

R E A C H I N G N E W H O R I Z O N S



FINANCIAL REPORT 2011



CONTENTS

OPEN JOINT STOCK COMPANY GAZPROM
STATUTORY ACCOUNTING REPORTS
OF THE PARENT COMPANY ОАО ГАЗПРОМ 2011 3

STATUTORY CONSOLIDATED ACCOUNTING REPORTS
OF ОАО ГАЗПРОМ AND ITS SUBSIDIARIES FOR 2011
PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS 73

**OPEN JOINT STOCK COMPANY GAZPROM
STATUTORY ACCOUNTING REPORTS
OF THE PARENT COMPANY OAO GAZPROM 2011**

AUDITOR'S REPORT

To the Shareholders of Open Joint Stock Company Gazprom:

Client

Open Joint Stock Company Gazprom.

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

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

Nametkina str., 16, Moscow, 117997

Auditor

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

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

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

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

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

AUDITOR'S REPORT

To the Shareholders of Open Joint Stock Company Gazprom:

We have audited the attached financial statements of Open Joint Stock Company Gazprom (hereinafter – OAO Gazprom) which comprise the balance sheet as of 31 December 2011, and the profit and loss statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and other supplements to the balance sheet and profit and loss statement and explanatory notes (hereinafter all the reports together are referred to as the “financial statements”).

OAO Gazprom's responsibility for the financial statements

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

The auditor's responsibility

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

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

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

AUDITOR'S REPORT

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OAO Gazprom as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation

Director of ZAO PricewaterhouseCoopers Audit

M. E. Timchenko

27 March 2012

BALANCE SHEET
as at 31 December 2011

Company	OA0 GAZPROM	Form on OKUD	0710001
Taxpayer identification number		Date (day, month, year)	31/12/2011
Field of activity	wholesale	OKPO	00040778
Legal form / property form	Open Joint Stock Company	INN	7736050003
Unit of measurement: thousands of RR		OKVED	51
Address	OA0 GAZPROM Russian Federation, 117997, Moscow, Nametkina str., 16, V-420, GSP-7	OKOPF/OKFS	47 / 31
		OKEI	384

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Assets					
I. NON-CURRENTS ASSETS					
1	Intangible assets	1110	371,494	401,664	473,841
	including:				
	patents, licenses, trade marks (service marks), other similar rights and assets	1111	370,054	400,346	472,700
	goodwill	1112	-	-	-
	other	1119	1,440	1,318	1,141
1	Results of research and development	1120	3,079,812	3,089,366	2,625,917
2	Fixed assets	1130	4,794,146,790	3,873,633,124	3,930,928,660
	including:				
	Fixed assets items	1131	4,781,322,391	3,860,843,942	3,919,254,806
	including:				
	land plots and natural resources	1132	651,186	261,400	232,106
	buildings, machinery and equipment	1133	4,721,150,167	3,854,892,174	3,914,954,594
	Capital investments in progress	1134	12,824,399	12,789,182	11,673,854
	Income-bearing investments in tangible assets	1140	-	-	-
3	Financial investments	1150	1,717,983,114	1,517,264,033	1,627,870,581
	including:				
	investments in subsidiaries	1151	1,489,479,681	1,236,770,566	1,403,261,874
	investments in associates	1152	86,364,938	151,743,064	120,402,551
	investments in other entities	1153	100,607	100,607	102,725
	loans provided to companies for a period over 12 months	1154	22,287,895	23,757,537	12,887,735
	Deferred tax assets	1160	16,477,826	11,540,073	9,092,819
	Other non-current assets	1170	91,067,062	64,754,311	49,748,267
	including:				
	natural resources development costs	1171	84,879,998	60,043,524	45,435,437
	Total Section I	1100	6,623,126,098	5,470,682,571	5,620,740,085

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Assets					
II. CURRENT ASSETS					
4	Inventories	1210	281,000,069	245,146,165	198,921,716
	including:				
	raw materials and other inventories	1211	2,969,572	2,636,375	2,345,850
	work in progress	1213	186,376,089	166,318,156	138,162,013
	finished goods and goods for resale	1214	90,133,409	73,970,851	55,786,523
	goods dispatched	1215	1,520,966	2,220,675	2,627,222
	Value added tax on goods purchased	1220	20,357,283	21,189,481	54,508,068
5	Accounts receivable	1230	2,375,188,215	1,853,994,531	1,431,689,337
	including:				
	Accounts receivable (payment expected beyond 12 months after the reporting date)	1231	520,637,888	703,918,072	565,444,150
	including:				
	buyers and customers	1232	-	464,100	928,500
	advances issued	1233	28,943,373	38,859,322	-
	other debtors	1234	491,694,515	664,594,650	564,515,650
	Accounts receivable (payment expected within 12 months after the reporting date)	1235	1,854,550,327	1,150,076,459	866,245,187
	including:				
	buyers and customers	1236	516,528,765	400,250,553	323,940,334
	outstanding shareholders' contributions to charter capital	1237	-	-	-
	advances issued	1238	17,349,449	104,614,692	39,472,908
	other debtors	1239	1,320,672,113	645,211,214	502,831,945
3	Financial investments (less cash equivalents)	1240	23,102,447	20,198,008	58,695,183
	including:				
	loans provided to other companies for a period within 12 months	1241	20,272,583	15,316,724	49,304,185
	Cash and cash equivalents	1250	187,778,183	207,711,797	61,688,654
	including:				
	cash	1251	21,428	7,891	5,065
	settlement accounts	1252	130,129,385	86,670,344	17,830,252
	foreign currency accounts	1253	53,673,528	117,222,131	40,040,926
	other cash and cash equivalents	1259	3,953,842	3,811,431	3,812,411
	Other current assets	1260	10,102,561	9,184,710	6,974,801
	including:				
	natural resources development costs	1261	6,515,017	7,705,635	6,233,078
	Total Section II	1200	2,897,528,758	2,357,424,692	1,812,477,759
	TOTAL SECTIONS I and II	1600	9,520,654,856	7,828,107,263	7,433,217,844

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
	EQUITY AND LIABILITIES				
	III. EQUITY AND RESERVES				
	Charter capital	1310	118,367,564	118,367,564	118,367,564
	Own shares buy-back	1320	-	-	-
	Non-current assets revaluation	1340	4,331,266,961	3,769,181,002	3,771,562,864
	Additional capital (without revaluation)	1350	-	-	-
	Reserve capital	1360	8,636,001	8,636,001	8,636,001
	Retained earnings (loss)	1370	3,081,741,117	2,291,705,667	1,981,366,337
	Social government fund	1380	-	-	-
	Total Section III	1300	7,540,011,643	6,187,890,234	5,879,932,766
	IV. NON-CURRENT LIABILITIES				
	Borrowings and bank loans	1410	841,947,238	862,948,018	919,635,349
	bank borrowings due for repayment beyond 12 months	1411	128,032,652	97,941,764	156,639,303
	other borrowings due for repayment beyond 12 months	1412	713,914,586	765,006,254	762,996,046
	Deferred tax liabilities	1420	198,620,288	136,710,142	151,573,369
7	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	3,180,459	4,240,609	-
	Total Section IV	1400	1,043,747,985	1,003,898,769	1,071,208,718
	V. CURRENT LIABILITIES				
	Borrowings and bank loans	1510	407,074,990	129,891,126	163,293,623
	bank borrowings due for repayment within 12 months	1511	-	-	3,973,437
	other borrowings due for repayment within 12 months	1512	73,876,396	64,440,169	-
	current portion of long term borrowings	1513	333,198,594	65,450,957	159,320,186

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
5	Accounts payable	1520	525,603,080	502,883,091	299,453,240
	including:				
	suppliers and contractors	1521	360,301,618	307,451,964	185,960,714
	salaries payable	1522	194,714	253,725	120,419
	payable to state non-budget funds	1523	48,827	52,812	73,658
	taxes payable	1524	45,311,984	41,231,679	43,010,880
	other creditors, including:	1525	119,453,605	153,170,843	69,853,763
	advances received	1527	82,407,176	136,150,704	10,961,983
	other creditors	1528	37,046,429	17,020,139	58,891,780
	dividends payable to participants (shareholders)	1529	292,332	722,068	433,806
	Income of future periods	1530	-	-	-
7	Estimated liabilities	1540	4,217,158	3,544,043	19,329,497
	Other liabilities	1550	-	-	-
	Total Section V	1500	936,895,228	636,318,260	482,076,360
	TOTAL SECTIONS III, IV, V	1700	9,520,654,856	7,828,107,263	7,433,217,844

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

Chief Accountant _____ E.A. Vasilieva
(signature)

27 March 2012

**INCOME STATEMENT
for 2011**

	Form on OKUD	Codes
Company	Date (day, month, year)	0710002
Taxpayer identification number	OKPO	31/12/2011
Field of activity	INN	00040778
Legal form / property form	OKVED	7736050003
Open Joint Stock Company	OKOPF/OKFS	51
Unit of measurement: thousands of RR	OKEI	47 / 31
		384

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
	Sales of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	2110	3,534,341,431	2,879,390,342
	including:			
	gas	2111	2,825,320,376	2,231,353,909
	leased assets	2112	380,539,248	372,944,949
	gas transportation services	2113	153,926,911	145,256,818
	oil and gas refinery products	2114	137,391,096	104,104,742
	gas condensate	2115	33,135,922	22,444,233
	other	2116	2,895,230	2,096,309
	gas storage services	2117	1,132,648	1,189,382
6	Cost of goods, products, work, services sold	2120	(1,452,194,381)	(1,250,895,386)
	including:			
	gas	2121	(829,517,619)	(663,164,887)
	leased assets	2122	(394,823,176)	(375,585,137)
	gas transportation services	2123	(135,195,931)	(133,186,621)
	oil and gas refinery products	2124	(67,252,232)	(58,946,079)
	gas condensate	2125	(19,868,818)	(15,598,830)
	other	2126	(5,134,563)	(4,029,261)
	gas storage services	2127	(402,042)	(384,571)
	Gross profit (loss)	2100	2,082,147,050	1,628,494,956
6	Sales expenses	2210	(832,682,728)	(759,227,657)
6	General business expenses	2220	(60,948,893)	(47,286,456)
	Profit (loss) from sales	2200	1,188,515,429	821,980,843
	Income from participation in other companies	2310	78,657,115	41,380,250
	Interest receivable	2320	8,227,724	6,116,580
	Interest payable	2330	(63,580,415)	(69,261,443)

