

**ОАО ГАЗПРОМ**

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

**31 MARCH 2012**



## **Report on Review of Consolidated Interim Condensed Financial Information**

To the Shareholders and Board of Directors of OAO Gazprom

### ***Introduction***

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 31 March 2012 and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

### ***Scope of Review***

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

### ***Conclusion***

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

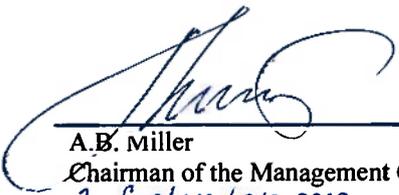
*ZAO PricewaterhouseCoopers Audit*

3 September 2012

Moscow, Russian Federation

**OA O GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)**  
**AS OF 31 MARCH 2012**  
(In millions of Russian Roubles)

Notes	31 March 2012	31 December 2011
<b>Assets</b>		
<b>Current assets</b>		
6	685,768	501,344
6	3,531	3,877
7	26,047	23,991
8	781,533	784,053
9	331,788	407,530
	VAT recoverable	303,454
	Other current assets	<u>216,044</u>
	<u>2,335,649</u>	<u>2,240,293</u>
<b>Non-current assets</b>		
10	6,816,962	6,718,575
11		
	701,745	715,966
12	550,227	517,097
13	184,353	181,138
14	<u>517,054</u>	<u>527,627</u>
	<u>8,770,341</u>	<u>8,660,403</u>
	<b>11,105,990</b>	<b>10,900,696</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
	720,533	804,644
	102,289	44,036
	156,906	93,707
	<u>383,507</u>	<u>366,868</u>
	<u>1,363,235</u>	<u>1,309,255</u>
<b>Non-current liabilities</b>		
15	1,024,334	1,173,294
22	208,588	206,734
16	386,516	402,728
	<u>35,201</u>	<u>47,694</u>
	<u>1,654,639</u>	<u>1,830,450</u>
	<b>3,017,874</b>	<b>3,139,705</b>
<b>Equity</b>		
17	325,194	325,194
17	(104,018)	(104,605)
	<u>7,563,049</u>	<u>7,242,982</u>
	7,784,225	7,463,571
	303,891	297,420
	<u>8,088,116</u>	<u>7,760,991</u>
	<b>11,105,990</b>	<b>10,900,696</b>

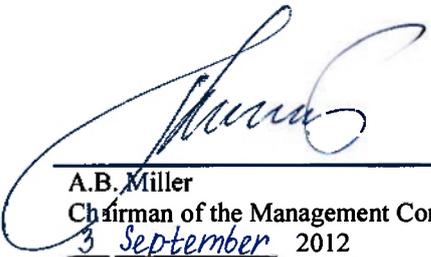
  
A.B. Miller  
Chairman of the Management Committee  
3 September 2012

  
E.A. Vasilieva  
Chief Accountant  
3 September 2012

The accompanying notes are an integral part of this consolidated interim condensed financial information.

**OAO GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2012**  
(In millions of Russian Roubles)

Notes		Three months ended 31 March	
		2012	2011
18	Sales	1,224,878	1,316,747
	Net gain (loss) from trading activity	1,490	(330)
19	Operating expenses	<u>(927,401)</u>	<u>(817,909)</u>
	<b>Operating profit</b>	<b>298,967</b>	<b>498,508</b>
20	Finance income	139,201	73,968
20	Finance expense	(30,041)	(20,278)
11	Share of net income of associated undertakings and jointly controlled entities	48,370	38,519
	(Losses) gains on disposal of available-for-sale financial assets	<u>(200)</u>	<u>349</u>
	<b>Profit before profit tax</b>	<b>456,297</b>	<b>591,066</b>
	Current profit tax expense	(101,378)	(108,864)
	Deferred profit tax benefit (expense)	<u>12,696</u>	<u>(3,702)</u>
	Profit tax expense	(88,682)	(112,566)
	<b>Profit for the period</b>	<b>367,615</b>	<b>478,500</b>
	<b>Other comprehensive income</b>		
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	3,551	7,173
	Share of other comprehensive loss of associated undertakings and jointly controlled entities	(2,758)	(5,579)
	Translation differences	(47,419)	(19,624)
	Gains from cash flow hedges, net of tax	<u>6,218</u>	<u>-</u>
	<b>Other comprehensive loss for the period, net of tax</b>	<b>(40,408)</b>	<b>(18,030)</b>
	<b>Total comprehensive income for the period</b>	<b>327,207</b>	<b>460,470</b>
	<b>Profit attributable to:</b>		
	owners of OAO Gazprom	357,841	467,969
	non-controlling interest	<u>9,774</u>	<u>10,531</u>
		<b>367,615</b>	<b>478,500</b>
	<b>Total comprehensive income attributable to:</b>		
	owners of OAO Gazprom	320,067	451,528
	non-controlling interest	<u>7,140</u>	<u>8,942</u>
		<b>327,207</b>	<b>460,470</b>
21	<b>Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)</b>	<b>15.59</b>	<b>20.39</b>

  
A.B. Miller  
Chairman of the Management Committee  
3 September 2012

  
E.A. Vasilieva  
Chief Accountant  
3 September 2012

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**ОАО ГАЗПРОМ**  
**IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2012**  
(In millions of Russian Roubles)

Notes	Three months ended 31 March	
	2012	2011
	<b>Operating activities</b>	
	456,297	591,066
	<b>Adjustments to profit before profit tax</b>	
	80,015	66,968
	(119,100)	(66,470)
	15,494	16,918
	(5,548)	(4,042)
	200	(349)
	(48,370)	(38,519)
	17,350	8,968
	20,209	365
	<u>11,313</u>	<u>(8,387)</u>
	(28,437)	(24,548)
	(1,851)	27
	2,670	(791)
	248,340	(83,610)
	<u>(79,398)</u>	<u>(91,719)</u>
	<b>597,621</b>	<b>390,425</b>
	<b>Investing activities</b>	
	(382,731)	(391,049)
20	(8,308)	(6,357)
	(5,902)	(147)
25	(859)	(24,560)
	(9,994)	(619)
	-	3,650
	2,077	1,142
	(278)	(286)
	56,166	10,111
	<u>(1,564)</u>	<u>(651)</u>
	<b>(351,393)</b>	<b>(408,766)</b>
	<b>Financing activities</b>	
	23,468	73,669
	(42,130)	(17,460)
	(11,980)	(15,683)
	-	(156)
20	(14,787)	(15,012)
	587	66
	346	247
	<u>(44,496)</u>	<u>25,671</u>
	<u>(17,308)</u>	<u>(3,760)</u>
	<b>184,424</b>	<b>3,570</b>
6	501,344	440,786
6	<b>685,768</b>	<b>444,356</b>

  
A.B. Miller  
Chairman of the Management Committee  
3 September 2012

  
E.A. Vasilieva  
Chief Accountant  
3 September 2012

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**OAO GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2012**  
**(In millions of Russian Roubles)**

Note	Number of shares outstanding (billions)	Attributable to the owners of OAO Gazprom			Total	Non-controlling interest	Total equity	
		Share capital	Treasury shares	Retained earnings and other reserves				
<b>Three months ended 31 March 2011</b>								
	<b>Balance as of 31 December 2010</b>	23.0	325,194	(103,986)	6,028,543	6,249,751	286,610	6,536,361
	Profit for the period	-	-	-	467,969	467,969	10,531	478,500
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	7,173	7,173	-	7,173
	Share of other comprehensive loss of associated undertakings and jointly controlled entities	-	-	-	(5,579)	(5,579)	-	(5,579)
	Translation differences	-	-	-	(18,035)	(18,035)	(1,589)	(19,624)
	<b>Total comprehensive income for the three months ended 31 March 2011</b>	-	-	-	451,528	451,528	8,942	460,470
25	Purchase of non-controlling interest in subsidiaries	-	-	-	5,656	5,656	(22,022)	(16,366)
	Net treasury shares transactions	(0.0)	-	66	-	66	-	66
	Return of social assets to governmental authorities	-	-	-	(167)	(167)	-	(167)
	<b>Balance as of 31 March 2011</b>	23.0	325,194	(103,920)	6,485,560	6,706,834	273,530	6,980,364
<b>Three months ended 31 March 2012</b>								
	<b>Balance as of 31 December 2011</b>	22.9	325,194	(104,605)	7,242,982	7,463,571	297,420	7,760,991
	Profit for the period	-	-	-	357,841	357,841	9,774	367,615
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	3,551	3,551	-	3,551
	Share of other comprehensive loss of associated undertakings and jointly controlled entities	-	-	-	(2,758)	(2,758)	-	(2,758)
	Translation differences	-	-	-	(44,508)	(44,508)	(2,911)	(47,419)
	Gains from cash flow hedges, net of tax	-	-	-	5,941	5,941	277	6,218
	<b>Total comprehensive income for the three months ended 31 March 2012</b>	-	-	-	320,067	320,067	7,140	327,207
	Purchase of non-controlling interest in subsidiaries	-	-	-	-	-	(669)	(669)
	Net treasury shares transactions	0.1	-	587	-	587	-	587
	<b>Balance as of 31 March 2012</b>	23.0	325,194	(104,018)	7,563,049	7,784,225	303,891	8,088,116

