

ОАО ГАЗПРОМ

**IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL INFORMATION
(UNAUDITED)**

31 MARCH 2014



Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of OAO Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 31 March 2014 and the related consolidated interim condensed statements of comprehensive income, cash flows and changes in equity for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

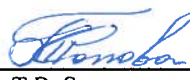
ZAO PricewaterhouseCoopers Audit

8 September 2014
Moscow, Russian Federation

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 31 MARCH 2014
(In millions of Russian Roubles)

Notes		31 March 2014	31 December 2013
	Assets		
	Current assets		
6	Cash and cash equivalents	956,738	689,130
	Restricted cash	700	401
21	Short-term financial assets	25,537	24,502
7	Accounts receivable and prepayments	998,032	1,032,026
8	Inventories	533,918	569,724
	VAT recoverable	290,925	341,315
	Other current assets	<u>226,770</u>	<u>205,572</u>
		3,032,620	2,862,670
	Non-current assets		
9	Property, plant and equipment	9,078,237	8,940,088
	Goodwill	151,975	151,189
10	Investments in associated undertakings and joint ventures	579,726	549,684
11	Long-term accounts receivable and prepayments	436,322	437,349
21	Available-for-sale long-term financial assets	148,883	168,904
12	Other non-current assets	<u>309,579</u>	<u>326,352</u>
		10,704,722	10,573,566
	Total assets	13,737,342	13,436,236
	Liabilities and equity		
	Current liabilities		
	Accounts payable and accrued charges	731,339	895,694
	Current profit tax payable	13,441	17,750
	Other taxes payable	190,015	146,095
	Short-term borrowings, promissory notes and current portion of long-term borrowings	<u>265,669</u>	<u>331,926</u>
		1,200,464	1,391,465
	Non-current liabilities		
13	Long-term borrowings and promissory notes	1,661,012	1,470,002
20	Provisions for liabilities and charges	329,055	330,580
14	Deferred tax liability	586,633	558,869
	Other non-current liabilities	<u>63,365</u>	<u>50,966</u>
		2,640,065	2,410,417
	Total liabilities	3,840,529	3,801,882
	Equity		
15	Share capital	325,194	325,194
15	Treasury shares	(103,919)	(103,919)
	Retained earnings and other reserves	<u>9,352,103</u>	<u>9,098,315</u>
		9,573,378	9,319,590
	Non-controlling interest	<u>323,435</u>	<u>314,764</u>
	Total equity	9,896,813	9,634,354
	Total liabilities and equity	13,737,342	13,436,236



A.V. Kruglov
acting Chairman of the Management Committee
8 September 2014



T.B. Sopova
acting Chief Accountant
8 September 2014

The accompanying notes on pages 6 to 30 are an integral part of this consolidated interim condensed financial information.

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2014
(In millions of Russian Roubles)

Notes		Three months ended	
		2014	2013
		31 March	
		2014	2013
16	Sales	1,558,737	1,461,441
	Net gain from trading activity	3,802	4,592
17	Operating expenses	(1,089,749)	(950,052)
	Operating profit	472,790	515,981
18	Finance income	27,310	27,366
18	Finance expense	(203,087)	(51,292)
10	Share of net income (loss) of associated undertakings and joint ventures	20,907	(2,158)
	Gains on disposal of available-for-sale financial assets	30	22
	Profit before profit tax	317,950	489,919
	Current profit tax expense	(62,599)	(6,705)
	Deferred profit tax expense	(23,687)	(95,062)
	Profit tax expense	(86,286)	(101,767)
	Profit for the period	231,664	388,152
	Other comprehensive income (loss):		
	Items that will not be reclassified to profit or loss:		
20	Remeasurements of post-employment benefit obligations	(6,159)	753
	Total items that will not be reclassified to profit or loss	(6,159)	753
	Items that will be reclassified to profit or loss:		
	Losses arising from change in fair value		
	of available-for-sale financial assets, net of tax	(18,604)	(12,174)
	Share of other comprehensive (loss) income		
	of associated undertakings and joint ventures	(2,373)	1,178
	Translation differences	73,684	7,439
	(Losses) gains from cash flow hedges, net of tax	(10,387)	1,037
	Total items that will be reclassified to profit or loss	42,320	(2,520)
	Other comprehensive income (loss) for the period, net of tax	36,161	(1,767)
	Total comprehensive income for the period	267,825	386,385
	Profit attributable to:		
	Owners of OAO Gazprom	223,007	380,665
	Non-controlling interest	8,657	7,487
		231,664	388,152
	Total comprehensive income attributable to:		
	Owners of OAO Gazprom	255,860	378,647
	Non-controlling interest	11,965	7,738
		267,825	386,385
19	Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	9.72	16.59



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ОАО ГАЗПРОМ
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2014
(In millions of Russian Roubles)

Notes	Three months ended	
	2014	2013
	Cash flows from operating activities	
	Profit before profit tax	317,950
	489,919	
	Adjustments to profit before profit tax for:	
17	Depreciation	114,748
18	Net finance expense	175,777
10	Share of net (income) loss of associated undertakings and joint ventures	(20,907)
	Charge for provisions	83,508
17	Derivatives losses	4,973
	Other	<u>(13,855)</u>
	Total effect of adjustments	<u>344,244</u>
	Cash flows from operating activities before working capital changes	662,194
	Decrease in non-current assets	495
	Increase in non-current liabilities	2,837
	Changes in working capital	102,369
	Profit tax paid	<u>(79,473)</u>
	Net cash from operating activities	688,422
	Cash flows from investing activities	
	Capital expenditures	(398,557)
18	Interest paid and capitalised	(18,327)
	Net change in loans issued	4,421
	Acquisition of subsidiaries, net of cash acquired	(6,960)
	Investments in associated undertakings and joint arrangements	(551)
	Interest received	5,887
	Change in available-for-sale long-term financial assets	(621)
	Proceeds from associated undertakings and joint ventures	8,524
	Other	<u>(5,102)</u>
	Net cash used in investing activities	(411,286)
	Cash flows from financing activities	
	Proceeds from long-term borrowings	164,132
	Repayment of long-term borrowings (including current portion)	(151,507)
	Proceeds from short-term borrowings	13,835
	Repayment of short-term borrowings	(30,401)
	Dividends paid	(335)
18	Interest paid	(17,573)
	Purchase of treasury shares	-
	Change in restricted cash	<u>(299)</u>
	Net cash (used in) from financing activities	(22,148)
	Effect of foreign exchange rate changes on cash and cash equivalents	<u>12,620</u>
	Increase in cash and cash equivalents	267,608
6	Cash and cash equivalents at the beginning of reporting period	<u>689,130</u>
6	Cash and cash equivalents at the end of reporting period	956,738
		<u>425,720</u>
		572,890



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OAQ GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2014
(In millions of Russian Roubles)

Notes	Attributable to the owners of OAO Gazprom							Total equity
	Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest		
Three months ended 31 March 2013								
	Balance as of 31 December 2012	22.9	325,194	(104,094)	7,949,633	8,170,733	309,212	8,479,945
	Profit for the period		-	-	380,665	380,665	7,487	388,152
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	753	753	-	753
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(12,174)	(12,174)	-	(12,174)
	Share of other comprehensive income of associated undertakings and joint ventures		-	-	1,178	1,178	-	1,178
	Translation differences		-	-	7,153	7,153	286	7,439
	Gains (losses) from cash flow hedges, net of tax		-	-	1,072	1,072	(35)	1,037
	Total comprehensive income for the three months ended 31 March 2013		-	-	378,647	378,647	7,738	386,385
	Changes in non-controlling interest in subsidiaries		-	-	12	12	170	182
	Net treasury shares transactions		-	(106)	-	(106)	-	(106)
	Return of social assets to governmental authorities		-	-	(17)	(17)	-	(17)
	Acquisition of shares in subsidiaries		-	-	19,600	19,600	(19,600)	-
	Balance as of 31 March 2013	22.9	325,194	(104,200)	8,347,875	8,568,869	297,520	8,866,389
Three months ended 31 March 2014								
	Balance as of 31 December 2013	23.0	325,194	(103,919)	9,098,315	9,319,590	314,764	9,634,354
	Profit for the period		-	-	223,007	223,007	8,657	231,664
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations		-	-	(6,159)	(6,159)	-	(6,159)
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(18,598)	(18,598)	(6)	(18,604)
	Share of other comprehensive loss of associated undertakings and joint ventures		-	-	(2,373)	(2,373)	-	(2,373)
	Translation differences		-	-	70,090	70,090	3,594	73,684
	Losses from cash flow hedges, net of tax		-	-	(10,107)	(10,107)	(280)	(10,387)
	Total comprehensive income for the three months ended 31 March 2014		-	-	255,860	255,860	11,965	267,825
	Changes in non-controlling interest in subsidiaries		-	-	(2,041)	(2,041)	(3,294)	(5,335)
	Return of social assets to governmental authorities		-	-	(31)	(31)	-	(31)
	Balance as of 31 March 2014	23.0	325,194	(103,919)	9,352,103	9,573,378	323,435	9,896,813