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
	Other income	2340	3,283,210,797	2,302,685,968
	Other expenses	2350	(3,353,016,047)	(2,577,901,364)
	Profit (loss) before taxation	2300	1,142,014,603	525,000,834
	Income tax	2405	(204,799,762)	(177,641,696)
	including:			
	current income tax	2410	(241,497,924)	(189,568,220)
	prior year income tax	2411	36,698,162	11,926,524
	<i>including permanent tax liabilities (assets) from the 2405 line</i>	2421	50,272,601	65,182,097
	Changes in deferred tax liabilities	2430	(64,032,966)	12,697,054
	Changes in deferred tax assets	2450	5,086,221	2,503,623
	Other	2460	1,333,568	1,918,567
	Net profit (loss)	2400	879,601,664	364,478,382

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
	REFERENCE:			
	Result of revaluation of non-current assets not included to the net profit (loss) for the reporting year	2510	563,634,895	-
	Results of other transactions not included to the net profit (loss) for the reporting year	2520	27,874	46,949
	Cumulative financial result for the year	2500	1,443,264,433	364,525,331
	Basic earnings (loss) per share (in RR)	2900	37.16	15.40
	Diluted earnings (loss) per share	2910	-	-

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

Chief Accountant _____ E.A. Vasilieva
(signature)

27 March 2012

**STATEMENT OF CHANGES IN EQUITY
for 2011**

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

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

Codes
0710003
31/12/2011
00040778
7736050003
51
47 / 31
384

1. Changes in equity

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Accumulated profit (loss)	Social government fund	Total
Equity as of 31 December 2009	3100	118,367,564	-	3,771,562,864	8,636,001	1,981,366,337	-	5,879,932,766
for 2010								
Increase of equity - total:	3210	-	-	11,833	-	364,525,331	-	364,537,164
including:								
net profit	3211	X	X	X	X	364,478,382	X	364,478,382
revaluation of assets	3212	X	X	-	X	-	-	-
income directly attributable to equity	3213	X	X	-	X	46,949	X	46,949
additional shares issue	3214	-	X	-	X	X	X	-
increase of share par value	3215	-	X	-	X	-	X	-
reorganization of legal entity	3216	-	-	-	-	-	-	-
placement of buy-backed shares	3217	X	-	X	X	X	X	-
other	3219	-	-	11,833	-	-	X	11,833
Decrease of equity - total:	3220	-	-	-	-	(56,579,696)	-	(56,579,696)
including:								
loss	3221	X	X	X	X	-	X	-
revaluation of assets	3222	X	X	-	X	-	-	-
expenses directly attributable to equity	3223	X	X	X	X	-	-	-
decrease of share par value	3224	-	X	X	X	-	X	-
decrease in number of shares	3225	-	-	X	X	X	X	-
reorganization of legal entity	3226	-	-	-	-	-	-	-
dividends	3227	X	X	X	X	(56,579,696)	X	(56,579,696)
other	3229	-	-	-	-	-	X	-

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Accumulated profit (loss)	Social government fund	Total
Additional capital change	3230	X	X	(2,393,695)	X	2,393,695	X	-
Reserve capital change	3240	X	X	X	-	-	X	-
Equity as of 31 December 2010	3200	118,367,564	-	3,769,181,002	8,636,001	2,291,705,667	-	6,187,890,234
for 2011								
Increase of equity - total:	3310	-	-	565,595,280	-	879,629,538	-	1,445,224,818
including:								
net profit	3311	X	X	X	X	879,601,664	X	879,601,664
revaluation of assets	3312	X	X	565,595,280	X	X	-	565,595,280
income directly attributable to equity	3313	X	X	-	X	27,874	X	27,874
additional shares issue	3314	-	X	-	X	X	X	-
increase of share par value	3315	-	X	-	X	-	X	-
reorganization of legal entity	3316	-	-	-	-	-	-	-
placement of buy-backed shares	3317	X	-	X	X	X	X	-
other	3319	-	-	-	-	-	X	-
Decrease of equity - total:	3320	-	-	(1,960,385)	-	(91,143,024)	-	(93,103,409)
including:								
loss	3321	X	X	X	X	-	X	-
revaluation of assets	3322	X	X	(1,960,385)	X	X	-	(1,960,385)
expenses directly attributable to equity	3323	X	X	X	X	-	-	-
decrease of share par value	3324	-	X	X	X	-	X	-
decrease in number of shares	3325	-	-	X	X	X	X	-
reorganization of legal entity	3326	-	-	-	-	-	-	-
dividends	3327	X	X	X	X	(91,143,024)	X	(91,143,024)
other	3329	-	-	-	-	-	X	-
Additional capital change	3330	X	X	(1,548,936)	X	1,548,936	X	-
Reserve capital change	3340	X	X	X	-	-	X	-
Equity as of 31 December 2011	3300	118,367,564	-	4,331,266,961	8,636,001	3,081,741,117	-	7,540,011,643

2. Restatements due to changes in accounting policies and correction of mistakes

Narrative	Line code	as at 31 December 2009	Changes in equity for 2010		as at 31 December 2010
			from net profit (loss)	from other equity	
Equity - total					
before restatement	3400	5,398,689,419	364,577,256	(56,520,914)	5,706,745,761
restatement due to:					
changes in accounting policies	3410	481,243,347	(98,874)	-	481,144,473
corrections of accounting errors	3420	-	-	-	-
after restatement	3500	5,879,932,766	364,478,382	(56,520,914)	6,187,890,234
including:					
Retained earnings (uncovered loss):					
before restatement	3401	1,983,016,052	364,577,256	(54,139,052)	2,293,454,256
restatement due to:					
changes in accounting policies	3411	(1,649,715)	(98,874)	-	(1,748,589)
corrections of accounting errors	3421	-	-	-	-
after restatement	3501	1,981,366,337	364,478,382	(54,139,052)	2,291,705,667
Additional capital					
before restatement	3402	3,288,669,802	-	(2,381,862)	3,286,287,940
restatement due to:					
changes in accounting policies	3412	482,893,062	-	-	482,893,062
corrections of accounting errors	3422	-	-	-	-
after restatement	3502	3,771,562,864	-	(2,381,862)	3,769,181,002
Reserve capital					
before restatement	3403	8,636,001	-	-	8,636,001
restatement due to:					
changes in accounting policies	3413	-	-	-	-
corrections of accounting errors	3423	-	-	-	-
after restatement	3503	8,636,001	-	-	8,636,001
Own shares buy-back					
before restatement	3404	-	-	-	-
restatement due to:					
changes in accounting policies	3414	-	-	-	-
corrections of accounting errors	3424	-	-	-	-
after restatement	3504	-	-	-	-
Social government fund					
before restatement	3405	-	-	-	-
restatement due to:					
changes in accounting policies	3415	-	-	-	-
corrections of accounting errors	3425	-	-	-	-
after restatement	3505	-	-	-	-

3. Net assets

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Net assets	3600	7 540 011 643	6 187 890 234	5 879 932 766

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

Chief Accountant _____ E.A. Vasilieva
(signature)

27 March 2012

**CASH FLOW STATEMENT
for 2011**

	Form on OKUD	Codes
Company	Date (day, month, year)	0710004
Taxpayer identification number	OKPO	31/12/2011
Field of activity	INN	00040778
Legal form / property form	OKVED	7736050003
Open Joint Stock Company	OKOPF/OKFS	51
Unit of measurement: thousands of RR	OKEI	47 / 31
		384

Narrative	Line code	For reporting period	For the similar period of the prior year
Cash flows from operating activities			
Receipts - total,			
including	4110	4,088,906,915	3,639,426,150
from sale of goods, products, works and services	4111	3,977,157,600	3,318,886,147
rent payments, license payments, royalties, commissions and other payments	4112	-	-
resale of financial investments	4113	-	-
other receipts	4119	111,749,315	320,540,003
Payments - total,			
including	4120	(3,010,222,013)	(2,649,424,358)
to suppliers for raw materials, works, services	4121	(2,077,143,648)	(1,793,749,629)
wages and salaries	4122	(18,519,177)	(15,489,755)
interests on borrowings	4123	(63,108,748)	(70,150,132)
income tax	4124	(235,704,062)	(186,925,150)
other payments	4129	(615,746,378)	(583,109,692)
Net cash flows from operating activities	4100	1,078,684,902	990,001,792

Narrative	Line code	For reporting period	For the similar period of the prior year
Cash flows from investing activities			
Receipts - total, including	4210	87,522,492	136,100,408
from sales of non-current assets (except financial investments)	4211	402,636	264,636
from sales of shares of other entities (ownership interest)	4212	7,632,789	48,716,815
from return of loans issued, sales of debt securities (chose of possession of cash from third parties)	4213	13,857,998	39,171,322
dividends, interests from long term financial investments and receipts from participation in other organisations	4214	63,169,766	45,997,653
other receipts	4219	2,459,303	1,949,982
Payments - total, including	4220	(1,300,858,910)	(849,212,854)
purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(2,518,630)	(866,542)
purchase of other entities shares	4222	(110,245,235)	(100,739,851)
purchase of debt securities (chose of possession of cash from third parties), loans granted	4223	(6,620,924)	(21,452,624)
borrowing costs included to the cost of the investment assets	4224	-	-
other payments	4229	(1,181,474,121)	(726,153,837)
Net cash flows from investment activities	4200	(1,213,336,418)	(713,112,446)
Cash flows from financing activities			
Receipts - total, including	4310	265,700,827	127,536,178
borrowings and bank loans	4311	265,700,827	127,536,178
contributions of owners (participants)	4312	-	-
equity issue	4313	-	-
issue of bonds, promissory notes and other debt securities	4314	-	-
other receipts	4319	-	-

