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*Auditor's Report  
on the Statutory consolidated  
accounting reports of OAO Gazprom  
and its subsidiaries  
2012*





## ***Аудиторское заключение по сводной бухгалтерской отчетности***

Акционерам и Совету директоров открытого акционерного общества «Газпром»:

### **Аудируемое лицо**

Открытое акционерное общество «Газпром».

Свидетельство о государственной регистрации акционерного общества № 022.726 выдано Московской регистрационной палатой 25 февраля 1993 года.

Свидетельство о внесении записи в Единый государственный реестр юридических лиц о юридическом лице, зарегистрированном до 1 июля 2002 года, за № 1027700070518 от 2 августа 2002 года выдано Управлением МНС России №2 по г. Москве.

Российская Федерация, 117997, Москва, ул. Наметкина, д. 16.

### **Аудитор**

Закрываемое акционерное общество «ПрайсвотерхаусКуперс Аудит» (ЗАО «ПвК Аудит») с местом нахождения: 125047, Российская Федерация, г. Москва, ул. Бутырский Вал, д. 10.

Свидетельство о государственной регистрации акционерного общества № 008.890 выдано Московской регистрационной палатой 28 февраля 1992 г.

Свидетельство о внесении записи в Единый государственный реестр юридических лиц о юридическом лице, зарегистрированном до 1 июля 2002 года, за № 1027700148431 от 22 августа 2002 года выдано Межрайонной инспекцией МНС России № 39 по г. Москве.

Член некоммерческого партнерства «Аудиторская Палата России» (НП АПР), являющегося саморегулируемой организацией аудиторов – регистрационный номер 870 в реестре членов НП АПР.

Основной регистрационный номер записи (ОРНЗ) в реестре аудиторов и аудиторских организаций – 10201003683.

Закрываемое акционерное общество «ПрайсвотерхаусКуперс Аудит» (ЗАО «ПвК Аудит»)  
Бизнес-центр «Белая площадь», ул. Бутырский Вал, 10, Москва, Россия, 125047  
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## **Аудиторское заключение по сводной бухгалтерской отчетности ОАО «Газпром» и его дочерних обществ**

Акционерам и Совету директоров открытого акционерного общества «Газпром»:

Мы провели аудит прилагаемой сводной бухгалтерской отчетности открытого акционерного общества «Газпром» (в дальнейшем – ОАО «Газпром») и его дочерних обществ (в дальнейшем – Группа), состоящей из сводного бухгалтерского баланса по состоянию на 31 декабря 2012 года, сводного отчета о финансовых результатах, сводного отчета об изменениях капитала, сводного отчета о движении денежных средств за 2012 год и пояснений к ним (далее все отчеты вместе именуются «сводная бухгалтерская отчетность»). Отчетность составлена руководством ОАО «Газпром» в соответствии с требованиями, содержащимися в Методических рекомендациях по составлению и представлению сводной бухгалтерской отчетности, утвержденных приказом Министерства финансов Российской Федерации от 30 декабря 1996 г. № 112 (в дальнейшем – Методические рекомендации).

### **Ответственность руководства аудируемого лица за сводную бухгалтерскую отчетность**

Руководство аудируемого лица несет ответственность за составление и достоверность указанной сводной бухгалтерской отчетности в соответствии с требованиями, содержащимися в Методических рекомендациях, и за систему внутреннего контроля, необходимую для составления сводной бухгалтерской отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

### **Ответственность аудитора**

Наша ответственность заключается в выражении мнения о достоверном составлении сводной бухгалтерской отчетности на основе проведенного нами аудита. Мы проводили аудит в соответствии с федеральными стандартами аудиторской деятельности и Международными стандартами аудита. Данные стандарты требуют соблюдения применимых этических норм, а также планирования и проведения аудита таким образом, чтобы получить достаточную уверенность в том, что сводная бухгалтерская отчетность не содержит существенных искажений.

Аудит включал проведение аудиторских процедур, направленных на получение аудиторских доказательств, подтверждающих числовые показатели в сводной бухгалтерской отчетности и раскрытие в ней информации. Выбор аудиторских процедур является предметом нашего суждения, которое основывается на оценке риска существенных искажений, допущенных вследствие недобросовестных действий или ошибок. В процессе оценки данного риска нами рассмотрена система внутреннего контроля, обеспечивающая составление и достоверность сводной бухгалтерской отчетности с целью выбора соответствующих аудиторских процедур, но не с целью выражения мнения об эффективности системы внутреннего контроля. Аудит также включал оценку надлежащего характера применяемой учетной политики и обоснованности оценочных показателей, полученных руководством ОАО «Газпром», а также оценку представления сводной бухгалтерской отчетности в целом.

Мы полагаем, что полученные в ходе аудита аудиторские доказательства дают достаточные основания для выражения мнения о достоверном составлении сводной бухгалтерской отчетности.



### **Opinion**

In our opinion, the Statutory consolidated accounting reports of the Group for the year ended 31 December 2012 have been prepared in all material respects in accordance with the reporting rules established in the Methodology recommendations.

### **Basis of preparation of the Statutory consolidated accounting reports**

Without modifying our opinion on the fairness of the Statutory consolidated accounting reports we draw attention to Note 2 which describes the basis of preparation of the Statutory consolidated accounting reports. The Statutory consolidated accounting reports have been prepared in accordance with the reporting rules established in the Methodology recommendations. Therefore these reports may not be applicable for other purposes.

Director of ZAO PricewaterhouseCoopers Audit

M.E. Timchenko

29 April 2013




**OAO GAZPROM**  
**CONSOLIDATED BALANCE SHEET**  
**as of 31 December 2012**  
**(in million Roubles)**

Note	ASSETS	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets, including:	889,763	859,874	743,502
5	goodwill on subsidiaries	885,672	855,290	740,554
	Results of research and development	5,728	5,968	5,540
6	Intangible exploration assets	69,403	52,703	41,923
6	Tangible exploration assets	37,182	29,673	21,164
	Fixed assets, including:	8,528,751	7,868,817	6,402,484
7	Objects of fixed assets, including:	7,120,971	6,160,585	5,038,624
	buildings, constructions, machinery and equipment	6,972,686	6,029,193	4,975,381
8	Construction in progress	1,407,780	1,708,232	1,363,860
9, 20	Financial investments, including:	905,275	980,888	1,043,982
	investments in subsidiaries	59,982	51,359	40,660
	investments in associates	540,289	608,117	668,599
	investments in other companies	160,434	180,174	185,530
	loans issued to companies beyond 12 months	113,715	107,197	110,401
	other financial investments	30,855	34,041	38,792
16	Deferred tax assets	106,668	69,727	59,090
	Other non-current assets	<u>193,700</u>	<u>174,417</u>	<u>220,467</u>
	<b>TOTAL Section I</b>	<b>10,736,470</b>	<b>10,042,067</b>	<b>8,538,152</b>
<b>II. CURRENT ASSETS</b>				
10	Inventories, including:	498,273	447,625	373,569
	raw materials and other inventories	131,015	126,381	127,490
	work in progress	12,558	8,601	5,505
	finished goods and goods for resale	342,497	300,436	234,861
	goods dispatched	12,203	12,207	5,713
	Value added tax on purchased goods	394,310	303,287	158,533
	Accounts receivable, including:	1,281,274	1,236,449	1,048,338
11	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	84,614	116,205	106,307
	buyers and customers	14,569	10,178	9,337
	advances paid	25,112	31,818	43,121
	other accounts receivable	44,933	74,209	53,849
11	Accounts receivable (payment expected within 12 months of the reporting date), including:	1,196,660	1,120,244	942,031
	buyers and customers	592,944	551,635	417,718
	advances paid	340,339	288,764	280,181
	other accounts receivable	263,377	279,845	244,132
	Financial investments (less cash equivalents), including:	165,693	142,936	154,312
	loans issued to companies due within 12 months	97,194	90,994	76,524
12	other financial investments	68,499	51,942	77,788
13	Cash and cash equivalents, including:	438,746	517,955	445,323
	cash on hand	475	533	259
	rouble bank accounts	203,106	274,313	162,018
	non-rouble bank accounts	114,850	127,615	177,085
	other monetary assets and cash equivalents	120,315	115,494	105,961
	Other current assets	<u>14,446</u>	<u>9,783</u>	<u>13,099</u>
	<b>TOTAL Section II</b>	<b><u>2,792,742</u></b>	<b><u>2,658,035</u></b>	<b><u>2,193,174</u></b>
	<b>TOTAL ASSETS</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

**OA O GAZPROM**  
**CONSOLIDATED BALANCE SHEET**  
as of 31 December 2012  
(in million Roubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
14	<b>III. EQUITY AND RESERVES</b>			
	Charter capital	118,368	118,368	118,368
	Treasury shares	(126,961)	(127,472)	(126,853)
	Revaluation of non-current assets	4,736,497	4,718,645	4,105,181
	Additional capital (less revaluation)	66,163	113,990	100,364
	Legal reserves	30,483	27,840	25,630
	Retained earnings	5,371,407	4,774,147	3,851,458
2, 7	Social government fund	<u>741</u>	<u>730</u>	<u>862</u>
	<b>TOTAL Section III</b>	<b>10,196,698</b>	<b>9,626,248</b>	<b>8,075,010</b>
	<b>Minority interest</b>	<b>264,596</b>	<b>250,689</b>	<b>234,273</b>
	<b>IV. NON-CURRENT LIABILITIES</b>			
15	Borrowings, including:	1,178,381	1,173,207	1,125,609
	bank borrowings due for repayment beyond 12 months of the reporting date	306,514	384,752	314,417
	loans due for repayment beyond 12 months of the reporting date	871,867	788,455	811,192
16	Deferred tax liabilities	265,550	227,350	173,723
27	Estimated liabilities	124,027	114,227	104,372
	Other liabilities	<u>4,712</u>	<u>6,401</u>	<u>4,383</u>
	<b>TOTAL Section IV</b>	<b><u>1,572,670</u></b>	<b><u>1,521,185</u></b>	<b><u>1,408,087</u></b>
	<b>V. CURRENT LIABILITIES</b>			
15	Borrowings, including:	325,447	366,037	190,005
	bank borrowings due for repayment within 12 months of the reporting date	57,749	36,968	48,666
	loans due for repayment within 12 months of the reporting date	11,788	27,028	13,938
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	255,910	302,041	127,401
	Accounts payable, including:	941,881	834,961	747,741
	suppliers and contractors	609,608	530,284	440,953
	salaries payable	14,186	10,947	9,795
	payable to state non-budget funds	4,208	2,304	1,335
	payable to budget	119,654	135,230	116,804
	advances received	129,241	106,271	150,849
	other accounts payable	63,205	48,037	25,602
	dividends payable	1,779	1,888	2,403
	Income of future periods	2,362	3,512	3,277
27	Estimated liabilities	<u>225,558</u>	<u>97,470</u>	<u>72,933</u>
	<b>TOTAL Section V</b>	<b><u>1,495,248</u></b>	<b><u>1,301,980</u></b>	<b><u>1,013,956</u></b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

  
A.B. Miller  
Chairman of the Management Committee


  
E.A. Vasilieva  
Chief Accountant

29 April 2013

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF FINANCIAL RESULTS**  
for the year ended 31 December 2012  
(in million Roubles)

Note		For 2012	For 2011
17	Sales	5,002,902	4,735,822
18	Cost of sales	(3,428,321)	(2,907,666)
	<b>Gross profit</b>	<b>1,574,581</b>	<b>1,828,156</b>
18	Commercial expenses	(486)	(440)
18	Administrative expenses	(217,491)	(202,956)
	<b>Profit from sales</b>	<b>1,356,604</b>	<b>1,624,760</b>
	Income from investments in other companies	7,994	7,574
	Interest income	27,805	19,868
	Interest expense	(88,524)	(79,926)
19	Other income	5,553,537	4,922,216
19	Other expenses	(5,954,755)	(5,228,859)
9	Capitalized profit of associates	151,705	92,769
	<b>Profit before profit tax</b>	<b>1,054,366</b>	<b>1,358,402</b>
16	Profit tax, including:	(284,756)	(287,294)
	current profit tax	(297,718)	(330,256)
	previous years profit tax	12,962	42,962
	including: permanent tax liabilities	72,714	61,944
16	Change in deferred tax liabilities	(35,683)	(55,202)
16	Change in deferred tax assets	36,761	10,649
	Other	(107)	1,173
	<b>Net profit of the reporting period before minority interest</b>	<b>770,581</b>	<b>1,027,728</b>
	Minority interest	(24,859)	(32,357)
	<b>Net profit of the reporting period</b>	<b>745,722</b>	<b>995,371</b>
	<b>FOR REFERENCE:</b>		
7	Results of fixed assets revaluation not included into net profit of the reporting period	24,128	597,972
	Results of other transactions not included into net profit of the reporting period	(29,140)	18,542
	Comprehensive income of the reporting period attributable to the owners of OAO Gazprom	740,710	1,611,885
22	Basic earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	32.49	43.37

  
A.B. Miller  
Chairman of the Management Committee

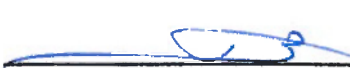
  
E.A. Vasilieva  
Chief Accountant

29 April 2013

**OA O GAZPROM**  
**CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
**for the year ended 31 December 2012**  
**(in million Roubles)**