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8 September 2014


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ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

1 NATURE OF OPERATIONS

ОАО Gazprom and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world, are responsible for the major part of gas production and high pressure gas transportation in the Russian Federation, and is a major supplier of gas to European countries. The Group is also engaged in oil production, refining activities, electric and heat energy generation. The Government of the Russian Federation is the ultimate controlling party of ОАО Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in ОАО Gazprom.

The Group is involved in the following principal activities:

- Exploration and production of gas;
- Transportation of gas;
- Sales of gas within Russian Federation and abroad;
- Gas storage;
- Production of crude oil and gas condensate;
- Processing of oil, gas condensate and other hydrocarbons, and sales of refined products; and
- Electric and heat energy generation and sales.

Other activities primarily include production of other goods, works and services.

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 30% of total annual gas volumes are shipped in the first calendar quarter.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, the current impact and ongoing situation with sanctions, uncertainty and volatility of the financial markets and other risks have had and may continue to have effects on the Russian economy. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

3 BASIS OF PRESENTATION

This consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The consolidated interim condensed financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The official Russian Rouble (“RR”) to US dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 35.69 and 31.08 as of 31 March 2014 and 2013, respectively, 32.73 and 30.37 as of 31 December 2013 and 2012, respectively. The official RR to Euro foreign exchange rates as determined by the Central Bank of the Russian Federation were 49.05 and 39.80 as of 31 March 2014 and 2013, respectively, 44.97 and 40.23 as of 31 December 2013 and 2012, respectively.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

Profit tax in the interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

Application of new IFRS

A number of amendments to current IFRS and new IFRIC became effective for the periods beginning on or after January 1, 2014:

- Amendments to IAS 32 Financial Instruments: Presentation regarding offsetting rules,
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other entities and IAS 27 Separate Financial Statements in respect of investment entities,
- Amendments to IAS 36 Impairment of Assets, regarding additional disclosure,
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding novation of derivatives and hedge accounting,
- IFRIC 21 – Levies, Annual improvements 2013.

The Group has applied amended standards and new IFRIC while preparing these Interim Condensed Consolidated Financial Information. It has no significant impact on the Group's Interim Condensed Consolidated Financial Information.

Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after July 1, 2014. The Group has not early adopted:

- The amendments to IFRS 11 Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- The amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on clarification of acceptable methods of depreciation and amortization. In this amendment the IASB clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- IFRS 9 “Financial Instruments” (“IFRS 9”) was issued in July 2014 and effective for annual periods beginning on or after 1 January 2018. IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedging instruments because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the amendments on its consolidated interim condensed financial information.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

5 SEGMENT INFORMATION

The Group operates as a vertically integrated business with substantially all external gas sales generated by the Distribution segment.

The Board of Directors and Management Committee of OAO Gazprom (chief operating decision maker (CODM)) provide general management of the Group, an assessment of the operating results and allocate resources using different internal financial information.

Based on that the following reportable segments within the Group were determined:

- Production of gas – exploration and production of gas;
- Transport – transportation of gas;
- Distribution – sales of gas within Russian Federation and abroad;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- 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; and
- Electric and heat energy generation and sales.

Other activities have been included within “All other segments” column.

The inter-segment sales mainly consist of:

- Production of gas – sales of gas to the Distribution and Refining segments;
- Transport – rendering transportation services to the Distribution segment;
- Distribution – sales of gas to the Transport segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage – sales of gas storage services to the Distribution segment;
- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing; and
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transport and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment.

The CODM assesses the performance, assets and liabilities of the operating segments based on the internal financial reporting. The effects of certain non-recurring transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information to IFRS consolidated financial statements are not included within the operating segments which are reviewed by the CODM on a central basis. Gains and losses on available-for-sale financial assets, and financial income and expenses are also not allocated to the operating segments.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Three months ended 31 March 2014									
Total segment revenues	180,471	238,091	988,698	9,707	183,086	383,592	134,614	53,517	2,171,776
Inter-segment sales	176,534	197,790	82,683	8,899	133,747	2,934	-	-	602,587
External sales	3,937	40,301	906,015	808	49,339	380,658	134,614	53,517	1,569,189
Segment result	9,700	17,430	277,661	2,072	26,260	68,045	21,194	(7,654)	414,708
Depreciation	34,824	94,033	3,850	2,275	21,232	10,130	9,339	7,363	183,046
Share of net income (loss) of associated undertakings and joint ventures	1,029	1,077	3,324	143	15,907	759	21	(1,353)	20,907
Three months ended 31 March 2013									
Total segment revenues	162,891	227,682	973,093	8,357	166,918	322,069	106,851	55,225	2,023,086
Inter-segment sales	160,414	186,450	71,751	7,947	114,638	2,891	-	-	544,091
External sales	2,477	41,232	901,342	410	52,280	319,178	106,851	55,225	1,478,995
Segment result	11,218	19,715	347,180	1,586	23,829	36,072	19,456	(7,089)	451,967
Depreciation	33,023	92,558	3,086	3,759	25,836	8,343	5,969	5,296	177,870
Share of net income (loss) of associated undertakings and joint ventures	519	480	4,750	139	(7,664)	(2,165)	-	1,783	(2,158)

A reconciliation of total reportable segment results to total profit before profit tax in consolidated interim condensed statement of comprehensive income:

	For the three months ended 31 March	
	2014	2013
Segment result for reportable segment	422,362	459,056
Other segments' result	<u>(7,654)</u>	<u>(7,089)</u>
Segment result	414,708	451,967
Difference in depreciation*	68,298	67,997
Expenses associated with pension obligations	(1,968)	(1,933)
Net finance expense	(175,777)	(23,926)
Gains on disposal of available-for-sale financial assets	30	22
Share of net income (loss) of associated undertakings and joint ventures	20,907	(2,158)
Other	<u>(8,248)</u>	<u>(2,050)</u>
Profit before profit tax	317,950	489,919

* The difference in depreciation relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under statutory accounting.

A reconciliation of reportable segments' external sales to sales in consolidated interim condensed statement of comprehensive income is provided as follows:

	For the three months ended 31 March	
	2014	2013
External sales for reportable segments	1,515,672	1,423,770
External sales for other segments	<u>53,517</u>	<u>55,225</u>
Total external segment sales	1,569,189	1,478,995
Differences in external sales*	<u>(10,452)</u>	<u>(17,554)</u>
Total sales per the consolidated interim condensed statement of comprehensive income	1,558,737	1,461,441

* The difference in external sales relates to adjustments of statutory sales to comply with IFRS, such as netting of sales of materials to subcontractors recorded under Russian statutory accounting and other adjustments.

Substantially all of the Group's operating assets are located in the Russian Federation. Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associated undertakings and joint ventures, and inventories. Cash and cash equivalents, restricted cash, VAT recoverable, financial assets and other current and non-current assets are not considered to be segment assets but rather are managed on a central basis.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
31 March 2014									
Segment assets	2,089,088	5,185,998	1,299,392	246,559	1,660,917	1,106,265	821,836	672,351	13,082,406
Investments in associated undertakings and joint ventures	34,231	80,475	75,035	6,821	248,001	19,638	462	115,063	579,726
Capital additions*	47,413	62,460	3,318	1,682	51,194	18,715	10,068	7,313	202,163
31 December 2013									
Segment assets	2,051,204	5,271,761	1,394,112	242,198	1,585,429	1,121,301	798,781	669,682	13,134,468
Investments in associated undertakings and joint ventures	31,032	74,292	73,339	6,090	228,612	17,575	439	118,305	549,684
Capital additions**	257,407	380,547	36,085	23,524	223,557	113,254	77,191	102,285	1,213,850

* Capital additions for the three months ended 31 March 2014.