Narrative	Line code	For reporting period	For the similar period of the prior year
Payments - total, including	4320	(148,360,690)	(251,425,159)
to owners (participants) due to the fact of share buy-back or cessation of membership	4321	-	-
dividend payments or other distribution to owners	4322	(84,502,821)	(53,585,133)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	(63,857,869)	(197,840,026)
other payments	4329	-	-
Net cash flows from financing activities	4300	117,340,137	(123,888,981)
Net cash flows for the reporting period	4400	(17,311,379)	153,000,365
Cash and cash equivalents at the beginning of the reporting period	4450	207,711,797	61,688,654
Cash and cash equivalents at the end of the reporting period	4500	187,778,183	207,711,797
Foreign exchange rate difference	4490	(2,622,235)	(6,977,222)

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

Chief Accountant _____ E.A. Vasilieva
(signature)

27 March 2012

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

0710005 p. 1

1. INTANGIBLE ASSETS AND EXPENDITURE ON RESEARCH AND DEVELOPMENT

1.1 Movement of intangible assets

Narrative	Line code	Period	At the beginning of the year		Changes for period						At the end of the reporting year		
			Initial cost	Accumulated amortisation and impairment loss	Additions	Disposals		Accumulated depreciation	Impairment loss	Revaluation		Initial cost	Accumulated amortisation and impairment loss
						Initial cost	Accumulated amortisation and impairment loss			Initial cost	Accumulated amortisation and impairment loss		
Intangible assets - total	5100 5110	2011 2010	1,211,289 934,008	(810,943) (461,308)	163,307 277,314	- (33)	- 19	(193,599) (349,654)	- -	- -	- -	1,374,596 1,211,289	(1,004,542) (810,943)
including:													
Intellectual property (exclusive rights to intellectual property)	5101	2011	1,211,289	(810,943)	163,307	-	-	(193,599)	-	-	-	1,374,596	(1,004,542)
	5111	2010	934,008	(461,308)	277,314	(33)	19	(349,654)	-	-	-	1,211,289	(810,943)
Goodwill	5102	2011	-	-	-	-	-	-	-	-	-	-	-
	5112	2010	-	-	-	-	-	-	-	-	-	-	-
Other	5104	2011	-	-	-	-	-	-	-	-	-	-	-
	5114	2010	-	-	-	-	-	-	-	-	-	-	-

1.2 The initial value of intangible assets created by the company

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Total	5120	1,365,322	1,204,022	930,763
including:				
Intellectual property (exclusive rights to intellectual property)	5121	1,365,322	1,204,022	930,763
Other	5129	-	-	-

0710005 p. 2

1.3 Amortised intangible assets

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Total	5130	816,456	462,730	215,907
including:				
Intellectual property (exclusive rights to intellectual property)	5131	816,456	462,730	215,907
goodwill	5138	-	-	-
other	5139	-	-	-

1.4 Movement of the results of research and development

Narrative	Line code	Period	At the beginning of the year		Changes for the period			At the end of reporting period		
			Initial cost	Part of the cost recognised in expenses	Additions	Disposals	Part of the cost written off for the reporting year	Initial cost	Part of the cost recognised in expenses	
Research and development - total	5140	2011	18,831,752	(15,792,937)	4,192,771	-	-	(4,176,724)	23,024,523	(19,969,661)
	5150	2010	14,924,009	(12,534,481)	3,922,643	(14,900)	14,900	(3,273,356)	18,831,752	(15,792,937)

0710005 p. 3

1.5 Costs of research and development works and intangible assets acquisition in progress

Narrative	Line code	Period	At the beginning of reporting year	Costs for the period	Changes for the period		At the end of reporting period
					Written off to expenses (research and development without positive result)	Recognised as intangible assets and R & D	
Costs of R&D in progress - total	5160	2011	50,551	4,261,795	(32,545)	(4,254,851)	24,950
	5170	2010	236,389	4,100,334	(92,583)	(4,193,589)	50,551
Acquisitions of intangible assets in progress - total	5180	2011	1,318	24,386	-	(24,264)	1,440
	5190	2010	1,141	27,186	-	(27,009)	1,318

2. FIXED ASSETS

2.1 Movement of fixed assets

Narrative	Line code	Period	At the beginning of reporting year		Changes for a period						At the end of reporting period	
			Initial cost	Accumulated depreciation	Additions	Disposals		Depreciation	Revaluation		Initial cost	Accumulated depreciation
						Initial cost	Accumulated depreciation		Initial cost	Accumulated depreciation		
Fixed assets - total	5200	2011	11,241,310,336	(7,380,466,394)	713,014,183	(18,098,930)	15,833,098	(356,399,780)	1,819,567,086	(1,253,437,208)	13,755,792,675	(8,974,470,284)
	5210	2010	10,973,655,464	(7,054,400,658)	310,200,637	(42,545,765)	22,408,203	(348,473,939)	-	-	11,241,310,336	(7,380,466,394)
including:												
trunk pipelines	5201	2011	7,491,468,810	(5,099,795,901)	306,074,491	(2,625,060)	2,458,799	(207,356,251)	1,230,266,731	(856,246,002)	9,025,184,972	(6,160,939,355)
	5211	2010	7,406,115,191	(4,895,201,119)	88,850,828	(3,497,209)	2,390,570	(206,985,352)	-	-	7,491,468,810	(5,099,795,901)
wells	5202	2011	972,945,142	(719,891,795)	48,526,527	(3,244,787)	3,235,264	(31,879,651)	145,180,956	(109,039,116)	1,163,407,838	(857,575,298)
	5212	2010	955,360,918	(697,646,486)	28,699,227	(11,115,003)	6,876,552	(29,121,861)	-	-	972,945,142	(719,891,795)
machinery and equipment	5203	2011	1,319,575,430	(1,006,705,243)	146,165,891	(8,951,017)	8,236,731	(61,484,093)	229,139,841	(191,046,956)	1,685,930,145	(1,250,999,561)
	5213	2010	1,274,767,061	(957,638,051)	54,226,629	(9,418,260)	8,316,373	(57,383,565)	-	-	1,319,575,430	(1,006,705,243)
buildings and roads	5204	2011	736,528,391	(258,802,643)	45,479,549	(1,958,351)	853,786	(24,649,581)	122,994,185	(52,487,272)	903,043,774	(335,085,710)
	5214	2010	710,061,174	(234,856,183)	36,656,127	(10,188,910)	2,084,251	(26,030,711)	-	-	736,528,391	(258,802,643)
other FA	5205	2011	720,792,563	(295,270,812)	166,767,725	(1,319,715)	1,048,518	(31,030,204)	91,985,373	(44,617,862)	978,225,946	(369,870,360)
	5215	2010	627,351,120	(269,058,819)	101,767,826	(8,326,383)	2,740,457	(28,952,450)	-	-	720,792,563	(295,270,812)
Income-bearing investments												
in tangible assets - total	5220	2011	-	-	-	-	-	-	-	-	-	-
	5230	2010	-	-	-	-	-	-	-	-	-	-
including:												
trunk pipelines	5221	2011	-	-	-	-	-	-	-	-	-	-
	5231	2010	-	-	-	-	-	-	-	-	-	-
wells	5222	2011	-	-	-	-	-	-	-	-	-	-
	5232	2010	-	-	-	-	-	-	-	-	-	-
machinery and equipment	5223	2011	-	-	-	-	-	-	-	-	-	-
	5233	2010	-	-	-	-	-	-	-	-	-	-
buildings and roads	5224	2011	-	-	-	-	-	-	-	-	-	-
	5234	2010	-	-	-	-	-	-	-	-	-	-
other FA	5225	2011	-	-	-	-	-	-	-	-	-	-
	5235	2010	-	-	-	-	-	-	-	-	-	-

2.2 Capital investments in progress

Narrative	Line code	Period	At the beginning of reporting year	Changes for a period				At the end of reporting period
				costs for the period	written off	recognised as fixed assets or increased costs	other changes	
Construction and activity in progress on acquisition, modernisation etc. of fixed assets - total	5240	2011	12,789,182	726,556,619	(71,075)	(711,415,343)	(15,034,984)	12,824,399
	5250	2010	11,673,854	292,984,305	(190,125)	(276,095,063)	(15,583,789)	12,789,182
including:								
construction in progress	5241	2011	12,714,255	726,467,853	-	(711,415,343)	(14,946,244)	12,820,521
	5251	2010	11,598,927	292,984,305	(190,125)	(276,095,063)	(15,583,789)	12,714,255
equipment for installation	5242	2011	74,927	88,766	(71,075)	-	(88,740)	3,878
	5252	2010	74,927	-	-	-	-	74,927

2.3 The change of fixed assets cost as a result of completion, equipping, reconstruction or partial liquidation

Narrative	Line code	for 2011	for 2010
Increase in value of fixed assets as a result of completion, equipping, reconstruction - total	5260	5,049,680	8,864,375
including:			
trunk pipelines	5261	1,257,041	3,350,789
wells	5262	1,445,315	1,488,355
machinery and equipment	5263	1,573,345	1,692,120
buildings and roads	5264	206,370	1,160,620
other FA	5265	567,609	1,172,491
Reducing the cost of fixed assets as a result of partial liquidation - total	5270	(106,647)	(295,264)
including:			
trunk pipelines	5271	(50,494)	(14,033)
wells	5272	(783)	(75,252)
machinery and equipment	5273	(43,679)	(100,180)
buildings and roads	5274	(8,611)	(56,484)
other FA	5275	(3,080)	(49,315)

