

**ОАО ГАЗПРОМ**

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

**30 JUNE 2011**



## **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 30 June 2011 and the related consolidated interim condensed statements of comprehensive income for the three and six month periods then ended, and of cash flows and of changes in equity for the six 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".

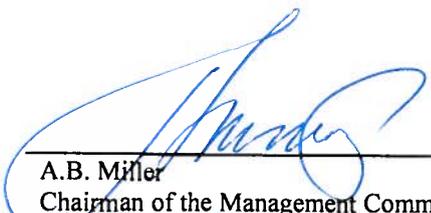
*ZAO PricewaterhouseCoopers Audit*

7 November 2011

Moscow, Russian Federation

**OAO GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)**  
**AS OF 30 JUNE 2011**  
(In millions of Russian Roubles)

Notes		30 June 2011	31 December 2010
	<b>Assets</b>		
	<b>Current assets</b>		
6	Cash and cash equivalents	455,369	440,786
6	Restricted cash	3,380	3,669
7	Short-term financial assets	24,361	7,435
8	Accounts receivable and prepayments	717,699	757,900
9	Inventories	321,561	325,739
	VAT recoverable	163,679	158,390
	Other current assets	<u>245,201</u>	<u>171,976</u>
		1,931,250	1,865,895
	<b>Non-current assets</b>		
10	Property, plant and equipment	5,751,955	5,486,429
11	Investments in associated undertakings and jointly controlled entities	754,198	757,157
12	Long-term accounts receivable and prepayments	585,807	436,432
13	Available-for-sale long-term financial assets	187,592	191,417
14	Other non-current assets	<u>521,908</u>	<u>498,663</u>
		<u>7,801,460</u>	<u>7,370,098</u>
	<b>Total assets</b>	9,732,710	9,235,993
	<b>Liabilities and equity</b>		
	<b>Current liabilities</b>		
	Accounts payable and accrued charges	610,066	702,640
	Profit tax payable	7,920	45,649
	Other taxes payable	83,949	71,920
	Short-term borrowings and current portion of long-term borrowings	206,837	190,845
	Short-term promissory notes payable	<u>53</u>	<u>207</u>
		908,825	1,011,261
	<b>Non-current liabilities</b>		
15	Long-term borrowings	1,063,468	1,124,395
22	Provisions for liabilities and charges	201,672	200,040
16	Deferred tax liabilities	350,602	333,143
	Other non-current liabilities	<u>27,926</u>	<u>30,793</u>
		<u>1,643,668</u>	<u>1,688,371</u>
	<b>Total liabilities</b>	2,552,493	2,699,632
	<b>Equity</b>		
17	Share capital	325,194	325,194
17	Treasury shares	(103,992)	(103,986)
	Retained earnings and other reserves	<u>6,684,853</u>	<u>6,028,543</u>
		6,906,055	6,249,751
	Non-controlling interest	<u>274,162</u>	<u>286,610</u>
	<b>Total equity</b>	<u>7,180,217</u>	<u>6,536,361</u>
	<b>Total liabilities and equity</b>	9,732,710	9,235,993

  
A.B. Miller  
Chairman of the Management Committee  
7 November 2011

  
E.A. Vasilieva  
Chief Accountant  
7 November 2011

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 AND SIX MONTHS ENDED 30 JUNE 2011**  
(In millions of Russian Roubles)

Notes	Three months ended 30 June		Six months ended 30 June		
	2011	2010	2011	2010	
18	Sales	1,030,324	761,952	2,347,071	1,716,279
	Net gain (loss) from trading activity	94	2,633	(236)	2,437
19	Operating expenses	(680,431)	(526,166)	(1,498,340)	(1,140,996)
	<b>Operating profit</b>	<b>349,987</b>	<b>238,419</b>	<b>848,495</b>	<b>577,720</b>
20	Finance income	32,797	20,086	106,765	91,588
20	Finance expense	(24,397)	(64,479)	(44,675)	(83,444)
11	Share of net income of associated undertakings and jointly controlled entities	24,047	24,716	62,566	52,945
	Gains (losses) on disposal of available-for-sale financial assets	<u>482</u>	<u>(240)</u>	<u>831</u>	<u>1,389</u>
	<b>Profit before profit tax</b>	<b>382,916</b>	<b>218,502</b>	<b>973,982</b>	<b>640,198</b>
	Current profit tax expense	(61,482)	(44,337)	(170,346)	(99,390)
	Deferred profit tax expense	<u>(14,732)</u>	<u>(2,780)</u>	<u>(18,434)</u>	<u>(32,574)</u>
	Profit tax expense	(76,214)	(47,117)	(188,780)	(131,964)
	<b>Profit for the period</b>	<b>306,702</b>	<b>171,385</b>	<b>785,202</b>	<b>508,234</b>
	<b>Other comprehensive income</b>				
	(Losses) gains arising from change in fair value of available-for-sale financial assets, net of tax	(9,562)	(9,619)	(2,389)	174
	Share of other comprehensive (loss) income of associated undertakings and jointly controlled entities	(773)	715	(6,352)	726
	Translation differences	<u>(5,410)</u>	<u>8,899</u>	<u>(25,034)</u>	<u>(13,315)</u>
	<b>Other comprehensive loss for the period, net of tax</b>	<b>(15,745)</b>	<b>(5)</b>	<b>(33,775)</b>	<b>(12,415)</b>
	<b>Total comprehensive income for the period</b>	<b>290,957</b>	<b>171,380</b>	<b>751,427</b>	<b>495,819</b>
	<b>Profit attributable to:</b>				
	owners of OAO Gazprom	303,700	169,731	771,669	494,684
	non-controlling interest	<u>3,002</u>	<u>1,654</u>	<u>13,533</u>	<u>13,550</u>
		<b>306,702</b>	<b>171,385</b>	<b>785,202</b>	<b>508,234</b>
	<b>Total comprehensive income attributable to:</b>				
	owners of OAO Gazprom	288,249	165,449	739,777	480,079
	non-controlling interest	<u>2,708</u>	<u>5,931</u>	<u>11,650</u>	<u>15,740</u>
		<b>290,957</b>	<b>171,380</b>	<b>751,427</b>	<b>495,819</b>
21	<b>Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)</b>	<b>13.23</b>	<b>7.40</b>	<b>33.62</b>	<b>21.56</b>

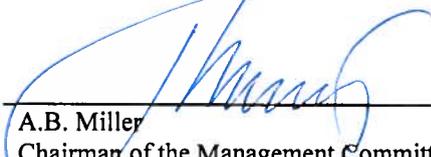
  
A.B. Miller  
Chairman of the Management Committee  
7 November 2011

  
E.A. Vasilieva  
Chief Accountant  
7 November 2011

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

**OAO GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In millions of Russian Roubles)

Notes	Six months ended 30 June	
	2011	2010
	<b>Operating activities</b>	
	973,982	640,198
	<b>Profit before profit tax</b>	
	<b>Adjustments to profit before profit tax</b>	
	133,920	120,619
	(73,803)	(20,952)
	19,368	24,154
	(7,557)	(11,342)
	(831)	(1,389)
	(62,566)	(52,945)
	18,522	19,143
	(1,291)	8,458
	<u>1,415</u>	<u>1,162</u>
	27,177	86,908
	Total effect of adjustments	
	(1,957)	(4,113)
	(1,749)	200
	(53,170)	215,548
	Total effect of working capital changes	
	<u>(254,835)</u>	<u>(190,959)</u>
	<b>689,448</b>	<b>747,782</b>
	<b>Net cash provided by operating activities</b>	
	<b>Investing activities</b>	
	(662,070)	(399,448)
6	(22,783)	(27,906)
	(9,400)	(2,776)
23	(24,560)	(54,912)
	-	(32,504)
	(4,374)	(24,576)
	5,852	-
	2,955	7,331
	115	(4,207)
	45,645	47,058
	<u>1,673</u>	<u>(2,014)</u>
	<b>(666,947)</b>	<b>(493,954)</b>
	<b>Net cash used for investing activities</b>	
	<b>Financing activities</b>	
	130,096	81,625
	(74,609)	(172,960)
	(33,873)	(11,375)
	(154)	(812)
6	(19,967)	(22,230)
	(6)	-
	<u>289</u>	<u>(757)</u>
	<b>1,776</b>	<b>(126,509)</b>
	<b>Net cash provided by (used for) financing activities</b>	
	<u>(9,694)</u>	<u>(5,900)</u>
	<b>14,583</b>	<b>121,419</b>
	<b>Increase in cash and cash equivalents</b>	
6	440,786	249,759
	Cash and cash equivalents, at the beginning of reporting period	
6	<b>455,369</b>	<b>371,178</b>
	<b>Cash and cash equivalents, at the end of reporting period</b>	