Note	Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
	<b>Equity as of 31 December 2010</b>	<b>118,368</b>	<b>(126,853)</b>	<b>4,205,545</b>	<b>25,630</b>	<b>3,851,458</b>	<b>862 8,075,010</b>
	<b>For 2011</b>						
	Change of capital – total,						
	including:	-	(619)	633,541	(352)	918,800	(132) 1,551,238
	net profit	-	-	-	-	995,371	- 995,371
7	revaluation of property	-	-	597,972	-	-	- 597,972
	differences resulting from						
	the translation of foreign						
	investments	-	-	18,542	-	-	- 18,542
	change in the Group						
	structure and change						
	of interest in subsidiaries	-	-	16,735	(352)	13,454	- 29,837
	dividends	-	-	-	-	(88,757)	- (88,757)
7	social assets transferred to						
	State authorities	-	-	-	-	-	(132) (132)
	other	-	(619)	292	-	(1,268)	- (1,595)
	Change of additional capital	-	-	(6,451)	-	6,451	- -
	Change of legal reserves	-	-	-	2,562	(2,562)	- -
	<b>Equity as of 31 December 2011</b>	<b>118,368</b>	<b>(127,472)</b>	<b>4,832,635</b>	<b>27,840</b>	<b>4,774,147</b>	<b>730 9,626,248</b>
	<b>For 2012</b>						
	Change of capital – total,						
	including:	-	511	9,512	4	560,412	11 570,450
	net profit	-	-	-	-	745,722	- 745,722
7	revaluation of property	-	-	24,117	-	-	11 24,128
	differences resulting from						
	the translation of foreign						
	investments	-	-	(29,140)	-	-	- (29,140)
	change in the Group						
	structure and change						
	of interest in subsidiaries	-	-	14,265	4	21,861	- 36,130
	dividends	-	-	-	-	(205,866)	- (205,866)
	other	-	511	270	-	(1,305)	- (524)
	Change of additional capital	-	-	(39,487)	-	39,487	- -
	Change of legal reserves	-	-	-	2,639	(2,639)	- -
	<b>Equity as of 31 December 2012</b>	<b>118,368</b>	<b>(126,961)</b>	<b>4,802,660</b>	<b>30,483</b>	<b>5,371,407</b>	<b>741 10,196,698</b>

  
A.B. Miller  
Chairman of the Management Committee

  
E.A. Vasilieva  
Chief Accountant

*29 April* 2013



**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
for the year ended 31 December 2012  
(in million Roubles)

Note		For 2012	For 2011
	<b>Cash flows from operating activities</b>		
	Total cash received, including:	5,782,761	5,192,896
	sales of products, goods, works and services	5,602,138	5,076,942
	other receipts, including:	180,623	115,954
	indirect taxes	75,736	29,702
	advances received from buyers (customers)	42,694	31,621
	Total cash paid, including:	(4,432,416)	(3,788,102)
	payment for purchased raw materials, works and services	(2,072,673)	(1,713,236)
	wages and salaries	(292,454)	(263,981)
	interests on borrowings	(89,719)	(82,284)
	profit tax	(283,619)	(332,569)
	other payments, including:	(1,693,951)	(1,396,032)
	settlements with customs	(684,179)	(675,806)
	settlements with budget (less profit tax)	(633,021)	(450,198)
	advances paid	(125,566)	(93,351)
	<b>Net cash provided by operating activities</b>	<b>1,350,345</b>	<b>1,404,794</b>
	<b>Cash flows from investing activities</b>		
	Total cash received, including:	328,781	349,746
	sales of non-current assets (less financial investments)	6,064	4,546
	sales of other entities' shares (equity interests)	4,519	18,977
	return of loans issued, sales of debt securities (assignment of cash from third parties)	126,916	144,241
	dividends, interest from debt financial investments and receipts from participation in other entities	152,300	67,304
	other receipts	38,982	114,678
	Total cash paid, including:	(1,487,457)	(1,700,373)
	purchase, construction, modernization, reconstruction and preparation for use of non-current assets, including:	(1,125,971)	(1,239,578)
	purchase of exploration assets	(18,527)	(17,282)
23, 24	purchase of other entities' shares	(89,196)	(154,608)
	purchase of debt securities (assignment of cash from third parties), loans issued	(76,088)	(89,668)
	other payments, including:	(196,202)	(216,519)
	indirect taxes	(160,507)	(189,655)
	<b>Net cash used for investing activities</b>	<b>(1,158,676)</b>	<b>(1,350,627)</b>
	<b>Cash flows from financing activities</b>		
	Total cash received, including:	404,786	415,619
	loans and borrowings, issue of bonds, promissory notes and other debt securities	404,780	415,590
	other receipts	6	29
	Total cash paid, including:	(664,934)	(393,919)
	dividends and other distributions to owners (participants)	(227,201)	(108,170)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	(421,108)	(269,867)
	other payments	(16,625)	(15,882)
	<b>Net cash (used for) provided by financing activities</b>	<b>(260,148)</b>	<b>21,700</b>
	<b>Net cash for the reporting year</b>	<b>(68,479)</b>	<b>75,867</b>
	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>517,887</b>	<b>445,270</b>
13	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>438,674</b>	<b>517,887</b>
	<b>Impact of changes in exchange rates</b>	<b>(10,734)</b>	<b>(3,250)</b>

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilieva  
Chief Accountant

29 April 2013

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

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**1. GENERAL INFORMATION**

OA O 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 involved in the following principal activities:

- Exploration and production of gas;
- Transportation of gas;
- Sales of gas within the 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;
- Electric and heat energy generation and sales.

Other financial and operational activities include mainly production of other goods, works and services.

On average, the Group employed 406,577 and 400,280 people in 2012 and 2011, 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 6 December 2011 No. 402-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, other statutory accounting and reporting regulatory acts included in accounting and reporting regulatory system of organizations in the Russian Federation and the Methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112.

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 Consolidated Balance Sheet, Consolidated Statement of Financial Results, 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 OA O Gazprom and its principal subsidiaries and associates.

Accounting policy for the year 2012 of OA O Gazprom and its subsidiaries is approved by Order No. 408 dated 30 December 2011.

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. Investments in companies with 50% interest and more 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.

*Assets and liabilities denominated in foreign currency*

Business transactions denominated 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 at reporting date. The rate of exchange as of 31 December 2012 was RR 30.3727 to USD 1 (as of 31 December 2011 – RR 32.1961, as of 31 December 2010 – RR 30.4769) and RR 40.2286 to EUR 1 (as of 31 December 2011 – RR 41.6714, as of 31 December 2010 – RR 40.3331).

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

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

Exchange differences arising from the translation of the assets and liabilities of foreign subsidiaries and associates are included into additional capital. Statements of Financial Results of foreign entities are translated at average exchange rate of relevant foreign currency for the year.

*Current and non-current assets and liabilities*

In 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 historic cost 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 represented within other expenses in the Consolidated Statement of Financial Results.

*Results of research and development*

Results of research and development in the Consolidated Balance Sheet include expenditure on completed research and development, which met recognition criteria, which are not subject to legal protection under the existing laws and are used for production or managerial needs of the Group. These expenses are written off to cost of production of goods and services throughout the year from the moment they were first used on a straight-line basis. Expenditure on acquisition and development of research and development in progress, which are accounted within other non-current assets, are also included into this line.

*Intangible and tangible exploration assets*

Exploration costs accounted within tangible exploration assets include:

- expenditure on drilling and infrastructure development of prospecting, exploration and advance development wells (drilled at the exploration stage before the commercial practicability of minerals extraction is proved) broken down by fields (areas);
- acquisition and set-up costs of property, constructions, plant, equipment, vehicles used for prospecting, valuation of minerals fields and minerals exploration.

Tangible exploration assets include wells, property, plant, equipment, constructions, sets, vehicles, metalwork, special gear and tools.

Exploration costs accounted within intangible exploration assets include expenditure on acquisition of the rights to use subsurface resources.

Intangible exploration assets include geological exploration and mining licences.

Intangible exploration assets are not amortized in the course of prospecting, valuation of minerals fields and minerals exploration.

Equipment acquisition costs are depreciated on a straight-line basis during the period of their useful life. Depreciation charges are attributed to cost of geological exploration of an associated field. The Group determines useful lives of exploration assets similarly to determination of fixed assets useful lives. The cost of a self-developed exploration asset includes depreciation charge of the exploration asset used to develop this exploration asset.

In case the commercial practicability of minerals extraction in a particular area of the field is proved the exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets, which are intended for mining and extraction of minerals.

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

The Group tests exploration assets for impairment as of 31 December of the reporting year and in case the commercial practicability of minerals extraction in a particular area of a field is proved. For the purpose of exploration assets impairment test these assets are distributed between areas of minerals fields. The exploration assets impairment charge is attributed to general expenses.

*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, accounted for in accordance with the established procedure.

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 are accounted separately within fixed assets.

In the consolidated accounting reports fixed assets are recorded at replacement cost (as of 31 December 2012) net of depreciation accumulated for the period of their use.

Certain assets of the certain entities of the Group (including Gazprom нефт Group entities, OAO WGC-2, 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.

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.

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

*Investments in non-current assets*

Investments in non-current assets include projects under construction which are not put into operation, equipment requiring assembly and other investments in non-current assets not accounted within fixed and intangible assets. Equipment requiring assembly which is in storage and which is meant for projects under construction is accounted within construction in progress separately.

Depending on how these assets will be accounted for after the investments into non-current assets are completed the items stated above are represented in lines "Intangible assets", "Results of research and development", "Intangible exploration assets", "Tangible exploration assets", or "Construction in progress".

*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.

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 as Cost of sales of the Consolidated Statement of Financial Results.

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.

*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.

Doubtful accounts receivable with high probability of nonredemption are represented net of bad debt provision. Bad debt provision is recorded within other expenses in the Consolidated Statement of Financial Results. Corresponding amount of provision is recorded in other income (recognized as bad debt) upon repayment of doubtful receivables.

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

*Cash equivalents and representation of cash flows in the Consolidated Statement of Cash Flow*

Cash equivalents include most liquid financial investments, which are easily convertible into a known amount of cash and are not subject to risk of change in price.

The Group classifies short-term bank deposits with maturity up to 3 months as cash equivalents and represents them in the line "Cash and cash equivalents" in the Consolidated Balance Sheet.

Cash flows of the Group which are not clearly identified as cash flows from operating, investment or financial activities are represented within operating activities in the Consolidated Statement of Cash Flow. Such cash flows include tax payments and reimbursement of indirect tax from the state budget.

For cash flow statement purposes cash flows denominated in foreign currency are recalculated using the official Rouble exchange rate set by the Central bank of the Russian Federation as at the date of transaction.

Forex effect, arising from recalculation of cash flows and closing balances of cash and cash equivalents denominated in foreign currency using exchange rates as at date of transaction and reporting date, is included into the line "Impact of changes in Exchange rates" in the Consolidated Statement of Cash Flows.

In the Consolidated Statements of Cash Flows the following cash flows are netted:

- cash outflow and cash inflow arising from foreign exchange operations;
- settlements with commissioner or agent in relation to rendering services (except for commission itself);
- cash flows with high turnover, large amounts and short pay-back period;
- other settlements that relate rather to the activity of counterparties than to the activity of the Group itself.

In the context of recent revision of composition of Consolidated Statement of Cash Flow, initiated by Russian accounting rule «Cash flow statement» (RAR 23/2011), adopted by the Order of the Ministry of Finance dated 2 February 2011 No.11n, indirect taxes within settlements with suppliers and contractors and settlements with debtors are netted.

*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.

OA O 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.

*Commitments and contingencies*

The Group recognizes the following contingent liabilities in accounting:

- bonus payments at the year end;
- vacations;
- retirement benefits payable as a lump sum;
- fixed assets liquidation and environmental restoration in the context of subsurface use;
- other contingent liabilities.

The amount of contingent liabilities for bonus payments at the year end is defined based on the stock-taking results and adopted procedure for accrual of bonus payments at the year end.

The amount of contingent liabilities for vacations is defined based on the quantity of days of annual and excess leave earned but not used by employees during the whole period of employment as at reporting date and the average daily salary. It is revised at reporting date.

Contingent liabilities for retirement benefits payable as a lump sum are accrued at the date when an employee becomes of pensionable age and are written off 6 months after this date.

The Group recognized contingent liabilities for gas price adjustment arising from the claims of European customers based on the contracts terms. The effect of gas price adjustment including corresponding impacts on profit tax are recorded when they become probable and a reliable estimate of the amounts can be made.

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

Contingent liabilities are attributed to general expenses and to other expenses in the Consolidated Statement of Financial Results.

Contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use are recognized within fixed assets value. Increase or decrease of the amount of contingent liability due to change of its value is attributed to other income and other expenses.

Contingent liabilities are represented in the line "Commitments and contingencies" in the Consolidated Balance Sheet.

*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, positive exchange differences arising from foreign currency transactions, income from trading operations without actual delivery.

*Expenses recognition*

General expenses are those related to production, rendering of work and services, sales of goods.

Administrative expenses are general business expenses which are monthly written off to Cost of sales of the reporting period in full amount.

Other expenses primarily include expenses related to the sale and purchase of foreign currency, negative exchange differences arising from foreign currency transactions, expenses associated with trading operations without actual delivery.

In the Consolidated Statement of Financial Results other expenses are represented netted in relation to relevant income, if this is directly prescribed or is not prohibited by the accounting regulation and if expenses and related income resulted from the same or similar economic event are not material for financial characteristics of the entity of the Group.

**3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS**

*Changes in the 2012 accounting policies*

In the context of changes in the existing accounting regulation the Group has modified the accounting policy for FY 2012 as follows:

In view of adoption of the Russian accounting rule «On accounting of natural resources development expenses» (RAR 24/2011), approved by Order of the Russian Ministry of Finance dated 6 October 2011, No. 125n the Group's accounting policy for 2012 was amended in respect of accounting and representation of natural resources development expenses. Natural resources development expenses, incurred by the Group with the aim of prospecting, valuation and exploration of minerals fields (exploration expenses) until the commercial practicability of minerals extraction in a particular area which is being prospected, valued and explored is proved and documented, are accounted for as tangible and intangible exploration assets.

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**3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS (continued)**

*Changes in the financial reporting forms*

In accordance with the Order of the Russian Ministry of Finance dated 5 October 2011 No 124n "On amending financial reporting forms" approved by the Order of the Russian Ministry of Finance dated 2 July 2010 No 66n, since financial reports for 2012 lines "Intangible exploration assets" and "Tangible exploration assets" are added to the Consolidated Balance Sheet. Since 2012 the Group represented natural resources development expenses within other non-current and current assets.

*Changes in the accounting of natural resources development expenses*

Since 2012 expenditure on acquisition of minerals prospecting, exploration and extraction licences in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are presented within intangible exploration assets and are represented in the line "Intangible exploration assets" of the Consolidated Balance Sheet and are not amortized, before 1 January 2012 these expenses were represented in the line Other non-current assets and were amortized on a straight-line basis during the period of the validity of the licenses).

Since 2012 expenditure on one-off payments for the use of subsurface resources in accordance with the minerals prospecting, exploration and extraction licences in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are represented in the line "Intangible exploration assets" of the Consolidated Balance Sheet and are not amortized. Before 1 January 2012 these expenses were represented in the line Other non-current assets and were amortized on a straight-line basis during the period of the licenses validity (the portion of expenditure subject to write off within 12 months after the reporting date was represented in line Other current assets).