** Capital additions for the year ended 31 December 2013.

Reportable segments' assets are reconciled to total assets in consolidated interim condensed balance sheet as follows:

	31 March 2014	31 December 2013
Segment assets for reportable segments	12,410,055	12,464,786
Other segments' assets	672,351	669,682
Total segment assets	13,082,406	13,134,468
Differences in property, plant and equipment, net*	(1,531,001)	(1,600,509)
Loan interest capitalised	394,625	378,792
Decommissioning costs	75,392	75,886
Cash and cash equivalents	956,738	689,130
Restricted cash	700	401
Short-term financial assets	25,537	24,502
VAT recoverable	290,925	341,315
Other current assets	226,770	205,572
Available-for-sale long-term financial assets	148,883	168,904
Goodwill	151,975	151,189
Other non-current assets	309,579	326,352
Inter-segment assets	(608,216)	(671,612)
Other	213,029	211,846
Total assets per the consolidated interim condensed balance sheet	13,737,342	13,436,236

* The difference in property, plant and equipment relates to adjustments of statutory fixed assets to comply with IFRS, such as reversal of revaluation of fixed assets recorded under Russian statutory accounting or accounting for historical hyperinflation which is not recorded under statutory accounting.

Segment liabilities mainly comprise operating liabilities. Profit tax payable, deferred tax liabilities, provisions for liabilities and charges, short-term and long-term borrowings, including current portion of long-term borrowings, short-term and long-term promissory notes payable and other non-current liabilities are managed on a central basis.

	Production of gas	Transport	Distri- bution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Segment liabilities									
31 March 2014	114,465	173,051	509,712	5,683	178,102	306,483	42,173	111,160	1,440,829
31 December 2013	155,578	290,678	534,370	9,599	225,777	287,677	49,088	125,339	1,678,106

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

Reportable segments' liabilities are reconciled to total liabilities in consolidated interim condensed balance sheet as follows:

	31 March 2014	31 December 2013
Segment liabilities for reportable segments	1,329,669	1,552,767
Other segments' liabilities	<u>111,160</u>	<u>125,339</u>
Total segments liabilities	1,440,829	1,678,106
Current profit tax payable	13,441	17,750
Short-term borrowings, promissory notes and current portion of long- term borrowings	265,669	331,926
Long-term borrowings and promissory notes	1,661,012	1,470,002
Provisions for liabilities and charges	329,055	330,580
Deferred tax liabilities	586,633	558,869
Other non-current liabilities	63,365	50,966
Dividends	3,574	3,791
Inter-segment liabilities	(608,216)	(671,612)
Other	<u>85,167</u>	<u>31,504</u>
Total liabilities per the consolidated interim condensed balance sheet	3,840,529	3,801,882

6 CASH AND CASH EQUIVALENTS

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand, balances with banks and term deposits with original maturity of three months or less.

	31 March 2014	31 December 2013
Cash on hand and bank balances payable on demand	881,647	568,663
Term deposits with original maturity of three months or less	<u>75,091</u>	<u>120,467</u>
	956,738	689,130

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2014	31 December 2013
Trade receivables	725,281	751,219
Prepayments and advances	101,118	105,741
Other receivables	<u>171,633</u>	<u>175,066</u>
	998,032	1,032,026

Accounts receivable and prepayments are presented net of impairment provision of RR 417,763 and RR 334,141 as of 31 March 2014 and 31 December 2013, respectively.

Accounts receivable due from NAK Naftogaz Ukraine in relation to gas sales are RR 28,063 and RR 90,267 net of impairment provision of RR 51,801 and nil as of 31 March 2014 and 31 December 2013, respectively. Sales of natural gas to NAK Naftogaz Ukraine for the second quarter of 2014 amounted to RR 133,858. As of the date of issuance of this consolidated interim condensed financial information the accounts receivable related to those sales remain unpaid.

8 INVENTORIES

Inventories are presented net of provision for obsolescence of RR 5,168 and RR 4,895 as of 31 March 2014 and 31 December 2013, respectively.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

9 PROPERTY, PLANT AND EQUIPMENT

	Total production assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2012				
Cost	9,788,646	93,181	1,578,379	11,460,206
Accumulated depreciation	<u>(3,478,858)</u>	<u>(32,178)</u>	<u>-</u>	<u>(3,511,036)</u>
Net book value as of 31 December 2012	6,309,788	61,003	1,578,379	7,949,170
Three months ended 31 March 2013				
Net book value as of 31 December 2012	6,309,788	61,003	1,578,379	7,949,170
Depreciation	(108,591)	(665)	-	(109,256)
Additions	3,726	143	178,651	182,520
Acquisition of subsidiaries	1,565	-	-	1,565
Translation differences	2,323	6	106	2,435
Transfers	78,422	14	(78,436)	-
Disposals	(3,531)	(84)	(4,139)	(7,754)
Charge for impairment provision	<u>-</u>	<u>-</u>	<u>(247)</u>	<u>(247)</u>
Net book value as of 31 March 2013	6,283,702	60,417	1,674,314	8,018,433
Nine months ended 31 December 2013				
Net book value as of 31 March 2013	6,283,702	60,417	1,674,314	8,018,433
Depreciation	(306,949)	(1,951)	-	(308,900)
Additions	96,732	267	1,033,629	1,130,628
Acquisition of subsidiaries	110,548	-	18,960	129,508
Translation differences	14,936	(4)	1,349	16,281
Transfers	887,946	2,677	(890,623)	-
Disposals	(30,851)	(176)	(15,036)	(46,063)
Release of impairment provision	<u>-</u>	<u>-</u>	<u>201</u>	<u>201</u>
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
As of 31 December 2013				
Cost	10,942,398	94,737	1,822,794	12,859,929
Accumulated depreciation	<u>(3,886,334)</u>	<u>(33,507)</u>	<u>-</u>	<u>(3,919,841)</u>
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Three months ended 31 March 2014				
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Depreciation	(114,418)	(655)	-	(115,073)
Additions	40,927	-	185,801	226,728
Acquisition of subsidiaries	9,455	-	347	9,802
Translation differences	22,894	11	2,313	25,218
Transfers	37,188	41	(37,229)	-
Disposals	(4,937)	(21)	(3,507)	(8,465)
Charge for impairment provision	<u>-</u>	<u>-</u>	<u>(61)</u>	<u>(61)</u>
Net book value as of 31 March 2014	7,047,173	60,606	1,970,458	9,078,237
As of 31 March 2014				
Cost	11,052,016	94,673	1,970,458	13,117,147
Accumulated depreciation	<u>(4,004,843)</u>	<u>(34,067)</u>	<u>-</u>	<u>(4,038,910)</u>
Net book value as of 31 March 2014	7,047,173	60,606	1,970,458	9,078,237

Production assets are shown net of provision for impairment of RR 54,047 as of 31 March 2014 and 31 December 2013. Assets under construction are presented net of provision for impairment of RR 42,859 and RR 42,873 as of 31 March 2014 and 31 December 2013, respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 420 and RR 463 as of 31 March 2014 and 31 December 2013, respectively.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