  
A.B. Miller  
Chairman of the Management Committee  
7 November 2011

  
E.A. Vasilieva  
Chief Accountant  
7 November 2011

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**OAO GAZPROM**  
**IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In millions of Russian Roubles)

Notes	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>Six months ended 30 June 2010</b>								
	<b>Balance as of 31 December 2009</b>	22.9	325,194	(104,204)	5,105,525	5,326,515	322,806	5,649,321
	Profit for the period	-	-	-	494,684	494,684	13,550	508,234
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	174	174	-	174
	Share of other comprehensive income of associated undertakings and jointly controlled entities	-	-	-	726	726	-	726
	Translation differences	-	-	-	(15,505)	(15,505)	2,190	(13,315)
	<b>Total comprehensive income for the six months ended 30 June 2010</b>	-	-	-	480,079	480,079	15,740	495,819
	Purchase of non-controlling interest in subsidiaries	-	-	-	(2,499)	(2,499)	(20,960)	(23,459)
	Disposal of shares in subsidiaries	-	-	-	-	-	(3,024)	(3,024)
	Return of social assets to governmental authorities	-	-	-	(185)	(185)	-	(185)
	Dividends	-	-	-	(55,007)	(55,007)	(1,110)	(56,117)
	<b>Balance as of 30 June 2010</b>	22.9	325,194	(104,204)	5,527,913	5,748,903	313,452	6,062,355
<b>Six months ended 30 June 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	-	-	-	771,669	771,669	13,533	785,202
	Other comprehensive income:							
	Losses arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	(2,389)	(2,389)	-	(2,389)
	Share of other comprehensive loss of associated undertakings and jointly controlled entities	-	-	-	(6,352)	(6,352)	-	(6,352)
	Translation differences	-	-	-	(23,151)	(23,151)	(1,883)	(25,034)
	<b>Total comprehensive income for the six months ended 30 June 2011</b>	-	-	-	739,777	739,777	11,650	751,427
23	Purchase of non-controlling interest in subsidiaries	-	-	-	5,656	5,656	(22,565)	(16,909)
	Net treasury shares transactions	0.0	-	(6)	-	(6)	-	(6)
	Return of social assets to governmental authorities	-	-	-	(366)	(366)	-	(366)
	Dividends	-	-	-	(88,757)	(88,757)	(1,533)	(90,290)
	<b>Balance as of 30 June 2011</b>	23.0	325,194	(103,992)	6,684,853	6,906,055	274,162	7,180,217

  
A.B. Miller  
Chairman of the Management Committee  
7 November 2011

  
E.A. Vasilieva  
Chief Accountant  
7 November 2011

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

**OAO GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 30 JUNE 2011**  
**(In millions of Russian Roubles)**

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**1 NATURE OF OPERATIONS**

OAO 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 also engaged in oil production, refining activities, electric and heat energy generation. 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 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. Historically approximately 30% of total annual gas volumes are shipped in the first calendar quarters and approximately 20% in the second calendar quarters.

**2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION**

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

**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 2010 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 28.08 and 30.48 as of 30 June 2011 and 31 December 2010, respectively. The official RR to Euro exchange rates as determined by the Central Bank of the Russian Federation were 40.39 and 40.33 as of 30 June 2011 and 31 December 2010, 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 2010 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.

**New accounting developments**

In 2011 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2011 and which are relevant to its operations.

**OAO GAZPROM**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 30 JUNE 2011**  
**(In millions of Russian Roubles)**

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

(a) Standards, Amendments or Interpretations effective in 2011

Amendment to IAS 32 “Financial Instruments: Presentation” (“IAS 32”) (issued in October 2008 and effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The application of this amendment did not materially affect the Group’s consolidated financial statements.

Amendment to IAS 24 “Related Party Disclosures” (“IAS 24”) (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The application of this amendment did not materially affect the Group’s consolidated financial statements.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The application of this amendment did not materially affect the Group’s consolidated financial statements.

Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” (“IFRIC 14”) effective for annual periods beginning on or after 1 January 2011. This amendment applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The application of this amendment did not materially affect the Group’s consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 3 “Business Combinations” (“IFRS 3”) (i) requires measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) provides guidance on acquiree’s share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination.

Amendment to IFRS 7 “Financial Instruments: Disclosures” (“IFRS 7”) clarifies certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period.

Amendment to IAS 1 “Presentation of Financial Statements” (“IAS 1”) clarifies that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes.

Amendment to IAS 34 “Interim Financial Reporting” (“IAS 34”) adds additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity’s financial instruments.

Amendment to IFRIC 13 “Customer Loyalty Programmes” clarifies measurement of fair value of award credits.

The application of these improvements 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.

**ОАО ГАЗПРОМ**  
**NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION**  
**(UNAUDITED) – 30 JUNE 2011**  
**(In millions of Russian Roubles)**

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

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

Amendment to IFRS 7 “Financial Instruments: Disclosures” (issued in October 2010 and is 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 are required to enable the effects of those risks to be understood. The application of this amendment is not expected to 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 is not expected to materially affect the Group's consolidated financial statements.

IFRS 9 “Financial Instruments” (“IFRS 9”) (issued in November 2009, 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.

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.

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

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, 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, 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, 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, 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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**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.

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.

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**5 SEGMENT INFORMATION (continued)**