Since 2012 expenditure on drilling and infrastructure development of prospecting and exploration wells drilled at the exploration stage in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are represented in the line Tangible exploration assets of the Consolidated Balance Sheet, before 1 January 2012 these expenses were represented in lines Construction in progress and Other non-current assets of the Consolidated Balance Sheet.

Since 2012 expenditure on geological exploration and other expenditure on development of natural resources not classified as exploration assets in accordance with RAR 24/2011 were written off (before 1 January 2012 these expenses were classified as assets related to development of natural resources and were represented within other non-current and other current assets during a year starting from the moment of initial recognition).

Since 2012 expenditure on completed and suspended prospecting and exploration wells in the in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has been proved are represented within construction in progress in the line "Construction in progress" of the Consolidated Balance Sheet until the construction is completed. Before 1 January 2012 these expenses were represented within other non-current assets of the Consolidated Balance Sheet.

*Changes in the accounting of contingent liabilities*

Since 2012 the Group recognized contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use.

*Changes due to adoption of Consolidated Group of Taxpayers (CGT)*

Since 2012 deferred tax asset which arose from the Group members' losses (in respect of the activity, related to CGT), recognized before participating CGT is written off from retained earnings in a lump sum.

The indicated changes in the accounting policy and consolidated accounting reporting forms lead to necessary adjustments of comparative periods in the consolidated accounting reports for 2012, which are disclosed in subsection "Changes in the comparative periods" in the Notes to the consolidated accounting reports.

*Changes in the comparative periods*

Columns "As of 31 December 2011" and "As of 31 December 2010" of the Consolidated Balance Sheet as of 31 December 2012 were formed by the way of adjusting closing balances of the Consolidated Balance Sheet as of 31 December 2011 and 2010 for:

- change of accounting policy for 2012 in respect of expenses for the development of natural resources;
- change of accounting policy for 2012 in respect of recognition of contingent liabilities for fixed assets liquidation and environmental restoration.



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**3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS (continued)**

*Adjustments to the amounts as at 31 December 2011 and 2010 in the Consolidated Balance Sheet as at 31 December 2012*

Item	As of 31 December 2011			As of 31 December 2010		
	Amount before adjustment	Adjust ment	Amount after adjustment	Amount before adjustment	Adjust ment	Amount after adjustment
<b>I. NON-CURRENT ASSETS</b>						
Intangible assets	859,870	4	859,874	743,495	7	743,502
Intangible exploration assets	-	52,703	52,703	-	41,923	41,923
Tangible exploration assets	-	29,673	29,673	-	21,164	21,164
Fixed assets, including:	7,760,805	108,012	7,868,817	6,296,572	105,912	6,402,484
Objects of fixed assets, including:	6,114,279	46,306	6,160,585	4,991,540	47,084	5,038,624
buildings, constructions, machinery and equipment	5,982,883	46,310	6,029,193	4,928,293	47,088	4,975,381
Construction in progress	1,646,526	61,706	1,708,232	1,305,032	58,828	1,363,860
Deferred tax assets	58,016	11,711	69,727	48,386	10,704	59,090
Other non-current assets	<u>318,753</u>	<u>(144,336)</u>	<u>174,417</u>	<u>344,613</u>	<u>(124,146)</u>	<u>220,467</u>
<b>TOTAL Section I</b>	<b>9,984,300</b>	<b>57,767</b>	<b>10,042,067</b>	<b>8,482,588</b>	<b>55,564</b>	<b>8,538,152</b>
<b>II. CURRENT ASSETS</b>						
Accounts receivable, including:	1,235,449	1,000	1,236,449	1,047,183	1,155	1,048,338
Accounts receivable (payment expected beyond 12 months of the reporting date), including:	115,505	700	116,205	105,152	1,155	106,307
advances paid	31,118	700	31,818	41,966	1,155	43,121
Accounts receivable (payment expected within 12 months of the reporting date), including:	1,119,944	300	1,120,244	942,031	-	942,031
advances paid	288,464	300	288,764	280,181	-	280,181
Other current assets	<u>18,066</u>	<u>(8,283)</u>	<u>9,783</u>	<u>24,676</u>	<u>(11,577)</u>	<u>13,099</u>
<b>TOTAL Section II</b>	<b><u>2,665,318</u></b>	<b><u>(7,283)</u></b>	<b><u>2,658,035</u></b>	<b><u>2,203,596</u></b>	<b><u>(10,422)</u></b>	<b><u>2,193,174</u></b>
<b>TOTAL ASSETS</b>	<b>12,649,618</b>	<b>50,484</b>	<b>12,700,102</b>	<b>10,686,184</b>	<b>45,142</b>	<b>10,731,326</b>
<b>III. EQUITY AND RESERVES</b>						
Revaluation of non-current assets	4,720,075	(1,430)	4,718,645	4,106,611	(1,430)	4,105,181
Retained earnings	<u>4,832,022</u>	<u>(57,875)</u>	<u>4,774,147</u>	<u>3,903,804</u>	<u>(52,346)</u>	<u>3,851,458</u>
<b>TOTAL Section III</b>	<b>9,685,553</b>	<b>(59,305)</b>	<b>9,626,248</b>	<b>8,128,786</b>	<b>(53,776)</b>	<b>8,075,010</b>
<b>Minority interest</b>	<b>252,735</b>	<b>(2,046)</b>	<b>250,689</b>	<b>236,471</b>	<b>(2,198)</b>	<b>234,273</b>
<b>IV. NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	226,670	680	227,350	173,352	371	173,723
Estimated liabilities	<u>3,337</u>	<u>110,890</u>	<u>114,227</u>	<u>3,745</u>	<u>100,627</u>	<u>104,372</u>
<b>TOTAL Section IV</b>	<b>1,409,615</b>	<b>111,570</b>	<b>1,521,185</b>	<b>1,307,089</b>	<b>100,998</b>	<b>1,408,087</b>
<b>V. CURRENT LIABILITIES</b>						
Income of future periods	3,543	(31)	3,512	3,311	(34)	3,277
Estimated liabilities	<u>97,174</u>	<u>296</u>	<u>97,470</u>	<u>72,781</u>	<u>152</u>	<u>72,933</u>
<b>TOTAL Section V</b>	<b><u>1,301,715</u></b>	<b><u>265</u></b>	<b><u>1,301,980</u></b>	<b><u>1,013,838</u></b>	<b><u>118</u></b>	<b><u>1,013,956</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,649,618</b>	<b>50,484</b>	<b>12,700,102</b>	<b>10,686,184</b>	<b>45,142</b>	<b>10,731,326</b>

*Adjustments to the Consolidated Statement of Financial Results*

To ensure comparability of the data for 2012 to comparative amounts for 2011 in the Consolidated Statement of Financial Results amounts for 2011 were adjusted for:

- write off of geological exploration expenses and other natural resources development expenses, which are not recognized as exploration assets;

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**3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE INFORMATION FOR THE PREVIOUS REPORTING PERIODS (continued)**

- recognition of contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use;
- write off of deferred tax asset which arose from the Group members' losses (in respect of the activity, related to members of CGT), recognized before participating CGT.

Item	Amount before adjustment for 2011	Adjustment	Amount after adjustment for 2011
Cost of sales	(2,907,021)	(645)	(2,907,666)
<b>Gross profit</b>	<b>1,828,801</b>	<b>(645)</b>	<b>1,828,156</b>
Administrative expenses	(206,072)	3,116	(202,956)
<b>Profit from sales</b>	<b>1,622,289</b>	<b>2,471</b>	<b>1,624,760</b>
Interest expense	(79,663)	(263)	(79,926)
Other expenses	(5,220,578)	(8,281)	(5,228,859)
<b>Profit before profit tax, including</b>	<b>1,364,475</b>	<b>(6,073)</b>	<b>1,358,402</b>
permanent tax liabilities	61,425	519	61,944
Change in deferred tax liabilities	(54,893)	(309)	(55,202)
Change in deferred tax assets	9,644	1,005	10,649
<b>Net profit of the reporting period before minority interest</b>	<b>1,033,105</b>	<b>(5,377)</b>	<b>1,027,728</b>
<b>Minority interest</b>	<b>(32,205)</b>	<b>(152)</b>	<b>(32,357)</b>
<b>Net profit of the reporting period</b>	<b>1,000,900</b>	<b>(5,529)</b>	<b>995,371</b>

*Adjustments to the Consolidated Statement of Cash Flow*

To ensure comparability of the data for 2012 to comparative amounts for 2011 in the Consolidated Statement of Cash Flow amounts for 2011 were adjusted for the changes of presentation of cash inflows and outflows, including:

- indirect taxes within cash inflow from contractors and suppliers and cash outflow to contractors and suppliers are netted;
- payments to suppliers and contractors related to development and acquisition of exploration assets are represented within Cash flows from investment.

Item	Amount before adjustment for 2011	Adjustment	Amount after adjustment for 2011
<b>Cash flows from operating activities</b>			
Total cash received	5,604,075	(411,179)	5,192,896
Total cash paid	(4,215,678)	427,576	(3,788,102)
<b>Net cash provided by operating activities</b>	<b>1,388,397</b>	<b>16,397</b>	<b>1,404,794</b>
<b>Cash flows from investing activities</b>			
Total cash received	355,012	(5,266)	349,746
Total cash paid	(1,689,242)	(11,131)	(1,700,373)
<b>Net cash used for investing activities</b>	<b>(1,334,230)</b>	<b>(16,397)</b>	<b>(1,350,627)</b>
<b>Cash flows from financial activities</b>			
Total cash received	523,844	(108,225)	415,619
Total cash paid	(502,144)	108,225	(393,919)
<b>Net cash provided by financial activities</b>	<b>21,700</b>	<b>-</b>	<b>21,700</b>

**ОАО ГАЗПРОМ**  
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**4. 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 - geologic exploration and production of gas;
- Transportation - transportation of gas;
- Distribution of gas - sales of gas on internal and external markets;
- 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;
- Electric and heat energy generation and sales - electric and heat energy generation and sales
- Other - other activities.

The inter-segment sales mainly consist of:

- Production of gas - sales of gas to the Distribution of gas and Refining segments;
- Transportation - rendering transportation services to the Distribution of gas segment;
- Distribution of gas - sales of gas to the Transportation segment for own needs and to the Electric and heat energy generation and sales segment;
- Gas storage - sales of gas storage services to Distribution of gas segment;
- 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, mostly for Production of gas, Transportation 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. 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.

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**4. SEGMENT INFORMATION (continued)**

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>For 2012</b>									
<b>Total segment revenues</b>	553,945	823,320	3,021,485	33,598	726,707	1,201,934	340,769	231,764	6,933,522
Inter-segment sales	544,819	732,434	235,430	32,286	375,724	9,927	-	-	1,930,620
External sales	9,126	90,886	2,786,055	1,312	350,983	1,192,007	340,769	231,764	5,002,902
Segment result	56,931	34,200	990,793	5,666	144,390	100,447	24,613	3,226	1,360,266
Depreciation	111,285	328,720	10,504	13,427	58,225	29,070	21,468	13,035	585,734
Capitalized profit (loss) of associates	1,032	(814)	35,551	(165)	98,287	2,382	-	15,432	151,705
<b>For 2011</b>									
<b>Total segment revenues</b>	388,537	756,873	3,030,459	29,658	630,002	979,993	342,873	228,672	6,387,067
Inter-segment sales	381,481	677,634	238,290	28,583	318,302	6,955	-	-	1,651,245
External sales	7,056	79,239	2,792,169	1,075	311,700	973,038	342,873	228,672	4,735,822
Segment result	51,873	49,557	1,216,948	4,613	99,125	167,960	25,539	12,239	1,627,854
Depreciation	87,655	267,038	7,756	9,854	51,478	19,256	19,142	10,536	472,715
Capitalized profit (loss) of associates	957	(8,756)	21,554	-	64,766	1,860	-	12,388	92,769

A reconciliation of total operating segment results to total profit before profit tax in the Consolidated Statement of Financial Results is provided as follows:

	For 2012	For 2011
<b>Segment result</b>	<b>1,360,266</b>	<b>1,627,854</b>
Income from investments in other companies	7,994	7,574
Interest income	27,805	19,868
Interest expense	(88,524)	(79,926)
Other income	5,553,537	4,922,216
Other expense	(5,954,755)	(5,228,859)
Difference in depreciation	(3,662)	(3,094)
Capitalized profit (loss) of associates	151,705	92,769
<b>Profit before profit tax</b>	<b>1,054,366</b>	<b>1,358,402</b>

Segment assets include primarily tangible and intangible exploration assets, 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. Goodwill, deferred tax assets, value added tax, cash and cash equivalents, other financial investments, as well as loans issues to other entities are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

Inter-segment operations represent the balance of intercompany transactions.

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

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**4. SEGMENT INFORMATION (continued)**

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>As of 31 December 2012</b>									
Segment assets	1,996,958	5,262,632	1,245,007	220,928	1,019,330	887,233	512,769	655,676	11,800,533
Investments in associated undertakings	27,698	67,550	85,731	4,025	259,407	8,414	448	87,016	540,289
Capital expenditure	232,705	563,822	47,166	18,247	85,161	128,529	52,002	61,470	1,189,102
<b>As of 31 December 2011</b>									
Segment assets	1,906,130	4,955,286	1,242,506	206,467	946,078	937,702	490,906	543,129	11,228,204
Investments in associated undertakings	27,914	66,655	107,502	-	291,252	47,250	48	67,496	608,117
Capital expenditure	246,635	740,910	48,802	19,978	72,440	111,267	67,181	29,700	1,336,913
<b>As of 31 December 2010</b>									
Segment assets	1,644,887	4,007,043	1,062,591	169,574	874,528	668,621	388,434	642,017	9,457,695
Investments in associated undertakings	23,600	142,837	98,225	-	321,070	30,927	48	51,892	668,599
Capital expenditure	215,236	407,571	37,578	17,355	83,097	70,726	44,115	20,452	896,130

Reportable segments' assets are reconciled to total assets in the Consolidated Balance Sheet as follows:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Segment assets for reportable segments	11,144,857	10,685,075	8,815,678
Other segments' assets	655,676	543,129	642,017
<b>Total segment assets</b>	<b>11,800,533</b>	<b>11,228,204</b>	<b>9,457,695</b>
Goodwill	885,672	855,290	740,554
Loans issued to companies beyond 12 months	113,715	107,197	110,401
Other long-term financial investments	30,855	34,041	38,792
Deferred tax assets	106,668	69,727	59,090
Value added tax on purchased goods	394,310	303,287	158,533
Loans issued to companies due within 12 months	97,194	90,994	76,524
Other short-term financial investments	68,499	51,942	77,788
Cash and cash equivalents	438,746	517,955	445,323
Decommissioning costs	52,111	51,452	51,767
Inter-segment assets	(647,567)	(801,796)	(659,640)
Other	188,476	191,809	174,499
<b>Total assets per the balance sheet</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

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.

