	4,825

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

20. RELATED PARTIES (continued)

	For 2010	For 2009
GWH – Gaz und Warenhandels GmbH	9,663	7,059
AO Latvijas Gaze	5,121	6,015
Bosphorus Gas S.A.	3,695	3,436
OAO TGC-1	-	12,981
RosUkrEnergo AG	-	5,349
Gas transportation services		
OAO Novatek	25,975	20,020
Crude oil, gas condensate and refined products sales		
OAO NGK Slavneft and its subsidiaries	35,228	22,841
OAO Salavatnefteorgsintez	12,419	10,787
Gas refining services		
TOO KazRosGas	4,518	4,140
Purchases:		
Gas purchases		
TOO KazRosGas	28,158	31,810
OAO Novatek	12,935	15,791
RosUkrEnergo AG	8,447	-
Sakhalin Energy Investment Company Ltd.	7,533	3,311
Gas transportation services		
OAO Beltransgaz	14,206	14,111
SGT EuRoPol GAZ S.A.	10,207	12,314
Blue Stream Pipeline Company B.V.	7,622	8,731
WINGAS GmbH & Co.KG	3,238	4,926
Oil and oil products purchases		
OAO NGK Slavneft and its subsidiaries	53,146	54,849
OAO Tomskneft VNK and its subsidiaries	34,864	31,628
Salym Petroleum Development N.V.	26,452	17,575
Oil and oil product refining services		
OAO NGK Slavneft and its subsidiaries	7,835	6,916
Pension fund contributions:		
NPF Gazfund	5,435	8,782

* Wintershall Erdgas Handelshaus Zug AG (WIEE) is the subsidiary of Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH).

In Russia the Group sold gas to associates and other major related parties mainly using tariffs set by FTS. Export sales are based on long-term contracts with prices linked to world commodity prices.

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the Consolidated Balance Sheet of the Group as of 1 January and 31 December 2010:

	As of 1 January 2010	As of 31 December 2010
Accounts receivable:		
Payment expected beyond 12 months of the reporting date:		
RosUkrEnergo AG	11,842	-
Payment expected within 12 months of the reporting date:		
RosUkrEnergo AG	10,573	81,622
AO Moldovagaz*	19,245	18,231
OAO Beltransgaz	9,725	15,871

OA0 GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

20. RELATED PARTIES (continued)

	As of 1 January 2010	As of 31 December 2010
OA0 Salavatnefteorgsintez	10,488	10,829
ZAO Panrusgaz	8,877	8,087
WINGAS GmbH &Co.KG	4,791	7,870
Wintershall Erdgas Handelshaus GmbH &Co.KG (WIEH)	12,018	7,253
AO Overgaz Inc.	3,795	5,820
AO Gazum	4,082	5,164
Wintershall Erdgas Handelshaus Zug AG (WIEE)	2,249	2,763
Promgaz SPA	1,721	2,143
AO Lietuvos dujos	1,622	2,103
OA0 Gazprombank	1,026	1,567
OA0 NGK Slavneft and its subsidiaries	1,647	1,238
OA0 Sibur Holding and its subsidiaries	301	283
OA0 Novatek	530	-
Accounts payable:		
Short-term accounts payable:		
RosUkrEnergo AG	-	8,447
SGT EuRoPol GAZ S.A.	6,590	6,976
TOO KazRosGas	1,896	4,336
OA0 Sibur Holding and its subsidiaries	3,839	3,777
WINGAS GmbH &Co.KG	2,675	2,806
Salym Petroleum Development N.V.	1,297	2,635
Promgaz SPA	-	1,583
OA0 NGK Slavneft and its subsidiaries	788	1,394
OA0 Beltransgaz	2,028	1,297
OA0 Gazprombank	203	708
OA0 Novatek	784	-
Other long-term accounts payable:		
OA0 Sibur Holding and its subsidiaries	100	1,115

* As of 1 January and 31 December 2010 accounts payable include penalty fees for gas in amount of RR 15,514. Accounts receivable are stated net of provision for doubtful debts amounting to RR 51,802 and 69,305 as of 1 January 2010 and 31 December 2010 respectively.