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>Six months ended 30 June 2011</b>									
<b>Total segment revenues</b>	<u>203,636</u>	<u>347,705</u>	<u>1,587,199</u>	<u>13,316</u>	<u>272,352</u>	<u>455,413</u>	<u>182,151</u>	<u>96,818</u>	<u>3,158,590</u>
Inter-segment sales	199,965	292,205	118,594	13,000	155,059	3,475	-	-	782,298
External sales	3,671	55,500	1,468,605	316	117,293	451,938	182,151	96,818	2,376,292
<b>Segment result</b>	<u>27,980</u>	<u>17,821</u>	<u>549,069</u>	<u>2,138</u>	<u>64,280</u>	<u>55,854</u>	<u>29,220</u>	<u>(2,557)</u>	<u>743,805</u>
Depreciation	43,569	133,541	3,146	4,881	22,468	11,659	8,845	8,762	236,871
Share of net income (loss) of associated undertakings and jointly controlled entities	796	(484)	8,852	-	32,612	3,466	-	17,324	62,566
<b>Six months ended 30 June 2010</b>									
<b>Total segment revenues</b>	<u>157,197</u>	<u>305,947</u>	<u>1,147,028</u>	<u>11,299</u>	<u>212,646</u>	<u>322,853</u>	<u>148,161</u>	<u>75,865</u>	<u>2,380,996</u>
Inter-segment sales	153,512	260,371	94,613	10,904	119,126	3,728	-	-	642,254
External sales	3,685	45,576	1,052,415	395	93,520	319,125	148,161	75,865	1,738,742
<b>Segment result</b>	<u>14,971</u>	<u>8,029</u>	<u>363,945</u>	<u>1,312</u>	<u>43,926</u>	<u>44,017</u>	<u>13,748</u>	<u>(3,324)</u>	<u>486,624</u>
Depreciation	38,522	131,128	2,815	4,539	20,276	10,948	8,506	8,215	224,949
Share of net income of associated undertakings and jointly controlled entities	4,272	1,966	10,051	-	23,358	1,126	-	12,172	52,945
<b>Three months ended 30 June 2011</b>									
<b>Total segment revenues</b>	<u>104,923</u>	<u>179,110</u>	<u>651,433</u>	<u>7,316</u>	<u>142,866</u>	<u>238,801</u>	<u>68,677</u>	<u>49,523</u>	<u>1,442,649</u>
Inter-segment sales	103,245	152,406	50,804	7,262	82,918	1,750	-	-	398,385
External sales	1,678	26,704	600,629	54	59,948	237,051	68,677	49,523	1,044,264
<b>Segment result</b>	<u>18,119</u>	<u>12,946</u>	<u>219,277</u>	<u>1,136</u>	<u>35,979</u>	<u>18,734</u>	<u>4,551</u>	<u>1,417</u>	<u>312,159</u>
Depreciation	21,827	66,668	1,631	2,425	10,862	5,866	4,342	4,412	118,033
Share of net income (loss) of associated undertakings and jointly controlled entities	399	(3,221)	3,984	-	17,661	1,800	-	3,424	24,047
<b>Three months ended 30 June 2010</b>									
<b>Total segment revenues</b>	<u>75,944</u>	<u>151,284</u>	<u>479,142</u>	<u>6,075</u>	<u>107,635</u>	<u>167,244</u>	<u>53,625</u>	<u>40,337</u>	<u>1,081,286</u>
Inter-segment sales	74,326	130,855	37,020	5,916	58,699	1,664	-	-	308,480
External sales	1,618	20,429	442,122	159	48,936	165,580	53,625	40,337	772,806
<b>Segment result</b>	<u>6,400</u>	<u>3,815</u>	<u>134,147</u>	<u>250</u>	<u>22,015</u>	<u>28,444</u>	<u>(2,461)</u>	<u>(518)</u>	<u>192,092</u>
Depreciation	19,282	65,547	1,263	2,268	8,840	5,625	4,278	3,724	110,827
Share of net income of associated undertakings and jointly controlled entities	1,610	1,891	4,691	-	13,367	533	-	2,624	24,716

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**5 SEGMENT INFORMATION (continued)**

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

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
<b>Segment result</b>	<b>312,159</b>	<b>192,092</b>	<b>743,805</b>	<b>486,624</b>
Difference in depreciation	51,082	52,027	102,952	104,647
(Expenses) gains associated with pension obligations	(6,256)	(3,294)	9,435	(5,620)
Finance income (expense), net	8,400	(44,393)	62,090	8,144
Gains (losses) on disposal of available-for-sale financial assets	482	(240)	831	1,389
Share of net income of associated undertakings and jointly controlled entities	24,047	24,716	62,566	52,945
Other	(6,998)	(2,406)	(7,697)	(7,931)
<b>Profit before profit tax</b>	<b>382,916</b>	<b>218,502</b>	<b>973,982</b>	<b>640,198</b>

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

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
External sales for reportable segments	994,741	732,469	2,279,474	1,662,877
External sales for other segments	49,523	40,337	96,818	75,865
<b>Total external segment sales</b>	<b>1,044,264</b>	<b>772,806</b>	<b>2,376,292</b>	<b>1,738,742</b>
Differences in external sales	(13,940)	(10,854)	(29,221)	(22,463)
<b>Total sales per the statement of comprehensive income</b>	<b>1,030,324</b>	<b>761,952</b>	<b>2,347,071</b>	<b>1,716,279</b>

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>30 June 2011</b>									
Segment assets	1,482,901	4,151,757	857,298	164,994	1,120,936	881,187	515,753	603,165	9,777,991
Investments in associated undertakings and jointly controlled entities	24,703	107,492	86,021	-	426,500	38,933	48	70,501	754,198
Capital additions	80,154	199,990	13,275	4,190	39,168	31,550	21,099	13,969	403,395
<b>31 December 2010</b>									
Segment assets	1,466,058	4,000,952	1,048,594	169,146	1,094,309	819,440	487,046	643,132	9,728,677
Investments in associated undertakings and jointly controlled entities	23,600	112,892	91,503	-	435,890	36,964	48	56,260	757,157
Capital additions	215,236	407,571	37,578	17,355	95,289	78,712	46,239	22,153	920,133

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**5 SEGMENT INFORMATION (continued)**

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
Segment assets for reportable segments	9,174,826	9,085,545
Other segments' assets	<u>603,165</u>	<u>643,132</u>
<b>Total segment assets</b>	<b>9,777,991</b>	<b>9,728,677</b>
Differences in property, plant and equipment, net*	(1,635,159)	(1,709,952)
Loan interest capitalised	232,807	192,154
Decommissioning costs	75,652	65,017
Cash and cash equivalents	455,369	440,786
Restricted cash	3,380	3,669
Short-term financial assets	24,361	7,435
VAT recoverable	163,679	158,390
Other current assets	245,201	171,976
Available-for-sale long-term financial assets	187,592	191,417
Other non-current assets	521,908	498,663
Inter-segment assets	(537,076)	(659,640)
Other	<u>217,005</u>	<u>147,401</u>
<b>Total assets per the balance sheet</b>	<b>9,732,710</b>	<b>9,235,993</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.

	<b>Production of gas</b>	<b>Transport</b>	<b>Distribution</b>	<b>Gas storage</b>	<b>Production of crude oil and gas condensate</b>	<b>Refining</b>	<b>Electric and heat energy generation and sales</b>	<b>All other segments</b>	<b>Total</b>
<b>Segment liabilities</b>									
30 June 2011	94,805	177,621	283,487	3,847	244,693	95,700	33,109	143,436	1,076,698
31 December 2010	105,270	306,784	433,569	7,309	228,315	123,422	32,275	148,954	1,385,898

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
Segment liabilities for reportable segments	933,262	1,236,944
Other segments' liabilities	<u>143,436</u>	<u>148,954</u>
<b>Total segments liabilities</b>	<b>1,076,698</b>	<b>1,385,898</b>
Profit tax payable	7,920	45,649
Short-term borrowings and current portion of long-term borrowings	206,837	190,845
Short-term promissory notes payable	53	207
Long-term borrowings	1,063,468	1,124,395
Provisions for liabilities and charges	201,672	200,040
Deferred tax liabilities	350,602	333,143
Other non-current liabilities	27,926	30,793
Dividends payable	91,640	2,258
Inter-segment liabilities	(537,076)	(659,640)
Other	<u>62,753</u>	<u>46,044</u>
<b>Total liabilities per the balance sheet</b>	<b>2,552,493</b>	<b>2,699,632</b>

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**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>30 June 2011</b>	<b>31 December 2010</b>
Cash on hand and bank balances payable on demand	379,913	339,109
Term deposits with original maturity of three months or less	<u>75,456</u>	<u>101,677</u>
	<b>455,369</b>	<b>440,786</b>

Total interest paid amounted to RR 22,070 and RR 42,750 for the three and six months ended 30 June 2011, respectively, and RR 22,526 and RR 50,136 for the three and six months ended 30 June 2010, respectively.

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

**7 SHORT-TERM FINANCIAL ASSETS**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Financial assets held for trading	4,117	2,689
Available-for-sale financial assets (net of impairment provision of RR 182 and RR 427 as of 30 June 2011 and 31 December 2010, respectively)	<u>20,244</u>	<u>4,746</u>
	<b>24,361</b>	<b>7,435</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>30 June 2011</b>	<b>31 December 2010</b>
Trade receivables	397,991	400,252
Prepayments and advances	165,099	218,297
Other receivables	<u>154,609</u>	<u>139,351</u>
	<b>717,699</b>	<b>757,900</b>

Accounts receivable and prepayments are presented net of impairment provision of RR 184,052 and RR 175,479 as of 30 June 2011 and 31 December 2010, respectively.