  
A.B. Miller  
Chairman of the Management Committee  
5 September 2012

  
E.A. Vasilieva  
Chief Accountant  
3 September 2012

The accompanying notes are an integral part of this consolidated interim condensed financial information.

**ОАО ГАЗПРОМ**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2012**  
**(In millions of Russian Roubles)**

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**1 NATURE OF OPERATIONS**

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

The Group is involved in the following principal activities:

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

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

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

**2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION**

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

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

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

**3 BASIS OF PRESENTATION**

The consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). This consolidated interim condensed financial information should be read together with the consolidated financial statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The official Russian Rouble (“RR”) to US dollar (“USD”) exchange rates as determined by the Central Bank of the Russian Federation were 29.33 and 32.20 as of 31 March 2012 and 31 December 2011, respectively. The official RR to Euro exchange rates as determined by the Central Bank of the Russian Federation were 39.17 and 41.67 as of 31 March 2012 and 31 December 2011, respectively.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2011, except with respect to cash flow hedges, and revised, as appropriate, to give effect to the new accounting standards described below.

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

**Hedge accounting**

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument.

The Group has designated only cash flow hedges – hedges against the exposure to the variability of cash flow currency exchange rates on highly probable forecast transactions. The effective portion of changes in

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**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

the fair value of derivatives which are designated and qualify as cash flow hedges is recognised in other comprehensive income. Changes in the fair value of certain derivative instruments which do not qualify for hedge accounting are recognised immediately in profit and loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. Any ineffective portion is ultimately recognised in profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on any associated hedging instrument that was reported in equity is immediately transferred to profit and loss.

**New accounting developments**

In 2012 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2012 and which are relevant to its operations.

(a) Standards, Amendments or Interpretations effective in 2012

Amendment to IFRS 7 “Financial Instruments: Disclosures” (“IFRS 7”), issued in October 2010 and effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendments to IAS 12 “Income taxes: Recovery of Underlying Assets” (“IAS 12”), issued in December 2010 and effective for annual periods beginning on or after 1 January 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, “Income Taxes – Recovery of Revalued Non-Depreciable Assets”, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 “Property, Plant and Equipment” (“IAS 16”) was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment did not materially affect the Group's consolidated financial statements.

All changes in the accounting policies have been made in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors” which requires retrospective application unless the new standard requires otherwise.

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

IFRS 9 “Financial Instruments” (“IFRS 9”), issued in November 2009 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

**ОАО ГАЗПРОМ**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2012**  
**(In millions of Russian Roubles)**

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**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after 1 January 2013 to 1 January 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 10 “Consolidated financial statements” (“IFRS 10”), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 11 “Joint arrangements” (“IFRS 11”), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces IAS 31 “Interests in Joint Ventures” (“IAS 31”) and SIC 13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”.

Changes in the definitions have reduced the number of “types” of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 12 “Disclosure of interest in other entities” (“IFRS 12”), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 27 “Consolidated and Separate Financial Statements” and IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 13 “Fair value measurement” (“IFRS 13”), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 27 “Separate Financial Statements” (“IAS 27”), issued May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The application of this amendment is not expected to materially affect the Group’s consolidated financial statements.

Amended IAS 28 “Investments in Associates and Joint Ventures” (“IAS 28”), issued May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amendments to IAS 1 “Presentation of financial statements” (“IAS 1”), issued June 2011 and effective for annual periods beginning on or after 1 July 2012, changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 19 “Employee benefits” (“IAS 19”), issued June 2011 and effective for periods beginning on or after 1 January 2013, makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The Group is currently assessing the impact of the standard on the consolidated financial statements.

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**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
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**(In millions of Russian Roubles)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

Improvements to International Financial Reporting Standards, issued in May 2012 and effective for annual periods beginning on or after 1 January 2013. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 1 “First time adoption of International Financial Reporting Standards” (“IFRS 1”) (i) clarifies that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) adds an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters.

Amendment to IAS 1 “Presentation of financial statements” (“IAS 1”) clarifies that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes as required by IAS 8 “Accounting policies, changes in accounting estimates and errors” (“IAS 8”), while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.

Amendment to IAS 16 “Property, plant and equipment” (“IAS 16”) clarifies that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.

Amendment to IAS 32 “Financial instruments: Presentation” (“IAS 32”) clarifies that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.

Amendment to IAS 34 “Interim financial reporting” (“IAS 34”) brings its requirements in line with IFRS 8 “Operating segments”. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The Group is currently assessing the impact of these improvements on the consolidated financial statements.

**5 SEGMENT INFORMATION**

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

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

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

- Production of gas – exploration and production of gas;
- Transport – transportation of gas;
- Distribution – sales of gas within Russian Federation and abroad;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate – exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products; and
- Electric and heat energy generation and sales.

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

The inter-segment sales mainly consist of:

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

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

**OA O GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 31 MARCH 2012**  
**(In millions of Russian Roubles)**

**5 SEGMENT INFORMATION (continued)**

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>Three months ended 31 March 2012</b>									
<b>Total segment revenues</b>	<u>132,831</u>	<u>185,166</u>	<u>790,997</u>	<u>6,740</u>	<u>161,384</u>	<u>258,491</u>	<u>112,564</u>	<u>56,331</u>	<u>1,705,504</u>
Inter-segment sales	130,341	153,107	71,997	6,412	96,191	2,520	-	-	460,568
External sales	2,490	32,059	719,000	328	65,193	255,971	112,564	56,331	1,243,936
<b>Segment result</b>	<u>3,403</u>	<u>3,216</u>	<u>168,737</u>	<u>557</u>	<u>37,283</u>	<u>13,182</u>	<u>16,466</u>	<u>(3,427)</u>	<u>239,417</u>
Depreciation	27,651	82,523	2,466	3,332	12,236	7,273	5,168	4,382	145,031
Share of net income of associated undertakings and jointly controlled entities	309	781	6,296	-	32,031	2,671	-	6,282	48,370
<b>Three months ended 31 March 2011</b>									
<b>Total segment revenues</b>	<u>98,713</u>	<u>168,595</u>	<u>935,766</u>	<u>6,000</u>	<u>129,486</u>	<u>216,612</u>	<u>113,474</u>	<u>47,295</u>	<u>1,715,941</u>
Inter-segment sales	96,720	139,799	67,790	5,738	72,141	1,725	-	-	383,913
External sales	1,993	28,796	867,976	262	57,345	214,887	113,474	47,295	1,332,028
<b>Segment result</b>	<u>9,861</u>	<u>4,875</u>	<u>329,792</u>	<u>1,002</u>	<u>28,301</u>	<u>37,120</u>	<u>24,669</u>	<u>(3,974)</u>	<u>431,646</u>
Depreciation	21,742	66,873	1,515	2,456	11,606	5,793	4,503	4,350	118,838
Share of net income of associated undertakings and jointly controlled entities	397	2,737	4,868	-	14,951	1,666	-	13,900	38,519

A reconciliation of total operating segment results to total profit before profit tax in statement of comprehensive income:

	For the three months ended 31 March	
	2012	2011
<b>Segment result</b>	<u>239,417</u>	<u>431,646</u>
Difference in depreciation	65,016	51,870
(Expenses) gains associated with pension obligations	(4,396)	15,691
Finance income, net	109,160	53,690
(Losses) gains on disposal of available-for-sale financial assets	(200)	349
Share of net income of associated undertakings and jointly controlled entities	48,370	38,519
Other	<u>(1,070)</u>	<u>(699)</u>
<b>Profit before profit tax</b>	<u>456,297</u>	<u>591,066</u>

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

	For the three months ended 31 March	
	2012	2011
External sales for reportable segments	1,187,605	1,284,733
External sales for other segments	56,331	47,295
<b>Total external segment sales</b>	<u>1,243,936</u>	<u>1,332,028</u>
Differences in external sales	<u>(19,058)</u>	<u>(15,281)</u>
<b>Total sales per the statement of comprehensive income</b>	<u>1,224,878</u>	<u>1,316,747</u>

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**5 SEGMENT INFORMATION (continued)**

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>31 March 2012</b>									
Segment assets	<u>1,769,583</u>	<u>4,950,907</u>	<u>1,028,675</u>	<u>202,912</u>	<u>1,269,275</u>	<u>960,849</u>	<u>571,676</u>	<u>501,682</u>	<u>11,255,559</u>
Investments in associated undertakings and jointly controlled entities	28,615	57,228	67,020	-	405,815	57,336	48	85,683	701,745
Capital additions	41,839	84,508	3,176	1,489	21,959	20,075	5,937	2,195	181,178
<b>31 December 2011</b>									
Segment assets	<u>1,725,762</u>	<u>4,972,244</u>	<u>1,223,035</u>	<u>206,126</u>	<u>1,272,339</u>	<u>1,086,188</u>	<u>560,182</u>	<u>472,028</u>	<u>11,517,904</u>
Investments in associated undertakings and jointly controlled entities	27,914	56,368	98,769	-	403,275	55,629	48	73,963	715,966
Capital additions	246,635	740,910	48,802	19,978	79,102	115,642	69,447	31,074	1,351,590

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

	31 March 2012	31 December 2011
Segment assets for reportable segments	10,753,877	11,045,876
Other segments' assets	<u>501,682</u>	<u>472,028</u>
<b>Total segment assets</b>	<b>11,255,559</b>	<b>11,517,904</b>
Differences in property, plant and equipment, net*	(2,019,963)	(2,085,209)
Loan interest capitalised	270,772	264,167
Decommissioning costs	76,042	75,484
Cash and cash equivalents	685,768	501,344
Restricted cash	3,531	3,877
Short-term financial assets	26,047	23,991
VAT recoverable	342,687	303,454
Other current assets	164,295	216,044
Available-for-sale long-term financial assets	184,353	181,138
Other non-current assets	517,054	527,627
Inter-segment assets	(574,340)	(801,796)
Other	<u>174,185</u>	<u>172,671</u>
<b>Total assets per the balance sheet</b>	<b>11,105,990</b>	<b>10,900,696</b>

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

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

	Production of gas	Transport	Distri-bution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>Segment liabilities</b>									
31 March 2012	119,392	275,025	574,536	7,379	115,294	153,958	36,641	111,432	1,393,657
31 December 2011	129,348	421,721	468,773	7,940	263,581	172,594	33,046	137,388	1,634,391

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**5 SEGMENT INFORMATION (continued)**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>31 March 2012</b>	<b>31 December 2011</b>
Segment liabilities for reportable segments	1,282,225	1,497,003
Other segments' liabilities	<u>111,432</u>	<u>137,388</u>
<b>Total segments liabilities</b>	<b>1,393,657</b>	<b>1,634,391</b>
Current profit tax payable	102,289	44,036
Short-term borrowings, promissory notes and current portion of long-term borrowings	383,507	366,868
Long-term borrowings	1,024,334	1,173,294
Provisions for liabilities and charges	208,588	206,734
Deferred tax liabilities	386,516	402,728
Other non-current liabilities	35,201	47,694
Dividends	1,578	1,888
Inter-segment liabilities	(574,340)	(801,796)
Other	<u>56,544</u>	<u>63,868</u>
<b>Total liabilities per the balance sheet</b>	<b>3,017,874</b>	<b>3,139,705</b>

**6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

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

	<b>31 March 2012</b>	<b>31 December 2011</b>
Cash on hand and bank balances payable on demand	565,075	390,381
Term deposits with original maturity of three months or less	<u>120,693</u>	<u>110,963</u>
	<b>685,768</b>	<b>501,344</b>

Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings.

**7 SHORT-TERM FINANCIAL ASSETS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Financial assets held for trading	4,270	4,053
Available-for-sale financial assets	<u>21,777</u>	<u>19,938</u>
	<b>26,047</b>	<b>23,991</b>

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

Available-for-sale financial assets primarily comprise investments in money market funds, as well as debt securities, including third parties' promissory notes maturing within twelve months of the balance sheet date.

**8 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Trade receivables	497,264	537,323
Prepayments and advances	146,758	131,271
Other receivables	<u>137,511</u>	<u>115,459</u>
	<b>781,533</b>	<b>784,053</b>

Accounts receivable and prepayments are presented net of impairment provision of RR 232,443 and RR 222,921 as of 31 March 2012 and 31 December 2011, respectively.

**9 INVENTORIES**

Inventories are presented net of provision for obsolescence of RR 5,183 and RR 4,331 as of 31 March 2012 and 31 December 2011, respectively.

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10

**PROPERTY, PLANT AND EQUIPMENT**

	<b>Total production assets (including production licenses)</b>	<b>Social assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As of 31 December 2010</b>				
Cost	6,731,168	82,818	1,475,347	8,289,333
Accumulated depreciation	<u>(2,775,058)</u>	<u>(27,846)</u>	<u>-</u>	<u>(2,802,904)</u>
<b>Net book value as of 31 December 2010</b>	<b>3,956,110</b>	<b>54,972</b>	<b>1,475,347</b>	<b>5,486,429</b>
<b>Three months ended 31 March 2011</b>				
Net book value as of 31 December 2010	3,956,110	54,972	1,475,347	5,486,429
Depreciation	(64,977)	(836)	-	(65,813)
Additions	34,425	955	162,371	197,751
Translation differences	(4,559)	(96)	(1,049)	(5,704)
Transfers	41,649	845	(42,494)	-
Disposals	(12,890)	(819)	(8,104)	(21,813)
Charge for impairment provision	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>(21)</u>
<b>Net book value as of 31 March 2011</b>	<b>3,949,758</b>	<b>55,021</b>	<b>1,586,050</b>	<b>5,590,829</b>
<b>Nine months ended 31 December 2011</b>				
Net book value as of 31 March 2011	3,949,758	55,021	1,586,050	5,590,829
Depreciation	(208,357)	(1,947)	-	(210,304)
Additions	72,499	1,895	1,200,425	1,274,819
Acquisition of subsidiaries	79,041	49	763	79,853
Translation differences	7,508	61	2,297	9,866
Transfers	948,615	4,359	(952,974)	-
Disposals	(18,319)	(228)	(8,474)	(27,021)
Release of impairment provision	<u>-</u>	<u>-</u>	<u>533</u>	<u>533</u>
<b>Net book value as of 31 December 2011</b>	<b>4,830,745</b>	<b>59,210</b>	<b>1,828,620</b>	<b>6,718,575</b>
<b>As of 31 December 2011</b>				
Cost	7,880,332	89,055	1,828,620	9,798,007
Accumulated depreciation	<u>(3,049,587)</u>	<u>(29,845)</u>	<u>-</u>	<u>(3,079,432)</u>
<b>Net book value as of 31 December 2011</b>	<b>4,830,745</b>	<b>59,210</b>	<b>1,828,620</b>	<b>6,718,575</b>
<b>Three months ended 31 March 2012</b>				
Net book value as at 31 December 2011	4,830,745	59,210	1,828,620	6,718,575
Depreciation	(79,007)	(620)	-	(79,627)
Additions	2,551	57	196,384	198,992
Translation differences	(10,603)	(16)	(4,932)	(15,551)
Transfers	73,064	112	(73,176)	-
Disposals	(3,226)	(503)	(2,306)	(6,035)
Release of impairment provision	<u>-</u>	<u>-</u>	<u>608</u>	<u>608</u>
<b>Net book value as of 31 March 2012</b>	<b>4,813,524</b>	<b>58,240</b>	<b>1,945,198</b>	<b>6,816,962</b>
<b>As of 31 March 2012</b>				
Cost	7,945,119	88,446	1,945,198	9,978,763
Accumulated depreciation	<u>(3,131,595)</u>	<u>(30,206)</u>	<u>-</u>	<u>(3,161,801)</u>
<b>Net book value as of 31 March 2012</b>	<b>4,813,524</b>	<b>58,240</b>	<b>1,945,198</b>	<b>6,816,962</b>

Production assets are shown net of provision for impairment of RR 54,387 as of 31 March 2012 and 31 December 2011. Assets under construction are presented net of provision for impairment of RR 92,924 and RR 93,538 as of 31 March 2012 and 31 December 2011, respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 882 and RR 901 as of 31 March 2012 and 31 December 2011, respectively.