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>As of 31 December 2012</b>									
Segment liabilities	135,554	427,157	585,171	9,844	154,023	241,356	29,469	146,500	1,729,074
<b>As of 31 December 2011</b>									
Segment liabilities	115,136	422,037	468,773	7,940	260,749	166,963	35,559	137,010	1,614,167
<b>As of 31 December 2010</b>									
Segment liabilities	86,041	315,515	436,840	7,473	209,274	148,443	32,059	149,663	1,385,308

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**4. SEGMENT INFORMATION (continued)**

Reportable segments' liabilities are reconciled to total liabilities in the Consolidated Balance Sheet as follows:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Segment liabilities for reportable segments	1,582,574	1,477,157	1,235,645
Other segments' liabilities	<u>146,500</u>	<u>137,010</u>	<u>149,663</u>
<b>Total segments liabilities</b>	<b>1,729,074</b>	<b>1,614,167</b>	<b>1,385,308</b>
Long-term loans and borrowings	1,178,381	1,173,207	1,125,609
Deferred tax liabilities	265,550	227,350	173,723
Short-term loans and borrowings and current portion of long-term loans and borrowings	325,447	366,037	190,005
Dividends payable	1,779	1,888	2,403
Income of future periods	2,362	3,512	3,277
Contingent liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	121,930	110,890	100,627
Inter-segment liabilities	(647,567)	(801,796)	(659,640)
Other	<u>90,962</u>	<u>127,910</u>	<u>100,731</u>
<b>Total liabilities per the balance sheet</b>	<b>3,067,918</b>	<b>2,823,165</b>	<b>2,422,043</b>

Information on sales by geographical segments is presented in Note 17. Information on assets by geographical segments is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

Cash flows from operating, investing and financial activities for reporting segments are represented in the table below:

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>For 2012</b>									
<b>Cash flows from operating activities</b>									
Total cash received	7,979	118,084	3,256,636	1,356	468,811	1,353,323	316,016	157,855	5,680,060
Unallocated cash flows									102,701
Total cash paid	(401,415)	(541,854)	(1,225,021)	(14,372)	(689,766)	(764,912)	(216,834)	(150,706)	(4,004,880)
Unallocated cash flows									(427,536)
<b>Cash flows from investing activities</b>									
Total cash received	220	1,550	614	-	4,850	257	25	3,693	11,209
Unallocated cash flows									317,572
Total cash paid	(212,679)	(514,915)	(38,766)	(24,742)	(102,446)	(114,877)	(47,578)	(76,119)	(1,132,122)
Unallocated cash flows									(355,335)
<b>Cash flows from financial activities</b>									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									404,786
Total cash paid	(1,913)	(7,505)	(12)	(59)	(115)	(3,359)	(225)	(1,064)	(14,252)
Unallocated cash flows									(650,682)
<b>For 2011</b>									
<b>Cash flows from operating activities</b>									
Total cash received	6,271	95,127	3,087,487	1,136	385,049	1,038,528	331,239	185,027	5,129,864
Unallocated cash flows									63 032
Total cash paid	(292,750)	(452,191)	(997,149)	(12,284)	(555,026)	(569,848)	(237,263)	(154,365)	(3,270,876)
Unallocated cash flows									(517,226)
<b>Cash flows from investing activities</b>									
Total cash received	3	769	2,654	-	114	292	118	3,938	7,888
Unallocated cash flows									341 858
Total cash paid	(247,146)	(672,125)	(28,553)	(26,304)	(79,533)	(99,480)	(56,553)	(35,084)	(1,244,778)
Unallocated cash flows									(455,595)
<b>Cash flows from financial activities</b>									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									415,619
Total cash paid	(2,162)	(7,363)	(13)	(78)	(92)	(1,772)	(202)	(1,842)	(13,524)
Unallocated cash flows									(380,395)

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**5. GOODWILL ON SUBSIDIARIES**

Note		Gross book value	Accumulated amortization	Net book value
	<b>As of 31 December 2011</b>			
	OA O Gazprom neft	539,720	(142,965)	396,755
24	OA O Gazprom transgaz Belarus	146,316	-	146,316
26	Sibir Energy Ltd.	113,059	(13,338)	99,721
25	OA O WGC-2	87,263	(15,441)	71,822
	OA O Mosenergo	46,612	(10,322)	36,290
	OOO Gazprom neft shelf	37,416	(12,694)	24,722
	OA O TGC-1	35,518	(3,552)	31,966
26	OA O Gazpromneft – MNPZ	10,686	(1,224)	9,462
	OA O Daltransgaz	6,990	(930)	6,060
	OA O Yuzhuralneftegaz	6,815	(28)	6,787
	OA O Gazovie Magistraly Tumeny	6,285	(471)	5,814
	Others	23,576	(4,001)	19,575
	<b>Total</b>	<b>1,060,256</b>	<b>(204,966)</b>	<b>855,290</b>
	<b>Additions for 2012</b>			
23	OA O Gazprom neftekhim Salavat	68,724		
	OOO Sibirskie gazovie seti	17,000		
	OA O Gazpromneft – MNPZ	5,212		
	Sibir Energy Ltd.	366		
	Others	1,838		
	<b>Total</b>	<b>93,140</b>		
	<b>Disposals for 2012</b>			
	Sibir Energy Ltd.	(9,451)	1,338	(8,113)
	Others	(41)	41	-
	<b>Total</b>	<b>(9,492)</b>	<b>(1,379)</b>	<b>(8,113)</b>
2	<b>Amortization charge</b>			
	OA O Gazprom neft		(26,986)	
	OA O Gazprom transgaz Belarus		(7,316)	
	Sibir Energy Ltd.		(5,348)	
	OA O WGC-2		(4,363)	
	OA O Mosenergo		(2,331)	
	OOO Gazprom neft shelf		(1,871)	
	OA O Gazprom neftekhim Salavat		(1,829)	
	OA O TGC-1		(1,776)	
	OA O Gazpromneft – MNPZ		(577)	
	OA O Daltransgaz		(350)	
	OA O Yuzhuralneftegaz		(341)	
	OA O Gazovie Magistraly Tumeny		(314)	
	OOO Sibirskie gazovie seti		(71)	
	Others		(1,172)	
	<b>Total</b>		<b>(54,645)</b>	
	<b>As of 31 December 2012</b>			
	OA O Gazprom neft	539,720	(169,951)	369,769
	OA O Gazprom transgaz Belarus	146,316	(7,316)	139,000
	Sibir Energy Ltd.	103,974	(17,348)	86,626
	OA O WGC-2	87,263	(19,804)	67,459
	OA O Gazprom neftekhim Salavat	68,724	(1,829)	66,895
	OA O Mosenergo	46,612	(12,653)	33,959
	OOO Gazprom neft shelf	37,416	(14,565)	22,851
	OA O TGC-1	35,518	(5,328)	30,190
	OOO Sibirskie gazovie seti	17,000	(71)	16,929
	OA O Gazpromneft – MNPZ	15,898	(1,801)	14,097

**OAo GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**5. GOODWILL ON SUBSIDIARIES (continued)**

Note	Gross book value	Accumulated amortization	Net book value
OAo Daltransgaz	6,990	(1,280)	5,710
OAo Yuzhuralneftegaz	6,815	(369)	6,446
OAo Gazovie Magistraly Tumeny	6,285	(785)	5,500
Others	25,373	(5,132)	20,241
<b>Total</b>	<b>1,143,904</b>	<b>(258,232)</b>	<b>885,672</b>

**6. EXPLORATION ASSETS**

	As of 31 December 2011	Changes for 2012				As of 31 December 2012
		additions	disposals	intra- group	depreciation charge	
<b>Total Intangible exploration assets,</b> including:	<b>52,703</b>	<b>18,448</b>	<b>(1,748)</b>	-	-	<b>69,403</b>
Licences on minerals prospecting, estimation, exploration and extraction	49,500	4,590	(1,318)	1,268	-	54,040
Expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	3,203	13,858	(430)	(1,268)	-	15,363
<b>Total Tangible exploration assets,</b> including:	<b>29,673</b>	<b>9,270</b>	<b>(1,761)</b>	-	-	<b>37,182</b>
Wells	1,999	-	-	197	-	2,196
Exploration expenses classified as tangible exploration assets	27,674	9,270	(1,761)	(197)	-	34,986

	As of 31 December 2010	Changes for 2011				As of 31 December 2011
		additions	disposals	intra- group	depreciation charge	
<b>Total Intangible exploration assets,</b> including:	<b>41,923</b>	<b>11,235</b>	<b>(455)</b>	-	-	<b>52,703</b>
Licences on minerals prospecting, estimation, exploration and extraction	40,531	1,378	-	7,591	-	49,500
Expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	1,392	9,857	(455)	(7,591)	-	3,203
<b>Total Tangible exploration assets,</b> including:	<b>21,164</b>	<b>11,729</b>	<b>(3,220)</b>	-	-	<b>29,673</b>
Wells	1,306	-	-	693	-	1,999
Exploration expenses classified as tangible exploration assets	19,858	11,729	(3,220)	(693)	-	27,674



**OAo GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**7. FIXED ASSETS**

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
<b>As of 31 December 2010</b>						
Historical (replacement) cost	7,554,859	1,345,973	1,852,723	1,250,729	1,357,626	13,361,910
Accumulated depreciation	(5,128,021)	(890,387)	(1,340,618)	(413,451)	(550,809)	(8,323,286)
<b>Net book value</b>	<b>2,426,838</b>	<b>455,586</b>	<b>512,105</b>	<b>837,278</b>	<b>806,817</b>	<b>5,038,624</b>
<b>For 2011</b>						
Additions	314,651	96,409	225,151	98,864	295,432	1,030,507
Disposals	(168)	(609)	(11,691)	(12,014)	(6,780)	(31,262)
Historical (replacement) cost	(2,631)	(4,512)	(49,977)	(18,228)	(16,963)	(92,311)
Accumulated depreciation	2,463	3,903	38,286	6,214	10,183	61,049
4 Depreciation	(209,455)	(57,272)	(102,801)	(40,696)	(65,584)	(475,808)
Revaluation of fixed assets	373,852	39,475	41,558	80,142	63,497	598,524
Historical (replacement) cost	1,230,159	154,722	242,230	148,246	125,460	1,900,817
Accumulated depreciation	(856,307)	(115,247)	(200,672)	(68,104)	(61,963)	(1,302,293)
<b>As of 31 December 2011</b>						
Historical (replacement) cost	9,119,311	1,594,616	2,287,760	1,482,531	1,774,307	16,258,525
Accumulated depreciation	(6,213,593)	(1,061,027)	(1,623,438)	(518,957)	(680,925)	(10,097,940)
<b>Net book value</b>	<b>2,905,718</b>	<b>533,589</b>	<b>664,322</b>	<b>963,574</b>	<b>1,093,382</b>	<b>6,160,585</b>
<b>For 2012</b>						
Additions	588,667	103,684	361,070	137,882	354,032	1,545,335
Disposals	(88)	(115)	(2,886)	(8,155)	(5,390)	(16,634)
Historical (replacement) cost	(3,880)	(8,136)	(17,461)	(11,580)	(11,624)	(52,681)
Accumulated depreciation	3,792	8,021	14,575	3,425	6,234	36,047
4 Depreciation	(251,516)	(73,718)	(132,036)	(46,744)	(85,383)	(589,397)
Revaluation of fixed assets	1,258	43	6,303	4,976	8,502	21,082
Historical (replacement) cost	1,629	2,310	25,603	8,993	15,234	53,769
Accumulated depreciation	(371)	(2,267)	(19,300)	(4,017)	(6,732)	(32,687)
<b>As of 31 December 2012</b>						
Historical (replacement) cost	9,701,580	1,688,677	2,667,113	1,618,022	2,136,862	17,812,254
Accumulated depreciation	(6,457,541)	(1,125,194)	(1,770,340)	(566,489)	(771,719)	(10,691,283)
<b>Net book value</b>	<b>3,244,039</b>	<b>563,483</b>	<b>896,773</b>	<b>1,051,533</b>	<b>1,365,143</b>	<b>7,120,971</b>

In Additions for 2012 reflected acquisition of OAO "Gazprom neftekhim Salavat", including historical (replacement) cost in the amount of RR 43,887 and accumulated depreciation in amount of RR 18,726.

In 2012 and 2011 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 0 in 2012 (in 2011 – RR 132).

**8. CONSTRUCTION IN PROGRESS**

	Construction in progress	Equipment for installation	Total
<b>As of 31 December 2010</b>	<b>1,192,727</b>	<b>171,133</b>	<b>1,363,860</b>
<b>For 2011</b>			
Capital expenditures	1,137,125	206,940	1,344,065
Transfer of equipment for installation	152,741	(152,741)	-
Transfer to Fixed assets	(977,347)	-	(977,347)
Other disposals	(21,360)	(986)	(22,346)
<b>As of 31 December 2011</b>	<b>1,483,886</b>	<b>224,346</b>	<b>1,708,232</b>

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**8. CONSTRUCTION IN PROGRESS (continued)**

	Construction in progress	Equipment for installation	Total
<b>For 2012</b>			
Capital expenditures	1,042,519	189,238	1,231,757
Transfer of equipment for installation	205,880	(205,880)	-
Transfer to Fixed assets	(1,511,474)	-	(1,511,474)
Other disposals	(15,240)	(5,495)	(20,735)
<b>As of 31 December 2012</b>	<b>1,205,571</b>	<b>202,209</b>	<b>1,407,780</b>

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo – Ukhta, construction of gas chemical complex (Novourengoy), as well as development of Bovanenkovskoye field.

**9. FINANCIAL INVESTMENTS**

**Long-term financial assets**

*Investments in subsidiaries*

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 6,063, RR 5,595 and RR 5,125 as of 31 December 2012, 2011 and 2010, respectively. The impairment provision primarily relates to non-core investments.