Notes			Carrying value as of		Share of the income (loss) of associated undertakings and joint ventures for the three months ended	
			31 March 2014	31 December 2013	31 March 2014	31 March 2013
23	ОАО NGK Slavneft and its subsidiaries	Joint venture	126,999	126,976	23	(23,575)
23	Газпромбанк Group	Associate	99,897	100,612	(1,342)	1,875
	Сахалин Energy Investment Company Ltd.	Associate	83,999	67,868	15,863	12,792
23,24	Nord Stream AG	Joint venture	48,382	43,851	2,283	605
	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	Associate	37,562	40,302	706	2,221
	ООО Yamal razvitie and its subsidiaries*	Joint venture	25,979	24,165	(1,208)	(54)
	Shtokman Development AG	Joint venture	25,346	23,216	31	(77)
23,24	SGT EuRoPol GAZ S.A.	Associate	20,398	18,802	5	(230)
23	ТОО KazRosGaz	Joint venture	13,020	9,819	2,282	1,513
	Wintershall AG	Associate	12,494	11,528	(71)	642
23	ЗАО Achimgaz	Joint venture	11,577	9,956	1,621	830
	South Stream Transport B.V. and its subsidiaries	Joint venture	8,544	7,081	(1,345)	-
23	АО Latvijas Gaze	Associate	5,497	4,959	85	88
23	АО Gasum	Associate	5,204	4,515	274	196
	ЗАО Nortgaz	Joint venture	3,391	2,258	1,133	83
23	АО Lietuvos dujos**	Associate	1,655	1,359	171	164
	АО Amber Grid**	Associate	1,372	1,206	55	-
	Other (net of provision for impairment of RR 1,929 as of 31 March 2014 and 31 December 2013)		48,410	51,211	341	769
			579,726	549,684	20,907	(2,158)

* ООО Yamal razvitie is a holder of 51% share in ООО SeverEnergiya. Artic Russia B.V. owns the remaining 49% interest in ООО SeverEnergiya. In March 2014 ООО Yamal razvitie acquired additional 20% interest in Artic Russia B.V. for USD 980 million. As a result of the transaction, the Group's effective interest in ООО SeverEnergiya increased from 38.46% to 43.15%. In April 2014 the Group provided loans to ООО Yamal razvitie in the amount of USD 980 million to finance this acquisition. The loans will form the Group's contribution in equity of ООО Yamal razvitie upon completion of the restructuring of this joint venture.

** In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 АО Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to АО Amber Grid, an associate of the Group.

The Group's share of loss of associated undertakings and joint ventures for the three months ended 31 March 2013 includes additional expense of RR 25,961 recognized for ОАО NGK Slavneft and its subsidiaries as a result of a one-time adjustment to correct the prior understatement of depreciation on the basis difference for property, plant and equipment since the Group's acquisition of interest in ОАО NGK Slavneft.

Summarized financial information on the Group's principal associated undertakings and joint ventures is presented in tables below.

The values, disclosed in the tables, represent total assets, liabilities, revenues, income (loss) of the Group's principal associated undertakings and joint ventures and not the Group's share.

The differences between the carrying value of investments in associated undertakings and joint ventures and the calculated Group's share in their net assets are mostly attributable to translation differences.

OAo GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

	Percent of share capital held	Country of primary operations	As of 31 March 2014		For the three months ended 31 March 2014	
			Assets	Liabilities	Revenues	(Loss) income
Gazprombank Group*	37%	Russia	3,792,749	3,514,922	39,958	(3,651)
Sakhalin Energy Investment Company Ltd.**	50%	Russia	790,958	594,173	76,387	31,725
Nord Stream AG***	51%	Russia, Germany	387,422	290,532	12,972	4,476
OAo NGK Slavneft and its subsidiaries	50%	Russia	380,741	135,845	51,588	150
OOO Yamal razvitiye and its subsidiaries	50%	Russia	355,723	300,006	4,462	(2,400)
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	319,233	236,506	179,109	3,769
SGT EuRoPol GAZ S.A.	48%	Poland	53,668	11,173	4,026	10
Wintershall AG****	49%	Libya	47,974	25,941	-	(146)
ZAO Nortgaz	50%	Russia	44,690	36,260	6,972	2,266
AO Gasum	25%	Finland	38,563	17,743	16,674	1,098
Shtokman Development AG****	75%	Russia	38,106	2,152	-	41
ZAO Achimgaz	50%	Russia	35,330	11,063	4,671	3,241
South Stream Transport B.V. and its subsidiaries*****	50%	Russia, Bulgaria	34,647	17,559	13	202
AO Latvijas Gaze	34%	Latvia	29,754	11,950	8,999	252
TOO KazRosGaz	50%	Kazakhstan	28,252	2,212	9,972	4,563
AO Amber Grid	37%	Lithuania	14,801	7,565	719	150
AO Lietuvos dujos	37%	Lithuania	11,919	4,745	7,188	461

* Presented revenue of Gazprombank Group includes revenue of media business, machinery business and other non-banking companies.

**Country of incorporation is Bermuda Islands.

*** Country of incorporation is Switzerland.

**** Country of incorporation is Germany.

***** Country of incorporation is the Netherlands.

	Percent of share capital held	Country of primary operations	As of 31 March 2013		For the three months ended 31 March 2013	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank Group*	38%	Russia	3,115,873	2,864,997	34,402	4,962
Sakhalin Energy Investment Company Ltd.**	50%	Russia	674,660	464,589	77,768	25,583
OAo NGK Slavneft and its subsidiaries	50%	Russia	384,728	140,244	47,974	(47,896)
Nord Stream AG***	51%	Russia, Germany	314,599	239,243	8,213	1,186
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	306,875	230,169	167,501	8,651
OOO Yamal razvitiye and its subsidiaries	50%	Russia	183,817	88,754	3,133	(212)
Wintershall AG****	49%	Libya	55,267	37,005	24,663	1,310
SGT EuRoPol GAZ S.A.	48%	Poland	45,833	11,443	3,295	(86)
AO Gasum	25%	Finland	34,848	17,888	16,929	723
Shtokman Development AG****	75%	Russia	31,914	2,219	-	(102)
TOO KazRosGaz	50%	Kazakhstan	31,066	1,824	8,129	3,026
ZAO Nortgaz	51%	Russia	30,427	28,054	2,178	336
ZAO Achimgaz	50%	Russia	22,106	7,464	2,458	1,644
AO Lietuvos dujos	37%	Lithuania	21,041	10,208	7,606	441
AO Latvijas Gaze	34%	Latvia	19,516	6,507	10,110	258

* Presented revenue of Gazprombank Group includes revenue of media business, machinery business and other non-banking companies.

**Country of incorporation is Bermuda Islands.

*** Country of incorporation is Switzerland.

**** Country of incorporation is Germany.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

The estimated fair values of investments in associated undertakings and joint ventures for which there are published price quotations were as follows:

	31 March 2014	31 December 2013
AO Latvijas Gaze	6,168	5,702
AO Lietuvos dujos	3,545	3,065
AO Amber Grid	2,339	2,170

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2014	31 December 2013
Long-term accounts receivable and prepayments	155,024	160,957
Advances for assets under construction	<u>281,298</u>	<u>276,392</u>
	436,322	437,349

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 16,422 and RR 14,670 as of 31 March 2014 and 31 December 2013, respectively.

12 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 70,766 and RR 74,711 as of 31 March 2014 and 31 December 2013, respectively.

Other non-current assets include net pension assets in the amount of RR 87,845 and RR 111,160 as of 31 March 2014 and 31 December 2013, respectively (see Note 20).

13 LONG-TERM BORROWINGS AND PROMISSORY NOTES

	Currency	Final Maturity	31 March 2014	31 December 2013
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009 ²	US dollar	2019	83,556	74,927
Mizuho Bank Ltd. ¹	US dollar	2019	76,779	-
Loan participation notes issued in July 2012 ²	Euro	2017	68,793	64,849
Loan participation notes issued in October 2007 ²	Euro	2018	59,362	57,108
Loan participation notes issued in November 2013 ⁷	US dollar	2023	54,628	49,364
Loan participation notes issued in September 2012 ⁷	US dollar	2022	53,603	49,697
Loan participation notes issued in May 2005 ²	Euro	2015	51,453	46,511
Loan participation notes issued in November 2006 ²	US dollar	2016	49,250	44,482
Loan participation notes issued in March 2013 ²	Euro	2020	49,107	46,164
Loan participation notes issued in March 2007 ²	US dollar	2022	46,595	43,425
Loan participation notes issued in July 2013 ²	Euro	2018	45,265	41,129
Loan participation notes issued in July 2009 ²	US dollar	2014	45,213	42,297
Loan participation notes issued in August 2007 ²	US dollar	2037	45,015	42,030
Loan participation notes issued in April 2004 ²	US dollar	2034	44,394	39,868
Loan participation notes issued in July 2009 ²	Euro	2015	42,214	41,041
Loan participation notes issued in April 2008 ²	US dollar	2018	40,766	36,654
Loan participation notes issued in April 2013 ⁷	Euro	2018	37,786	34,398
Loan participation notes issued in February 2014 ²	Euro	2021	36,912	-
Loan participation notes issued in November 2011 ²	US dollar	2016	36,315	32,900
Loan participation notes issued in November 2010 ²	US dollar	2015	36,303	32,877
Loan participation notes issued in July 2012 ²	US dollar	2022	36,040	33,458
Loan participation notes issued in June 2007 ²	Euro	2014	35,103	31,766
Loan participation notes issued in February 2013 ²	US dollar	2028	32,361	30,044
ZAO Mizuho Corporate Bank (Moscow) ¹	US dollar	2016	31,336	28,606
Loan participation notes issued in September 2013 ²	GBP	2020	29,345	27,198
Loan participation notes issued in February 2013 ²	US dollar	2020	28,718	26,589