**9 INVENTORIES**

Inventories are presented net of provision for obsolescence of RR 2,155 and RR 2,585 as of 30 June 2011 and 31 December 2010, 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 2009</b>				
Cost	6,292,666	78,487	1,084,644	7,455,797
Accumulated depreciation	<u>(2,529,546)</u>	<u>(27,028)</u>	-	<u>(2,556,574)</u>
<b>Net book value as of 31 December 2009</b>	<b>3,763,120</b>	<b>51,459</b>	<b>1,084,644</b>	<b>4,899,223</b>
<b>Six months ended 30 June 2010</b>				
Net book value as of 31 December 2009	3,763,120	51,459	1,084,644	4,899,223
Depreciation	(120,496)	(1,189)	-	(121,685)
Additions	3,377	549	340,374	344,300
Acquisition of subsidiaries	14,272	-	232	14,504
Disposal of subsidiaries	(4,896)	-	-	(4,896)
Transfers	88,315	50	(88,365)	-
Disposals	(9,521)	(283)	(9,788)	(19,592)
Translation differences	1,527	25	831	2,383
Release of impairment provision	-	-	267	267
<b>Net book value as of 30 June 2010</b>	<b>3,735,698</b>	<b>50,611</b>	<b>1,328,195</b>	<b>5,114,504</b>
<b>Six months ended 31 December 2010</b>				
Net book value as of 30 June 2010	3,735,698	50,611	1,328,195	5,114,504
Depreciation	(125,862)	(1,236)	-	(127,098)
Additions	13,709	1,164	655,984	670,857
Disposal of subsidiaries	(103,828)	(3)	(13,076)	(116,907)
Transfers	465,438	6,606	(472,044)	-
Disposals	(28,492)	(2,165)	(22,861)	(53,518)
Translation differences	(553)	(5)	37	(521)
Charge for impairment provision	-	-	(888)	(888)
<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>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>(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>Six months ended 30 June 2011</b>				
Net book value as of 31 December 2010	3,956,110	54,972	1,475,347	5,486,429
Depreciation	(131,560)	(1,303)	-	(132,863)
Additions	42,192	1,037	399,959	443,188
Transfers	113,953	881	(114,834)	-
Disposals	(23,762)	(907)	(12,697)	(37,366)
Translation differences	(5,423)	(35)	(1,948)	(7,406)
Charge for impairment provision	-	-	(27)	(27)
<b>Net book value as of 30 June 2011</b>	<b>3,951,510</b>	<b>54,645</b>	<b>1,745,800</b>	<b>5,751,955</b>
<b>As of 30 June 2011</b>				
Cost	6,853,563	83,047	1,745,800	8,682,410
Accumulated depreciation	<u>(2,902,053)</u>	<u>(28,402)</u>	-	<u>(2,930,455)</u>
<b>Net book value as of 30 June 2011</b>	<b>3,951,510</b>	<b>54,645</b>	<b>1,745,800</b>	<b>5,751,955</b>

Production assets are shown net of provision for impairment of RR 54,387 as of 30 June 2011 and 31 December 2010. Assets under construction are presented net of provision for impairment of RR 95,872 and RR 96,146 as of 30 June 2011 and 31 December 2010, 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 938 and RR 1,354 as of 30 June 2011 and 31 December 2010, 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 six months ended		
	30 June 2011	31 December 2010	30 June 2011	2010	
25,26	Sakhalin Energy Investment Company Ltd.	151,471	153,871	28,504	18,992
25	OA0 NGK Slavneft and its subsidiaries	144,518	151,826	1,038	776
25	OA0 Tomskneft VNK and its subsidiaries	60,939	65,286	858	2,309
25	Gazprombank Group	60,319	50,362	17,284	12,176
25	OA0 Beltransgaz	46,476	53,678	(936)	1,702
26	Nord Stream AG	40,912	39,066	180	(543)
25	Salym Petroleum Development N.V.	40,656	38,395	2,261	857
25	WINGAS GmbH & Co. KG	37,051	41,798	1,239	2,168
25	TOO KazRosGaz	27,692	27,034	4,299	5,011
	OOO Yamal razvitie and its subsidiaries	27,283	27,984	(1,050)	-
25	OA0 Gazprom neftekhim Salavat	22,364	19,940	2,854	932
	Shtokman Development AG	18,430	17,741	225	(609)
25,26	SGT EuRoPol GAZ S.A.	17,177	17,314	3	580
	Wintershall AG	11,658	11,003	715	754
	ZAO Nortgaz	5,502	5,023	479	443
25	AO Latvijas Gaze	4,425	4,255	159	154
26	ZAO Achimgaz	3,855	3,054	801	895
25	AO Gazum	3,693	4,040	396	451
25	AO Lietuvos dujos	2,869	3,011	373	378
25,26	Blue Stream Pipeline Company B.V.	2,186	2,093	269	227
13,25	OA0 NOVATEK	-	-	-	3,552
	Other (net of provision for impairment of RR 2,096 as of 30 June 2011 and 31 December 2010)	<u>24,722</u>	<u>20,383</u>	<u>2,615</u>	<u>1,740</u>
		<b>754,198</b>	<b>757,157</b>	<b>62,566</b>	<b>52,945</b>

In July 2010 the Group set up OOO Yamal razvitie – jointly controlled entity on a fifty-fifty basis with OA0 NOVATEK. As a result of disposal of 51% interest in OOO SeverEnergiya to OOO Yamal razvitie in November 2010, the Group retained effective 25.5% interest in OOO SeverEnergiya.

In December 2010 the Group sold 9.4% interest in OA0 NOVATEK. As a result of that transaction, Group ceased to exercise significant influence over OA0 NOVATEK and accounted for retained interest within available-for-sale long-term financial assets (see Note 13).

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 30 June 2011		For the six months ended 30 June 2011	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	45%	Russia	1,985,807	1,742,192	55,093	38,567
OA0 NGK Slavneft and its subsidiaries	50%	Russia	604,728	317,064	79,716	2,130
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	589,954	312,824	123,332	56,965
Nord Stream AG	51%	Switzerland	239,090	156,844	-	354
WINGAS GmbH & Co. KG	50%	Germany	173,636	133,415	159,326	2,178
OOO Yamal razvitie and its subsidiaries	50%	Russia	152,541	24,292	-	(2,077)
OA0 Tomskneft VNK and its subsidiaries	50%	Russia	124,057	77,943	51,326	1,488

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

	Percent of share capital held	Location	As of 30 June 2011		For the six months ended 30 June 2011	
			Assets	Liabilities	Revenues	Profit (loss)
OAO Gazprom neftekhim						
Salavat	50%	Russia	80,979	54,171	64,296	5,717
Blue Stream Pipeline company B.V.	50%	Netherlands	63,092	54,476	4,051	1,076
TOO KazRosGaz	50%	Kazakhstan	60,100	4,715	17,269	8,598
SGT EuRoPol GAZ S.A.	48%	Poland	49,758	13,972	6,051	7
Wintershall AG	49%	Germany	45,132	32,399	19,359	1,459
Shtokman Development AG	51%	Switzerland	40,735	4,597	-	479
OAO Beltransgaz	50%	Belarus	40,155	23,125	78,743	(1,851)
Salym Petroleum Development N.V.	50%	Netherlands	37,599	20,331	31,581	4,523
AO Lietuvos dujos	37%	Lithuania	30,664	6,737	10,838	1,006
AO Gazum	25%	Finland	30,273	15,500	28,814	1,585
AO Latvijas Gaze	34%	Latvia	28,518	7,773	11,155	467
ZAO Nortgaz	51%	Russia	14,439	3,652	3,065	939
ZAO Achimgaz	50%	Russia	10,729	3,019	2,844	1,602

\* 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.