*Investments in associates*

Note		Carrying value			Capitalized profit (loss)	
		As of 31 December 2012	As of 31 December 2011	As of 31 December 2010	For 2012	For 2011
21	OAo Tomskneft VNK and its subsidiaries	85,414	83,329	85,520	6,707	3,014
21	OAo NGK Slavneft and its subsidiaries	78,093	73,114	81,531	11,377	304
21	OAo Gazprombank	76,067	57,163	46,566	14,027	11,498
21, 27	Sakhalin Energy Investment Company Ltd.	73,919	113,706	138,928	70,777	57,016
21	W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)* and its subsidiaries	38,260	40,481	41,595	4,710	3,768
21, 27	Nord Stream AG	35,870	36,692	39,066	(2,593)	(9,135)
	Shtokman Development AG	21,783	20,784	17,741	(369)	(94)
21, 27	STG EuRoPol GAZ S.A.	17,347	16,253	17,314	386	141
21	Salym Petroleum Development N.V.	15,445	12,776	9,871	8,718	2,905
21, 27	Blue Stream Pipeline Company B.V.	13,353	13,478	10,875	1,393	1,814
21	TOO KazRosGaz	12,819	35,663	27,034	8,485	7,896
	Wintershall AG	12,198	11,740	11,003	3,416	889
21	AO Latvijas Gaze	8,957	7,603	7,151	449	536
21	AO Lietuvos dujos	8,267	8,542	8,352	324	420
	ZAO Achimgaz	5,933	4,520	3,054	1,413	1,466
21	AO Gazum	4,089	4,123	4,040	425	708
21	ZAO Nortgaz	1,128	5,521	5,023	554	804
21	RosUkrEnergo AG **	-	-	-	17,017	6,863
21, 23	OAo Gazprom neftekhim Salavat***	-	39,381	19,940	(420)	1,149
21, 24	OAo Gazprom transgaz Belarus****	-	-	75,582	-	(1,576)
	Others	31,347	23,248	18,413	4,909	2,383
	<b>Total</b>	<b>540,289</b>	<b>608,117</b>	<b>668,599</b>	<b>151,705</b>	<b>92,769</b>

\* In May 2012 WINGAS GmbH & Co. KG was renamed into W & G Beteiligungs-GmbH & Co. KG.

\*\* In June 2012 RosUkrEnergo AG declared dividends related to the results of its operations in 2011. The Group recognized its share of the profit in 2012 in the amount of accrued dividends. As of 31 December 2012 OAo Gazprom maintains a 50% interest in RosUkrEnergo AG with a carrying value of zero.

\*\*\* In May 2012 the Group acquired an additional 18.48% interest in OAo Gazprom neftekhim Salavat. As a result the Group's share in OAo Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAo Gazprom neftekhim Salavat. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of OAo Gazprom neftekhim Salavat for cash consideration of RR 10,318 increasing its interest to 97.84%. (see Note 23).

\*\*\*\* In December 2011 the Group accomplished acquisition of 50% interest in OAo Gazprom transgaz Belarus. As a result the Group obtained control over OAo Gazprom transgaz Belarus (see Note 24).

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**9. FINANCIAL INVESTMENTS (continued)**

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 322, RR 236 and RR 73 as of 31 December 2012, 2011 and 2010, respectively.

*Investments in other companies*

As of 31 December 2012, 2011 and 2010 the line "Investments in other companies" of the Consolidated Balance Sheet includes an investment in OAO NOVATEK in the amount of 9.99% of shares in charter capital with carrying value amounting to RR 110,370, RR 122,270 and RR 110,471, respectively.

The line "Investments in other companies" of the Consolidated Balance Sheet also includes investments in shares of energy companies, with carrying value amounting to RR 24,790, RR 33,021 and RR 55,529 as of 31 December 2012, 2011 and 2010, respectively.

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 1,850, RR 1,233 and RR 1,251 as of 31 December 2012, 2011 and 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 Mezhhregionteploenergo, denominated in RR maturing in 2024, in the amount of RR 32,840, RR 34,224 and RR 26,537 as of 31 December 2012, 2011 and 2010, respectively.

Loans issued to companies beyond 12 months in the Consolidated Balance Sheet include a foreign currency loan to the associated undertaking W&G Beteiligungs GmbH & Co. KG maturing in 2015 in amount of RR 15,399, RR 15,952 and RR 15,439 as of 31 December 2012, 2011 and 2010, respectively.

In 2012 and 2011 the average interest rate on this loan was 2.6% and 3.4%, respectively.

*Other financial investments*

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Joint activity, including:	24,419	21,744	21,536
development of a satellite communication system (operator – OAO Gazprom kosmicheskoye sistemy)	3,252	3,252	3,180
Other, including:	6,436	12,297	17,256
long-term deposits	2,063	9,633	13,251
third party promissory notes	2,288	2,113	3,534
South Pars project (oil and gas field in Iran)	370	370	370
<b>Total</b>	<b>30,855</b>	<b>34,041</b>	<b>38,792</b>

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 7,915, RR 8,095 and RR 9,188 as of 31 December 2012, 2011 and 2010, respectively.

**10. INVENTORY**

*Raw materials and other inventories*

In the Consolidated Balance Sheet values of raw materials and other inventories in amount of RR 131,015, RR 126,381 and RR 127,490 are disclosed net of impairment allowance in amount of RR 3,401, RR 3,962 and RR 2,353 as of 31 December 2012, 2011 and 2010, respectively.

*Finished goods and goods for resale*

In the Consolidated Balance Sheet values of finished goods and goods for resale in amount of RR 342,497, RR 300,436 and RR 234,861 are disclosed net of impairment allowance in amount of RR 398, RR 270 and RR 268 as of 31 December 2012, 2011 and 2010, respectively.

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**10. INVENTORY (continued)**

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Gas in pipelines and storages	263,460	235,323	184,981
Oil, gas condensate and refined products	54,706	37,449	25,317
Goods for resale	<u>24,331</u>	<u>27,664</u>	<u>24,563</u>
<b>Total</b>	<b>342,497</b>	<b>300,436</b>	<b>234,861</b>

**11. 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 1,187, RR 712 and RR 868 as of 31 December 2012, 2011 and 2010, respectively.

The Advances issued line in the Consolidated Balance Sheet includes an advance issued to NJSC Naftogas of Ukraine on account of gas transportation services in amount of RR 19,016, RR 28,938 and RR 38,859 as of 31 December 2012, 2011 and 2010, respectively.

The Other receivables line in the Consolidated Balance Sheet includes receivables, issued for capital construction purposes in amount of RR 20,612, RR 47,726 and RR 25,916 as of 31 December 2012, 2011 and 2010, respectively.

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

Accounts receivable from buyers and customers in the Consolidated Balance Sheet as of 31 December 2012, 2011 and 2010 include the following:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Receivables from Europe and other countries gas, crude oil, gas condensate and refined products customers	285,379	257,853	187,055
Receivables from Domestic gas, crude oil, gas condensate and refined products customers	131,128	107,805	110,046
Receivables from FSU gas, crude oil, gas condensate and refined products customers	33,560	74,369	33,285
Receivables from electric and heat energy sales customers	43,154	36,440	28,702
Other trade debtors	<u>99,723</u>	<u>75,168</u>	<u>58,630</u>
<b>Total</b>	<b>592,944</b>	<b>551,635</b>	<b>417,718</b>

As of 31 December 2012, 2011 and 2010 accounts receivable from buyers and customers are stated net of impairment provision of RR 255,025, RR 204,850 and RR 160,007, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 134, RR 143 and RR 374 as of 31 December 2012, 2011 and 2010, respectively.

As of 31 December 2012, 2011 and 2010 advances paid in the Consolidated Balance Sheet include advances issued for capital construction purposes in amount of RR 170,196, RR 209,532 and RR 122,789, respectively.

The advances paid include current portion of the long-term advance issued to NJSC Naftogas of Ukraine in the amount of RR 9,922 as of 31 December 2012, 2011 and 2010, respectively, and current advances issued to NJSC Naftogas of Ukraine for gas transportation services in the amount of RR 85,854 as of 31 December 2012.

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**11. ACCOUNTS RECEIVABLE (continued)**

As of 31 December 2012, 2011 and 2010 other accounts receivable of the Consolidated Balance Sheet include the following:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Overpayment of taxes to the budget	100,022	128,902	48,716
Settlements on claims	1,694	17,103	18,662
Other	<u>161,661</u>	<u>133,840</u>	<u>176,754</u>
<b>Total</b>	<b>263,377</b>	<b>279,845</b>	<b>244,132</b>

Other accounts receivable are stated net of the impairment provision amounting to RR 27,149, RR 11,278 and RR 8,523 as of 31 December 2012, 2011 and 2010, respectively

**12. OTHER FINANCIAL INVESTMENTS**

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Short-term deposits	49,107	25,194	69,801
Shares, bonds and participatory interests	15,931	21,527	2,689
Third party promissory notes	2,274	2,644	5,151
Other	<u>1,187</u>	<u>2,577</u>	<u>147</u>
<b>Total</b>	<b>68,499</b>	<b>51,942</b>	<b>77,788</b>

As of 31 December 2012, 2011 and 2010 other financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 629, RR 182 and RR 466, respectively.

**13. CASH AND CASH EQUIVALENTS**

Other monetary assets in the Consolidated Balance Sheet include cash balances on bank accounts in amount of RR 3,658 and RR 3,877 and RR 3,669 as of 31 December 2012, 2011 and 2010, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

**14. EQUITY**

OAo Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2012 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, 726 million and 723 million as of 31 December 2012, 2011 and 2010, respectively.

Shares held by subsidiaries are not taken into account in calculation of earnings per share (see Note 22).

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 2011 results of OAo Gazprom, final dividends were paid in 2012 in the amount of 8.97 Roubles per ordinary share. Based on the 2010 results dividends were paid in 2011 in the amount of 3.85 Roubles per ordinary share.

**OAo GAZPROM**  
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**15. BORROWINGS**

*Bank borrowings*

<b>Lender</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
The Royal Bank of Scotland AG	US dollar	2013	54,858	58,151	55,046
Natixis SA*	US dollar	2015	36,232	48,300	45,721
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2014 – 2016	26,563	28,011	-
Bank of Tokyo-Mitsubishi UFJ Ltd.*	US dollar	2012 – 2016	22,887	25,780	-
BNP Paribas SA*	Euro	2013 – 2022	16,451	15,935	7,108
The Royal Bank of Scotland AG*	US dollar	2015	15,483	-	-
GK Vnesheconombank	Rouble	2013 – 2025	14,808	11,779	6,621
UniCredit Bank AG*	US dollar	2011 – 2018	13,683	17,983	-
UniCredit Bank AG*	Euro	2011 – 2018	13,067	16,797	-
Deutsche Bank AG	US dollar	2016	12,387	-	-
OAo Gazprombank	Rouble	2018	10,000	10,000	-
OAo Gazprombank	Rouble	2017	10,000	-	-
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	9,749	10,337	-
Credit Agricole CIB*	Euro	2015	9,673	-	-
Deutsche Bank AG	US dollar	2014	9,186	9,737	9,217
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,171	9,719	9,198
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,122	9,672	-
Citibank International plc*	US dollar	2010 – 2021	8,563	10,262	10,269
Credit Agricole CIB*	US dollar	2013	7,607	8,064	7,633
Banc of America Securities Limited	Euro	2017	7,285	-	-
OAo TransKreditBank	Rouble	2014	7,055	4,535	-
BNP Paribas SA*	Euro	2023	6,496	2,530	2,211
Deutsche Bank AG	US dollar	2014	6,093	6,460	6,115
Banc of America Securities Limited	US dollar	2016	5,471	5,800	-
Deutsche Bank AG	US dollar	2008 – 2014	4,353	6,923	11,410
UniCredit Bank AG*	Rouble	2011 – 2018	4,134	5,127	-
OAo «Bank VTB»	Rouble	2014	4,010	-	-
OAo Nordea Bank	US dollar	2014	3,796	-	-
OAo Sberbank Rossii	Rouble	2014	3,503	-	-
WestLB AG*	US dollar	2008 – 2013	3,214	10,224	25,744
OAo Nordea Bank	US dollar	2016	3,038	-	-
Banc of America Securities Limited	Euro	2016	2,617	2,712	-
OAo «Sberbank Rossii»	Rouble	2013	2,501	3,500	-
The Royal Bank of Scotland AG*	US dollar	2008 – 2013	1,838	4,546	5,521
Credit Suisse International	US dollar	2012	-	16,886	15,989
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	-	16,122	15,259
J.P. Morgan Chase bank	US dollar	2012	-	13,576	12,847
OAo «Bank VTB»	US dollar	2012	-	13,012	12,317
OAo Sberbank Rossii	US dollar	2012	-	7,535	16,643
The Royal Bank of Scotland AG*	US dollar	2007 – 2012	-	3,795	10,774
OAo Nordea bank	US dollar	2012	-	3,342	3,048
ZAO Raiffaizenbak	US dollar	2012	-	3,220	3,050
Banque Societe Generale*	US dollar	2011	-	-	33,051
OAo Russian National Commercial Bank	US dollar	2011	-	-	19,018
Banque Societe Generale*	Euro	2011	-	-	7,799
Deutsche Bank AG	US dollar	2008 – 2011	-	-	2,907
OAo TransKreditBank	Rouble	2011	-	-	1,970
J.P. Morgan Chase bank	US dollar	2008 – 2011	-	-	1,528
Other	Various	Various	<u>109,721</u>	<u>96,877</u>	<u>64,310</u>
<b>Total, including</b>			<b>484,615</b>	<b>517,249</b>	<b>422,324</b>
Due within one year, including					
current portion of long-term borrowings			178,101	132,497	107,907

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

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**15. BORROWINGS (continued)**

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 5.38% to 9% and from 4.62% and 10.95% in 2012 and 2011, respectively. Also in 2012-2011 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 6.7% to 11.4% and from 5.9% to 11.4% in 2012 and 2011, respectively.

Interest rates on short-term foreign currency denominated borrowings ranged from 1.18% to 12.0% and 4.75% to 10%, in 2012 and 2011, respectively. Also in 2012-2011 short-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

Short-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 5.8% to 11.4% and from 3.43% to 10% in 2012 and 2011, respectively.