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**11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES**

Notes			Carrying value as of		Group's share of the profit (loss) for the three months ended	
			31 March 2012	31 December 2011	31 March 2012	2011
26	OAO NGK Slavneft and its subsidiaries	Joint venture	149,885	143,449	6,436	54
26,27	Sakhalin Energy Investment Company Ltd.	Associate	119,812	128,649	21,042	13,165
26	Gazprombank Group	Associate	72,469	60,868	5,858	13,781
26	OAO Tomskneft VNK and its subsidiaries	Joint venture	65,070	63,209	1,861	(81)
26	Salym Petroleum Development N.V.	Joint venture	44,564	41,300	3,264	1,446
26	OAO Gazprom neftekhim Salavat	Associate	40,444	39,381	1,062	1,510
26,27	Nord Stream AG	Joint venture	34,351	36,692	592	1,516
26	W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)*	Associate	34,236	40,068	2,350	1,203
	OOO Yamal razvitie and its subsidiaries	Associate	24,765	24,642	123	(499)
	Shtokman Development AG	Joint venture	21,399	20,784	21	82
26,27	SGT EuRoPol GAZ S.A.	Associate	16,088	16,253	(105)	(30)
26	TOO KazRosGaz	Joint venture	13,752	35,663	1,745	1,674
	Wintershall AG	Associate	11,812	11,740	777	611
	ZAO Nortgaz	Joint venture	5,589	5,521	68	318
27	ZAO Achimgaz	Joint venture	4,969	4,520	449	396
26	AO Latvijas Gaze	Associate	4,375	4,579	77	129
26	AO Gazum	Associate	4,056	4,123	182	302
26	AO Lietuvos dujos	Associate	2,974	3,023	131	254
26,27	Blue Stream Pipeline company B.V.	Joint venture	2,699	2,682	262	189
23,26	OAO Beltransgaz**	-	-	-	-	1,062
	Other (net of provision for impairment of RR 1,929 as of 31 March 2012 and 31 December 2011)		<u>28,436</u>	<u>28,820</u>	<u>2,175</u>	<u>1,437</u>
			<b>701,745</b>	<b>715,966</b>	<b>48,370</b>	<b>38,519</b>

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

\*\* In December 2011 the Group acquired 50% interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz (see Note 23).

Summarized financial information on the Group's principal associated undertakings and jointly controlled entities is presented in tables below.

The values, disclosed in the tables, represent total assets, liabilities, revenues, profit (loss) of the Group's principal associated undertakings and jointly controlled entities and not the Group's share.

	Percent of share capital held	Location	As of 31 March 2012		For the three months ended 31 March 2012	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	47%	Russia	2,462,493	2,203,142	35,223	12,676
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	598,343	366,345	82,156	42,084
OAO NGK Slavneft and its subsidiaries	50%	Russia	597,792	320,121	53,735	12,815
Nord Stream AG	51%	Switzerland	270,558	201,181	5,659	1,162
W & G Beteiligungs-GmbH & Co. KG	50%	Germany	204,258	168,036	138,864	6,750
OOO Yamal razvitie and its subsidiaries	50%	Russia	174,641	63,899	-	(349)
OAO Tomskneft VNK and its subsidiaries	50%	Russia	103,389	61,194	27,943	3,722
OAO Gazprom neftekhim Salavat**	69%	Russia	88,448	64,083	30,314	1,539
Blue Stream Pipeline company B.V.	50%	Netherlands	63,142	52,474	2,504	1,048
SGT EuRoPol GAZ S.A.	48%	Poland	47,029	13,511	3,625	(216)
Shtokman Development AG	51%	Switzerland	46,308	4,348	-	89

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**11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES**  
**(continued)**

	Percent of share capital held	Location	As of 31 March 2012		For the three months ended 31 March 2012	
			Assets	Liabilities	Revenues	Profit (loss)
Wintershall AG	49%	Germany	45,569	32,137	25,989	1,586
Salym Petroleum Development N.V.	50%	Netherlands	40,049	14,660	22,212	6,158
AO Gazum	25%	Finland	33,433	17,208	16,918	727
AO Latvijas Gaze	34%	Latvia	31,450	7,216	10,048	226
AO Lietuvos dujos	37%	Lithuania	30,340	6,669	8,000	353
TOO KazRosGaz	50%	Kazakhstan	29,789	2,286	10,656	3,529
ZAO Nortgaz	51%	Russia	21,576	10,618	1,571	196
ZAO Achimgaz	50%	Russia	13,166	3,229	1,412	898

\* Presented revenue of Gazprombank Group is reported according to the Group accounting policy and includes revenue of media business, machinery business and other non-banking companies.

In February 2012 OAO Gazprom purchased 375,000 ordinary shares in the course of the additional share issue, registered by the Central Bank of the Russian Federation in December 2011. As a result of this transaction, the effective Group's share in OAO Gasprombank as of 31 March 2012 comprised 47%. As of 31 March 2012 purchase of shares by other participants of additional issue of shares of OAO Gazprombank was not completed. Upon the completion of additional share issue in June 2012, effective share of the Group in OAO Gasprombank comprised 38%.

\*\* In November and December 2011 the Group acquired a 19% interest in OAO Gazprom neftekhim Salavat. As a result, the Group increased its interest in OAO Gazprom neftekhim Salavat to 69%. The investment in OAO Gazprom neftekhim Salavat continues to be accounted under the equity method, as the Group did not obtain control due to corporate governance rules.

	Percent of share capital held	Location	As of 31 March 2011		For the three months ended 31 March 2011	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	44%	Russia	2,015,587	1,775,998	27,089	30,988
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	631,810	332,987	58,378	26,329
OAO NGK Slavneft and its subsidiaries	50%	Russia	613,351	316,224	39,617	108
Nord Stream AG	51%	Switzerland	205,522	124,543	-	2,972
W & G Beteiligungs-GmbH & Co. KG	50%	Germany	174,136	134,097	89,467	3,805
OOO Yamal razvitie and its subsidiaries	50%	Russia	150,028	40,639	-	(998)
OAO Tomskneft VNK and its subsidiaries	50%	Russia	115,153	59,516	24,926	(162)
OAO Gazprom neftekhim Salavat	50%	Russia	80,233	55,254	30,465	3,028
OAO Beltransgaz	50%	Belarus	67,589	35,076	54,158	2,142
Blue Stream Pipeline Company B.V.	50%	Netherlands	62,085	53,677	2,173	756
TOO KazRosGaz	50%	Kazakhstan	55,199	1,602	7,403	3,347
SGT EuRoPol GAZ S.A.	48%	Poland	50,251	14,729	3,570	(62)
Wintershall AG	49%	Germany	45,573	33,196	18,958	1,244
Salym Petroleum Development N.V.	50%	Netherlands	38,782	23,682	15,608	2,891
Shtokman Development AG	51%	Switzerland	38,255	5,650	-	161
AO Gazum	25%	Finland	33,463	16,222	17,827	1,208
AO Lietuvos dujos	37%	Lithuania	31,172	6,394	6,594	686
AO Latvijas Gaze	34%	Latvia	27,243	6,695	8,257	380
ZAO Nortgaz	51%	Russia	14,256	3,784	1,770	624
ZAO Achimgaz	50%	Russia	10,093	3,192	1,397	793

\* Presented revenue of Gazprombank Group is reported according to the Group accounting policy and includes revenue of media business, machinery business and other non-banking companies.