	Percent of share capital held	Location	As of 30 June 2010		For the six months ended 30 June 2010	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	45%	Russia	1,747,546	1,522,173	150,006	29,543
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	656,731	307,635	95,888	37,984
OAO NGK Slavneft and its subsidiaries	50%	Russia	241,316	71,142	66,998	1,554
OAO NOVATEK	19%	Russia	216,943	67,096	53,448	18,321
Nord Stream AG	51%	Switzerland	147,744	81,077	-	(1,064)
WINGAS GmbH & Co. KG	50%	Germany	143,797	101,371	144,604	4,828
OAO Tomskneft VNK and its subsidiaries	50%	Russia	137,185	73,963	37,276	4,628
Blue Stream Pipeline company B.V.	50%	Netherlands	70,841	63,446	4,084	908
OAO Salavatnefteorgsintez	50%	Russia	67,886	45,397	46,264	1,865
OAO Beltransgaz**	50%	Belarus	50,434	18,788	67,745	3,410
TOO KazRosGaz	50%	Kazakhstan	50,030	1,294	19,348	10,022
SGT EuRoPol GAZ S.A.	48%	Poland	48,167	14,240	5,668	1,189
Salym Petroleum Development N.V.	50%	Netherlands	37,794	27,618	21,706	2,335
Shtokman Development AG	51%	Switzerland	33,166	5,468	-	(1,026)
Wintershall AG	49%	Germany	27,875	19,722	29,675	1,539
AO Lietuvos dujos	37%	Lithuania	27,550	5,372	11,306	1,021
AO Gazum	25%	Finland	26,570	12,262	25,146	1,803
AO Latvijas Gaze	34%	Latvia	24,200	5,199	10,175	453
ZAO Nortgaz	51%	Russia	11,718	2,358	2,754	868
ZAO Achimgaz	50%	Russia	10,065	4,975	2,312	1,790

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

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

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**(continued)**

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
OA O Gazprom neftekhim Salavat	27,569	20,046
AO Lietuvos dujos	4,679	5,134
AO Latvijas Gaze	5,175	3,735

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
Long-term accounts receivable and prepayments	198,427	169,124
Advances for assets under construction	<u>387,380</u>	<u>267,308</u>
	<b>585,807</b>	<b>436,432</b>

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 18,286 and RR 22,470 as of 30 June 2011 and 31 December 2010, respectively.

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

Available-for-sale long-term financial assets, in total amount of RR 187,592 and RR 191,417 are shown net of provision for impairment of RR 2,112 and RR 2,164 as of 30 June 2011 and 31 December 2010, respectively.

As of 30 June 2011 and 31 December 2010 long-term available-for-sale financial assets include OA O NOVATEK shares in the amount of RR 117,608 and RR 110,471, respectively.

**14 OTHER NON-CURRENT ASSETS**

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 131,062 and RR 107,969 as of 30 June 2011 and 31 December 2010 respectively.

Other non-current assets include net pension assets in the amount of RR 250,990 as of 30 June 2011 and RR 254,304 as of 31 December 2010 respectively.

**15 LONG-TERM BORROWINGS**

	<b>Currency</b>	<b>Final maturity</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Long-term borrowings payable to:				
Loan participation notes issued in April 2009 <sup>1</sup>	US dollar	2019	64,274	69,771
The Royal Bank of Scotland AG	US dollar	2013	50,709	55,046
Loan participation notes issued in October 2007 <sup>1</sup>	Euro	2018	49,675	51,220
Loan participation notes issued in June 2007 <sup>1</sup>	US dollar	2013	46,489	48,963
Natixis SA <sup>2</sup>	US dollar	2015	42,116	45,721
Loan participation notes issued in December 2005 <sup>1</sup>	Euro	2012	41,420	40,445
Loan participation notes issued in May 2005 <sup>1</sup>	Euro	2015	40,585	41,715
Loan participation notes issued in November 2006 <sup>1</sup>	US dollar	2016	38,157	41,421
Loan participation notes issued in March 2007 <sup>1</sup>	US dollar	2022	37,251	40,437
White Nights Finance B.V.	US dollar	2014	36,613	39,744
Loan participation notes issued in July 2009 <sup>1</sup>	US dollar	2014	36,283	39,386
Loan participation notes issued in August 2007 <sup>1</sup>	US dollar	2037	36,054	39,137
Loan participation notes issued in July 2009 <sup>1</sup>	Euro	2015	35,452	36,809
Loan participation notes issued in April 2004 <sup>1</sup>	US dollar	2034	34,199	37,124
Loan participation notes issued in October 2006 <sup>1</sup>	Euro	2014	32,049	32,804
Loan participation notes issued in April 2008 <sup>1</sup>	US dollar	2018	31,442	34,131
Loan participation notes issued in June 2007 <sup>1</sup>	Euro	2014	29,280	28,490
Loan participation notes issued in November 2010 <sup>1</sup>	US dollar	2015	28,203	30,615

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

	<b>Currency</b>	<b>Final maturity</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Loan participation notes issued in March 2007 <sup>1</sup>	Euro	2017	20,919	20,347
Loan participation notes issued in November 2006 <sup>1</sup>	Euro	2017	20,480	20,975
Russian bonds issued in April 2010 <sup>6</sup>	Rouble	2013	20,310	20,000
Structured export notes issued in July 2004 <sup>3</sup>	US dollar	2020	18,707	22,747
OAO Russian National Commercial Bank	US dollar	2012	17,520	19,018
UniCredit Bank AG <sup>2,8</sup>	Euro	2018	17,495	-
UniCredit Bank AG <sup>2,8</sup>	US dollar	2018	16,885	-
RosUkrEnergo AG	US dollar	2012	16,078	-
Credit Suisse International	US dollar	2017	14,727	15,989
Loan participation notes issued in July 2008 <sup>1</sup>	US dollar	2013	14,436	15,671
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	14,056	15,259
WestLB AG <sup>2</sup>	US dollar	2013	11,884	25,744
J.P. Morgan Chase bank	US dollar	2012	11,831	12,847
Loan participation notes issued in April 2008 <sup>1</sup>	US dollar	2013	11,414	12,390
OAO VTB Bank	US dollar	2012	11,346	12,317
OAO Sberbank Rossii	US dollar	2012	10,949	16,643
BNP Paribas SA <sup>2</sup>	Euro	2022	10,860	7,108
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2021	10,349	-
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2016	10,333	-
Russian bonds issued in February 2011 <sup>6</sup>	Rouble	2021	10,333	-
Russian bonds issued in June 2009	Rouble	2012	10,007	10,011
GK Vnesheconombank	Rouble	2025	9,839	6,621
Citibank International plc <sup>2</sup>	US dollar	2021	9,461	10,269
Eurofert Trading Limited llc <sup>4</sup>	Rouble	2015	8,600	8,600
Russian bonds issued in July 2009 <sup>6</sup>	Rouble	2016	8,523	8,000
Deutsche Bank AG	US dollar	2014	8,490	9,217
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	8,473	9,198
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	8,433	-
Deutsche Bank AG	US dollar	2014	8,272	11,410
Loan participation notes issued in November 2007 <sup>1</sup>	JPY	2012	7,386	8,017
Credit Agricole CIB <sup>2</sup>	US dollar	2013	7,031	7,633
The Royal Bank of Scotland AG <sup>2</sup>	US dollar	2012	6,617	10,774
Deutsche Bank AG	US dollar	2014	5,632	6,115
UniCredit Bank AG <sup>2,8</sup>	Rouble	2018	5,516	-
Russian bonds issued in July 2009 <sup>7</sup>	Rouble	2014	5,275	5,000
Russian bonds issued in February 2007	Rouble	2014	5,133	5,134
The Royal Bank of Scotland AG <sup>2</sup>	US dollar	2013	5,086	5,521
Russian bonds issued in November 2006	Rouble	2011	5,060	5,061
Russian bonds issued in December 2009 <sup>5</sup>	Rouble	2014	5,038	5,039
Russian bonds issued in June 2009	Rouble	2014	5,004	5,006
Eurofert Trading Limited llc <sup>4</sup>	Rouble	2015	5,000	5,000
Russian bonds issued in March 2006 <sup>5</sup>	Rouble	2016	4,909	4,910
Russian bonds issued in September 2006 <sup>5</sup>	Rouble	2011	4,799	4,801
Russian bonds issued in April 2009 <sup>6</sup>	Rouble	2019	3,931	11,173
Other long-term borrowings	Various	Various	79,618	99,422
Total long-term borrowings			<b>1,242,296</b>	<b>1,251,966</b>
Less: current portion of long-term borrowings			<b>(178,828)</b>	<b>(127,571)</b>
			<b>1,063,468</b>	<b>1,124,395</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> Issuers of these notes are OAO WGC-2 and OAO WGC-6.