OA O GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 March 2014	31 December 2013
Commerzbank AG	US dollar	2018	25,092	23,026
Loan participation notes issued in March 2007 ²	Euro	2017	25,074	22,686
OA O VTB Bank	US dollar	2015	25,050	22,974
Loan participation notes issued in November 2006 ²	Euro	2017	24,560	23,387
Loan participation notes issued in March 2013 ²	Euro	2025	24,558	23,254
Loan participation notes issued in November 2011 ²	US dollar	2021	21,655	20,155
Loan participation notes issued in October 2013 ²	CHF	2019	20,370	18,444
Bank of Tokyo-Mitsubishi UFJ Ltd. ¹	US dollar	2016	18,517	18,528
BNP Paribas SA ¹	Euro	2022	18,152	16,550
The Royal Bank of Scotland AG ¹	US dollar	2015	17,279	16,339
Loan participation notes issued in November 2013 ³	Rouble	2043	15,372	15,102
Loan participation notes issued in November 2013 ³	Rouble	2043	15,372	15,102
Russian bonds issued in February 2013 ⁹	Rouble	2016	15,120	15,404
Deutsche Bank AG	US dollar	2016	14,360	13,327
GK Vnesheconombank	Rouble	2025	12,893	14,698
Credit Agricole CIB	Euro	2015	11,794	10,813
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	11,453	10,504
HSBC Bank plc	Euro	2022	11,443	10,443
OA O Sberbank of Russia	Euro	2017	11,065	10,145
Banc of America Securities Limited	US dollar	2018	10,876	9,894
Deutsche Bank AG	US dollar	2014	10,784	9,899
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	10,717	9,830
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	10,707	9,874
Russian bonds issued in April 2009 ⁷	Rouble	2019	10,375	10,173
Russian bonds issued in December 2012 ⁷	Rouble	2022	10,275	10,065
Russian bonds issued in February 2011 ⁷	Rouble	2021	10,134	10,358
Russian bonds issued in February 2011 ⁷	Rouble	2021	10,128	10,342
Russian bonds issued in February 2011 ⁷	Rouble	2016	10,128	10,342
Russian bonds issued in February 2012 ⁷	Rouble	2022	10,124	10,332
Russian bonds issued in February 2013 ⁹	Rouble	2017	10,081	10,271
OA O Gazprombank	Rouble	2018	10,000	10,000
OA O Gazprombank	Rouble	2017	10,000	10,000
Citibank International plc ¹	US dollar	2021	9,883	9,020
UniCredit Bank AG ^{1,6}	US dollar	2018	9,147	11,220
UniCredit Bank AG ^{1,6}	Euro	2018	9,067	11,116
Bank of America Securities Limited	Euro	2017	8,968	8,143
OA O Sberbank of Russia	Rouble	2016	8,300	-
OA O VTB Bank	Rouble	2018	8,250	3,750
OA O Sberbank of Russia	Rouble	2016	7,400	7,400
UniCredit Bank AG	US dollar	2018	7,190	6,548
BNP Paribas SA ¹	Euro	2023	7,170	6,536
Deutsche Bank AG	US dollar	2014	7,158	6,566
Banc of America Securities Limited	US dollar	2016	6,428	5,895
OA O Gazprombank	US dollar	2015	6,102	-
OA O VTB Bank	US dollar	2016	5,890	-
OA O Sberbank of Russia	Rouble	2015	5,504	-
OA O Sberbank of Russia	US dollar	2018	5,398	4,915
Russian bonds issued in June 2009 ³	Rouble	2014	5,107	5,013
Russian bonds issued in February 2013 ⁹	Rouble	2018	5,040	5,126
OA O Bank ROSSIYA	Rouble	2016	5,000	5,000
Russian bonds issued in December 2009 ⁵	Rouble	2014	4,715	5,038
Eurofert Trading Limited llc ⁴	Rouble	2015	3,600	3,600
Deutsche Bank AG	US dollar	2014	2,569	2,346
UniCredit Bank AG ^{1,6}	Rouble	2018	2,359	3,145

OA0 GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 March 2014	31 December 2013
OA0 Gazprombank	US dollar	2015	2,273	2,085
Russian bonds issued in July 2009 ⁸	Rouble	2014	128	126
White Nights Finance B.V.	US dollar	2014	-	42,682
Loan participation notes issued in October 2006 ²	Euro	2014	-	36,575
Natixis SA ¹	US dollar	2015	-	23,933
Russian bonds issued in February 2007 ³	Rouble	2014	-	5,138
OA0 VTB Bank	Rouble	2014	-	708
Other long-term borrowings and promissory notes	Various	Various	90,383	91,076
Total long-term borrowings and promissory notes			1,902,749	1,762,343
Less: current portion of long-term borrowings			(241,737)	(292,341)
			1,661,012	1,470,002

¹ Loans received from syndicate of banks, named lender is the bank-agent.

² Issuer of these bonds is Gaz Capital S.A.

³ Issuer of these bonds is OA0 Gazprom.

⁴ Issuer of these notes is OA0 WGC-2.

⁵ Issuer of these bonds is OA0 Mosenergo.

⁶ Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

⁷ Issuer of these bonds is OA0 Gazprom neft.

⁸ Issuer of these bonds is OA0 TGC-1.

⁹ Issuer of these bonds is OOO Gazprom capital.

Due for repayment:	31 March 2014	31 December 2013
Between one and two years	276,216	242,531
Between two and five years	709,965	640,741
After five years	674,831	586,730
	1,661,012	1,470,002

Long-term borrowings include fixed rate loans with a carrying value of RR 1,494,671 and RR 1,427,690 and fair value of RR 1,528,350 and RR 1,500,542 as of 31 March 2014 and as of 31 December 2013, respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 31 March 2014 and 31 December 2013 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OA0 Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,210 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 31 March 2014 and 31 December 2013 carrying amount of these fixed assets is RR 24,338 and RR 24,614, respectively. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

As of 31 March 2014 loan participation notes with the nominal value of RR 42,825 issued by Gaz Capital S.A. in April 2004 due in 2034 were classified as long-term borrowings as the noteholders did not execute the right of early redemption.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OA0 Gazprom neft in February 2012 due in 2022 bondholders can execute the right of early redemption in February 2015 at par, including interest accrued. As of 31 March 2014 these loan participation notes were classified as current portion of long-term borrowings.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OA0 Gazprom neft in December 2012 due in 2022 bondholders can execute the right of early redemption in December 2017 at par, including interest accrued.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2016 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2018 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in April 2009 due in 2019 bondholders can execute the right of early redemption in April 2018 at par, including interest accrued.

The Group has no subordinated debt and no debt that may be converted into an equity interest in the Group.

14 PROFIT TAX

Profit tax is recognised based on the estimated average annual effective profit tax rate applied to the profit before tax for the three months ended 31 March 2014. Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates, including the prevailing rate of 20% in the Russian Federation.