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

	31 March 2012	31 December 2011
OAO Gazprom neftekhim Salavat	59,421	60,702
AO Latvijas Gaze	4,660	4,594
AO Lietuvos dujos	4,074	4,380

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**12 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Long-term accounts receivable and prepayments	197,683	186,414
Advances for assets under construction	<u>352,544</u>	<u>330,683</u>
	<b>550,227</b>	<b>517,097</b>

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 16,675 and RR 18,220 as of 31 March 2012 and 31 December 2011, respectively.

**13 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS**

Available-for-sale long-term financial assets, in total amount of RR 184,353 and RR 181,138 are shown net of provision for impairment of RR 1,565 as of 31 March 2012 and 31 December 2011, respectively.

As of 31 March 2012 and 31 December 2011 long-term available-for-sale financial assets include OAO NOVATEK shares in the amount of RR 120,541 and RR 122,270, respectively.

**14 OTHER NON-CURRENT ASSETS**

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 73,187 and RR 84,950 as of 31 March 2012 and 31 December 2011, respectively.

Other non-current assets include net pension assets in the amount of RR 246,470 as of 31 March 2012 and RR 248,001 as of 31 December 2011 respectively.

Other non-current assets include goodwill on subsidiaries in the amount of RR 101,603 and RR 102,800 as of 31 March 2012 and 31 December 2011, respectively.

**15 LONG-TERM BORROWINGS**

	<b>Currency</b>	<b>Final maturity</b>	<b>31 March 2012</b>	<b>31 December 2011</b>
Long-term borrowings payable to:				
Loan participation notes issued in April 2009 <sup>1</sup>	US dollar	2019	68,667	73,707
The Royal Bank of Scotland AG	US dollar	2013	51,736	58,151
Loan participation notes issued in June 2007 <sup>1</sup>	US dollar	2013	47,840	51,725
Loan participation notes issued in October 2007 <sup>1</sup>	Euro	2018	47,412	52,919
Natixis SA <sup>2</sup>	US dollar	2015	44,003	48,300
Loan participation notes issued in May 2005 <sup>1</sup>	Euro	2015	41,088	43,100
Loan participation notes issued in November 2006 <sup>1</sup>	US dollar	2016	40,474	43,757
Loan participation notes issued in December 2005 <sup>1</sup>	Euro	2012	39,726	41,788
Loan participation notes issued in March 2007 <sup>1</sup>	US dollar	2022	38,292	42,718
White Nights Finance B.V.	US dollar	2014	38,247	41,986
Loan participation notes issued in July 2009 <sup>1</sup>	US dollar	2014	37,157	41,608
Loan participation notes issued in August 2007 <sup>1</sup>	US dollar	2037	36,994	41,345
Loan participation notes issued in April 2004 <sup>1</sup>	US dollar	2034	36,484	39,218
Loan participation notes issued in July 2009 <sup>1</sup>	Euro	2015	33,716	38,031
Loan participation notes issued in April 2008 <sup>1</sup>	US dollar	2018	33,502	36,057
Loan participation notes issued in October 2006 <sup>1</sup>	Euro	2014	30,704	33,892
Loan participation notes issued in November 2011 <sup>1</sup>	US dollar	2016	29,844	32,364
Loan participation notes issued in November 2010 <sup>1</sup>	US dollar	2015	29,834	32,342
Loan participation notes issued in June 2007 <sup>1</sup>	Euro	2014	28,034	29,435
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2016	25,762	28,011
Bank of Tokyo-Mitsubishi UFJ Ltd. <sup>2</sup>	US dollar	2016	23,483	25,780
Russian bonds issued in April 2010 <sup>6</sup>	Rouble	2013	20,666	20,670
Loan participation notes issued in March 2007 <sup>1</sup>	Euro	2017	20,025	21,022
Loan participation notes issued in November 2006 <sup>1</sup>	Euro	2017	19,613	21,669
Loan participation notes issued in November 2011 <sup>1</sup>	US dollar	2021	17,796	19,440
UniCredit Bank AG <sup>2,9</sup>	US dollar	2018	16,381	17,983
UniCredit Bank AG <sup>2,9</sup>	Euro	2018	15,783	16,797
Credit Suisse International	US dollar	2017	15,575	16,886
Russian bonds issued in November 2011 <sup>8</sup>	Rouble	2014	15,312	14,878
RosUkrEnergO AG	US dollar	2012	15,270	10,778
BNP Paribas SA <sup>2</sup>	Euro	2022	15,081	15,935
Loan participation notes issued in July 2008 <sup>1</sup>	US dollar	2013	14,933	16,555

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**15 LONG-TERM BORROWINGS (continued)**

	Currency	Final maturity	31 March 2012	31 December 2011
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	14,686	16,122
Structured export notes issued in July 2004 <sup>3</sup>	US dollar	2020	14,390	18,838
Loan participation notes issued in April 2008 <sup>1</sup>	US dollar	2013	12,138	13,089
GK Vnesheconombank	Rouble	2025	12,108	11,779
OA0 VTB Bank	US dollar	2012	11,842	13,012
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2021	10,573	10,127
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2016	10,547	10,121
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2021	10,547	10,121
Russian bonds issued in April 2009 <sup>6</sup>	Rouble	2019	10,364	10,368
Russian bonds issued in June 2009	Rouble	2012	10,342	10,014
Russian bonds issued in February 2012 <sup>6</sup>	Rouble	2022	10,120	-
OA0 Gazprombank	Rouble	2018	10,000	10,000
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	9,418	10,337
Citibank International plc <sup>2</sup>	US dollar	2021	9,401	10,262
Deutsche Bank AG	US dollar	2014	8,868	9,737
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	8,810	9,672
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	8,800	9,719
Eurofert Trading Limited llc <sup>4</sup>	Rouble	2015	8,600	8,600
Russian bonds issued in July 2009 <sup>6</sup>	Rouble	2016	8,230	8,230
Loan participation notes issued in November 2007 <sup>1</sup>	JPY	2012	7,841	8,470
WestLB AG <sup>2</sup>	US dollar	2013	7,758	10,224
Credit Agricole CIB <sup>2</sup>	US dollar	2013	7,346	8,064
Deutsche Bank AG	US dollar	2014	6,338	6,923
Deutsche Bank AG	US dollar	2014	5,885	6,460
Banc of America Securities Limited	US dollar	2016	5,283	5,800
Russian bonds issued in June 2009	Rouble	2014	5,179	5,008
Russian bonds issued in December 2009 <sup>5</sup>	Rouble	2014	5,168	5,041
UniCredit Bank AG <sup>2,9</sup>	Rouble	2018	5,127	5,127
Russian bonds issued in February 2007	Rouble	2014	5,045	5,135
Eurofert Trading Limited llc <sup>4</sup>	Rouble	2015	5,000	5,000
OA0 Sberbank Rossii	US dollar	2012	4,576	7,535
OA0 TransKreditBank	Rouble	2014	4,148	4,535
The Royal Bank of Scotland AG <sup>2</sup>	US dollar	2013	3,549	4,546
Russian bonds issued in July 2009 <sup>7</sup>	Rouble	2014	2,941	2,894
Russian bonds issued in March 2006 <sup>5</sup>	Rouble	2016	472	4,911
J.P. Morgan Chase bank	US dollar	2012	-	13,576
The Royal Bank of Scotland AG <sup>2</sup>	US dollar	2012	-	3,795
Other long-term borrowings	Various	Various	86,302	93,197
<b>Total long-term borrowings</b>			<b>1,357,176</b>	<b>1,475,236</b>
Less: current portion of long-term borrowings			(332,842)	(301,942)
			<b>1,024,334</b>	<b>1,173,294</b>

<sup>1</sup> Issuer of these bonds is Gaz Capital S.A.

<sup>2</sup> Loans received from syndicate of banks, named lender is the bank-agent.

<sup>3</sup> Issuer of these notes is Gazprom International S.A.

<sup>4</sup> Issuer of these notes is OA0 WGC-2 and OA0 WGC-6. In November 2011 WGC-6 was merged with WGC-2 (see Note 24).