0710005 p. 6

2.4 Other use of fixed assets

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Leased out on-balance fixed assets	5280	4,686,354,405	3,799,338,479	3,869,110,689
Off-balance fixed assets subleased to third parties	5281	-	-	-
On-balance fixed assets received in finance lease	5282	-	-	-
Off-balance fixed assets received in operating lease	5283	28,239,505	16,335,434	16,229,147
Real estate actually used and in the process of state registration	5284	549,003,359	239,944,913	144,760,887
Transferred fixed assets	5285	29,301,044	18,315,870	10,510,723
Another use of fixed assets (pledged and others)	5286			
including:				
pledged fixed assets	5287	-	-	-

3. FINANCIAL INVESTMENTS

3.1 Movement of financial investments

Narrative	Line code	Period	At the beginning of reporting year		Additions	Changes for a period				At the end of reporting period	
			initial cost	accrued adjustment		Disposed (redeemed)		Other	Of the current market value (impairment loss)	initial cost	accrued adjustment
						initial cost	accrued adjustment				
Long term	5301	2011	1,521,896,843	9,470,274	205,873,973	(100,647,133)	-	732,425	91,673,348	1,627,856,108	101,143,622
financial assets - total	5311	2010	1,505,480,645	167,985,345	111,638,444	(92,002,829)	-	(3,219,417)	(158,515,071)	1,521,896,843	9,470,274
investments											
to charter capitals,	5302	2011	1,370,504,722	18,109,515	179,658,151	(83,426,986)	-	-	91,099,824	1,466,735,887	109,209,339
including:	5312	2010	1,354,095,308	169,671,842	62,633,466	(46,224,052)	-	-	(151,562,327)	1,370,504,722	18,109,515
investment											
to charter capitals	53021	2011	1,220,824,994	15,945,572	172,144,462	(10,993,873)	-	-	91,558,526	1,381,975,583	107,504,098
of subsidiaries	53121	2010	1,234,609,410	168,652,464	29,815,387	(43,599,803)	-	-	(152,706,892)	1,220,824,994	15,945,572
investment to charter	53022	2011	149,575,241	2,167,823	7,513,689	(72,433,113)	-	-	(458,702)	84,655,517	1,709,121
capitals of associates	53122	2010	119,379,277	1,023,274	32,818,079	(2,622,115)	-	-	1,144,549	149,575,241	2,167,823
investments											
to charter capitals	53023	2011	104,487	(3,880)	-	-	-	-	-	104,487	(3,880)
of other companies	53123	2010	106,621	(3,896)	-	(2,134)	-	-	16	104,487	(3,880)
other investments,	5303	2011	151,392,121	(8,639,241)	26,215,822	(17,220,147)	-	732,425	573,524	161,120,221	(8,065,717)
including:	5313	2010	151,385,337	(1,686,497)	49,004,978	(45,778,777)	-	(3,219,417)	(6,952,744)	151,392,121	(8,639,241)
loans granted	53031	2011	36,927,248	-	8,267,937	(13,857,998)	-	666,365	-	32,003,552	-
	53131	2010	53,019,562	(2,000)	26,452,624	(39,171,322)	-	(3,373,616)	2,000	36,927,248	-
joint activity	53032	2011	103,889,970	(8,639,241)	17,947,885	(2,453,973)	-	-	573,524	119,383,882	(8,065,717)
	53132	2010	81,943,460	(1,684,497)	22,552,354	(605,844)	-	-	(6,954,744)	103,889,970	(8,639,241)
promissory note	53033	2011	-	-	-	-	-	-	-	-	-
	53133	2010	-	-	-	-	-	-	-	-	-
deposits	53034	2011	10,204,777	-	-	(908,176)	-	66,060	-	9,362,661	-
	53134	2010	11,478,944	-	-	(1,281,601)	-	7,434	-	10,204,777	-
debentures	53035	2011	-	-	-	-	-	-	-	-	-
	53135	2010	-	-	-	-	-	-	-	-	-
others	53036	2011	370,126	-	-	-	-	-	-	370,126	-
	53136	2010	4,943,371	-	-	(4,720,010)	-	146,765	-	370,126	-
Short-term											
financial investments - total	5305	2011	6,094,924	-	35,694,931	(29,834,438)	-	130,414	-	12,085,831	-
	5315	2010	13,129,964	(30,190)	15,466,826	(22,588,948)	-	87,082	30,190	6,094,924	-
including:											
loans granted	5306	2011	2,147,013	-	33,833,901	(25,554,402)	-	130,414	-	10,556,926	-
	5316	2010	9,182,053	(7,695)	15,466,826	(22,588,948)	-	87,082	7,695	2,147,013	-
other investments,	5307	2011	3,947,911	-	1,861,030	(4,280,036)	-	-	-	1,528,905	-
including:	5317	2010	3,947,911	(22,495)	-	-	-	-	22,495	3,947,911	-
deposits	53071	2011	-	-	-	-	-	-	-	-	-
	53171	2010	-	-	-	-	-	-	-	-	-
promissory note	53072	2011	-	-	-	-	-	-	-	-	-
	53172	2010	-	-	-	-	-	-	-	-	-
debentures	53073	2011	-	-	-	-	-	-	-	-	-
	53173	2010	-	-	-	-	-	-	-	-	-
others	53074	2011	3,947,911	-	1,861,030	(4,280,036)	-	-	-	1,528,905	-
	53174	2010	3,947,911	(22,495)	-	-	-	-	22,495	3,947,911	-
Financial investments - total	5310	2010	1,518,610,609	167,955,155	127,105,270	(114,591,777)	-	(3,132,335)	(158,484,881)	1,527,991,767	9,470,274

3.2 Other use of financial investments

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Long-term financial investments pledged - total	5320	15,506,266	231,861	231,861
including:				
investments	5321	15,506,266	231,861	231,861
investments in subsidiaries	53211	15,274,405	-	-
investments in associates	53212	231,861	231,861	231,861
investments in other entities	53213	-	-	-
other long-term investments	5322			
promissory note	53221	-	-	-
debentures	53222	-	-	-
others	53223	-	-	-
Long-term financial investments passed to third parties (except sales) - total	5325	74,815	74,815	74,815
including:				
investments	5326	74,815	74,815	74,815
investments in subsidiaries	53261	74,815	74,815	74,815
investments in associates	53262	-	-	-
investments in other entities	53263	-	-	-
other long-term investments	5327			
promissory note	53271	-	-	-
debentures	53272	-	-	-
others	53273	-	-	-
Short-term financial investments pledged - total	5328	-	-	-
including:				
promissory note	53281	-	-	-
debentures	53282	-	-	-
others	53283	-	-	-
Short-term financial investments passed to third parties (except sales) - total	5329	-	-	-
including:				
promissory note	53291	-	-	-
debentures	53292	-	-	-
others	53293	-	-	-

4. INVENTORY

4.1 Movement of inventory

Narrative	Line code	Period	At the beginning of reporting year			Changes for a period				At the end of reporting period			
			cost	provision for the decrease in value of inventory	net book value	Additions	Disposals	Provision for the decrease in value of inventory	Inventory turnover between groups (types)	cost	provision for the decrease in value of inventory	net book value	
Inventory - total	5400	2011	245,146,165	-	245,146,165	1,843,237,662	(1,807,383,758)	-	-	-	281,000,069	-	281,000,069
	5420	2010	198,921,716	-	198,921,716	1,593,422,499	(1,547,198,050)	-	-	-	245,146,165	-	245,146,165
including:													
raw materials and other inventories	5401	2011	2,636,375	-	2,636,375	56,224,494	(56,009,050)	-	-	117,753	2,969,572	-	2,969,572
	5421	2010	2,345,850	-	2,345,850	49,287,023	(49,154,717)	-	-	158,219	2,636,375	-	2,636,375
work in progress	5403	2011	166,318,156	-	166,318,156	852,830,878	(481,590,057)	-	-	(351,182,888)	186,376,089	-	186,376,089
	5423	2010	138,162,013	-	138,162,013	787,513,957	(442,424,521)	-	-	(316,933,293)	166,318,156	-	166,318,156
finished goods and goods for resale	5404	2011	73,970,851	-	73,970,851	934,094,710	(369,711,808)	-	-	(548,220,344)	90,133,409	-	90,133,409
	5424	2010	55,786,523	-	55,786,523	755,956,184	(320,813,739)	-	-	(416,958,117)	73,970,851	-	73,970,851
goods dispatched	5405	2011	2,220,675	-	2,220,675	87,580	(900,072,793)	-	-	899,285,504	1,520,966	-	1,520,966
	5425	2010	2,627,222	-	2,627,222	665,335	(734,805,073)	-	-	733,733,191	2,220,675	-	2,220,675