	31 March 2014	Differences recognition and reversals	31 December 2013	31 March 2013	Differences recognition and reversals	31 December 2012
Tax effects of taxable temporary differences:						
Property, plant and equipment	(601,275)	(35,292)	(565,983)	(551,004)	(85,506)	(465,498)
Financial assets	(8,156)	1,517	(9,673)	(8,444)	1,549	(9,993)
Inventories	<u>(4,204)</u>	<u>1,408</u>	<u>(5,612)</u>	<u>(860)</u>	<u>(1,003)</u>	<u>143</u>
	(613,635)	(32,367)	(581,268)	(560,308)	(84,960)	(475,348)
Tax effects of deductible temporary differences:						
Tax losses carry forward	10,570	(131)	10,701	216	8	208
Gas price adjustments	6,085	1,373	4,712	11,438	(11,613)	23,051
Other deductible temporary differences	<u>10,347</u>	<u>3,361</u>	<u>6,986</u>	<u>9,925</u>	<u>1,640</u>	<u>8,285</u>
	27,002	4,603	22,399	21,579	(9,965)	31,544
Total net deferred tax liabilities	(586,633)	(27,764)	(558,869)	(538,729)	(94,925)	(443,804)

Taxable temporary differences recognized for the three months ended 31 March 2014 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 22,498 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the three months ended 31 March 2014.

Taxable temporary differences recognized for the three months ended 31 March 2013 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 81,666 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the three months ended 31 March 2013.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

15 EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 31 March 2014 and 31 December 2013 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

Treasury shares

As of 31 March 2014 and 31 December 2013, subsidiaries of OAO Gazprom held 723 million of the ordinary shares of OAO Gazprom, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

16 SALES

	Three months ended	
	31 March	
	2014	2013
Gas sales gross of customs duties to customers in:		
Russian Federation	298,814	280,298
Former Soviet Union (excluding Russian Federation)	138,021	146,605
Europe and other countries	<u>611,257</u>	<u>538,132</u>
	1,048,092	965,035
Customs duties	(138,140)	(134,646)
Retroactive gas price adjustments*	<u>-</u>	<u>73,430</u>
Sales of gas	909,952	903,819
Sales of refined products to customers in:		
Russian Federation	208,948	180,523
Former Soviet Union (excluding Russian Federation)	17,807	18,053
Europe and other countries	<u>153,903</u>	<u>120,602</u>
Total sales of refined products	380,658	319,178
Sales of crude oil and gas condensate to customers in:		
Russian Federation	10,076	7,762
Former Soviet Union (excluding Russian Federation)	5,427	13,208
Europe and other countries	<u>33,836</u>	<u>31,310</u>
Total sales of crude oil and gas condensate	49,339	52,280
Electric and heat energy sales	134,614	106,851
Gas transportation sales	40,301	41,232
Other revenues	<u>43,873</u>	<u>38,081</u>
Total sales	<u>1,558,737</u>	<u>1,461,441</u>

* Retroactive gas price adjustments relate to gas deliveries in 2010, 2011 and 2012 for which a discount has been agreed or is in the process of negotiations and where it is probable that a discount will be provided. The effects of gas price adjustments, including corresponding impacts on profit tax, are recorded when they become probable and a reliable estimate of the amounts can be made. The effect of retroactive gas price adjustments on sales for the three month ended 31 March 2013 was a credit of RR 73,430 reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated interim condensed financial information.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

17 OPERATING EXPENSES

Note		Three months ended 31 March	
		2014	2013
23	Taxes other than on income	205,713	182,816
	Purchased gas and oil	180,471	187,280
	Staff costs	129,000	119,854
	Depreciation	114,748	109,873
	Transit of gas, oil and refined products	95,517	86,453
	Charge for impairment provisions	74,705	13,314
	Cost of goods for resale, including refined products	61,201	30,750
	Materials	60,186	52,084
	Repairs and maintenance	25,847	31,445
	Electricity and heating expenses	23,946	23,729
	Transportation services	8,858	7,459
	Rental expenses	8,427	5,874
	Insurance expenses	6,312	5,385
	Social expenses	5,983	8,890
	Derivatives losses	4,973	6,444
	Research and development expenses	4,734	4,714
	Processing services	4,357	3,507
	Heat transmission	43	3,835
	Foreign exchange rate differences on operating items	(45,088)	(5,318)
	Other	76,729	43,695
		1,046,662	922,083
	Changes in inventories of finished goods, work in progress and other effects	43,087	27,969
	Total operating expenses	1,089,749	950,052

Staff costs include RR 8,803 and RR 8,039 of expenses associated with post-employment benefit obligations for the three months ended 31 March 2014 and 2013, respectively (see Note 20).

18 FINANCE INCOME AND EXPENSES

	Three months ended 31 March	
	2014	2013
Foreign exchange gains	19,634	21,641
Interest income	7,676	5,725
Total finance income	27,310	27,366
Foreign exchange losses	191,610	44,281
Interest expense	11,477	7,011
Total finance expenses	203,087	51,292

Total interest paid amounted to RR 35,900 and RR 27,154 for the three months ended 31 March 2014 and 2013, respectively.

Significant foreign exchange losses for the three months ended 31 March 2014 were recognized as a result of the appreciation of the US dollar and Euro against the Russian Rouble, primarily related to non-operating items such as foreign denominated borrowings.

19 BASIC AND DILUTED EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF OAO GAZPROM

Earnings per share have been calculated by dividing the profit, attributable to owners of OAO Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 15).

There were 23.0 and 22.9 billion weighted average shares outstanding for the three months ended 31 March 2014 and 2013, respectively.

There are no dilutive financial instruments outstanding.

OA O GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

20 PROVISIONS FOR LIABILITIES AND CHARGES

	31 March 2014	31 December 2013
Provision for post-employment benefit obligations	184,130	198,202
Provision for decommissioning and site restoration costs	124,690	120,782
Other	<u>20,235</u>	<u>11,596</u>
	329,055	330,580

The Group operates post-employment benefits, which are recorded in the consolidated financial statements under IAS 19 (revised) “Employee benefits”. Defined benefit plan covers the majority employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and certain post-retirement benefits from the Group provided upon retirement.

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RR 111,958 and RR 111,160 as of 31 March 2014 and 31 December 2013, respectively, are presented within other non-current assets in the consolidated balance sheet. In accordance with IAS 19 (revised), pension assets are recorded at estimated fair value subject to certain limitations. As of 31 March 2014 and 31 December 2013 management estimated the fair value of these assets at approximately RR 383 billion and RR 429 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

The amounts associated with post-employment benefit obligations recognized in the consolidated interim condensed balance sheet are as follows:

	31 March 2014		31 December 2013	
	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits
Present value of benefit obligations	(294,981)	(184,130)	(318,208)	(198,202)
Fair value of plan assets	<u>382,826</u>	<u>-</u>	<u>429,368</u>	<u>-</u>
Net balance asset (liability)	87,845	(184,130)	111,160	(198,202)

The amounts associated with post-employment benefit obligations recognized in operating expenses are as follows:

	Three months ended 31 March	
	2014	2013
Current service cost	7,010	6,005
Net interest expense	<u>1,793</u>	<u>2,034</u>
Total expenses included in staff costs	8,803	8,039

The principal assumptions used for post-employment benefit obligations for the three months ended 31 March 2014 were the same as those applied for the year ended 31 December 2013 with exception of the discount rate based on interest rates of government securities. The increase in the discount rate from 8% to 9% resulted in recognition of an actuarial gain of RR 50,448 in other comprehensive income for the three months ended 31 March 2014.

Remeasurements to be recognized in other comprehensive income are as follows:

	Three months ended 31 March	
	2014	2013
Actuarial gains	50,448	-
Return on assets excluding amounts included in net interest expense	<u>(56,607)</u>	<u>753</u>
Total	(6,159)	753

ОАО GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

c) Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3.