<sup>5</sup> Issuer of these bonds is OA0 Mosenergo.

<sup>6</sup> Issuer of these bonds is OA0 Gazprom neft.

<sup>7</sup> Issuer of these bonds is OA0 TGC-1.

<sup>8</sup> Issuer of these bonds is OOO Gazprom capital.

<sup>9</sup> Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

Due for repayment:	31 March 2012	31 December 2011
Between one and two years	252,710	264,547
Between two and five years	501,132	586,574
After five years	270,492	322,173
	<b>1,024,334</b>	<b>1,173,294</b>

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**15 LONG-TERM BORROWINGS (continued)**

Long-term borrowings include fixed rate loans with a carrying value of RR 1,103,961 and RR 1,191,984 and fair value of RR 1,161,681 and RR 1,228,357 as of 31 March 2012 and 31 December 2011 respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 31 March 2012 and 31 December 2011 long-term borrowings of RR 14,390 and RR 18,838, respectively, inclusive of current portion of long-term borrowings, are secured by revenues from export supplies of gas to Western Europe.

As of 31 March 2012 and 31 December 2011 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of ОАО Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,666 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.

Under the terms of the Loan participation notes issued by Gaz Capital S.A. in April 2009 due in 2019 noteholders can execute the right of early redemption in April 2012 at par value in total amount of RR 65,988 as of 31 March 2012.

Under the terms of the Loan participation notes issued by Gaz Capital S.A. in April 2004 due in 2034 noteholders can execute the right of early redemption in April 2014 at par value in total amount of RR 35,194 as of 31 March 2012.

Under the terms of the Russian bonds with the nominal value of RR 8,000 issued by ОАО Gazprom neft in July 2009 due in 2016 bondholders can execute the right of early redemption in July 2012 at par.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by ОАО Gazprom neft in February 2012 due in 2022 bondholders can execute the right of early redemption in February 2015 at par.

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

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

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

Under the terms of the Russian bonds with the nominal value of RR 14,875 issued by ООО Gazprom Capital in November 2011 due in 2014 bondholders can execute the right of early redemption in November 2012 at par.

Under the terms of the Russian bonds with the nominal value of RR 5,000 issued by ОАО Mosenergo in December 2009 due in 2014 bondholders can execute the right of early redemption in December 2012 at par.

Following the results of put option settlement on the Russian bonds with the nominal value of RR 4,783 issued by ОАО Mosenergo in March 2006 due in 2016, in February 2012 the Group redeemed 4,311,521 issued bonds at par of RR 1,000. According to the terms of issue, bondholders may execute the right of early redemption of outstanding balance in the amount of RR 471 in February 2013 at par.

Under the terms of the Russian bonds with the nominal value of RR 2,894 issued by ОАО TGC-1 in July 2009 due in 2014 bondholders can execute the right of early redemption in July 2013 at par.

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**16 PROFIT TAX**

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates, including the prevailing rate of 20% in the Russian Federation.

	<b>31 March 2012</b>	<b>Differences recognition and reversals</b>	<b>31 December 2011</b>	<b>31 March 2011</b>	<b>Differences recognition and reversals</b>	<b>31 December 2010</b>
<b>Tax effects of taxable temporary differences:</b>						
Property, plant and equipment	(407,302)	(17,243)	(390,059)	(320,774)	(4,207)	(316,567)
Financial assets	(10,982)	3,692	(14,674)	(17,641)	581	(18,222)
Inventories	<u>(965)</u>	<u>3,803</u>	<u>(4,768)</u>	<u>(2,245)</u>	<u>326</u>	<u>(2,571)</u>
	<b>(419,249)</b>	<b>(9,748)</b>	<b>(409,501)</b>	<b>(340,660)</b>	<b>(3,300)</b>	<b>(337,360)</b>
<b>Tax effects of deductible temporary differences:</b>						
Tax losses carry forward	594	(302)	896	787	(31)	818
Other deductible temporary differences	<u>32,139</u>	<u>26,262</u>	<u>5,877</u>	<u>2,130</u>	<u>(1,269)</u>	<u>3,399</u>
	<b>32,733</b>	<b>25,960</b>	<b>6,773</b>	<b>2,917</b>	<b>(1,300)</b>	<b>4,217</b>
<b>Total net deferred tax liabilities</b>	<b>(386,516)</b>	<b>16,212</b>	<b>(402,728)</b>	<b>(337,743)</b>	<b>(4,600)</b>	<b>(333,143)</b>

Taxable temporary differences recognized for the three months ended 31 March 2012 include the effect of accelerated depreciation on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 8,097 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact to the consolidated net profit for the period.

**17 EQUITY**

**Share capital**

Share capital authorised, issued and paid totals RR 325,194 as of 31 March 2012 and 31 December 2011 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

**Treasury shares**

As of 31 March 2012 and 31 December 2011, subsidiaries of OAO Gazprom held 723 million and 726 million of the ordinary shares of OAO Gazprom, respectively, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

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18 SALES

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
Gas sales gross of customs duties to customers in:		
Russian Federation	269,070	266,042
Former Soviet Union (excluding Russian Federation)	172,365	220,243
Europe and other countries	<u>492,302</u>	<u>468,121</u>
	933,737	954,406
Customs duties	(133,742)	(84,437)
Effect of retroactive gas price adjustments*	<u>(78,505)</u>	<u>-</u>
Sales of gas	721,490	869,969
Sales of refined products to customers in:		
Russian Federation	159,137	121,135
Former Soviet Union (excluding Russian Federation)	13,729	10,825
Europe and other countries	<u>83,105</u>	<u>82,927</u>
Total sales of refined products	255,971	214,887
Sales of crude oil and gas condensate to customers in:		
Russian Federation	13,359	7,388
Former Soviet Union (excluding Russian Federation)	9,867	7,925
Europe and other countries	<u>41,967</u>	<u>42,032</u>
Total sales of crude oil and gas condensate	65,193	57,345
Electric and heat energy sales	111,601	112,536
Gas transportation sales	32,059	28,796
Other revenues	<u>38,564</u>	<u>33,214</u>
<b>Total sales</b>	<b><u>1,224,878</u></b>	<b><u>1,316,747</u></b>

\*Effect of retroactive gas price adjustments recorded for the three months ended 31 March 2012 was RR 78,505. These adjustments relate to volumes of gas delivered in 2010 and 2011 for which a discount was agreed in 2012. The price adjustments recorded for the three months ended 31 March 2012 do not take into account the effect of possible refunds in previously paid customs duties but the result for the period include a deferred tax asset for the profit tax impact. Currently the Group is in ongoing negotiations related to price renegotiations with certain other customers. The effects of gas price adjustments, including corresponding impacts on customs duties and profit tax, and ongoing negotiations are recorded when they become probable and a reliable estimate of the amounts can be made.

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**19 OPERATING EXPENSES**

Note	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
	201,587	263,513
26 Purchased gas and oil	157,578	101,886
Taxes other than on income	96,705	87,812
Staff costs	82,451	63,746
Transit of gas, oil and refined products	80,015	66,968
Depreciation	34,652	24,092
Cost of goods for resale, including refined products	33,707	20,434
Exchange rate differences on operating items	27,231	31,644
Repairs and maintenance	23,263	25,050
Materials	20,209	365
Losses from derivative financial instruments	18,503	21,248
Electricity and heating expenses	11,809	12,262
Heat transmission	9,123	391
Charge for impairment provisions	5,451	9,046
Transportation services	5,211	3,822
Research and development expenses	5,195	4,404
Rental expenses	4,799	4,142
Insurance expenses	4,067	7,242
Social expenses	3,326	2,105
Processing services	<u>47,172</u>	<u>26,196</u>
Other	<b><u>872,054</u></b>	<b><u>776,368</u></b>
Changes in inventories of finished goods, work in progress and other effects	<u>55,347</u>	<u>41,541</u>
<b>Total operating expenses</b>	<b><u>927,401</u></b>	<b><u>817,909</u></b>

Staff costs include RR 8,227 and RR 8,577 of expenses associated with pension obligations for the three months ended 31 March 2012 and 2011, respectively.