Loans issued to major associates as of 1 January 2010 and 31 December 2010 are:

	As of 1 January 2010	As of 31 December 2010
Loans and promissory notes due for repayment beyond 12 months of the reporting date:		
WINGAS GmbH &Co.KG	16,609	15,439
OA0 Sibur Holding and its subsidiaries	1,610	5,195
Salym Petroleum Development N. V.	8,896	4,806
OA0 Gazprombank	2,858	1,250
Loans and promissory notes due for repayment within 12 months of the reporting date:		
OOO Yamal razvitie	-	28,123
Nord Stream AG	23,234	6,171
Salym Petroleum Development N.V.	1,903	2,127
OA0 Gazprombank	826	1,601
OA0 Sibur Holding and its subsidiaries	3,783	198

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

20. RELATED PARTIES (continued)

Loans received from major associates as of 1 January 2010 and 31 December 2010 are presented as follows:

	As of 1 January 2010	As of 31 December 2010
Loans and borrowings due for repayment beyond 12 months of the reporting date:		
OAQ Gazprombank	9,536	3,770
Loans and borrowings due for repayment within 12 months of the reporting date:		
OAQ Tomskneft VNK and its subsidiaries	10,463	7,027
OAQ Gazprombank	4,563	6,973
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	-	2,527

The Group received loans from its major associates in Russian Roubles at rates ranging from 7.6% to 15.5% in 2010. The similar figures for 2009 were 8% and 16%.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 6% to 9% in 2010. In 2009 the loan nominated in foreign currency was received at 12.5% rate.

Remuneration to key management personnel

Key management personnel's (the members of the Board of Directors and Management Committee of OAQ Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of OAQ Gazprom and its subsidiaries, amounted to RR 1,561 and RR 1,382 for the years ended 31 December 2010 and 2009, respectively.

The above amounts include personal income tax and insurance premiums. Government representatives serving in the Board of Directors do not receive any remuneration from OAQ Gazprom and its subsidiaries. Remuneration of members of the Board of Directors is approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) paid by OAQ Gazprom and its subsidiaries is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

OAQ Gazprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RR 1 and liability insurance amounted to RR 1 for 2010 and 2009, respectively.

21. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the reporting year. The weighted average number of ordinary shares outstanding for 2010 and 2009 amounted to 22,949 and 23,498 million shares, respectively.

The weighted average number of ordinary shares outstanding for 2009 has been calculated taking into consideration the acquisition of 693,628 thousand of treasury shares of OAQ Gazprom under swap agreement with E.ON Ruhrgas AG. (see Note 26).

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2010 and 2009.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

22. ACQUISITION OF NAFTNA INDUSTRIJA SRBIJE (NIS)

In February 2009 the Group acquired 51% of voting shares in "NIS" for RR 18,489. As part of the purchase agreement the Group pledged to invest Euro 547 million to rebuild and upgrade NIS's refining facilities by 2012.

Negative goodwill, occurred as a result of the acquisition, in the amount of RR 3,113, was accounted within Other income and expenses of the Consolidated Statement of Income.

"NIS" is the one of the largest vertically integrated oil companies in the Central Europe, operating two oil refineries in Pancevo and Novi Sad. It also has hydrocarbons production in Serbia and operates a network of retail stations throughout Serbia.

23. PURCHASE OF OAQ GAZPROM NEFT

In April 2009 the Group acquired from ENI S.P.a. an additional 20% interest in OAQ Gazprom Neft for RR 138,527 by exercising a share option concluded in April 2007. As a result of this transaction the Group's interest in OAQ Gazprom Neft increased up to 95.68%.

The above transactions gave rise to a goodwill of RR 138,527.

24. ACQUISITION OF SIBIR ENERGY PLC (SIBIR)

In the period from 23 April 2009, the date of acquisition of the first block of shares of Sibir, through 23 June 2009 the Group invested GBP 1,057 million (approximately RR 53 billion) to acquire 48.39% voting shares of Sibir and the right to buy additional 6.32% shares of Sibir. As a result of these acquisitions the Group obtained control over Sibir and started to include it in its consolidated accounting reports.

Sibir is a vertically integrated oil company operating in the Russian Federation. Sibir's assets include assets of OAQ Oil Company Magma (Sibir holds 95% of the company) and a 50% interest in Salym Petroleum Development N.V. (a joint activity with Royal Dutch Shell). Sibir's production assets are located in the Khanty-Mansiysk Autonomous Area and their annual capacity is over 10,600 tons of oil per day. Sibir also owns a 38.63% interest in OAQ Moscow Refinery and a network of 134 gas stations in Moscow and Moscow region via OAQ Moscow Fuel Company and OAQ Mosnefteproduct.