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

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

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

<sup>8</sup> Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
Due for repayment:		
Between one and two years	268,892	166,853
Between two and five years	490,473	551,310
After five years	<u>304,103</u>	<u>406,232</u>
	<b>1,063,468</b>	<b>1,124,395</b>

Long-term borrowings, including current portion, include fixed rate loans with a carrying value of RR 1,039,974 and RR 1,065,435 and fair value of RR 1,105,141 and RR 1,130,206 as of 30 June 2011 and 31 December 2010, respectively. All other long-term borrowings generally have variable interest rates linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 30 June 2011 and 31 December 2010 long-term borrowings, including current portion, of RR 18,707 and RR 22,747 were secured by revenues from export supplies of gas to Western Europe.

On 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 63,171 as of 30 June 2011.

On 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 33,691 as of 30 June 2011.

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

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

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

Following the results of put option settlement on the Russian bonds with the nominal value of RR 5,000 issued by OAO TGC-1 in July 2009 due in 2014, on 11 July 2011 the Group redeemed 2,105,813 issued bonds at par of 1,000 Russian Roubles. According to the terms of issue, bondholders may execute the right of early redemption of outstanding balance in the amount of RR 2,894 in July 2013 at par.

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

On the Russian bonds with the nominal value of RR 4,783 issued by OAO Mosenergo in March 2006 due in 2016 bondholders can execute the right of early redemption in March 2012 at par.

On the Russian bonds with the nominal value of RR 3,869 issued by OAO Gazprom neft in April 2009 due in 2019 and partially redeemed in April 2011 bondholders can execute the right of early redemption in April 2018 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 statutory rate of 20%.

	<b>30 June 2011</b>	<b>Differences recognition and reversals</b>	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>Differences recognition and reversals</b>	<b>31 December 2009</b>
<b>Tax effects of taxable temporary differences:</b>						
Property, plant and equipment	(335,922)	(19,355)	(316,567)	(343,031)	(38,405)	(304,626)
Financial assets	(16,548)	1,674	(18,222)	(14,735)	2,969	(17,704)
Inventories	<u>(1,081)</u>	<u>1,490</u>	<u>(2,571)</u>	<u>(1,572)</u>	<u>1,796</u>	<u>(3,368)</u>
	<b>(353,551)</b>	<b>(16,191)</b>	<b>(337,360)</b>	<b>(359,338)</b>	<b>(33,640)</b>	<b>(325,698)</b>
<b>Tax effects of deductible temporary differences:</b>						
Tax losses carry forward	1,004	186	818	2,198	(41)	2,239
Other deductible temporary differences	<u>1,945</u>	<u>(1,454)</u>	<u>3,399</u>	<u>2,010</u>	<u>75</u>	<u>1,935</u>
	<b>2,949</b>	<b>(1,268)</b>	<b>4,217</b>	<b>4,208</b>	<b>34</b>	<b>4,174</b>
<b>Total net deferred tax liabilities</b>	<b>(350,602)</b>	<b>(17,459)</b>	<b>(333,143)</b>	<b>(355,130)</b>	<b>(33,606)</b>	<b>(321,524)</b>

Taxable temporary differences recognized for the six months ended 30 June 2011 and 2010 include the effect of applying a special accelerated depreciation coefficient of 2 for property, plant and equipment operated in aggressive environment. As a result deferred tax liability related to property, plant and equipment recognized for the six months ended 30 June 2011 and 2010 was RR 10,727 and RR 23,088, respectively.

**17 EQUITY**

**Share capital**

Share capital authorised, issued and paid totals RR 325,194 as of 30 June 2011 and 31 December 2010 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

**Treasury shares**

As of 30 June 2011 and 31 December 2010, subsidiaries of OAO Gazprom held 723 million of the ordinary shares of OAO Gazprom, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

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**18 SALES**

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Gas sales (including excise tax, customs duties and net of VAT) to customers in:				
Russian Federation	132,588	110,804	398,630	343,587
Former Soviet Union (excluding Russian Federation)	137,227	98,265	357,470	216,658
Europe and other countries	<u>428,233</u>	<u>293,833</u>	<u>896,354</u>	<u>659,315</u>
Gross sales of gas	698,048	502,902	1,652,454	1,219,560
Customs duties	<u>(95,741)</u>	<u>(59,162)</u>	<u>(180,178)</u>	<u>(163,460)</u>
Net sales of gas	602,307	443,740	1,472,276	1,056,100
Sales of refined products to customers in:				
Russian Federation	136,229	96,436	257,364	182,802
Former Soviet Union (excluding Russian Federation)	12,087	8,597	22,912	16,351
Europe and other countries	<u>88,735</u>	<u>60,547</u>	<u>171,662</u>	<u>119,972</u>
Total sales of refined products	237,051	165,580	451,938	319,125
Sales of crude oil and gas condensate to customers in:				
Russian Federation	10,982	6,144	18,370	11,006
Former Soviet Union (excluding Russian Federation)	9,223	7,275	17,148	12,635
Europe and other countries	<u>39,743</u>	<u>35,517</u>	<u>81,775</u>	<u>69,879</u>
Total sales of crude oil and gas condensate	59,948	48,936	117,293	93,520
Electric and heat energy sales	67,679	52,336	180,215	145,733
Gas transportation sales	26,704	20,429	55,500	45,576
Other revenue	<u>36,635</u>	<u>30,931</u>	<u>69,849</u>	<u>56,225</u>
<b>Total sales revenue</b>	<b><u>1,030,324</u></b>	<b><u>761,952</u></b>	<b><u>2,347,071</u></b>	<b><u>1,716,279</u></b>

**19 OPERATING EXPENSES**

Note	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	188,798	143,017	452,311	273,908
25 Purchased gas and oil	104,656	73,449	206,542	144,866
Taxes other than on income	90,246	75,076	178,058	150,537
Staff costs	66,952	59,117	133,920	120,619
Depreciation	69,668	69,419	133,414	145,805
Transit of gas, oil and refined products	39,296	41,930	70,940	69,556
Repairs and maintenance	26,775	16,084	50,867	22,300
Cost of goods for resale, including refined products	24,586	22,306	49,636	46,447
Materials	17,833	12,283	39,081	29,863
Electricity and heating expenses	9,008	(13,538)	29,442	6,975
Exchange rate differences on operating items	7,764	6,493	16,810	10,924
Transportation services	3,752	2,986	16,014	14,191
Heat transmission	6,500	5,672	13,742	10,975
Social expenses	7,474	5,013	11,878	10,087
Rental expenses	6,371	5,194	10,193	10,437
Research and development expenses	4,197	3,676	8,339	7,588
Insurance expenses	2,009	2,398	4,114	4,240
Processing services	959	4,726	1,350	8,968
Charge for impairment provisions	42,290	27,584	68,851	67,347
Other	<u>719,134</u>	<u>562,885</u>	<u>1,495,502</u>	<u>1,155,633</u>
Changes in inventories of finished goods, work in progress and other effects	<u>(38,703)</u>	<u>(36,719)</u>	<u>2,838</u>	<u>(14,637)</u>
<b>Total operating expenses</b>	<b><u>680,431</u></b>	<b><u>526,166</u></b>	<b><u>1,498,340</u></b>	<b><u>1,140,996</u></b>

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**19 OPERATING EXPENSES (continued)**

Starting from 1 January 2011 the Group changed presentation of operating expenses disclosing by nature the expenses incurred during the period and adjusting them for the total change in inventories of finished goods, work in progress and other effects. The comparative information was adjusted accordingly. Management believes that the current presentation of operating expenses is more reflective to the Group's operations.