**20 FINANCE INCOME AND EXPENSES**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
Exchange gains	133,647	69,830
Interest income	5,548	4,042
Gains on extinguishment of restructured liabilities	<u>6</u>	<u>96</u>
<b>Total finance income</b>	<b><u>139,201</u></b>	<b><u>73,968</u></b>
Exchange losses	14,547	3,360
Interest expense	<u>15,494</u>	<u>16,918</u>
<b>Total finance expenses</b>	<b><u>30,041</u></b>	<b><u>20,278</u></b>

Total interest paid amounted to RR 23,095 and RR 21,369 for the three months ended 31 March 2012 and 2011, respectively.

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

Earnings per share have been calculated by dividing the profit, attributable to owners of OAO Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 17).

There were 22.9 and 23.0 billion weighted average shares outstanding for the three months ended 31 March 2012 and 2011, respectively.

There are no dilutive financial instruments outstanding.

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**22 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Provision for decommissioning and site restoration costs	103,607	102,017
Provision for pension obligations	98,616	95,678
Other	<u>6,365</u>	<u>9,039</u>
	<b>208,588</b>	<b>206,734</b>

The Group operates a defined benefit plan, concerning the majority of the employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and certain post-retirement benefits from the Group provided upon retirement.

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RR 246,470 and RR 248,001 as of 31 March 2012 and 31 December 2011, respectively, are presented within other non-current assets in the consolidated balance sheet. In accordance with IAS 19, pension assets are recorded at estimated fair market values subject to certain limitations. As of 31 March 2012 and 31 December 2011 management estimated the fair value of these assets at approximately RR 459 billion and RR 447 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

**23 ACQUISITION OF THE CONTROLLING INTEREST IN OAO BELTRANSOAZ**

During the period from June 2007 to February 2010 as a result of series of transactions, the Group acquired a 50% interest in OAO Beltransgaz. Four 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 Beltransgaz increased to 25%, the Group started to exercise significant influence and applied the equity method of accounting for its investment in OAO Beltransgaz.

In November 2011 the Group entered into a share purchase agreement with the State Property Committee of the Republic of Belarus to acquire the remaining 50% interest in OAO Beltransgaz 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 Beltransgaz.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. Management made a preliminary assessment on a provisional basis. Management is required to finalise the accounting within 12 months from the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

Purchase consideration includes 50% share in OAO Beltransgaz acquired in December 2011 in the amount of RR 78.3 billion (USD 2,500 million) and fair value of previously acquired 50% share in OAO Beltransgaz accounted for using the equity method in the amount of RR 34.3 billion.

As a result of the Group obtaining control over OAO Beltransgaz, the Group's previously held 50% interest was remeasured to fair value, resulting in a loss of RR 9.63 billion. This has been recognised in the line item 'Share of net income of associated undertakings and jointly controlled entities' in the consolidated statement of comprehensive income for the year ended 31 December 2011.

Details of the assets acquired and liabilities assumed are as follows:

	<b>Book value</b>	<b>Provisional fair value</b>
Cash and cash equivalents	8,187	8,187
Accounts receivable and prepayments	34,046	34,046
VAT recoverable	1,907	1,907
Inventories	4,490	4,490
Other current assets	365	365
<b>Current assets</b>	<b>48,995</b>	<b>48,995</b>
Property, plant and equipment	30,905	79,091
Construction in progress	763	763
Other non-current assets	251	251
<b>Non-current assets</b>	<b>31,919</b>	<b>80,105</b>
<b>Total assets</b>	<b>80,914</b>	<b>129,100</b>
Accounts payable and accrued charges	41,891	41,891
Short-term borrowings, promissory notes and current portion of long-term borrowings	9,627	9,627

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	<b>Book value</b>	<b>Provisional fair value</b>
<b>Current liabilities</b>	<b>51,518</b>	<b>51,518</b>
Long-term borrowings	301	301
Deferred tax liabilities	-	8,674
Other non-current liabilities	5	5
<b>Non-current liabilities</b>	<b>306</b>	<b>8,980</b>
<b>Total liabilities</b>	<b>51,824</b>	<b>60,498</b>
<b>Net assets at acquisition date</b>	<b>29,090</b>	<b>68,602</b>
Purchase consideration		112,605
<b>Provisional goodwill</b>		<b>44,003</b>

Goodwill is attributable to enabling effective integration of the Russian and Belarusian gas transmission systems, reducing transit risks, providing additional security of gas sales in the respective markets over the long term. The acquisition of OAO Beltransgaz also allowed the Group to play an active role in the gas infrastructure development in the Republic of Belarus – which is very important for its synchronization with the Company's facilities development in Russia.

**24 MERGER OF OAO WGC-2 AND OAO WGC-6**

In June 2011 the Annual general shareholders meeting of OAO WGC-2 took a decision to reorganize OAO WGC-2 in the 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%.

**25 PURCHASE OF NON-CONTROLLING 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 the 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%.

As a result of this transaction the difference between the non-controlling interest acquired and consideration paid has been recognized in equity in amount of RR 5,405 and is included within retained earnings and other reserves.

**26 RELATED PARTIES**

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 31 March 2012 is detailed below.

**Government**

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

The Government does not prepare consolidated financial statements for public use. On 30 June 2011 the extraordinary General Shareholders Meeting was held to fulfil the assignments of the President of the Russian Federation to replace government officials on boards of directors in open joint stock companies with independent or representative directors. As a result of the extraordinary General Shareholders Meeting authority of two State representatives on the Board of Directors was terminated ahead of schedule and the



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**26 RELATED PARTIES (continued)**

In the normal course of business the Group incurs electricity and heating expenses (see Note 19). A part of these expenses relates to purchases from the entities under Government control. Due to the specifics of the electricity market in the Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the three months ended 31 March 2011. See Note 10 for net book values as of 31 March 2012 and 31 December 2011 of social assets vested to the Group at privatisation.

**Compensation for key management personnel**

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

Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel. Key management personnel also participate in certain post-retirement benefit programs. The programs include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and a one-time retirement payment from the Group. Employees of the majority of Group companies are eligible for such benefits.

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

**Associated undertakings and jointly controlled entities**

For the three months ended 31 March 2012 and 2011 and as of 31 March 2012 and 31 December 2011 the Group had the following significant transactions and balances with associated undertakings and jointly controlled entities:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>Revenues</b>	
<b>Gas sales</b>		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	25,006	27,788
W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)*	17,298	15,668
AO Gazum	9,904	10,125
AO Moldovagaz	9,019	6,572
ZAO Panrusgaz	8,946	10,549
AO Overgaz Inc.	8,878	5,763
Wintershall Erdgas Handelshaus Zug AG (WIEE)**	8,691	11,370
AO Lietuvos dujos	4,707	3,555
AO Latvijas Gaze	4,471	4,124
PremiumGas S.p.A.	3,245	2,624
ZAO Gazprom YRGM Trading	3,095	2,503
ZAO Gazprom YRGM Development	2,211	1,788
Bosphorus Gaz Corporation A.S.	1,131	1,357
OAO Beltransgaz***	-	41,243
Promgaz S.p.A.****	-	4,025
GWH Gazhandel GmbH *****	-	2,940
<b>Gas transportation sales</b>		
ZAO Gazprom YRGM Trading	5,334	5,232
ZAO Gazprom YRGM Development	3,810	3,737
<b>Gas condensate, crude oil and refined products sales</b>		
OAO NGK Slavneft and its subsidiaries	8,592	7,083
OAO Gazprom neftekhim Salavat	5,576	4,404

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26 **RELATED PARTIES (continued)**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
<b>Gas refining services sales</b>		
TOO KazRosGaz	1,357	1,439
	<b>Expenses</b>	
<b>Purchased gas</b>		
W & G Beteiligungs-GmbH & Co. KG	18,581	7,914
ZAO Gazprom YRGM Trading	15,559	13,183
ZAO Gazprom YRGM Development	11,129	9,423
TOO KazRosGaz	8,698	5,474
Sakhalin Energy Investment Company Ltd.	1,103	1,848
RosUkrEnergo AG	-	110,257
<b>Purchased transit of gas</b>		
Nord Stream AG	5,649	-
SGT EuRoPol GAZ S.A.	2,513	2,577
Blue Stream Pipeline Company B.V.	1,979	1,921
OAO Beltransgaz***	-	3,446
<b>Purchased crude oil and refined products</b>		
OAO NGK Slavneft and its subsidiaries	24,107	16,772
OAO Tomskneft VNK and its subsidiaries	13,452	11,035
Salym Petroleum Development N.V.	11,435	8,430
<b>Purchased processing services</b>		
OAO NGK Slavneft and its subsidiaries	2,486	1,955

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

\*\* 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 "Beltransgaz". As a result of this transaction "Beltransgaz" became a subsidiary of the Group (see Note 23).