As a result of acquiring Sibir's shares the Group also obtained control over OAQ Moscow Refinery having increased the Group's share in the refinery from 38.63% to 77.26%. The Group recorded the 38.63% interest in OAQ Moscow Refinery within investments in associates.

The above transactions gave rise to a goodwill of RR 103,925.

In May 2010 the Group increased its share in Sibir from 54.71% to 80.73% through obtaining of control over a company the major asset of which was a 25.66% interest in Sibir. In addition, effective interest in OAQ Moscow NPZ increased from 57.17% to 66.66%.

In July 2010 the Group sold 3.02% of ordinary shares of Sibir to OAQ Central Fuel Company, which is controlled by the Government of Moscow. As a result of these transactions the Group's interest in Sibir equals to 77.35%.

25. ACQUISITION OF OAQ TGC-1

In December 2009 the Group completed the series of transactions and obtained the controlling interests in OAQ TGC-1. As of 1 January 2009 and 31 December 2009 the Group's share in the charter capital of OAQ TGC-1 was 28.7% and 51.8%, respectively. Total amount of investment in OAQ TGC-1 was RR 67,539.

The goodwill resulting from the above transactions amounted to RR 47,578. The amount of goodwill arising from the acquisition of interest in OAQ TGC-1 during the fourth quarter 2009, was reduced by RR 12,060, i.e. by the Group's portions of the share premium.

26. SWAP TRANSACTION WITH E.ON RUHRGAS E&P GmbH

30 October 2009 the Group completed the transaction with E.On Ruhrgas e&p GmbH to exchange a 25% ownership interest in OAQ Severneftegazprom less three ordinary shares, three non-voting preference shares of OAQ Severneftegazprom and one preference share of ZAO Gazprom YRGM Development for a 49% ownership interest in ZAO Gerosgaz and cash compensation amounting to Euro 67 million.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

26. SWAP TRANSACTION WITH E.ON RUHRGAS E&P GmbH (continued)

OAQ Severneftegazprom holds a development and production license for the Yuzhno-Russkoye field in Siberia. ZAO Gerosgaz owns 2.93% of OAQ Gazprom's shares. Income from the disposal of shares transferred in OAQ Severneftegazprom and ZAO Gazprom YRGM Development of RR 103,030 calculated as the difference between the carrying value of transferred assets and the cost of acquired treasury shares, was recognized in the Consolidated Statement of Income. The treasury shares were recognized in the Consolidated Statement of Changes in Shareholder's Equity at their purchase price at the date of acquisition.

27. ACQUISITION OF OOO SEVERENERGIA AND ITS SUBSIDIARIES

In September 2009 the Group acquired a 51% interest in OOO SeverEnergiya for USD 1,428 million by exercising an call option entered into in April 2007. As a result of the transaction the Group acquired a 51% share of OOO SeverEnergiya's debt for USD 138 million. As of 31 December 2009 the Group's payable of RR 35,757 related to the above transaction is recorded within other accounts payable. This debt was fully settled as of 31 December 2010. The above transactions gave rise to a goodwill of RR 60,429 (see Note 5).

In July 2010 OAQ Gazprom Neft and OAQ Novatek established a new company OOO Yamal razvitie. The Group owns 50% of the newly established legal entity.

In November 2010 the Group sold 51% of OOO SeverEnergiya to OOO Yamal razvitie at a price of RR 48,715. Besides, the liabilities of OOO SeverEnergiya, purchased in 2009 and issued after date of acquisition, were sold at a price of USD 241 million.

OAQ Gazprom Neft and OAQ Novatek provided loans in equal portions to OOO Yamal razvitie to finance the acquisition of OOO SeverEnergiya.

The loss of control over OOO SeverEnergiya did not have significant impact on the Consolidated Accounting Reports.