5. ACCOUNT RECEIVABLE AND ACCOUNTS PAYABLE

5.1 The presence and movement of receivables

Narrative code	Line	Period	At the beginning of reporting year			Changes for a period				Transfer from long-term to short-term (and vice versa)		At the end of reporting period		
			Recognised under the terms of the contract	Provision for doubtful debt	As a result of transactions	Receivable on interest, penalties and other	Provision for doubtful debt	Settlement	Write-off to expenses	Recovery of the provision for doubtful debt	write-off from the provision	Recognised under the terms of the contract	Provision for doubtful debt	Recognised under the terms of the contract
Long-term accounts receivable - total	5501	2011	703,918,072	-	104,071,655	887,552	-	(128,521,601)	-	-	(159,717,790)	-	520,637,888	-
	5521	2010	565,444,150	-	260,376,896	889,350	-	(74,076,786)	-	-	(48,715,538)	-	703,918,072	-
including:														
buyers	5502	2011	484,100	-	-	-	-	(115,800)	-	-	(348,300)	-	-	-
and customers	5522	2010	928,500	-	-	-	-	-	-	-	(464,400)	-	464,100	-
advances issued	5503	2011	38,859,322	-	5,627	-	(47)	-	-	-	(9,921,529)	-	28,943,373	-
	5523	2010	-	-	38,859,322	-	-	-	-	-	-	-	38,859,322	-
other debtors	5504	2011	664,594,650	-	104,066,028	887,552	-	(128,405,754)	-	-	(149,447,961)	-	491,694,515	-
	5524	2010	564,515,650	-	221,517,574	889,350	-	(74,076,786)	-	-	(48,251,138)	-	664,594,650	-
Short-term accounts receivable - total	5510	2011	1,203,269,983	(53,193,524)	7,707,620,722	85,380,083	(24,651,906)	(7,225,134,670)	(93,070)	1,634,919	(1,211,083)	159,717,790	1,929,549,755	(74,999,428)
	5530	2010	901,392,078	(35,146,891)	5,986,160,868	59,147,990	(19,620,810)	(5,792,140,863)	(5,628)	1,574,177	-	48,715,538	1,203,269,983	(53,193,524)
including:														
buyers	5511	2011	453,379,067	(53,128,514)	4,227,835,976	-	(24,640,809)	(4,088,831,810)	(68,364)	1,634,919	(1,211,083)	348,300	591,452,086	(74,923,321)
and customers	5531	2010	359,022,301	(35,081,967)	3,475,991,153	-	(19,620,724)	(3,382,098,499)	(288)	1,574,177	-	464,400	453,379,067	(53,128,514)
advances issued	5512	2011	104,614,692	-	65,482,780	-	-	(162,668,078)	(1,474)	-	-	9,921,529	17,349,449	-
	5532	2010	39,472,908	-	154,077,730	-	-	(88,935,916)	(30)	-	-	-	104,614,692	-
outstanding shareholders' contributions to charter capital	5513	2011	-	-	-	-	-	-	-	-	-	-	-	-
	5533	2010	-	-	-	-	-	-	-	-	-	-	-	-
other debtors	5514	2011	645,276,224	(65,010)	3,414,301,966	85,380,083	(11,097)	(2,973,634,782)	(23,232)	-	-	149,447,961	1,320,748,220	(76,107)
	5534	2010	502,896,869	(64,924)	2,356,091,985	59,147,990	(86)	(2,321,106,448)	(5,310)	-	-	48,251,138	645,276,224	(65,010)
Accounts receivable - total	5500	2011	1,907,188,055	(53,193,524)	7,811,692,377	86,267,635	(24,651,906)	(7,353,656,271)	(93,070)	1,634,919	(1,211,083)	-	2,450,187,643	(74,999,428)
	5520	2010	1,466,836,228	(35,146,891)	6,246,537,764	60,037,340	(19,620,810)	(5,866,217,649)	(5,628)	1,574,177	-	-	1,907,188,055	(53,193,524)

5.2 Overdue receivable

Narrative	Line code	as at 31 December 2011		as at 31 December 2010		as at 31 December 2009	
		under a contract	net of doubtful debt provision	under a contract	net of doubtful debt provision	under a contract	net of doubtful debt provision
Overdue receivable - total	5540	183,023,939	108,078,284	192,663,795	139,524,044	136,351,422	101,258,304
including:							
buyers and customers	5541	157,681,026	82,757,705	167,450,685	114,322,171	96,290,960	61,208,993
advances issued	5542	6	6	-	-	-	-
other debtors	5543	25,342,907	25,320,573	25,213,110	25,201,873	40,060,462	40,049,311

5.3 Movement of accounts payable

Narrative	Line code	Period	Changes for a period						At the end of reporting period
			At the beginning of reporting year	as a result of transactions	additions payable on interest, penalties and other accruals	Disposals settlement	write-off to income	Transfer from long-term to short-term (and vice versa)	
Long-term accounts payable - total	5551	2011	4,240,609	-	-	-	-	(1,060,150)	3,180,459
	5571	2010	-	-	4,240,609	-	-	-	4,240,609
including:									
suppliers and contractors	5552	2011	-	-	-	-	-	-	-
	5572	2010	-	-	-	-	-	-	-
bills to pay	5553	2011	-	-	-	-	-	-	-
	5573	2010	-	-	-	-	-	-	-
restructured debt to budget and state non-budgetary funds	5554	2011	-	-	-	-	-	-	-
	5574	2010	-	-	-	-	-	-	-
advances received	5555	2011	-	-	-	-	-	-	-
	5575	2010	-	-	-	-	-	-	-
other creditors	5556	2011	4,240,609	-	-	-	-	(1,060,150)	3,180,459
	5576	2010	-	-	4,240,609	-	-	-	4,240,609
Short-term accounts payable - total	5560	2011	502,883,091	3,902,704,554	91,303,060	(3,972,347,426)	(349)	1,060,150	525,603,080
	5580	2010	299,453,240	3,410,414,416	58,030,737	(3,265,014,404)	(898)	-	502,883,091
including:									
suppliers and contractors	5561	2011	307,451,964	2,304,733,765	-	(2,251,884,111)	-	-	360,301,618
	5581	2010	185,960,714	1,974,891,567	-	(1,853,400,237)	(80)	-	307,451,964
bills to pay	5562	2011	-	-	-	-	-	-	-
	5582	2010	-	-	-	-	-	-	-
payable to employees of organisation	5563	2011	253,725	24,869,005	-	(24,928,016)	-	-	194,714
	5583	2010	120,419	18,920,251	-	(18,786,945)	-	-	253,725
payable to state non-budgetary funds	5564	2011	52,812	3,596,033	88	(3,600,106)	-	-	48,827
	5584	2010	73,658	2,235,058	-	(2,255,904)	-	-	52,812
payable to budget	5565	2011	41,231,679	650,984,698	38,267	(646,942,660)	-	-	45,311,984
	5585	2010	43,010,880	527,644,484	-	(529,423,685)	-	-	41,231,679
advances received	5566	2011	136,150,704	760,419,109	-	(814,162,607)	(30)	-	82,407,176
	5586	2010	10,961,983	664,568,772	-	(539,380,051)	-	-	136,150,704
dividends payable to participants (shareholders)	5567	2011	722,068	-	91,143,024	(91,572,495)	(265)	-	292,332
	5587	2010	433,806	-	56,579,696	(56,290,647)	(787)	-	722,068
other creditors	5568	2011	17,020,139	158,101,944	121,681	(139,257,431)	(54)	1,060,150	37,046,429
	5588	2010	58,891,780	222,154,284	1,451,041	(265,476,935)	(31)	-	17,020,139
Accounts payable - total	5550	2011	507,123,700	3,902,704,554	91,303,060	(3,972,347,426)	(349)	-	528,783,539
	5570	2010	299,453,240	3,410,414,416	62,271,346	(3,265,014,404)	(898)	-	507,123,700

5.4 Overdue payable

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Overdue payable - total	5590	163,072,703	108,980,537	51,043,357
including:				
suppliers and contractors	5591	162,929,671	108,606,795	50,646,495
bills to pay	5592	-	-	-
advances received	5593	-	-	-
dividends payable to participants (shareholders)	5594	-	-	-
other creditors	5599	143,032	373,742	396,862

6. COST OF PRODUCTION

Narrative	Line code	for 2011	for 2010
Material costs	5610	1,106,271,784	1,018,649,727
Payroll expenses	5620	21,764,868	18,305,554
Allocations for social needs	5630	3,676,867	2,623,974
Depreciation and amortisation	5640	359,699,217	345,545,551
Other expenses	5650	47,949,611	41,240,929
Total	5660	1,539,362,347	1,426,365,735
Changes in the balance:			
Increase ([-]):	5670		
finished goods	5671	(87,276,355)	(77,258,806)
others (except farm turnover costs)	5672	(354,530,625)	(318,299,191)
Decrease ([+]):	5680		
finished goods	5681	13,260,170	13,939,583
goods for resale	5682	356,362,514	306,848,906
goods dispatched	5683	898,705,884	733,969,415
Changes in the balance of work in progress (increase [-], decrease (+))	5690	(20,057,933)	(28,156,143)
Total general expenses	5600	2,345,826,002	2,057,409,499

7. ESTIMATED LIABILITY

Narrative	Line code	At the beginning of the year	Recognised	Used	Written-off as exhaustive	At the end of reporting period
Estimated liability - total	5700	3,544,043	5,005,114	(4,331,999)	-	4,217,158
onerous contracts	5702	-	-	-	-	-
liabilities of coming restructurisation of organisational activity	5703	-	-	-	-	-
given guarantee commitment	5704	-	-	-	-	-
legal proceedings	5705	-	-	-	-	-
other estimated liability	5706	38,859	330,832	(208,570)	-	161,121
liabilities of pay consideration at the year-end results	5707	2,134,381	2,431,726	(2,188,562)	-	2,377,545
liability of vacation payment	5708	1,370,803	2,242,556	(1,934,867)	-	1,678,492
including repayment period up to 1 year		3,544,043				4,217,158

8. SECURITY

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
Received - total	5800	717,242	4,388,841	69,716,172
including:				
promissory note	5801	-	-	-
Assets under pledge	5802	677,110	4,339,939	69,662,777
including:				
fixed assets	5803	677,110	4,339,939	4,339,939
securities and other financial investments	5804	-	-	65,322,838
other	5805	-	-	-
Issued - total	5810	419,086,120	397,008,630	276,844,764
including:				
promissory note	5811	-	-	-
Assets under pledge	5812	17,101,145	127,482	125,265
including:				
fixed assets	5813	-	-	-
securities and other financial investments	5814	17,101,145	127,482	125,265
other	5815	-	-	-

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

Chief Accountant _____ E.A. Vasilieva
(signature)

27 March 2012

**ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)**

1. GENERAL INFORMATION

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

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

As of 31 December 2011, 2010, 2009 the Company employed 22,092; 20,865 and 17,270 persons, respectively.

Due to the amendments made in the Federal Law of 13 December 1994 No. 60-FZ “On Products Supplies for the Federal Needs” and Federal Law of 13 December 1996 No. 150-FZ “On Weapons” and the necessity to ensure the security of the Unified gas supply system facilities, the Security Services of OAO Gazprom, its subsidiaries and organizations were restructured and OAO Gazprom branches were founded. In 2010 and 2011 planned recruitment of staff to inter-regional security divisions was performed in accordance with the recruitment schedule, this resulted in the increased number of employees.