As of 31 March 2014 and 31 December 2013 the Group had the following assets and liabilities that are measured at fair value:

	31 March 2014			Total
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	
Financial assets held for trading:				
Equity securities	1,921	14,474	-	16,395
Bonds	7,160	-	-	7,160
Available-for-sale financial assets:				
Promissory notes	-	1,982	-	1,982
Total short-term financial assets	9,081	16,456	-	25,537
Available-for-sale financial assets:				
Equity securities	130,834	10,586	6,573	147,993
Bonds	-	-	88	88
Promissory notes	-	802	-	802
Total available-for-sale long-term financial assets	130,834	11,388	6,661	148,883
Derivatives	2,707	46,806	615	50,128
Total assets	142,622	74,650	7,276	224,548
Derivatives	1,992	61,834	466	64,292
Total liabilities	1,992	61,834	466	64,292

OA O GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2013			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	Total
Financial assets held for trading:				
Equity securities	2,200	14,474	-	16,674
Bonds	5,681	-	-	5,681
Available-for-sale financial assets:				
Promissory notes	-	<u>2,147</u>	-	<u>2,147</u>
Total short-term financial assets	7,881	16,621	-	24,502
Available-for-sale financial assets:				
Equity securities	150,632	11,395	5,958	167,985
Bonds	49	-	-	49
Promissory notes	-	<u>870</u>	-	<u>870</u>
Total available-for-sale long-term financial assets	150,681	12,265	5,958	168,904
Derivatives	<u>527</u>	<u>18,525</u>	<u>591</u>	<u>19,643</u>
Total assets	159,089	47,411	6,549	213,049
Derivatives	<u>439</u>	<u>16,931</u>	<u>437</u>	<u>17,807</u>
Total liabilities	439	16,931	437	17,807

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the three months ended 31 March 2014 and 2013 the Group has recognised available-for-sale investments losses from other comprehensive income into the profit or loss in the amount of RR 1,644 and RR nil, respectively.

Financial assets held for trading primarily comprise marketable equity and debt securities intended to generate short-term profits through trading.

Available-for-sale long-term financial assets in total amount of RR 148,883 and RR 168,904 are shown net of provision for impairment of RR 1,582 and RR 1,629 as of 31 March 2014 and 31 December 2013, respectively.

As of 31 March 2014 and 31 December 2013 long-term available-for-sale financial assets include OAO NOVATEK shares in the amount of RR 119,073 and RR 135,910, respectively.

Carrying value of financial assets and liabilities not measured at fair value approximate their fair value.

OA0 GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

22 ACQUISITION OF THE CONTROLLING INTEREST IN OA0 MOSCOW INTEGRATED POWER COMPANY (OA0 MIPC)

In September 2013 the Group acquired 89.98% interest in the ordinary shares of OA0 Moscow Integrated Power Company (OA0 MIPC) and heat assets from the Moscow Government for cash consideration of RR 99,866 including VAT in the amount of RR 1,246 related to acquired heat assets. As a result of the acquisition, the Group obtained control over OA0 MIPC. Considering treasury shares of OA0 MIPC, the Group's effective interest is 98.77%. The primary business activity of OA0 MIPC is generation, purchase and supply of heat energy in the form of heating and hot water to commercial and residential customers in the City of Moscow. As of 31 March 2014 the title on the assets acquired in the amount of RR 6,920 excluding VAT was not transferred to the Group.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their provisional fair values at the date when control of OA0 MIPC was obtained. As of 31 March 2014 the Group finalized their assessment of the estimated fair values of assets and liabilities acquired in accordance with IFRS 3 "Business combinations".

Final fair values of the assets acquired and liabilities assumed are as follows:

	Fair value
Cash and cash equivalents	3,276
Short-term financial assets	2,762
Accounts receivable and prepayments	18,234
Inventories	2,273
VAT recoverable	102
Other current assets	<u>6,026</u>
Current assets	32,673
Property, plant and equipment	124,993
Long-term accounts receivable and prepayments	4,477
Available-for-sale long-term financial assets	3,117
Other non-current assets	<u>4,175</u>
Non-current assets	136,762
Total assets	169,435
Accounts payable and accrued charges	29,112
Other taxes payable	601
Short-term borrowings, promissory notes and current portion of long-term borrowings	<u>30,235</u>
Current liabilities	59,948
Long-term borrowings and promissory notes	7,400
Deferred tax liability	196
Provisions for liabilities and charges	372
Other non-current liabilities	<u>444</u>
Non-current liabilities	8,412
Total liabilities	68,360
Net assets at acquisition date	101,075
Non-controlling interest at acquisition date measured at the proportionate share of the net assets	1,209
Purchase consideration	99,866

The comparative financial information of consolidated balance sheet as of December 31, 2013 and consolidated statement of comprehensive income for 2013 were not restated due to immaterial difference between provisional and final fair values of assets and liabilities of OA0 MIPC. All changes in fair values were recorded in the financial statements for the three months ended March 31, 2014.

If the acquisition had occurred on 1 January 2013, the Group's sales and the Group's profit for the year ended 31 December 2013 would have been RR 5,291,256 and RR 1,160,092, respectively.

OAQ GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

23 RELATED PARTIES

For the purpose of this consolidated interim condensed financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 31 March 2014 is detailed below.

Government

The Government of the Russian Federation is the ultimate controlling party of OAO Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in OAO Gazprom.

The Government does not prepare consolidated financial statements for public use. Governmental economic and social policies affect the Group’s financial position, results of operations and cash flows.

As a condition of privatisation in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices.

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities under Government control. Prices of natural gas sales, gas transportation and electricity tariffs in Russia are regulated by the Federal Tariffs Service (“FTS”). Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

As of 31 March 2014 and 31 December 2013 and for the three months ended 31 March 2014 and 2013, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	As of 31 March 2014		Three months ended 31 March 2014	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	18,133	9,351	-	60,998
Insurance contributions to non-budget funds	236	8,480	-	27,299
VAT recoverable/payable	480,309	77,609	-	-
Customs duties	51,890	-	-	-
Other taxes	1,995	89,407	-	196,699
Transactions and balances with other parties under control of the Government				
Gas sales	-	-	22,990	-
Electricity and heating sales	-	-	80,458	-
Other services sales	-	-	62	-
Accounts receivable	66,441	-	-	-
Oil transportation expenses	-	-	-	25,602
Accounts payable	-	10,857	-	-
Loans	-	121,420	-	-
Interest expense	-	-	-	1,859
Short-term financial assets	5,767	-	-	-
Available-for-sale long-term financial assets	10,445	-	-	-

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

23 **RELATED PARTIES (continued)**

	As of 31 December 2013		Three months ended 31 March 2013	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	9,884	14,554	-	6,705
Insurance contributions to non-budget funds	534	5,354	-	22,629
VAT recoverable/payable	518,192	51,638	-	-
Customs duties	57,511	-	-	-
Other taxes	2,698	78,457	-	182,816
Transactions and balances with other parties under control of the Government				
Gas sales	-	-	23,801	-
Electricity and heating sales	-	-	64,749	-
Other services sales	-	-	409	-
Accounts receivable	54,970	-	-	-
Oil transportation expenses	-	-	-	25,949
Accounts payable	-	11,290	-	-
Loans	-	111,434	-	-
Interest expense	-	-	-	732
Short-term financial assets	4,334	-	-	-
Available-for-sale long-term financial assets	13,376	-	-	-

Gas sales and respective accounts receivable, oil transportation expenses and respective accounts payable included in the table above are related to major state controlled companies.

In the normal course of business the Group incurs electricity and heating expenses (see Note 17). A part of these expenses relates to purchases from the entities under Government control. Due to the specifics of the electricity market in the Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See the consolidated interim condensed statement of changes in equity for returns of social assets to government during the three months ended 31 March 2014 and 2013. See Note 9 for net book values as of 31 March 2014 and 31 December 2013 of social assets vested to the Group at privatisation.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of various Group companies. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company.

Compensation of key management personnel (other than remuneration for serving as directors of Group companies) 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.

Key management personnel also participate in certain post-retirement benefit programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and a one-time retirement payment from the Group. Employees of the majority of Group companies are eligible for such benefits.

The Group provided medical insurance and liability insurance for key management personnel.