28. CHANGE OF PRESENTATION OF ZAO GAZENERGOPROMBANK

On 30 April 2010 shareholders of ZAO Gazenergoprombank, the Group's banking subsidiary, and OAQ AB Rossiya, a bank not related to the Group, approved the reorganization in the form of the merger of ZAO Gazenergoprombank to OAQ AB Rossiya. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAQ AB Rossiya. In exchange for its controlling interest in ZAO Gazenergoprombank, the Group received a non-controlling interest in OAQ AB Rossiya.

According to the terms of the merger agreement the Group lost the ability to control the financial and operating policies of ZAO Gazenergoprombank on 30 April 2010 and received non-controlling interest in OAQ AB Rossiya after completion of reorganization and procedures required by the Central Bank of Russia.

As a result, the Group stopped to consolidate ZAO Gazenergoprombank as a banking subsidiary. The non-controlling interest in OAQ AB Rossiya that was received as a result of reorganization is included into investments in other companies of Consolidated Balance Sheet at the acquisition price of RR 5,040. The deconsolidation of ZAO Gazenergoprombank did not have a significant impact on the Consolidated Accounting Statements.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

29. CONTINGENCIES

Guarantees issued

	As of 1 January 2010	As of 31 December 2010
Outstanding guarantees issued on behalf of:		
Sakhalin Energy Investment Company Ltd.	101,318	100,260
Nord Stream AG	2,655	50,005
OOO Severny Europeysky Trubny Proekt	-	40,251
OOO Production Company VIS	-	16,030
Blue Stream Pipeline Company B.V.	19,791	13,723
OOO Torgovy Dom Truboprovod	-	12,659
EM Interfinance Limited	5,785	5,694
Blackrok Capital Investments Limited	4,900	4,824
ZAO Achimgaz	4,841	4,330
Devere Capital International Limited	5,672	4,217
OAQ Group E4	3,729	1,450
MRK Energy DMCC	8,620	-
OOO Stroygazconsulting	8,841	-
Other	18,068	20,443
Total	184,220	273,886

In June 2008 the Group issued a number of guarantees in favor of the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. in the amount limited to the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd to the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 1 January and 31 December 2010 the above mentioned guarantees amounted to RR 101,318 and RR 100,260 respectively.

In January 2008 the Group issued a guarantee in favor of Europipe GmbH (supplier of large diameter steel pipes) on behalf of Nord Stream AG related to pipe supply contract for construction of Nord Stream pipeline. As of 1 January 2010 the above mentioned guarantee amounted to RR 2,655. As of 31 December 2010 this loan was repaid.

In March 2010 the Group issued a guarantee in favour of Societe Generale on behalf of Nord Stream AG on completion of Phase 1 of Nord Stream gas pipeline construction works. According to guarantee agreements the Group undertakes to redeem debt up to the amount of the Group's share (51%) in case Nord Stream AG fails to discharge its obligations. As of 31 December 2010 the liabilities secured by the above mentioned guarantee amounted to RR 50,005.

In November 2010 the Group issued a guarantee valid till October 2011 in favour of OAQ Gazprombank on behalf of OOO Severny Europeysky Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAQ Gazprom. As of 31 December 2010 the above mentioned guarantee amounted to RR 40,251.

In January 2010 the Group issued a guarantee in favour of OAQ Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAQ WGC-6. As of 31 December 2010 the above mentioned guarantee amounted to RR 16,030.

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group issued a guarantee on a security of the above mentioned loans. As of 1 January and 31 December 2010 outstanding amounts of these loans were RR 19,791 and RR 13,723, respectively, which were guaranteed by the Group, pursuant to its obligations.

In November 2010 the Group provided a guarantee in favour of OAQ Gazprombank on behalf of OOO Torgovy Dom Truboprovod as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAQ Gazprom. As of 31 December 2010 the above mentioned guarantee amounted to RR 12,659.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

29. CONTINGENCIES (continued)

In 2006 the Group provided guarantees in favour of Asset Repackaging Trust Five B.V. registered in the Netherlands on behalf of the five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland, with respect to bonds issued by them with due date December 2012, June 2018, December 2009, December 2009 and December 2015 respectively. Bonds were issued for financing transit gas pipeline construction in Poland, performed by SGT EuRoPol GAZ S.A. In December 2009 DSL Assets International Limited and United Energy Investments Limited bonds were repaid. As a result the amount of Asset Repackaging Trust Five B.V. guarantees amounted to RR 16,357 and RR 14,735 as of 1 January and 31 December 2010, respectively.