As of 31 December 2011 members of the Board of Directors of OAO Gazprom included:

Zubkov, Victor Alekseevich – Chairman of the Board of Directors

Akimov, Andrey Igorevich	Mau, Vladimir Alexandrovich
Ananenkov, Alexander Georgievich	Miller, Alexei Borisovich
Gazizullin, Farit Rafikovich	Musin, Valery Abramovich
Karpel, Elena Evgenievna	Sereda, Mikhail Leonidovich
Kulibaev, Timur Askarovich	Yusufov, Igor Khanukovich

As of 31 December 2011 members of the Management Committee of OAO Gazprom included:

Miller, Alexei Borisovich – Chairman of the Management Committee

Aksyutin, Oleg Evgenievich	Medvedev, Alexander Ivanovich
Vasilieva, Elena Alexandrovna	Pavlova, Olga Petrovna
Golko, Yaroslav Yaroslavovich	Rusakova, Vlada Vilorikovna
Golubev, Valery Alexandrovich	Seleznev, Kirill Gennadiyevich
Dubik, Nikolay Nikolayevich	Fedorov, Igor Yuryevich
Ilyushin, Victor Vasilievich	Khomyakov, Sergei Fedorovich
Kozlov, Alexander Nikolayevich	Cherepanov, Vsevolod Vladimirovich
Kruglov, Andrei Viacheslavovich	

As of 31 December 2011 members of the Internal Audit Commission of OAO Gazprom included:

Tikhonova, Maria Gennadiyevna – Chairman of the Internal Audit Commission

Arkhipov, Dmitry Alexandrovich	Nosov, Yury Stanislavovich
Bikulov, Vadim Kasymovich	Nesterova, Anna Borisovna
Mironov, Alexey Borisovich	Pesotsky, Konstantin Valeriyevich
Morozova, Lydia Vasilievna	Yugov, Aleksander Sergeyevich

OA OGAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law 'On Accounting' dated 21 November 1996 No.129-FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No.34n, as well as the Accounting Policy Regulation approved by order of OAO Gazprom of 30 December 2010 No.371.

Assets and liabilities are measured at actual purchase costs, except for regularly re-valued fixed assets at the current (replacement) value, investments for which current market price is determinable and assets for which impairment provisions have been formed in accordance with the generally accepted procedure.

Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate effective at the date of the relevant transaction. Cash in currency and deposit accounts with banks, cash in hand, securities (except for shares), accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official rouble exchange rate as of the reporting date. As of 31 December 2011 the rates of exchange were RR 32.1961 to USD 1 (as of 31 December 2010 – RR 30.4769, 31 December 2009 – RR 30.2442) and RR 41.6714 to EUR 1 (as of 31 December 2010 – RR 40.3331, 31 December 2009 – RR 43.3883).

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

Current and non-current assets and liabilities

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

Research and development

The balance sheet line "Results of research and development" includes expenses for completed research and development works, which are not subject to legal safeguard in accordance with the effective legislation and which results are used for the company's production or management needs. These expenses are written-off against costs of production (works, services) during the year starting from the date of their actual use for production of products (works, services) on a straight-line basis by decreasing their historical cost. In addition, the above amount includes cost of purchase and creation of incomplete R&D accounted for within investments in non-current assets.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting standard "Accounting for fixed assets" (RAR 6/01) approved by the order of the Russian Ministry of Finance dated 30 March 2001, No. 26n and were recorded under the established procedure.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

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

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within fixed assets in a separate line.

As of 31 December 2011 the Company performed revaluation of land plots, buildings, facilities, machinery and equipment, transport vehicles, tools and other fixed assets at their current replacement cost determined by an independent appraiser. Revaluation results are accounted for within the balance sheet data as of 31 December 2011 and disclosed in Note 5 “Fixed assets”».

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

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

Fixed assets are depreciated on a straight line basis.

The following assets are not depreciated:

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

Assets that comply with the criteria of their recognising as fixed assets and with value below RR 40,000 (inclusively) per unit are recorded within inventory including assets (tools and other inventory) and special clothing, which are not fully consumed after their transfer to production and their useful life does not exceed 12 months. Prior to 1 January 2011 assets with the cost below RR 20,000 per unit were accounted for within inventory. To ensure safety of these assets recorded within inventory when they are transferred in production or operation the Company implemented the control over their movements. Fixed assets with the value between RR 20,000 and RR 40,000 which are recorded prior to 1 January 2011 are accounted for within fixed assets and depreciated under the generally accepted procedure.

OA O GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

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

Investments in non-current assets

Investments in non-current assets include real property assets that have not been completed or put into operation, equipment subject to assemblage and other investments in non-current assets which were not recorded within fixed assets or intangible assets. Equipment that doesn't require assemblage, but is stored in warehouses and intended for use at facilities under construction, is recorded separately within construction in progress.

The above assets are recognised in the balance sheet line "Results of research and development" (line 1120) and in additional lines in the following items "Intangible assets" (line 1110) and "Fixed assets" (line 1130) depending on the group of assets within which these assets will be accounted for when the relevant investments in non-currents assets are completed.

Investments

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

Investments for which the market value is determinable are recognised for accounting and reporting purposes as of the end of the reporting period by types of their current market value. This value is determined at their average daily price (quote) for the transactions effected during the selling day at Moscow Interbank Currency Exchange and calculated under the procedure specified by the institutor of trading on the securities market. The current market value can be determined based on data of other institutors of trading including foreign ones having the respective license issued by the national authorised body. The difference between the market value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

Investments for which the fair market value cannot be reliably measured and significant and constant impairment indicators exist at the reporting date are presented in the year end balance sheet at their carrying (book) value net of the impairment provision. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. For the purposes of determining the provision amount the Company estimated the cost of investments, for which significant and constant impairment indicators exist, on the basis of the available information and created the investment impairment provision in the amount by which the carrying value (historical cost) of investments exceeded their estimated value. Changes in the above provision resulting from the year-end stock-take are posted to other expenses and income.

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

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

Inventories

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

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

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

Work-in-progress

The balance sheet line “Work-in-progress” includes gas transportation and storage costs attributable to outstanding gas balances.

Selling and administrative costs

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

Administrative costs are expensed in full on a monthly basis.

Expenses related to future periods

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

- if in less than 12 months of the reporting period – within current assets (in the balance sheet line 1260 “Other current assets”);
- if in more than 12 months of the reporting period – within non-current assets (in the balance sheet line 1170 “Other non-current assets”).

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

Accounts receivable and accounts payable

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

Unsecured overdue trade receivables are stated net of bad debt provisions. Bad debt provisions are recorded within other expenses. A corresponding amount of the provision is released after settlement of doubtful receivables previously provided for as bad debts.

In table form 5.1 “The presence and movement of receivables” of the notes to the balance sheet and income statement the accounts receivable which arise and are repaid (written off) in the same reporting period are disclosed on a gross-up basis. Accounts payable are disclosed in a similar manner.

Cash equivalents and presentation of cash flows in the cash flow statement

Cash equivalents comprise current highly liquid investments which are readily convertible into a predictable amount of cash and are exposed to an insignificant risk of changes in value.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

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

The Company recognises within cash equivalents its short-term bank deposits with a maturity of up to 3 months and includes them in the balance sheet line “Cash and cash equivalents”.

The Company’s cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the statement of cash flows. These cash flows include indirect taxes paid to the budget and their reimbursements received from the budget.

Data about availability and movement of cash flows denominated in foreign currency the purposes of presentation in the cash flow statement, are translated into roubles at the official foreign currency exchange rate set by the Central Bank of Russia as of the date of payment or receipt thereof.

Any difference arising on translation of foreign currency-denominated cash flows, cash balances and cash equivalents at the exchange rates as of date of transactions and reporting dates is included in line “Effect of changes in the Russian rouble exchange rate” in the cash flow statement.

The following items are presented on a net basis in the cash flow statement:

- receipts and payments arising from foreign exchange transactions;
- the agent’s cash flows due to rendering agency services (except for the fees for services rendered);
- cash flows characterised by prompt turnover, large volume and short repayment periods;
- other settlements that relate to the operations of company’s counterparties rather than its own operations.

Due to the changes in the procedure for preparing cash flow statement introduced by the Russian accounting standard (RAR 23/2011) “Cash flow statement” approved by the order of the Russian Ministry of Finance dated 2 February 2011, No.11n, starting from the 2011 financial statements indirect taxes within payments to suppliers and contractors from buyers and customers shall be presented on a net basis. The Company makes changes in automated accounting system that enable fairly assess the amount of indirect taxes required to make settlements for the purposes of the 2012 financial statements. Based on rationality requirement the Company recognised indirect taxes in full amount both within payments to suppliers and contractors and proceeds from buyers and customers in the cash flow statement when preparing the 2011 financial statements.

Loans and borrowings received

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

Loans and (or) borrowings payable by the Company are recognized in the amount of actually received cash.

Loans and borrowings raised by the Company are mainly intended for corporate purposes. Under the contracts for the implementation of investment projects the Company provides its subsidiaries that act as property developers in these projects with loans. The Company does not calculate a share of interest on loans and borrowings which are not directly associated with financing the investing activities to be included in the investment asset. This accounting treatment is based on the rationality requirement.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

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

Estimated liabilities and contingent liabilities

The Company recognizes in accounting the following estimated liabilities:

- remuneration based on annual performance results;
- payments of vacations;
- compensation payable to employees upon their retirement.

Liabilities related to payments of the annual remuneration based on annual performance results are determined on the basis of stock take results and the adopted procedure for calculating remuneration based on annual performance results.

Liabilities related to vacation payments is determined based on the number of basic and additional vacation day earned but not used by all employees during their service at the Company as of the reporting date and their average daily salary.

The above estimated liabilities are recognised as of the reporting date.

Liabilities related to payments of one-time allowance upon retirement are made as of the date of the Company's employee reaching pension age and ceased upon expiration of six months from the reporting date.

Estimated liabilities are recognised within expenses incurred in ordinary activities and other expenses.

Estimated liabilities are recognised in the balance sheet line 1540 "Estimated liabilities".