*Loans*

<b>Borrowing / Creditors</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Loan participation notes issued in April 2009*	US dollar	2019	69,533	73,707	69,771
Loan participation notes issued in July 2012*	Euro	2017	57,250	-	-
Loan participation notes issued in October 2007*	Euro	2018	51,088	52,919	51,220
Loan participation notes issued in June 2007*	US dollar	2013	48,795	51,725	48,963
Loan participation notes issued in September 2012*****	US dollar	2022	46,118	-	-
Loan participation notes issued in May 2005*	Euro	2015	41,607	43,100	41,715
Loan participation notes issued in November 2006*	US dollar	2016	41,279	43,757	41,421
Loan participation notes issued in March 2007*	US dollar	2022	40,298	42,718	40,437
White Nights Finance B.V.	US dollar	2014	39,609	41,986	39,744
Loan participation notes issued in July 2009*	US dollar	2014	39,251	41,608	39,386
Loan participation notes issued in August 2007*	US dollar	2037	39,003	41,345	39,137
Loan participation notes issued in April 2004*	US dollar	2034	36,997	39,218	37,124
Loan participation notes issued in July 2009*	Euro	2015	36,715	38,031	36,809
Loan participation notes issued in April 2008*	US dollar	2018	34,015	36,057	34,131
Loan participation notes issued in October 2006*	Euro	2014	32,719	33,892	32,804
Loan participation notes issued in July 2012*	US dollar	2022	31,049	-	-
Loan participation notes issued in November 2011*	US dollar	2016	30,531	32,364	-
Loan participation notes issued in November 2010*	US dollar	2015	30,510	32,342	30,615
Loan participation notes issued in June 2007*	Euro	2014	28,417	29,435	28,490
Loan participation notes issued in November 2006*	Euro	2017	20,921	21,669	20,975
Russian bonds issued in April 2010*****	Rouble	2013	20,326	20,670	20,000

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**15. BORROWINGS (continued)**

<b>Borrowing / Creditors</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Loan participation notes issued in March 2007*	Euro	2017	20,294	21,022	20,347
Loan participation notes issued in November 2011*	US dollar	2021	18,704	19,440	-
Loan participation notes issued in July 2008*	US dollar	2013	15,617	16,555	15,671
Structured export notes issued in July 2004**	US dollar	2007 – 2020	12,509	18,838	22,747
Loan participation notes issued in April 2008*	US dollar	2013	12,347	13,089	12,390
Russian bonds issued in February 2011*****	Rouble	2021	10,356	10,127	-
Russian bonds issued in February 2011*****	Rouble	2016	10,340	10,121	-
Russian bonds issued in February 2011*****	Rouble	2021	10,340	10,121	-
Russian bonds issued in February 2012*****	Rouble	2022	10,330	-	-
Russian bonds issued in April 2009*****	Rouble	2019	10,171	10,368	11,173
Russian bonds issued in December 2012*****	Rouble	2022	10,063	-	-
Eurofert Trading Limited llc***	Rouble	2015	8,600	8,600	8,600
Russian bonds issued in February 2007	Rouble	2014	5,137	5,135	5,134
Russian bonds issued in December 2009****	Rouble	2014	5,037	5,041	5,039
Russian bonds issued in June 2009	Rouble	2014	5,011	5,008	5,006
Eurofert Trading Limited llc***	Rouble	2015	5,000	5,000	5,000
Russian bonds issued in July 2009*****	Rouble	2014	2,894	2,894	5,000
Russian bonds issued in March 2006****	Rouble	2016	446	4,911	4,910
Russian bonds issued in July 2009*****	Rouble	2016	141	8,230	8,000
Loan participation notes issued in December 2005*	Euro	2012	-	41,788	40,445
European commercial papers issued in October 2011*****	US dollar	2012	-	15,924	-
Russian bonds issued in November 2011*****	Rouble	2012	-	14,878	-
RosUkrEnergo AG	US dollar	2012	-	10,778	-
Russian bonds issued in June 2009	Rouble	2012	-	10,014	10,011
Loan participation notes issued in November 2007*	Japanese yen	2012	-	8,470	8,017
Russian bonds issued in April 2007***	Rouble	2012	-	1,554	1,547
Gazstream SA	US dollar	2006 – 2012	-	1,251	2,368
Loan participation notes issued in April 2009*	CHF	2011	-	-	17,209
Russian bonds issued in November 2006	Rouble	2011	-	-	5,061



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**15. BORROWINGS (continued)**

Borrowing / Creditors	Currency	Final Maturity	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Russian bonds issued in September 2006***	Rouble	2011	-	-	4,801
Other loans	Various	Various	<u>29,845</u>	<u>26,295</u>	<u>22,072</u>
<b>Total, including:</b>			<b>1,019,213</b>	<b>1,021,995</b>	<b>893,290</b>
Due within one year, including current portion of long-term borrowings			147,346	233,540	82,098

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

\*\* Issuer of these notes is Gazprom International S.A.

\*\*\* Issuers of these notes are OAO WGC-2 and OAO WGC-6. In November 2011 OAO WGC-6 merged with OAO WGC-2 (see Note 25).

\*\*\*\* Issuer of these bonds is OAO Mosenergo.

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

\*\*\*\*\* Issuer of these bonds is OAO Gazprom neft.

\*\*\*\*\* Issuer of these bonds is OAO TGC-1.

\*\*\*\*\* Issuer of these bonds is OOO Gazprom Capital.

\*\*\*\*\* Issuer of these bonds is Gazprom ECP S.A.

As of 31 December 2012, 2011 and 2010 long-term loans (including current portion of long-term loans) of RR 12,509, RR 18,838 and RR 22,747, respectively, were secured by cash from gas sales contracts to Western Europe.

As at 31 December 2011 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoye oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OAO 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. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Fixed interest rates on long-term foreign currency denominated loans ranged from 2% to 10.5% and from 3.5% to 10.5% in 2012 and 2011, respectively. Fixed interest rates on long-term loans denominated in Russian Roubles ranged from 1% to 13.75% and from 6.7% to 16.99% in 2012 and 2011, respectively.

In 2012 and 2011 fixed interest rates on short-term loans denominated in Russian Roubles ranged from 0.3% to 14% and from 0.3% to 8%, respectively. Interest rate on short-term foreign currency denominated loans ranged from 1.33% to 3.6% in 2012. In 2011 interest rates on short-term foreign currency denominated loans had fixed interest rate 3.6%.

As of 31 December 2012, 2011 and 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).

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**16. TAXATION**

*Profit tax*

In 2012 and 2011 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 210,964 and RR 269,904, respectively. According to the tax returns the profit tax in 2012 and 2011 included within the line Current Profit Tax amounted to RR 297,718 and RR 330,256, respectively.

According to updated tax returns submitted in 2012 the profit tax amounted to minus RR 12,962 (decrease of current profit tax in 2011 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 2011 the profit tax amounted to minus RR 42,962.

In 2012 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RR 367,383 (in 2011 by RR 303,114). 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 2012 and 2011 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 395,971 and RR 173,360, respectively.

Deductible temporary differences incurred in 2012 principally arise from accrual of contingent liabilities for gas price adjustment and other contingent liabilities, 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 are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2012 and 2011 totaled RR 208,831 and RR 119,981, respectively. Settlement of these differences in 2012 is principally due to 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 2012 and 2011 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 348,888 and RR 543,287, respectively. Taxable temporary differences in 2012 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, storage costs included in the cost of finished goods for accounting purposes.

Taxable temporary differences settled in 2012 and 2011 totaled RR 174,160 and RR 294,747, respectively. Settlement of these differences in 2012 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.

Starting from 1 January 2012 the Gazprom Group established a CGT, the liable partner of which is OAO Gazprom. On 20 March 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered the agreement on establishment of CGT of the Group with 56 participants.

In December 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment to the agreement on establishment of CGT of the Gazprom Group which increased the number of participants up to 65 starting from 1 January 2013.

Profit tax of the CGT for the year ended 31 December 2012 is RR 251,386.

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**17. SALES**

	<b>For 2012</b>	<b>For 2011</b>
Gas sales (net of VAT and other similar mandatory payments)		
Russian Federation	740,319	722,978
Former Soviet Union countries (excluding Russian Federation)	529,516	637,178
Europe and other countries	<u>1,525,346</u>	<u>1,439,069</u>
<b>Net sales of gas</b>	<b>2,795,181</b>	<b>2,799,225</b>
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	725,265	588,262
Former Soviet Union countries (excluding Russian Federation)	73,267	48,630
Europe and other countries	<u>393,475</u>	<u>336,146</u>
<b>Net sales of refined products</b>	<b>1,192,007</b>	<b>973,038</b>
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	116,149	117,710
Former Soviet Union countries (excluding Russian Federation)	30,186	36,345
Europe and other countries	<u>204,648</u>	<u>157,645</u>
<b>Net sales of oil and gas condensate</b>	<b>350,983</b>	<b>311,700</b>
Sales of electric and heat energy (net of VAT)		
Russian Federation	323,997	331,526
Former Soviet Union countries (excluding Russian Federation)	5,586	3,469
Europe and other countries	<u>11,186</u>	<u>7,878</u>
<b>Net sales of electric and heat energy</b>	<b>340,769</b>	<b>342,873</b>
Sales of gas transportation services (net of VAT)		
Russian Federation	88,827	77,326
Former Soviet Union countries (excluding Russian Federation)	2,059	1,913
Europe and other countries	<u>-</u>	<u>-</u>
<b>Net sales of gas transportation services</b>	<b>90,886</b>	<b>79,239</b>
Other sales (net of VAT)		
Russian Federation	216,452	211,220
Former Soviet Union countries (excluding Russian Federation)	5,058	7,490
Europe and other countries	<u>11,566</u>	<u>11,037</u>
<b>Total other sales</b>	<b>233,076</b>	<b>229,747</b>
<b>Net sales</b>	<b>5,002,902</b>	<b>4,735,822</b>

Net sales of gas decreased insignificantly in the year ended December 31, 2012 compared to the year ended December 31, 2011. The overall decrease of net sales of gas was primarily driven by decrease of volumes of gas sold to the customers in Russian Federation, FSU and European countries. However, average prices of gas increased for customers in Russian Federation, FSU and European countries in the year ended December 31, 2012 compared to the same period of the prior year. In addition, the net sales of gas revenue for gas sales to Europe and other countries include the negative effect of gas price adjustments related to gas delivered in 2012 in the amount of RR 48,782, these adjustments was agreed in 2012.

The increase of net sales of refined products in the year ended December 31, 2012 compared to the year ended December 31, 2011 is mainly driven by increase of prices and volumes sold by Gazprom нефт group to customers in Russian Federation and inclusion of OAO Gazprom neftekhim Salavat sales, due to the fact that in 2012 the Group obtained control over the operating and financial activities of the company (see Note 23).

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**18. COST OF SALES, COMMERCIAL AND MANAGEMENT EXPENSES**

	<b>For 2012</b>	<b>For 2011</b>
Depreciation and amortization	593,379	477,900
Taxes included in cost of sales	573,685	415,028
Purchased gas	460,311	488,727
Purchased oil	429,010	326,814
Staff costs and social expenses	374,838	336,209
Transit costs for gas, oil and refined products	320,098	284,175
Repairs and maintenance	220,018	193,931
Cost of goods for resale	182,311	185,824
Materials	170,264	109,333
Energy	77,543	71,143
Rent, lease payments	41,439	40,193
Insurance	27,944	26,606
Other	239,383	225,941
Changes in inventories of finished goods, work in progress and other effects	<u>(63,925)</u>	<u>(70,762)</u>
<b>Total cost of goods, products, works and services sold, commercial and management expenses</b>	<b>3,646,298</b>	<b>3,111,062</b>

The decrease of purchased gas is primarily explained by decline of volume of gas purchased from third parties outside the Russian Federation.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RR 413,353 and RR 266,406 in 2012 and 2011, respectively.

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

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

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**19. OTHER INCOME AND EXPENSES**

		<b>For 2012</b>		<b>For 2011</b>	
		<b>Income</b>	<b>Expenses</b>	<b>Income</b>	<b>Expenses</b>
	Sales and purchases of foreign currency	3,634,331	3,634,482	3,541,648	3,541,505
	Income/expense from trading activity without delivery	1,323,991	1,321,170	874,469	871,678
	Exchange differences	465,920	419,305	367,167	418,016
27	Provisions for estimated liabilities, including:	-	162,418	-	47,261
	Bad debts provision	-	67,235	-	48,171
	Amortization of goodwill	-	54,645	-	45,429
	Social expenses	-	31,344	-	28,139
	Income/expense related to sale of other assets	34,232	30,984	32,761	28,460
	Profit and losses of previous years identified in the reporting period	22,564	59,782	16,822	17,905
	Transactions with securities, including promissory notes	22,447	17,885	34,665	27,577
	Transfer of accounts receivable	9,445	9,745	3,595	3,702
	Income/expense related to sale and disposal of fixed assets	5,959	5,991	7,217	6,188
	Fines and penalties for breach of contracts	4,146	2,668	5,472	1,883
	Adjustment of investments (to fair value)	1,674	20,652	11,799	22,333
	Income/expense related to gratuitous transfer of assets	375	3,582	276	4,357
	Services of credit organizations	-	5,897	-	4,289
	Accounts receivable written-off	-	631	-	969
	Investment impairment provision	-	563	922	-
	Other	<u>28,453</u>	<u>105,776</u>	<u>25,403</u>	<u>110,997</u>
	<b>Total</b>	<b>5,553,537</b>	<b>5,954,755</b>	<b>4,922,216</b>	<b>5,228,859</b>

The Group recognized estimated liability regarding possible gas price adjustment derived from foreign customers' claims based on the contract terms. These adjustments relate to volumes of gas delivered in 2010, 2011 and 2012. The contingent liability as of 31.12.2012 in amount RR 115,255 mln doesn't include possible correction of customs duties accrued formerly.

The line "Profit and losses of previous years identified in the reporting period" includes negative effect of corrections regarding gas price revision in amount of RR 43,385 mln. These corrections refer to price adjustment of gas delivered in 2010 and 2011 for which a discount was agreed in 2012.

Other income and expenses related to accrual (release) of bad debts and investment impairment provisions are presented netted.