Staff costs include RR 8,595 and RR 17,172 of expenses associated with pension obligations for the three and six months ended 30 June 2011, respectively, and RR 4,452 and RR 10,175 for the three and six months ended 30 June 2010, respectively.

**20 FINANCE INCOME AND EXPENSES**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Exchange gains	29,280	16,302	99,110	80,242
Interest income	3,515	3,782	7,557	11,342
Gains on extinguishment of restructured liabilities	<u>2</u>	<u>2</u>	<u>98</u>	<u>4</u>
<b>Total finance income</b>	<b>32,797</b>	<b>20,086</b>	<b>106,765</b>	<b>91 588</b>
Exchange losses	21,947	54,604	25,307	59,290
Interest expense	<u>2,450</u>	<u>9,875</u>	<u>19,368</u>	<u>24,154</u>
<b>Total finance expenses</b>	<b>24,397</b>	<b>64,479</b>	<b>44,675</b>	<b>83,444</b>

**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 23.0 billion weighted average shares outstanding for the three and six months ended 30 June 2011 and 22.9 billion weighted average shares outstanding for the three and six months ended 30 June 2010. There are no dilutive financial instruments outstanding.

**22 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
Provision for decommissioning and site restoration costs	102,802	101,407
Provision for pension obligations	92,980	84,064
Other	<u>5,890</u>	<u>14,569</u>
	<b>201,672</b>	<b>200,040</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 250,990 and RR 254,304 as of 30 June 2011 and 31 December 2010, 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 30 June 2011 and 31 December 2010 management estimated the fair value of these assets at approximately RR 455 billion and RR 438 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

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**23 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 Moskovsky NPZ 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.

**24 DECONSOLIDATION OF ZAO GAZENERGOPROMBANK**

On 29 March 2010 the respective Boards of directors of ZAO Gazenergoprombank, banking subsidiary of the Group, and OAO AB Rossiya, a bank not related to the Group, approved a reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. On 30 April 2010 shareholders of both banks also approved that reorganization. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAO AB Rossiya; in exchange for its existing controlling interest in ZAO Gazenergoprombank, the Group received a non-controlling interest in OAO AB Rossiya. According to the terms of the merger agreement the Group lost the ability to control the financial and operating policies of ZAO Gazenergoprombank on 30 April 2010. As a result, the Group ceased to include assets, liabilities, operating results and cash flows of ZAO Gazenergoprombank within the consolidated financial statements from 30 April 2010.

**25 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 30 June 2011 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 new Board of Directors was elected. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

**Parties under control of the Government**

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

As of 30 June 2011 and 31 December 2010 and for the three months ended 30 June 2011 and 2010, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

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**25 RELATED PARTIES (continued)**

Notes	As of 30 June 2011		Three months ended 30 June 2011		Six months ended 30 June 2011	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
	61,292	7,920	-	61,482	-	170,346
	317	4,208	-	17,468	-	37,138
	334,485	36,620	-	-	-	-
	51,417	-	-	-	-	-
19	1,668	43,121	-	104,656	-	206,542
<b>Transactions and balances with other parties under control of the Government</b>						
	-	-	1,199	-	2,544	-
	-	-	46,474	-	119,362	-
	-	-	469	-	949	-
	30,739	-	-	-	-	-
	-	-	-	21,105	-	41,361
	-	16,099	-	-	-	-
	-	46,701	-	-	-	-
	-	-	-	449	-	984
	2,227	-	-	-	-	-
	44,730	-	-	-	-	-
Notes	As of 31 December 2010		Three months ended 30 June 2010		Six months ended 30 June 2010	
	Assets	Liabilities	Income	Expenses	Income	Expenses
<b>Transactions and balances with the Government</b>						
	14,265	45,649	-	44,337	-	99,390
	753	1,438	-	8,506	-	23,256
	299,121	32,365	-	-	-	-
	44,197	-	-	-	-	-
19	1,689	38,117	-	73,449	-	144,866
<b>Transactions and balances with other parties under control of the Government</b>						
	-	-	620	-	1,452	-
	-	-	34,664	-	97,964	-
	-	-	385	-	871	-
	26,977	-	-	-	-	-
	-	-	-	23,851	-	43,912
	-	9,289	-	-	-	-
	-	48,710	-	-	-	-
	-	-	-	2,555	-	5,465
	517	-	-	-	-	-
	54,718	-	-	-	-	-

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

In the normal course of business the Group incurs electricity and heating expenses (see Note 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 six months ended 30 June 2011 and 2010. See Note 10 for net book values as of 30 June 2011 and 31 December 2010 of social assets vested to the Group at privatisation.

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**25 RELATED PARTIES (continued)**

**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 and six months ended 30 June 2011 and 2010 and as of 30 June 2011 and 31 December 2010 the Group had the following significant transactions and balances with associated undertakings and jointly controlled entities:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Revenues</b>		<b>Revenues</b>	
<b>Gas sales</b>				
OAO Beltransgaz	29,646	23,624	70,889	56,622
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	21,440	20,155	49,228	44,323
WINGAS GmbH & Co. KG	15,709	8,803	31,377	19,302
ZAO Panrusgaz	13,852	14,269	24,401	34,007
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	11,041	8,269	22,411	14,869
AO Gazum	7,530	4,654	17,655	13,178
AO Overgaz Inc.	6,053	4,648	11,816	9,501
AO Moldovagaz	3,033	2,956	9,605	8,507
Promgaz S.p.A.	3,762	3,292	7,787	6,768
AO Lietuvos dujos	2,269	1,583	5,824	5,984
AO Latvijas Gaze	1,469	1,441	5,593	1,854
GWH Gashandel GmbH**	1,960	2,135	4,900	4,588
ZAO Gazprom YRGM Trading	2,345	2,998	4,848	6,479
PremiumGas S.p.A.	1,648	1,578	4,272	4,242
ZAO Gazprom YRGM Development	1,675	2,141	3,463	4,628
Bosphorus Gaz Corporation A.S.	746	927	2,103	1,629
<b>Gas transportation sales</b>				
ZAO Gazprom YRGM Trading	4,902	4,140	10,134	8,948
ZAO Gazprom YRGM Development	3,501	2,958	7,238	6,392
OAO NOVATEK***	-	5,770	-	12,058
<b>Gas condensate, crude oil and refined products sales</b>				
OAO NGK Slavneft and its subsidiaries	10,063	10,357	17,146	17,710
OAO Gazprom neftekhim Salavat	5,643	3,523	10,047	6,042
<b>Gas refining services sales</b>				
TOO KazRosGaz	1,244	1,182	2,683	2,480

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**25 RELATED PARTIES (continued)**

	Three months ended		Six months ended	
	2011	2010	2011	2010
	<b>Expenses</b>		<b>Expenses</b>	
<b>Purchased gas</b>				
RosUkrEnergo AG	12,284	-	122,541	-
ZAO Gazprom YRGM Trading	12,883	9,356	26,066	20,381
ZAO Gazprom YRGM Development	9,213	6,691	18,636	14,572
WINGAS GmbH & Co. KG	7,140	5,138	15,054	11,830
TOO KazRosGaz	7,982	8,839	13,456	15,137
Sakhalin Energy Investment Company Ltd.	920	2,925	2,768	4,201
OAO NOVATEK***	-	2,938	-	6,659
<b>Purchased transit of gas</b>				
OAO Beltransgaz	3,751	3,403	7,197	6,520
SGT EuRoPol GAZ S.A.	2,606	2,308	5,183	4,885
Blue Stream Pipeline Company B.V.	1,673	1,859	3,594	3,831
WINGAS GmbH & Co. KG	928	1,049	1,841	2,175
<b>Purchased crude oil and refined products</b>				
OAO NGK Slavneft and its subsidiaries	17,291	13,679	34,063	28,594
OAO Tomskneft VNK and its subsidiaries	11,693	8,256	22,728	16,237
Salym Petroleum Development N.V.	8,029	5,541	16,459	12,117
<b>Purchased processing services</b>				
OAO NGK Slavneft and its subsidiaries	1,823	1,856	3,778	3,698

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

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

\*\*\*In December 2010 the Group sold 9.4% interest in OAO NOVATEK. As a result of that transaction, Group ceased to exercise significant influence over OAO NOVATEK and accounted for retained interest within available-for-sale long-term financial assets (see Note 13).