Deferred taxes

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

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

Revenue recognition

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

Segment information

The Company, its subsidiaries and associated companies (hereinafter – Gazprom Group) operates as a vertically-integrated business. The principal activities of Gazprom Group are exploration, production, gas transportation and storage, sales of gas in the Russian Federation and abroad, oil and gas condensate production, sale of oil and gas condensate, oil, gas condensate and other hydrocarbons refining and sales of refined products, sales of electricity and heat. Management information which results are analysed on a regular basis by the Company' chief operating decision-makers responsible for distribution of resources within the Company and assessment of these results is prepared with regard to Gazprom Group operations. Considering the fact that the Company's activities as a legal entity and its managing the Group's operations are tightly connected, the management decisions and distribution of resources are performed by the persons having the respective powers on the Group's level; separate management accounts that related to the Company's operations exclusively and do not cover the whole Group are not prepared with breakdown by directions. Therefore, segment information is disclosed in Gazprom Group consolidated financial statements.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

3. CHANGES IN THE ACCOUNTING POLICIES

Changes in the 2011 accounting policies

In connection with amendments made in the accounting pronouncements the Company's accounting policies for 2011 were amended as follows:

Order of the Russian Ministry of Finance No. 66n "On the forms of the entity's financial statements" dated 2 July 2010 becomes effective for the Company starting from the financial statements for 2011. Due to the differences in presentation of data in the financial statement forms according to the above order and procedure for presenting the reporting data in the financial statements for 2010 (according to Order No. 67n of the Russian Ministry of Finance dated 22 July 2003), certain reporting data for 2009 and 2010 presented as comparative data in the financial statements for 2011 in different lines.

In accordance with Russian Ministry of Finance Order No.186n dated 24 December 2010, accounting regulations have been amended effective from 2011, which resulted in amendments in the Company's accounting policies for 2011. These amendments in the accounting policies resulted in the necessity to adjust data of prior reporting periods in the annual financial statements for 2011, such adjustments are disclosed in the same-name section of the Explanatory Notes

Changes in the accounting treatment of fixed assets and intangible assets

Starting from 2011, items of fixed assets with the cost not exceeding RR 40 thousand per unit may be accounted for within inventory. Prior to 1 January 2011 assets with the cost below RR 20 thousand per unit were accounted for within inventory. Assets with the cost between RR 20 thousand and 40 thousand recorded prior to 1 January 2011 are accounted for within fixed assets and depreciated under the generally accepted procedure (Note 2).

Starting from 2011, completed and commissioned real property assets with the title registered as appropriate are accounted for separately within fixed assets, including those assets for which title registration documents have not been filed with state agencies (Note 2). Prior to 2011, assets for which title registration documents have not been filed with state agencies were not allowed to be recorded within fixed assets.

Starting from 2011, revaluation of fixed assets and intangible assets is recorded as of the end of the reporting year. Prior to 2011, the above revaluation was recorded as of 1 January of the year following the reporting one.

Starting from 2011 the fixed asset revaluation write-down and surplus may be charged either to additional capital or other expenses (other income) depending on current and prior year revaluation results (Note 5). Prior to 2011, the fixed asset revaluation write-down and surplus in the above cases were included within additional capital or retained earnings (accumulated loss) depending on current and prior year revaluation results.

Starting from 2011, the provision prohibiting revaluation of land plots and natural resources sites (para 43 of the Guidelines on accounting for property, plant and equipment adopted by order of the Russian Ministry of Finance No. 91n dated 13 October 2003) was cancelled.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

3. CHANGES IN THE ACCOUNTING POLICIES (continued)

Changes in the accounting treatment of the doubtful debt provision

Starting from 2011, the Company creates a bad debt provision, if accounts receivable are deemed doubtful. Prior to 2011, the bad debt provision was accrued only for trade accounts receivable.

Starting from 2011, accounts receivable are deemed doubtful, if they are past due or are most likely not to be settled in due time, and are unsecured.

Prior to 2011, only past due accounts receivable were deemed as bad debt.

Changes in income tax recognition

Starting from 2011, in the event of changes in profit tax rate, deferred tax assets and deferred tax liabilities are subject to recalculation as at the date preceding the date of applying such new rate(s). The difference arising from such recalculation shall be recognised within profit and loss for the reporting period.

Prior to 2011, if there are changes in profit tax rates, deferred tax assets and deferred tax liabilities shall be subject to recalculation with resulting differences being posted to the retained profit (accumulated loss) account.

Changes resulting from enactment of RAR 8/2010

Starting from 2011, the Company recognises estimated liabilities for earned but unused employee vacations. In addition, the Company recognises estimated liabilities for paying one-time allowance upon retirement and the annual remuneration based on annual performance results. Prior to 2011, the Company did not recognise the above estimated liabilities.

Provisions for contingent events and forthcoming expenses, payments of the annual remuneration based on annual performance results that were made by the Company in earlier periods were cancelled.

Changes in the accounting policies for 2012

No significant changes have been introduced in the 2011 accounting policies. In 2012, new accounting pronouncements that amend the accounting and reporting procedure, in particular the Russian accounting standard (RAR 24/2011) “Accounting for expenses associated with mineral resources development” approved by the order of the Russian Ministry of Finance dated 6 October 2011 No. 125n come into effect, therefore, the Company’s accounting policies may be significantly amended.

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA

Some data of column “As of 31 December 2010” and “As of 31 December 2009” on the balance sheet was calculated by adjusting the closing balances as of 31 December 2010 and 2009 due to the below events:

1. The Company revalued its fixed assets as of 1 January 2010 on the basis of the report of an independent appraiser. No revaluation of fixed assets as of 1 January 2011 was performed. The results of the above revaluations were included in the Company’s financial statements data for 2009 but not for 2010, respectively in accordance with the changes in the accounting policies for 2011 related to the revaluation date and the procedure for recognising such results for accounting and reporting purposes (adjustment No. 1).

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)

2. Changes in the Company's accounting policies related to the recognition of estimated liabilities, contingent liabilities and contingent assets for accounting and reporting purposes called for adjustments to the respective 2009 and 2010 data (adjustment No. 2).

3. Changes in the Company's accounting policies related to accounting for and reporting of completed and commissioned real property assets with a title not duly registered. These assets shall be accounted for separately within fixed assets, including those assets whose documents have not been filed with state agencies for title registration. To ensure data comparability the respective data for 2009 and 2010 were adjusted. When assessing the effects of the considered change in the accounting policies, the results of these assets revaluation that might be possible, if they were recorded within fixed assets as of the dates of respective revaluations were not considered (adjustment No. 3).

4. Changes in the Company's accounting policies related to accounting and reporting of real property assets sales. When transferring the sold asset to the buyer prior to title transfer from the buyer to the purchaser, real property assets shall be included within goods dispatched. Prior to 1 January 2011, these assets were recorded in the balance sheet line "Fixed assets" from the date of transferring the asset through the date of their registration with state agencies. To ensure data comparability the respective 2009 and 2010 data were adjusted (adjustment No. 4).

5. As of the beginning of the reporting year the Company had overdue advances to suppliers and accounts receivable that are very likely to become uncollectible which should have been provided for in prior reporting periods (as of 31 December 2010 and 31 December 2009) due to changes in the procedure for calculating bad debt provisions. Therefore, the respective prior year data have been adjusted (adjustment No. 5).

6. Changes in the Company's accounting policies on accounting and reporting of expenses related to future periods made it necessary to adjust the respective 2009 and 2010 data. Insurance expenses were transferred to line "Accounts receivable" (line 1230) (adjustment No. 6).

7. Changes in the procedure for recognising the expenses for developing natural resources in the Company's accounting reports made it necessary to adjust the respective 2009 and 2010 data. Expenses for developing natural resources were transferred from capital investments in progress to line "Other non-current assets" (line 1170) (adjustment No. 7).

8. Changes in the financial statement forms in accordance with the order of the Russian Ministry of Finance dated 2 July 2010 No. 66n related to recognising the expenses for intangible assets and R&D effective from 2011. The respective expenses were transferred from capital investments in progress and other non-current assets to items "Intangible assets" (line 1110) and "Results of research and development" (line 1120) (adjustment No. 7).

9. Changes in the procedure for recognising cash equivalents in the Company's accounting reports made it necessary to adjust the respective 2009 and 2010 data. Cash equivalents were transferred from investments to item "Cash and cash equivalents" (line 1250) (adjustment No. 9).

10. Changes in the procedure for recognising dividends payable to the participants (founders) in the Company's accounting reports made it necessary to adjust the respective 2009 and 2010. Dividends payable to participants (shareholders) were transferred to line "Accounts payable" (line 1520) (adjustment No. 10).