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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP**

*Principal subsidiaries as of 31 December 2012*

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ООО Авиапредприятие Газпром авиа	100	Air transportation services	Russia
	ЗАО АрмРосгазпром	80	Gas transportation and gas distribution	Armenia
	Vemex s.r.o.	50	Gas distribution	Czech Republic
	ОАО Востокгазпром	100	Gas production	Russia
	ОАО Газовые Магистраль Тумени	100	Gas network operation	Russia
	Газпром (Schweiz) AG	100	Gas distribution	Switzerland
	ООО Газпром ВНИИГАЗ	100	Research and development	Russia
	ОАО Газпром газораспределение	100	Gas network operation	Russia
	ООО Газпром геологоразведка	100	Exploration, geophysics	Russia
	ООО Газпром геосурсы (ООО Геосурсы)**	100	Exploration, geophysics	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	Газпром Геросгаз Holding B.V.	100	Investing	Netherlands
	Газпром Global LNG Ltd.	100	Participation in LNG production and realization projects	United Kingdom
	ООО Газпром добыча Астрахан	100	Production and refining of hydrocarbons	Russia
	ООО Газпром добыча Краснодар	100	Gas production	Russia
	ООО Газпром добыча Надым	100	Production of hydrocarbons	Russia
	ООО Газпром добыча Ноябрьск	100	Production of hydrocarbons	Russia
	ООО Газпром добыча Оренбург	100	Production, refining and transportation of hydrocarbons	Russia
	ООО Газпром добыча Уренгой	100	Production of hydrocarbons	Russia
	ООО Газпром добыча shelf	100	Development of hydrocarbons fields	Russia
	ООО Газпром добыча Ямбург	100	Production of hydrocarbons	Russia
	Газпром EP International B.V.	100	Investments, asset management	Netherlands
	ООО Газпром инвест (ООО Газпром инвест Запад)**	100	Construction	Russia
	ООО Газпром инвест Восток	100	Construction	Russia
	ЗАО Газпром инвест Юг	100	Construction	Russia
	ООО Газпром инвестхолдинг	100	Investing	Russia
	ООО Газпром информ	100	Informational and technical assistance	Russia
	ООО Газпром комплектация	100	Trading	Russia
	Газпром Libyen Verwaltungs GmbH	100	Investing	Germany
	Газпром Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	ООО Газпром межрегионгаз	100	Gas distribution	Russia
23	ОАО Газпром нефтехим Салават***	98	Processing and distribution of refined products	Russia
	ЗАО Газпром нефть Оренбург	100	Exploration and sales of oil and petroleum gas	Russia
	Газпром Нефть Trading GmbH	100	Oil products trading	Austria
	ООО Газпром нефть shelf	100	Development of oil and gas fields	Russia
	ОАО Газпром нефть	96	Exploration, refining and sales of crude oil	Russia
	ООО Газпром переработка	100	Refining of hydrocarbons	Russia
	ООО Газпром подземремонт Оренбург	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia

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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
24	ООО Газпром подземремонт Уренгой	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	ООО Газпром PKhG	100	Gas storage	Russia
	Газпром Sakhalin Holding B.V.	100	Foreign investing	Netherlands
	ООО Газпром торгсервис	100	Trading	Russia
	ОАО Газпром трансгаз Belarus (ОАО Белтрансгаз)**	100	Transportation and gas distribution	Belorussia
	ООО Газпром трансгаз Волгоград	100	Gas transportation	Russia
	ООО Газпром трансгаз Екатеринбург	100	Gas transportation	Russia
	ООО Газпром трансгаз Kazan	100	Gas transportation	Russia
	ООО Газпром трансгаз Krasnodar	100	Gas transportation	Russia
	ООО Газпром трансгаз Makhachkala	100	Gas transportation	Russia
	ООО Газпром трансгаз Moskva	100	Gas transportation	Russia
	ООО Газпром трансгаз Nizhny Novgorod	100	Gas transportation	Russia
	ООО Газпром трансгаз Samara	100	Gas transportation	Russia
	ООО Газпром трансгаз St. Petersburg	100	Gas transportation	Russia
	ООО Газпром трансгаз Saratov	100	Gas transportation	Russia
	ООО Газпром трансгаз Stavropol	100	Gas transportation	Russia
	ООО Газпром трансгаз Surgut	100	Gas transportation	Russia
	ООО Газпром трансгаз Tomsk	100	Gas transportation	Russia
	ООО Газпром трансгаз Ufa	100	Gas transportation	Russia
	ООО Газпром трансгаз Ukhta	100	Gas transportation	Russia
	ООО Газпром трансгаз Tchaikovsky	100	Gas transportation	Russia
	ООО Газпром трансгаз Yugorsk	100	Gas transportation	Russia
	Газпром Finance B.V.	100	Investing	Netherlands
	ООО Газпром tsentrremont	100	Agency on technical maintenance and repairs	Russia
	ООО Газпром export	100	Foreign trade	Russia
	ООО Газпром energo	100	Electric energy transmission	Russia
	ООО Газпром energoholding	100	Investing, asset management	Russia
	ЗАО Газпром YRGM Development****	100	Raw hydrocarbons distribution	Russia
	ЗАО Газпром YRGM Trading****	100	Raw hydrocarbons distribution	Russia
	ООО Газпромнефт-Vostok	100	Oil and gas production	Russia
	ЗАО Газпромнефт-Kuzbass	100	Oil products trading	Russia
	ОАО Газпромнефт-MNPZ	96	Processing and distribution of refined products	Russia
	ОАО Газпромнефт-Noyabrskneftegaz	100	Oil and gas production	Russia
	ОАО Газпромнефт-Omsk	100	Oil products trading	Russia
	ОАО Газпромнефт-Omskiy NPZ	100	Oil refining	Russia
	ЗАО Газпромнефт-Severo-Zapad	100	Oil products trading	Russia
	ООО Газпромнефтfinans	100	Investing	Russia
	ООО Газпромнефт-Khantos	100	Oil and gas production	Russia
	ООО Газпромнефт-Centr	100	Oil products trading	Russia
	ООО Газпромtrans	100	Forwarding services	Russia
	ОАО Газпромtrubinvest	100	Production and sales of pipes	Russia
	ООО Газфлот	100	Transportation, offshore field development	Russia
	ОАО Daltransgaz	100	Gas transportation	Russia
	ООО Zapolyarneft	100	Oil and gas production	Russia
	ОАО Zapsibgazprom	77	Construction	Russia

**ОАО ГАЗПРОМ**  
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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ZAO Kaunasskaya power station	99	Electric power generation and distribution	Lithuania
	OAO Krasnoyarskgazprom	75	Exploration, geophysics	Russia
	OAO Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	Naftna Industrija Srbije	56	Extraction and processing of oil, distribution of refined products	Serbia
	ООО НК Сибнефт-Югра	100	Oil and gas production	Russia
	ООО Новourengoyssky GCC	100	Construction of gas chemical complex	Russia
25	OAO WGC-2	58	Production and sales of electric and heat energy	Russia
	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-Centr	100	Information, consulting and transportation services	Russia
	OAO Severneftegazprom****	50	Exploration, processing and sales of gas and gas condensate	Russia
	ООО Сибирские газовые сети	100	Gas network operation	Russia
26	Sibir Energy Ltd.	100	Exploration, processing and sales of hydrocarbons	United Kingdom
	ООО Сибметалим	100	Gas processing and sales of petrochemicals	Russia
	OAO Spetsgazavtotrans	51	Construction and transportation services	Russia
	OAO TGC-1	52	Production and sales of electric and heat energy	Russia
	OAO Teploset Sankt-Peterburga	75	Transportation and distribution of electric and heat energy	Russia
	OAO Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	ООО Факторинг-Финанс	90	Investing	Russia
	OAO Tsentr-gaz	100	Construction	Russia
	OAO Tsentrenergogaz	66	Repair and maintenance of gas equipment	Russia
	OAO Yuzhuralneftegaz	88	Exploration and sales of oil and petroleum gas	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

\* Cumulative share of the Group in charter capital of investees.

\*\* The indicated subsidiaries were renamed (former name is put in the brackets).

\*\*\* In May 2012 the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result the Group's share in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 10,318 increasing its interest to 97.84%. (see Note 23).

\*\*\*\* Group's portion of voting shares.



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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

*Principal associates as of 31 December 2012*

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Exploration and production of gas and gas condensate	Russia
Bosphorus Gaz Corporation A.S.**	71	Gas distribution	Turkey
Wintershall AG	49	Production of oil and gas distribution	Germany
W&G Beteiligungs GmbH & Co. KG and its subsidiaries	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 production	Switzerland
OAo Gazprombank***	36	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
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
Nord Stream AG	51	Construction, gas transportation	Switzerland
ZAO Nortgaz	51	Exploration and sale of gas and gas condensate	Russia
AO Overgaz Inc.	50	Gas distribution	Bulgaria
ZAO Panrusgas	40	Gas distribution	Hungary
AO Prometey Gaz	50	Gas distribution, construction	Greece
RosUkrEnergo AG	50	Gas distribution	Switzerland
Salym Petroleum Development N.V.	50	Oil production	Netherlands
Sakhalin Energy Investment Company Ltd.	50	Oil production, production of LNG	Bermuda Islands
OAo NGK Slavneft	50	Production of oil, sale of oil and refined products	Russia
OAo Tomskneft VNK	50	Oil production	Russia
AO Turusgas	45	Gas distribution	Turkey
Shtokman Development AG****	75	Gas exploration and production	Switzerland
OOO Yamal razvitie*****	50	Investment, asset management	Russia

\* Cumulative share of the Group in charter capital of investments.

\*\* In April 2012 the Group acquired an additional 20% interest in Bosphorus Gaz Corporation A.S. As a result the Group's share in Bosphorus Gaz Corporation A.S. increased to 71%. Investment in Bosphorus Gaz Corporation A.S. continues to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

\*\*\* In February 2012 OAo Gazprom purchased 375,000 out of 4,534,500 ordinary shares of OAo Gazprombank placed in the course of additional share issue, registered by the Central Bank of the Russian Federation in December 2011. The rest of the shares issued were purchased by other bank's shareholders, and GK Vnesheconombank. As a result of this transaction, the Group's share in OAo Gazprombank as of 31 December 2012 decreased from 42% to 36%.

\*\*\*\* In July 2012 Statoil ASA signed an agreement to transfer its 24% interest in Shtokman Development AG to OAo Gazprom in accordance to the agreements between the shareholders of Shtokman Development AG. As a result the Group's share in Shtokman Development AG increased up to 75%. Investment in Shtokman Development AG continues to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

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

**OA O GAZPROM**  
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(in million Roubles)

**21. 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 2012 and 2011 the Group had following operations with major associates and other related parties:

	<b>For 2012</b>	<b>For 2011</b>
<b>Revenue (net of VAT, excises and other similar mandatory payments):</b>		
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	97,321	94,921
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	79,420	71,870
ZAO Panrusgaz	51,102	55,683
AO Gazum	30,537	30,535
AO Overgaz Inc	29,141	24,805
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	26,015	27,283
AO Moldovagaz	25,745	21,875
AO Lietuvos dujos	12,289	12,356
PremiumGas S.p.A.	10,111	9,115
AO Latvijas Gaze	9,920	7,805
Russian-Serbian Trading Corporation a.d.	7,365	605
Bosphorus Gaz Corporation A.S.	3,854	4,035
SGT EuRoPol GAZ S.A.	2,973	2,011
OA O Gazprom transgaz Belarus **	-	138,015
Promgaz S.p.A ***	-	13,333
GWH Gazhandel GmbH ****	-	4,900
Gas transportation services		
TOO KazRosGas	2,042	1,912
Crude oil, gas condensate and refined products sales		
OA O NGK Slavneft and its subsidiaries	34,057	41,946
OA O Gazprom neftekhim Salavat*****	10,036	19,698
OOO Gazpromneft – Aero Sheremetyevo	7,977	6,699
ZAO SOVEKS	5,025	2,750
Gas refining services		
TOO KazRosGas	5,079	5,064
<b>Purchases:</b>		
Gas purchases		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	62,966	37,006
TOO KazRosGas	39,930	25,073
Sakhalin Energy Investment Company Ltd.	4,604	4,750
ZAO Nortgaz	3,713	2,005
RosUkrEnergo AG	-	122,541
Gas transportation services		
Nord Stream AG	24,785	4,007
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	11,149	5,661
SGT EuRoPol GAZ S.A.	10,341	10,365
Blue Stream Pipeline Company B.V.	5,622	7,274
OA O Gazprom transgaz Belarus**	-	13,526
Oil and oil products purchases		
OA O NGK Slavneft and its subsidiaries	88,228	69,695
OA O Tomskneft VNK and its subsidiaries	52,097	46,267
Salym Petroleum Development N.V.	38,179	32,540
Oil and oil product refining services		
OA O NGK Slavneft and its subsidiaries	10,976	8,113

**OAo GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**21. RELATED PARTIES (continued)**

	<b>For 2012</b>	<b>For 2011</b>
<b>Pension fund contributions:</b>		
NPF Gazfund	8,025	9,201

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

\*\* In December 2011 the Group acquired the remaining 50% shares in OAO Gazprom transgaz Belarus. As a result of this transaction OAO Gazprom transgaz Belarus became a subsidiary of the Group (see Note 24).

\*\*\* In December 2011 the Group acquired the remaining 50% shares in Promgaz S.p.A. As a result of this transaction Promgaz S.p.A became a subsidiary of the Group.

\*\*\*\* In May 2011 the Group acquired 50% shares in the GWH Gazhandel GmbH. As a result of this transaction, GWH Gazhandel GmbH became a subsidiary of the Group.

\*\*\*\*\* In the period from May 2012 to December 2012 the Group accomplished a series of transactions to acquire additional 28.81% of OAO Gazprom neftekhim Salavat ordinary shares for cash consideration of RR 28,776. As a result the Group increased its equity stake up to 97.84% and obtained control over operational and financial activity of OAO Gazprom neftekhim Salavat. (see Note 23).