Associated undertakings and joint ventures

For the three months ended 31 March 2014 and 2013 and as of 31 March 2014 and 31 December 2013 the Group had the following significant transactions and balances with associated undertakings and joint ventures:

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

23 **RELATED PARTIES (continued)**

	Three months ended	
	31 March	
	2014	2013
	Revenues	
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	38,692	34,063
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	31,219	25,075
ZAO Panrusgaz	15,682	14,129
AO Gasum	9,617	9,808
AO Moldovagaz	9,027	7,032
Bosphorus Gaz Corporation A.S.	5,386	5,629
ZAO Gazprom YRGM Trading*	3,358	3,205
AO Lietuvos dujos	3,114	4,381
AO Latvijas Gaze	2,557	2,329
Wintershall Erdgas Handelshaus Zug AG (WIEE)**	2,432	4,739
ZAO Gazprom YRGM Development*	2,399	2,289
AO Overgaz Inc.	1,168	1,251
SGT EuRoPol GAZ S.A.	1,084	905
Russian-Serbian Trading Corporation a.d.	-	1,884
Gas transportation sales		
ZAO Gazprom YRGM Trading*	5,779	5,544
ZAO Gazprom YRGM Development*	4,128	3,960
Gas condensate, crude oil and refined products sales		
ОАО NGK Slavneft and its subsidiaries	6,453	7,122
ООО Gazpromneft – Aero Sheremetyevo	3,022	2,314
ZAO SOVEKS	1,193	944
Gas refining services sales		
TOO KazRosGaz	1,507	1,445
	Expenses	
Purchased gas		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	18,142	21,050
ZAO Gazprom YRGM Trading*	16,513	15,389
ZAO Gazprom YRGM Development*	11,801	10,993
TOO KazRosGaz	7,383	6,101
ZAO Nortgaz	3,652	395
ООО SeverEnergiya and its subsidiaries	2,672	1,259
Sakhalin Energy Investment Company Ltd.	1,910	1,512
Purchased transit of gas		
Nord Stream AG	13,149	8,200
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	4,708	3,095
SGT EuRoPol GAZ S.A.	2,690	2,142
Purchased crude oil and refined products		
ОАО NGK Slavneft and its subsidiaries	22,086	20,507
Sakhalin Energy Investment Company Ltd.	5,710	-
Purchased services of gas and gas condensate extraction		
ZAO Achimgaz	4,671	2,458
Purchased processing services		
ОАО NGK Slavneft and its subsidiaries	3,065	3,053

* ZAO Gazprom YRGM Trading and ZAO Gazprom YRGM Development are not associated undertakings and joint ventures.

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

Gas is sold to associated undertakings in the Russian Federation mainly at the rates established by the FTS.
Gas is sold outside the Russian Federation mainly under long-term contracts at prices indexed mainly to world oil product prices.

OA O GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

23 **RELATED PARTIES (continued)**

	As of 31 March 2014		As of 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	30,339	-	20,501	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	20,089	-	8,452	-
Gazprombank Group	9,056	-	8,974	-
AO Overgaz Inc.	8,859	-	8,011	-
ZAO Panrusgaz	5,689	-	5,774	-
OA O NGK Slavneft and its subsidiaries	4,262	-	4,512	-
AO Gasum	3,815	-	4,157	-
AO Moldovagaz*	3,676	-	-	-
ZAO Gazprom YRGM Trading	3,310	-	1,377	-
AO Lietuvos dujos	2,629	-	2,000	-
Bosphorus Gaz Corporation A.S.	2,543	-	2,731	-
ZAO Gazprom YRGM Development	2,345	-	976	-
AO Latvijas Gaze	1,079	-	227	-
TOO KazRosGaz	711	-	676	-
Wintershall Erdgas Handelshaus Zug AG (WIEE)	322	-	1,290	-
Russian-Serbian Trading Corporation a.d.	-	-	660	-
Short-term promissory notes				
Gazprombank Group	1,122	-	1,059	-
Cash balances				
Gazprombank Group	446,069	-	366,421	-
Long-term accounts receivable and prepayments				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	18,777	-	17,214	-
Gas Project Development Central Asia AG	1,263	-	1,826	-
OOO Yamal razvitie	-	-	2,200	-
Long-term promissory notes				
Gazprombank Group	353	-	431	-
Short-term accounts payable				
SGT EuRoPol GAZ S.A.	-	7,668	-	7,702
ZAO Gazprom YRGM Trading	-	7,390	-	8,723
ZAO Gazprom YRGM Development	-	4,838	-	5,786
Nord Stream AG	-	4,403	-	4,179
AO Lietuvos dujos	-	4,235	-	3,188
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	3,962	-	4,715
TOO KazRosGaz	-	2,987	-	2,992
ZAO Nortgaz	-	2,397	-	501
OA O NGK Slavneft and its subsidiaries	-	2,170	-	2,466
ZAO Achimgaz	-	1,981	-	1,998
AO Latvijas Gaze	-	899	-	66
Sakhalin Energy Investment Company Ltd.	-	507	-	657
Gazprombank Group	-	325	-	42
Other non-current liabilities				
ZAO Gazprom YRGM Trading	-	797	-	797
ZAO Gazprom YRGM Development	-	124	-	124

OA O GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

23 RELATED PARTIES (continued)

	As of 31 March 2014		As of 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank Group	-	9,568	-	13,614
Long-term borrowings				
Gazprombank Group	-	32,787	-	26,195

* Net of impairment provision on accounts receivable in the amount of RR 160,604 and RR 142,592 as of 31 March 2014 and 31 December 2013.

Investments in associated undertakings and joint ventures are disclosed in Note 10.

See Note 24 for financial guarantees issued by the Group for the associated undertakings and joint ventures.

24 COMMITMENTS AND CONTINGENCIES

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 March 2014 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

Financial guarantees

	31 March 2014	31 December 2013
Outstanding guarantees issued for:		
Sakhalin Energy Investment Company Ltd.	98,816	89,825
Nord Stream AG	55,444	50,830
Blackrock Capital Investments Limited	5,205	4,804
EM Interfinance Limited	3,469	3,668
OOO Production Company VIS	368	8,164
Other	<u>47,672</u>	<u>43,752</u>
Total financial guarantees	210,974	201,043

Included in financial guarantees are amounts denominated in USD of USD 3,401 million and USD 3,404 million as of 31 March 2014 and 31 December 2013, respectively, as well as amounts denominated in Euro of Euro 1,493 million as of 31 March 2014 and 31 December 2013.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 31 March 2014 and 31 December 2013 the above guarantee amounted to RR 98,816 (USD 2,769 million) and RR 89,825 (USD 2,744 million), respectively.

In May 2011 the Group provided a guarantee to Societe Generale for Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fails to repay those amounts. As of 31 March 2014 and 31 December 2013 the above guarantee amounted to RR 55,444 (Euro 1,130 million) and RR 50,830 (Euro 1,130 million), respectively.

In July 2012 the Group provided a guarantee to OAO Sberbank of Russia for OOO Production company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 31 March 2014 and 31 December 2013 the above guarantee amounted to RR 368 and RR 8,164, respectively.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets

OAQ GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2014
(In millions of Russian Roubles)

24 COMMITMENTS AND CONTINGENCIES (continued)

International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result as of 31 March 2014 and 31 December 2013 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 8,674 (USD 243 million) and RR 8,472 (USD 259 million), respectively.

Capital commitments

The total investment program related to gas, oil and power assets for 2014 is RR 1,180 billion.

25 POST BALANCE SHEET EVENTS

Investments

In June 2014 the Group sold its 37% interests in associates, AO Lietuvos dujos and AO Amber Grid, to companies controlled by the Republic of Lithuania for Euro 121 million.

Borrowings and loans

In April 2014 the Group obtained long-term loan from OAO Sberbank of Russia in the amount of RR 19,750 at an interest rate of 8.73% due in 2017.

In July 2014 the Group obtained long-term loan from OAO Alfa-Bank in the amount of USD 400 million at an interest rate of 3.25% due in 2016.

Legal proceedings

On June 16, 2014, Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against Naftogaz to recover U.S.\$4.5 billion unpaid debt for gas supplies and related interest charged.

On June 16, 2014, Naftogaz submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) against Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from May 20, 2011, which according to the claim amounted to approximately U.S.\$6 billion, and cancellation of the contractual prohibition on reexport of natural gas.

Gazprom and Naftogaz filed its responses to the requests of arbitration on July 1, 2014. On July 21, 2014, both cases were consolidated; the date of the hearings for the consolidated case has not been set.

OAO GAZPROM
INVESTOR RELATIONS

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