In 2007 the Group provided a guarantee in favour of Wintershall Vermögensverwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky Deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 1 January and 31 December 2010 the above mentioned guarantee amounted to RR 4,841 and RR 4,330, respectively.

In May 2008 the Group provided a guarantee in favour of OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans under the contracts for delivering of power units. As of 1 January and 31 December 2010 the above mentioned guarantee amounted to RR 3,729 and RR 1,450 respectively.

In April 2008 the Group issued a guarantee in favour of Credit Suisse International and AKB National Reserve Bank (OAO) on behalf of MRK Energy DMCC as a security of loans received and used for construction of gas pipeline: Kudarsky pereval – Tskhinval (South Ossetia). As of 1 January 2010 the above mentioned guarantee amounted to RR 8,620. As of 31 December 2010 this loan was repaid.

In April 2009 the Group provided a guarantee in favour of OAO Gazpromank on behalf of OOO Stroygazconsulting as a security of credit facility for construction supplies for Bovanenkovskoye, Yamburgskoe fields and Bovanenkovo-Ukhta gas trunk-line system. As of 1 January 2010 the above mentioned guarantee amounted to RR 8,841. As of 31 December 2010 this loan was repaid.

Other guarantees include mainly guarantees issued by the Group under equipment purchase or construction and installation works contracts.

As of 31 December 2009 according to the management's estimates some obligations on guarantees issued had to be settled. In view of this a provision on guarantees issued in amount of RR 16,657 was created. There are no such guarantees as of 31 December 2010.

Operating environment

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and interest rates. The recent global financial crisis has had a significant impact on the Russian economy. The year 2010 witnessed certain improvements in the Russian economy represented by a moderate growth. The economic recovery has been accompanied by increased population income, reduced crediting rates, stabilized rate of the rouble to global currencies as well as increased level of market liquidity.

At present OAO Gazprom is unable to assess the outcome of a potential deterioration of the economic recovery process, including the foreign currency market and capital markets. Future economic development of the Russian Federation significantly depends on the efficiency of decisions adopted by the Russian Government taking into account changes in taxation, law as well as political changes.

OAQ Gazprom management is unable to predict all developments which could have an impact on the Russian economy and consequently, what effect they could have on the financial position of the Group. OAO Gazprom management undertakes all possible efforts to support the financial position and further development of the Group.

Legal proceedings

The Group is a party to certain legal cases arising in the normal course of business. Additionally, the Group is subject to various environmental laws regarding handling, storage, and disposal of certain products and is subject to regulation by various governmental authorities. The management of OAO Gazprom believes that there are no current legal cases or other claims outstanding, which could have a material negative effect on the result of operations or financial position of the Group.

OAQ GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

29. CONTINGENCIES (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. As of 31 December 2010 interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions will be sustained.

30. POST BALANCE SHEET EVENTS

Investments

In February 2011, the Board of Directors of Sibir Energy Ltd. adopted a resolution to reduce the share capital by cancelling 86.25 mln. shares (22.39%) owned by OAQ Central Fuel Company, which withdraw membership in Sibir Energy Ltd. for a compensation of RR 21,671 (USD 740 million). As a result the Group became the owner of 100% interest in Sibir Energy Ltd.

Borrowings and loans

In November 2010 and January 2011, the Group signed the agreements to obtain the long-term loans from RosUkrEnergo AG in the amount of USD 550 million and USD 250 million due in 2012 at an interest rate of 3.5%. In March 2011 the Group obtained under this agreements USD 550 million and USD 17 million.

In February 2011, the Group issued two series of bonds in the amount of RR 10,000 each due in 2016 and 2021 at an interest rate of 8.5% and the amount of RR 10,000 due in 2021 at an interest rate of 8.9%. The bonds with maturity 2021 have option for early redemption through 5 and 7 years from placement date respectively.

Other

In February 2011, in view of the growing social, economic and political instability in Libya, the Group's operations in this country were temporarily discontinued. These operations are mainly represented by operations of the Group's associate Wintershall AG. Management of the Group is not able to reliably estimate the effect of this non-adjusting event on the assets, liabilities and results of operations of this entity.

In March 2011, as a result of the auction for the sale of property of OAQ RUSIA Petroleum, the Group acquired property of that entity for RR 25,796.

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

28 April 2011