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 energy 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 31 December 2012, 2011 and 2010:

	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
<b>Accounts receivable:</b>			
Payment expected within 12 months of the reporting date:			
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	14,406	16,325	7,253
AO Overgaz Inc.	10,000	7,410	5,820
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	11,420	7,908	7,870
ZAO Panrusgaz	8,134	8,117	8,087
AO Gazum	3,892	4,077	5,164
Wintershall Erdgas Handelshaus Zug AG (WIEE)	2,451	1,131	2,763
AO Moldovagaz*	2,348	19,902	18,231
AO Lietuvos dujos	2,212	2,319	2,103
OAO NGK Slavneft and its subsidiaries	1,701	3,361	1,238
OAO Gazprombank	1,438	615	1,567
TOO KazRosGaz	667	717	647
OAO Gazprom neftekhim Salavat	-	8,532	10,829
Promgaz S.p.A	-	-	2,143
RosUkrEnergo AG	-	-	81,622
OAO Gazprom transgaz Belarus	-	-	15,871
OAO Sibur Holding and its subsidiaries**	-	-	283
<b>Accounts payable:</b>			
Short-term accounts payable:			
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	7,906	2,956	2,806
SGT EuRoPol GAZ S.A.	6,565	6,997	6,976
Salym Petroleum Development N.V.	3,569	514	2,635
Nord Stream AG	2,892	1,999	-
TOO KazRosGaz	2,783	3,267	4,336
OAO NGK Slavneft and its subsidiaries	1,502	1,976	1,394
OAO Gazprombank	152	134	708
Promgaz S.p.A	-	-	1,583

**OAo GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**21. RELATED PARTIES (continued)**

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
RosUkrEnergo AG	-	-	8,447
OAo Sibur Holding and its subsidiaries**	-	-	3,777
Other non-current liabilities			
OAo Sibur Holding and its subsidiaries**	-	-	1,115

\* As of 31 December 2012, 2011 and 2010 accounts payable include penalty fees for gas in amount of RR 0, RR 15,514 and RR 15,514 respectively. Accounts receivable are stated net of provision for doubtful debts amounting to RR 131,087, RR 92,643 and RR 69,305 as of 31 December 2012, 2011 and 2010, respectively.

\*\* In September 2011 the Group ceased to have a significant influence on OAo Sibur Holding.

Loans issued to major associates as of 31 December 2012, 2011 and 2010 are:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Loans and promissory notes due for repayment beyond 12 months of the reporting date:</b>			
WINGAS GmbH & Co.KG	15,399	15,952	15,439
Gas Project Development Central Asia AG	1,707	1,707	1,602
Bosphorus Gaz Corporation A.S.	823	870	-
OAo Gazprombank	697	831	1,250
Salym Petroleum Development N.V.	-	567	4,806
OAo Sibur Holding and subsidiaries	-	-	5,195
<b>Loans and promissory notes due for repayment within 12 months of the reporting date:</b>			
OOO Yamal razvitie	26,348	26,348	28,123
OAo Gazprombank	190	400	1,601
Salym Petroleum Development N.V.	-	2,878	2,127
Nord Stream AG	-	2,593	6,171
OAo Sibur Holding and subsidiaries	-	-	198

Loans received from major associates as of 31 December 2011, 2011 and 2010 are presented as follows:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Loans and borrowings due for repayment beyond 12 months of the reporting date:</b>			
OAo Gazprombank	24,569	16,229	3,770
<b>Loans and borrowings due for repayment within 12 months of the reporting date (including current portion of long-term liabilities):</b>			
OAo Gazprombank	21,429	11,202	6,973
OAo Tomskneft VNK and its subsidiaries	5,105	6,647	7,027
RosUkrEnergo AG	2,248	10,778	-
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	1,281	1,095	2,527

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**21. RELATED PARTIES (continued)**

The Group received loans from its major associates in Russian Roubles at rates ranging from 2.6% to 10.35% in 2012. The similar figures for 2011 were 6.5% to 10.35%.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 0.71% to 9% in 2012. The similar figures for 2011 were 3.5% to 9.5%.

*Remuneration to key management personnel*

Key management personnel's (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of OAO Gazprom and its subsidiaries, amounted to RR 2,130 and RR 1,759 for the years ended 31 December 2012 and 2011, 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 OAO 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 OAO 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.

OAO 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 2012 and 2011, respectively.

**22. 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 2012 and 2011 amounted to RR 22,950 and 22,949 million shares.

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2012 and 2011.

**23. ACQUISITION OF OAO GAZPROM NEFTEKHIM SALAVAT**

In December 2008 the Group acquired a 50% interest plus one ordinary share in OAO Gazprom neftekhim Salavat for cash consideration of RR 20,959. Since then the Group started to exercise significant influence and applied the equity method of accounting for its investment in OAO Gazprom neftekhim Salavat.

During the period from November 2011 to December 2011 as a result of series of transactions, the Group acquired an additional 19.03% interest in OAO Gazprom neftekhim Salavat for total cash consideration of RR 19,008. Despite having a 69.03% interest as of 31 December 2011, the Group still did not exercise control over OAO Gazprom neftekhim Salavat due to its corporate governance regulations.

In May 2012 the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result the Group's share in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 10,318 increasing its interest to 97.84%.

As a result of these transactions goodwill of OAO Gazprom neftekhim Salavat in amount of RR 68,724 arose.

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

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**24. ACQUISITION OF OAO BELTRANSGAS**

During the period from June 2007 to February 2010 as a result of series of transactions the Group acquired a 50% interest in OAO Beltransgas. Equal installments in the amount of USD 625 million were paid by the Group for each 12.5% share acquired. Since February 2008, when the Group's interest in OAO Beltransgas increased to 25%, the Group started to exercise significant influence and applied the equity method of accounting for its investment in OAO Beltransgas.

In November 2011 the Group entered into a share purchase agreement with the State Property Committee of the Republic of Belarus to acquire an additional 50% interest in OAO Beltransgas for cash consideration of USD 2,500 million. In December 2011 the transaction was finalised. As a result the Group increased its ownership interest up to 100% and obtained control over OAO Beltransgas.

As a result of these transactions goodwill in amount of RR 146,316 has arisen in respect of OAO Beltransgas acquisition.

In April 2013 OAO Beltransgas was renamed into OAO Gazprom transgas Belarus.

**25. MERGER OF OAO WGC-2 AND OAO WGC-6**

In June 2011 in the Annual general shareholders meeting of OAO WGC-2 took a decision to reorganize OAO WGC-2 in form of a merger with OAO WGC-6. As a result of this reorganization, completed in November 2011, all assets and liabilities of OAO WGC-6 were transferred to OAO WGC-2. The share capital of OAO WGC-2 was increased in form of an additional ordinary shares issue. Placement of shares was performed by conversion of all shares of OAO WGC-6 into ordinary shares of OAO WGC-2. As the result of this reorganization, the share of Gazprom Group in OAO WGC-2 amounts to 58%.

**26. INCREASE OF INTEREST IN SIBIR ENERGY LTD.**

On 14 February 2011 the Board of Directors of Sibir Energy Ltd. adopted a resolution to reduce the share capital by 86.25 million shares (22.39%). OAO Central Fuel Company, an affiliate to the Moscow Government, made a decision to withdraw membership in Sibir Energy Ltd. for a compensation of USD 740 million. As a result of this transaction starting from 15 February 2011 the Group has 100% interest in Sibir Energy Ltd.

Following the reduction in share capital of Sibir Energy Ltd. the Group has increased its effective interest in OAO Gazpromneft-MNPZ from 66.04% to 74.36%.

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

**27. COMMITMENTS AND CONTINGENCIES**

*Estimated liabilities*

	As of 31 December 2011	Accrued	Utilized	Recovered	As of 31 December 2012
Estimated liabilities on bonus payments at the year end	21,745	27,889	(25,328)	-	24,306
Estimated liabilities on vacations	17,931	36,469	(34,244)	-	20,156
Estimated liabilities on retirement benefits payable as a lump sum	14,276	10,727	(8,334)	-	16,669
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	110,890	12,294	(1,254)	-	121,930
Other estimated liabilities, including: <i>estimated liabilities regarding gas price adjustment</i>	46,855	157,212	(37,244)	(299)	166,524
	-	<u>115,255</u>	-	-	<u>115,255</u>
<b>Total, including:</b>	<b>211,697</b>	<b>244,591</b>	<b>(106,404)</b>	<b>(299)</b>	<b>349,585</b>
with maturity up to 1 year	97,470	231,519	(103,132)	(299)	225,558

	As of 31 December 2010	Accrued	Utilized	Recovered	As of 31 December 2011
Estimated liabilities on bonus payments at the year end	19,520	20,459	(18,234)	-	21,745
Estimated liabilities on vacations	16,156	23,458	(21,683)	-	17,931
Estimated liabilities on retirement benefits payable as a lump sum	10,735	7,037	(3,496)	-	14,276
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	100,627	11,120	(857)	-	110,890
Other estimated liabilities, including:	<u>30,267</u>	<u>40,816</u>	<u>(24,197)</u>	<u>(31)</u>	<u>46,855</u>
<b>Total, including:</b>	<b>177,305</b>	<b>102,890</b>	<b>(68,467)</b>	<b>(31)</b>	<b>211,697</b>
with maturity up to 1 year	72,933	91,588	(67,020)	(31)	97,470

*Pension obligations*

The Group operates a defined benefit plan. Due to the fact that regulation of accrual of pension obligations in the accounting is not foreseen by the existing regulatory documents, calculation of pension obligations and assets is only possible for the Group as a whole and is provided in the Notes to the IFRS Consolidated Financial Statements ([www.gazprom.ru](http://www.gazprom.ru)).

*Guarantees issued*

The following guarantees were issued to third parties on behalf of other entities:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Outstanding guarantees issued on behalf of:			
Sakhalin Energy Investment Company Ltd.	94,145	103,220	100,260
Nord Stream AG	40,519	105,616	50,005
EM Interfinance Limited	5,385	5,869	5,694
Blackrock Capital Investments Limited	4,573	4,985	4,824
OOO Production Company VIS	2,507	-	16,030
Blue Stream Pipeline Company B.V.	2,124	8,225	13,723
Devere Capital International Limited	-	1,958	4,217
OA O Group E4	-	1,498	1,450
OOO Severny Europeysky Trubny Proekt	-	-	40,251
OOO Torgovy Dom Truboprovod	-	-	12,659
Other	<u>37,711</u>	<u>32,193</u>	<u>24,773</u>
<b>Total</b>	<b>186,964</b>	<b>263,564</b>	<b>273,886</b>

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

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of 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. The above guarantees amounted to RR 94,145, RR 103,220 and RR 100,260 as of 31 December 2012, 2011 and 2010, respectively.

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 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 fail to repay those amounts. As of 31 December 2011 and 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 72,205 and RR 50,005, respectively. Construction of Nord Stream gas pipeline Phase 1 was completed in the fourth quarter 2012. As a result as of 31 December 2012 the obligation under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion was redeemed.

In May 2011 the Group provided a guarantee to Societe Generale on behalf of 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 fail to repay those amounts. As of 31 December 2012 and 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 40,519 and RR 33,411, 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 International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 9,958, RR 12,812 and RR 14,735 as of 31 December 2012, 2011 and 2010, respectively.

In January 2010 the Group provided a guarantee to OAO 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 OAO WGC-6. As of 31 December 2010 the above guarantee amounted to RR 16,030. In September 2011 this credit facility was repaid.

In July 2012 the Group provided a guarantee to OAO Sberbank Rossii on behalf of OOO Production Company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 31 December 2012 the above guarantee amounted to RR 2,507.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) 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 guaranteed the above loans. As of 31 December 2012, 2011 and 2010, outstanding amounts of these loans were RR 2,124, RR 8,225 and RR 13,723, respectively, which were guaranteed by the Group, pursuant to its obligations.

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 December 2011 and 2010 the above guarantee amounted to RR 1,498 and RR 1,450, respectively. As of 31 December 2012 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Severnyy Europeyskiy Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 40,251. In February 2011 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO 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 OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 12,659. In February 2011 this credit facility was repaid.



**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**27. COMMITMENTS AND CONTINGENCIES (continued)**

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

*Legal proceedings*

In December 2010 RWE Transgas, A.S. filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contract prices for gas supplies. The matter is currently under consideration of arbitration court. Negotiations with RWE Transgas, A.S. on the contract prices are in progress.

In November 2011 Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG SA) filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. In November 2012 Group and PGNiG SA reached an agreement on gas price and terms of gas supplies to Poland. Appropriate price adjustment was recognized in the financial statements of the Group when it became probable and reliable estimation of the amount was made.

In August 2012 the European Commission initiated an investigation into a potential breach of European Union antimonopoly law by the Group. The Group is analyzing the information related to the investigation and no provision has been recorded.

*Taxation*

The tax, currency and customs legislation in 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 December 2012 and 2011 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may have an influence on the financial conditions and/or the overall operations of the Group.

**28. OPERATING RISKS**

Risk management of the Group is conducted within the framework of a unified corporate system and is defined as a continuous cycle of management decision making and implementation composed of risk identification, estimation and valuation, risk response, efficiency control, planning of risk management and monitoring activities. This process is built into general governance, focused on risk optimization as consistent with the Group interests and spreads to all its activities.

Risks related to assets and liabilities are disclosed in the respective sections of the Notes to the consolidated accounting reports of the Group.

The market position of the Group including trends of the corresponding market segment, adaptation to the market conditions, business priorities and perspectives as well as the Group's key business risk factors are disclosed on the website [www.gazprom.com](http://www.gazprom.com).

**29. POST BALANCE SHEET EVENTS**

*Borrowings and loans*

In February 2013 the Group issued Loan Participation Notes in the amount of USD 800 million at an interest rate 3.85% due in 2020 and Loan Participation Notes in the amount of USD 900 million at an interest rate 4.95% due in 2028 under the USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In February 2013 the Group issued Russian bonds in the amount of RR 5,000 at an interest rate of 7.55% due in 2018, Russian bonds in the amount of RR 10,000 at an interest rate of 7.55% due in 2017 and Russian bonds in the amount of RR 15,000 at an interest rate of 7.5% due in 2016.

**ОАО ГАЗПРОМ**  
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**29. POST BALANCE SHEET EVENTS (continued)**


In March 2013 the Group issued Loan Participation Notes in the amount of EURO 1,000 million at an interest rate of 3.389% due in 2020 and Loan Participation Notes in the amount of EURO 500 million at an interest rate of 4.364% due in 2025 under the USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In April 2013 the Group issued Loan Participation Notes in the amount of EURO 750 million at an interest rate of 2.933% due in 2018.

*Investments*

In April 2013 pursuant to the Russian Government's Directive of 13 November 2010 the Group signed a purchase and sale agreement with ОАО Роснефтегаз for acquisition of 72 gas distribution companies. The cash consideration paid amounted to RR 25,862.

  
\_\_\_\_\_  
A.B. Miller  
Chairman of the Management Committee

  
\_\_\_\_\_  
E.A. Vasilieva  
Chief Accountant

29 April 2013

Director of closed joint stock company  
PricewaterhouseCoopers Audit  
M.E. Timchenko  
29 April 2013



51 (fifty one) pages are numbered, bound and sealed.