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.

	As of 30 June 2011		As of 31 December 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Short-term accounts receivable and prepayments</b>				
OAO Gazprom neftekhim Salavat	9,614	-	10,829	-
OAO Beltransgaz	9,464	-	14,972	-
WINGAS GmbH & Co. KG	7,197	-	7,870	-
AO Moldovagaz*	6,541	-	2,717	-
AO Overgaz Inc.	6,094	-	5,820	-
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	5,733	-	7,253	-
Wintershall Erdgas Handelshaus Zug AG, (WIEE)	5,307	-	2,763	-
ZAO Panrusgaz	4,942	-	8,087	-
OAO NGK Slavneft and its subsidiaries	2,980	-	1,238	-
AO Gazum	2,749	-	5,164	-
ZAO Gazprom YRGM Trading	2,266	-	1,432	-
TOO KazRosGaz	1,897	-	647	-
Promgaz S.p.A.	1,633	-	2,143	-
ZAO Gazprom YRGM Development	1,618	-	1,023	-
AO Lietuvos dujos	1,600	-	2,103	-
OAO Gazprombank	518	-	1,567	-
OAO Sibur Holding and its subsidiaries	330	-	498	-
RosUkrEnergo AG	-	-	81,622	-

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**25 RELATED PARTIES (continued)**

	As of 30 June 2011		As of 31 December 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Cash balances in associated undertakings</b>				
OAO Gazprombank	250,623	-	191,552	-
<b>Long-term accounts receivable and prepayments</b>				
WINGAS GmbH & Co. KG	15,460	-	15,439	-
OAO Sibur Holding and its subsidiaries	4,909	-	3,894	-
Salym Petroleum Development N.V.	2,867	-	4,806	-
<b>Long-term promissory notes</b>				
OAO Gazprombank	965	-	943	-
<b>Short-term accounts payable</b>				
SGT EuRoPol GAZ S.A.	-	6,054	-	6,976
ZAO Gazprom YRGM Trading	-	5,727	-	6,466
TOO KazRosGaz	-	4,232	-	4,336
ZAO Gazprom YRGM Development	-	3,645	-	4,984
OAO Sibur Holding and its subsidiaries	-	3,079	-	3,777
Salym Petroleum Development N.V.	-	2,854	-	2,635
Promgaz S.p.A.	-	2,505	-	1,583
WINGAS GmbH & Co.KG	-	2,307	-	2,806
OAO NGK Slavneft and its subsidiaries	-	1,709	-	1,394
OAO Beltransgaz	-	1,171	-	1,297
OAO Gazprombank	-	-	-	708
RosUkrEnergo AG	-	-	-	8,447
<b>Other non-current liabilities</b>				
ZAO Gazprom YRGM Trading	-	3,187	-	3,187
OAO Sibur Holding and its subsidiaries	-	1,614	-	1,115
ZAO Gazprom YRGM Development	-	497	-	497
<b>Short-term loans from associated companies</b>				
OAO Tomskneft VNK and its subsidiaries	-	9,938	-	7,027
OAO Gazprombank	-	6,905	-	6,973
OAO NGK Slavneft and its subsidiaries	-	226	-	-
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	-	-	-	2,527
<b>Long-term loans from associated undertaking</b>				
RosUkrEnergo AG	-	16,078	-	-
OAO Gazprombank	-	2,204	-	3,770

\* Net of impairment provision on accounts receivable in the amount of RR 67,868 and RR 69,305 as of 30 June 2011 and 31 December 2010 respectively.

Investments in associated undertakings and jointly controlled entities are disclosed in Note 11.  
See Note 26 for financial guarantees issued by the Group to the associated undertakings and jointly controlled entities.

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**26 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS**

**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 30 June 2011 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

**Financial guarantees**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Outstanding guarantees issued on behalf of:		
Sakhalin Energy Investment Company Ltd.	91,308	100,260
Nord Stream AG	85,318	50,005
Blue Stream Pipeline Company B.V.	9,468	12,974
EM Interfinance Limited	5,168	5,694
OOO Production Company VIS	4,472	4,472
Blackrock Capital Investments Limited	4,367	4,824
Devere Capital International Limited	2,859	4,217
OAO Group E4	1,428	1,450
ZAO Achimgaz	377	4,330
OOO Severny Europeysky Trubny Proekt	-	27,227
OOO Torgovy Dom Truboprovod	-	8,305
Other	<u>18,070</u>	<u>17,619</u>
	<b>222,835</b>	<b>241,377</b>

Included in financial guarantees are amounts denominated in USD of USD 4,231 million and USD 4,374 million as of 30 June 2011 and 31 December 2010, respectively, as well as amounts denominated in Euro of Euro 2,286 million and Euro 1,494 million as of 30 June 2011 and 31 December 2010, 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 30 June 2011 and 31 December 2010, outstanding amounts of these loans were RR 9,468 (USD 337 million) and RR 12,974 (USD 426 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 30 June 2011 and 31 December 2010 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 12,394 (USD 441 million) and RR 14,735 (USD 483 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 30 June 2011 and 31 December 2010 the above guarantee amounted to RR 377 (Euro 9 million) and RR 4,330 (Euro 107 million), respectively.

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 30 June 2011 and 31 December 2010 the above guarantee amounted to RR 1,428 (Euro 35 million) and RR 1,450 (Euro 36 million), respectively.

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**26 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)**

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 30 June 2011 and 31 December 2010 the above guarantee amounted to RR 91,308 (USD 3,252 million) and RR 100,260 (USD 3,290 million), respectively.

In January 2010 the Group provided a guarantee to OAO Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAO WGC-6. As of 30 June 2011 and 31 December 2010 the above guarantee amounted to RR 4,472.

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 30 June 2011 and 31 December 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 61,939 (Euro 1,534 million) and RR 50,005 (Euro 1,240 million), respectively.

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 30 June 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 23,379 (Euro 579 million).

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Severny Europeysky Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 27,227. In February 2011 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Torgovy Dom Truboprovod as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 8,305. In February 2011 this credit facility was repaid.

**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. Management of the Group can not estimate potential exposure in respect of this claim.

In July 2011 E.ON Ruhrgas AG filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. The consideration of the case has not been assigned yet. Negotiations with E.ON Ruhrgas AG on the contract prices are in progress. Management of the Group can not estimate potential exposure in respect of this claim.

**27 POST BALANCE SHEET EVENTS**

**Borrowings and loans**

In September 2011 the Group obtained long-term unsecured syndicated loan facility from consortium of banks in the amount of USD 600 million at an interest rate of LIBOR+1.5% due in 2016 within the terms of an agreement signed in April 2011. ZAO Mizuho Corporate Bank (Moscow) was appointed as bank agent.

In September 2011 the Group signed an agreement to obtain long-term loan from OAO Gazprombank in the amount of RR 10,000 at an interest rate of 9% due in 2018. According to the agreement the Group received RR 8,000 in October 2011. The remaining part will be received in November 2011.

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

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