\*\*\*\* 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.

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

	<b>As of 31 March 2012</b>		<b>As of 31 December 2011</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Short-term accounts receivable and prepayments</b>				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	10,045	-	16,325	-
AO Overgaz Inc.	8,829	-	7,410	-
OAO Gazprom neftekhim Salavat	8,175	-	8,532	-
AO Moldovagaz*	5,467	-	4,388	-
W & G Beteiligungs-GmbH & Co. KG	4,957	-	7,908	-
ZAO Gazprom YRGM trading	4,285	-	1,458	-
AO Gazum	4,233	-	4,077	-
ZAO Panrusgaz	3,434	-	8,117	-
Wintershall Erdgas Handelshaus Zug AG (WIEE)	3,165	-	1,485	-
ZAO Gazprom YRGM Development	3,060	-	1,042	-
TOO KazRosGaz	2,717	-	717	-
OAO NGK Slavneft and its subsidiaries	2,503	-	3,361	-
AO Lietuvos dujos	1,662	-	2,319	-
OAO Gazprombank	943	-	615	-

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26 **RELATED PARTIES (continued)**

	As of 31 March 2012		As of 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term promissory notes</b>				
OAO Gazprombank	377	-	372	-
<b>Cash balances</b>				
OAO Gazprombank	346,694	-	251,350	-
<b>Long-term accounts receivable and prepayments</b>				
W & G Beteiligungs-GmbH & Co. KG	14,994	-	15,952	-
Gas Project Development Central Asia AG	1,554	-	1,707	-
Bosphorus Gaz Corporation A.S.	792	-	870	-
Salym Petroleum Development N.V.	-	-	567	-
<b>Long-term promissory notes</b>				
OAO Gazprombank	677	-	646	-
<b>Short-term accounts payable</b>				
ZAO Gazprom YRGM trading	-	6,948	-	6,761
GT EuRoPol GAZ S.A.	-	6,369	-	6,997
Salym Petroleum Development N.V.	-	4,621	-	514
ZAO Gazprom YRGM Development	-	4,523	-	4,388
W & G Beteiligungs-GmbH & Co. KG	-	4,239	-	2,956
TOO KazRosGaz	-	2,585	-	3,267
OAO NGK Slavneft and its subsidiaries	-	2,301	-	1,976
Nord Stream AG	-	1,874	-	1,999
OAO Gazprombank	-	201	-	134
<b>Other non-current liabilities</b>				
ZAO Gazprom YRGM trading	-	2,390	-	2,390
ZAO Gazprom YRGM Development	-	372	-	372
<b>Short-term borrowings (including current portion of long-term borrowings)</b>				
RosUkrEnergo AG	-	15,270	-	10,778
OAO Gazprombank	-	14,601	-	11,202
OAO Tomskneft VNK and its subsidiaries	-	7,680	-	6,647
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	-	-	-	1,095
<b>Long-term borrowings</b>				
OAO Gazprombank	-	16,081	-	16,229

\* Net of impairment provision on accounts receivable in the amount of RR 92,643 as of 31 March 2012 and 31 December 2011.

Investments in associated undertakings and jointly controlled entities are disclosed in Note 11.

See Note 27 for financial guarantees issued by the Group to the associated undertakings and jointly controlled entities.

27 **COMMITMENTS AND CONTINGENCIES**

**Taxation**

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 March 2012 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

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27 **COMMITMENTS AND CONTINGENCIES (continued)**

**Financial guarantees**

	<b>31 March 2012</b>	<b>31 December 2011</b>
Outstanding guarantees issued on behalf of:		
Nord Stream AG	103,736	105,616
Sakhalin Energy Investment Company Ltd.	94,556	103,220
EM Interfinance Limited	5,305	5,869
Blue Stream Pipeline Company B.V.	4,581	7,976
Blackrock Capital Investments Limited	4,502	4,985
OA0 Group E4	1,408	1,498
Devere Capital International Limited	1,332	1,958
ZAO Achimgaz	-	387
Other	<u>27,947</u>	<u>31,806</u>
	<b>243,367</b>	<b>263,315</b>

Included in financial guarantees are amounts denominated in USD of USD 4,061 million and USD 4,129 million as of 31 March 2012 and 31 December 2011, respectively, as well as amounts denominated in Euro of Euro 2,920 million and Euro 2,815 million as of 31 March 2012 and 31 December 2011, respectively.

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 March 2012 and 31 December 2011, outstanding amounts of these loans were RR 4,581 (USD 156 million) and RR 7,976 (USD 248 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

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. As a result as of 31 March 2012 and 31 December 2011 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 11,139 (USD 380 million) and RR 12,812 (USD 398 million), respectively.

In 2007 the Group provided a guarantee to Wintershall Vermögens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 31 December 2011 the above guarantee amounted to RR 387 (Euro 9 million). As of 31 March 2012 this credit facility was repaid.

In May 2008 the Group provided a guarantee to OA0 Bank of Moscow on behalf of OA0 Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 March 2012 and 31 December 2011 the above guarantee amounted to RR 1,408 (Euro 36 million) and RR 1,498 (Euro 36 million), respectively.

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. As of 31 March 2012 and 31 December 2011 the above guarantee amounted to RR 94,556 (USD 3,224 million) and RR 103,220 (USD 3,206 million), 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 March 2012 and 31 December 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 70,034 (Euro 1,788 million) and RR 72,205 (Euro 1,733 million), respectively.

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**27 COMMITMENTS AND CONTINGENCIES (continued)**

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 March 2012 and 31 December 2011, the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 33,702 (Euro 860 million) and RR 33,411 (Euro 802 million), respectively.

**Claims**

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. Negotiations with PGNiG SA on the contract prices are in progress.

**28 POST BALANCE SHEET EVENTS**

**Borrowings and loans**

In April 2012 the Group signed an agreement to obtain a long-term loan from OAO Gazprombank in the amount of RR 10,000 due in 2017 at an interest rate of 10.25%. According to the agreement the Group received RR 6,000, RR 1,000 and RR 3,000 in May, June and July 2012, respectively.

In July 2012 the Group obtained a long-term participation loan from a consortium of banks in the amount of USD 500 million due in 2015 at an interest rate of LIBOR +3.25%. The Royal Bank of Scotland AG was appointed as bank agent.

In July 2012 the Group issued Loan participation notes in the amount of USD 1,000 million due in 2022 at an interest rate of 4.95% and Loan participation notes in the amount of Euro 1,400 million due in 2017 at an interest rate of 3.755% under the USD 30,000 million Programme for the Issuance of Loan Participation Notes.

In August 2012 the Group obtained a long-term loan from Deutsche Bank AG in the amount of USD 400 million at an interest rate of LIBOR +4.15% due in 2016.

**Investments**

In May 2012 the Group acquired an additional 18.48% interest in the ordinary shares of OAO Gazprom neftekhim Salavat increasing its interest to 87.51%.

In July 2012 the agreements between the shareholders of Shtokman Development AG expired. According to the terms of the agreements, upon expiration of its terms, foreign participants (Statoil ASA and Total S.A.) have to pass their shares to OAO Gazprom at the minimum price determined by the shareholders agreements. On 13 July 2012 Statoil ASA signed an agreement to transfer its 24% interest in Shtokman Development AG to OAO Gazprom and, as a result, the Group's share in Shtokman Development AG will increase to 75%.

**OAO GAZPROM**  
**INVESTMENT RELATIONSHIPS**

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The Company may be contacted at its registered office:

OAO Gazprom  
Nametkina str., 16  
V-420, GSP-7, 117997, Moscow  
Russia

Telephone: (7 495) 719 3001

Facsimile: (7 495) 719 8333, 719 8335

[www.gazprom.ru](http://www.gazprom.ru) (in Russian)

[www.gazprom.com](http://www.gazprom.com) (in English)