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)

Adjustments to the 2009 and 2010 data in the annual financial statements for 2011:

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment	Adjusted
2009 data adjustments					
Balance sheet:					
1110	Intangible assets	233,375	8	240,466	473,841
1120	Results of research and development	-	8	2,625,917	2,625,917
1131					
	Fixed asset items	3,292,919,128	1,3,4	626,335,678	3,919,254,806
1134	Capital investments in progress	162,222,409	3,7,8	(150,548,555)	11,673,854
1160	Deferred tax assets	8,951,991	2	140,828	9,092,819
1170					
	Other non-current assets	46,826,982	7,8	2,921,285	49,748,267
1100	Total section I	5,139,024,466		481 715 619	5,620,740,085
1210	Inventories	206,879,907	4,6	(7,958,191)	198,921,716
1215	Goods dispatched	1,797,430	4	829,792	2,627,222
- ¹	Expenses related to future periods	8,787,983	6	(8,787,983)	-
1235	Accounts receivable (payments expected within 12 months after the reporting date)	864,494,248	5,6	1,750,939	866,245,187
1239	Other debtors	501,081,006	5,6	1,750,939	502,831,945
1240	Financial investments (less cash equivalents)	58,695,234	9	(51)	58,695,183
1250	Cash and cash equivalents	61,688,603	9	51	61,688,654
1259	Other cash and cash equivalents	3,812,360	9	51	3,812,411
1260	Other current assets	2,681	6	6,972,120	6,974,801
1200	Total Section II	1,811,712,891		764,868	1,812,477,759
1600	Balance	6,950,737,357		482,480,487	7,433,217,844

OA O GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment	Adjusted
1340	Non-current assets revaluation	-	1	3,771,562,864	3,771,562,864
- ¹	Additional capital	3,288,669,802	1	3,288,669,802	-
1370	Retained earnings (accumulated loss)	1,983,016,052	1,2,5	(1,649,715)	1,981,366,337
1300	Total Section III	5,398,689,419		481,243,347	5,879,932,766
1520	Accounts payable	299,019,434	10	433,806	299,453,240
- ¹	Dividends payable to participants (shareholders)	433,806	10	(433,806)	-
- ¹	Reserves for future expenses and payments	18,092,357	2	(18,092,357)	-
1540	Estimated liabilities	-	2	19,329,497	19,329,497
1500	Total section V	480,839,220		1,237,140	482,076,360
1700	Balance	6,950,737,357		482,480,487	7,433,217,844
Statement of changes in equity					
3600	Net assets	5,398,689,419	1,2,5	481,243,347	5,879,932,766
2010 data adjustments					
Balance sheet					
1110	Intangible assets	176,976	8	224,688	401,664
1120	Results of research and development	-	8	3,089,366	3,089,366
1131	Fixed asset items	3,621,565,477	3,4	239,278,465	3,860,843,942
1134	Capital investments in progress	268,896,216	3,7,8	(256,107,034)	12,789,182
1160	Deferred tax assets	11,325,511	2	214,562	11,540,073
1170	Other non-current assets	51,906,244	7,8	12,848,067	64,754,311
1100	Total section I	5,471,134,457		(451,886)	5,470,682,571
1210	Inventories	255,445,169	4,6	(10,299,004)	245,146,165
1215	Goods dispatched	1,554,227	4	666,448	2,220,675
- ¹	Expenses related to future periods	10,965,452	6	(10,965,452)	-
1235	Accounts receivable (payments expected within 12 months after the reporting date)	1,148,339,055	5,6	1,737,404	1,150,076,459
1239	Other debtors	643,473,810	5,6	1,737,404	645,211,214
1240	Financial investments (less cash equivalents)	20,198,059	9	(51)	20,198,008
1250	Cash and cash equivalents	207,711,746	9	51	207,711,797
1259	Other cash and cash equivalents	3,811,380	9	51	3,811,431
1260	Other current assets	21,672	6	9,163,038	9,184,710
1200	Total Section II	2,356,823,254		601,438	2,357,424,692
1600	Balance	7,827,957,711		149,552	7,828,107,263

OA O GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment	Adjusted
1340	Non-current assets revaluation	-	1	3,769,181,002	3,769,181,002
- ¹	Additional capital	3,769,181,002	1	(3,769,181,002)	-
1370	Retained earnings (accumulated loss)	2,292,965,777	2,5	(1,260,110)	2,291,705,667
1300	Total Section III	6,189,150,344		(1,260,110)	6,187,890,234
1520	Accounts payable	502,161,023	10	722,068	502,883,091
- ¹	Dividends payable to participants (shareholders)	722,068	10	(722,068)	-
- ¹	Reserves for future expenses and payments	2,134,381	2	(2,134,381)	-
1540	Estimated liabilities	-	2	3,544,043	3,544,043
1500	Total section V	634,908,598		1,409,662	636,318,260
1700	Balance	7,827,957,711		149,552	7,828,107,263
Income statement					
2120	Cost of sales	(1,250,746,262)	2	(149,124)	(1,250,895,386)
2220	Management expenses	(47,059,362)	2	(227,094)	(47,286,456)
2340	Other income	2,302,482,271	2	203,697	2,302,685,968
2350	Other expenses	(2,577,901,278)	5	(86)	(2,577,901,364)
2300	Profit (loss) before taxation	525,173,441		(172,607)	525,000,834
2430	Changes in deferred tax liabilities	-	2	12,697,054	12,697,054
- ¹	Deferred tax liabilities	12,697,054	2	(12,697,054)	-
2450	Changes in deferred tax assets	-	2	2,503,623	2,503,623
- ¹	Deferred tax assets	2,429,890	2	(2,429,890)	-
2421	Permanent tax liabilities (assets)	65,221,308	2,5	(39,211)	65,182,097
Statement of changes in equity					
3600	Net assets	6,189,150,344	2,5	(1,260,110)	6,187,890,234

Due to the changes in presentation of cash inflow and outflow in cash flow statement the comparative data presented in the 2010 cash flow statement were adjusted including:

1. translation of cash flows denominated in foreign currency at the CB RF exchange rate as of the date of transaction (previously, the exchange rate as of the reporting date was applied);
2. recognition of highly liquid investments within cash equivalents;
3. recognition of foreign exchange transactions within cash flows from operating activities on a net basis;
4. recognition of short-term loans issued and proceeds from repayment of short-term loans issued within cash flows from operating activities (adjustment No. 1);
5. recognition of financing (contributions in property) provided to subsidiaries within cash flows from operating activities (adjustment No. 2);
6. recognition of dividend payments and other payments associated with profit distribution to owners (participants) within cash flows from financing activities (adjustment No. 3).

OA0 GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)

Material adjustments are provided below:

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment	Adjusted
Cash flows from operating activities					
4110	Receipts - total	5,607,166,218	1	(1,967,740,068)	3,639,426,150
4120	Payments - total	(4,581,516,586)	1,2,3	1,932,092,228	(2,649,424,358)
4100	Net cash flows from operating activities	1,025,649,632		(35,647,840)	990,001,792
Cash flows from investing activities					
4210	Receipts - total	152,788,206	1	(16,687,798)	136,100,408
4220	Payments - total	(960,463,033)	1,2	111,250,179	(849,212,854)
4200	Net cash flows from investment activities	(807,674,827)		94,562,381	(713,112,446)
Cash flows from financing activities					
4310	Receipts - total	125,647,558		1,888,620	127,536,178
4320	Payments - total	(197,109,099)	3	(54,316,060)	(251,425,159)
4300	Net cash flows from financing activities	(71,461,541)		(52,427,440)	(123,888,981)

5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31 December 2009						
Historical (replacement) cost	7,406,115,191	955,360,918	1,274,767,061	424,746,451	912,665,843	10,973,655,464
Accumulated depreciation	4,895,201,119	697,646,486	957,638,051	174,458,228	329,456,774	7,054,400,658
Net book value	2,510,914,072	257,714,432	317,129,010	250,288,223	583,209,069	3,919,254,806
As of 31 December 2010						
Historical (replacement) cost	7,491,468,810	972,945,142	1,319,575,430	442,875,395	1,014,445,559	11,241,310,336
Accumulated depreciation	5,099,795,901	719,891,795	1,006,705,243	187,723,313	366,350,142	7,380,466,394
Net book value	2,391,672,909	253,053,347	312,870,187	255,152,082	648,095,417	3,860,843,942
As of 31 December 2011						
Historical (replacement) cost	9,025,184,972	1,163,407,838	1,685,930,145	565,181,012	1,316,088,708	13,755,792,675
Accumulated depreciation	6,160,939,355	857,575,298	1,250,999,561	243,257,178	461,698,892	8,974,470,284
Net book value	2,864,245,617	305,832,540	434,930,584	321,923,834	854,389,816	4,781,322,391

Net book value of fixed assets leased out to subsidiaries amounted to 4,639,193,813; 3,787,704,605 and 3,869,110,689 as of 31 December 2011, 2010 and 2009, respectively.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

5. FIXED ASSETS (continued)

As of 31 December 2011, 2010 and 2009 fixed assets include real property assets which had been constructed and put into operation but were still to be registered in the State Register amounting to 549,003,359; 239,944,913 and 144,760,887, respectively (net of accumulated depreciation amounting 5,406,165; 2,328,049 and 2,195,743, respectively). As of 31 December 2011 the following production infrastructure assets represent the most significant real property assets, title to which is undergoing registration: gas trunk pipeline Sakhalin- Khabarovsk-Vladivostok, area of 1,136.0 km – 1,574.7 km, gas trunk pipeline Sakhalin- Khabarovsk – Vladivostok, area of 158,0 km – 505,0 km, North European gas pipeline Gryazovets – Vyborg, 597 km – 917 km, gas trunk pipeline Sakhalin – Khabarovsk – Vladivostok, area of 874.0 km – 1,136.0 km, gas trunk pipeline Sakhalin – Khabarovsk – Vladivostok, underwater crossing Nevelsky channel, 133.9 km – 158.0 km.

Revaluation of fixed assets

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31 December 2009						
Revaluation surplus charged to additional capital	337,646,002	48,615,318	18,504,172	35,229,062	60,001,383	499,995,937
Revaluation surplus related to earlier performed revaluation write down that was charged to other income	-	261	252	-	146	659
Revaluation write-down charged to other expenses	-	-	(302,786)	(49,028)	(137,324)	(489,138)
Revaluation write-down related to prior year increases in the value of assets that was charged to additional capital	(12,016,683)	(535,994)	(1,571,223)	(851,277)	(2,127,698)	(17,102,875)
Total revaluation of fixed assets at current (replacement) cost	325,629,319	48,079,585	16,630,415	34,328,757	57,736,507	482,404,583
As of 31 December 2011						
Revaluation surplus charged to additional capital	374,925,966	35,582,640	37,864,799	52,611,566	64,610,309	565,595,280
Revaluation surplus related to earlier performed revaluation write down that was charged to other income	94,462	559,815	921,073	270,629	1,578,023	3,424,002
Revaluation write-down charged to other expenses	-	-	(499,808)	(89,696)	(339,514)	(929,018)
Revaluation write-down related to prior year increases in the value of assets that was charged to additional capital	(999,699)	(615)	(193,179)	(212,535)	(554,357)	(1,960,385)
Total revaluation of fixed assets at current (replacement) cost	374,020,729	36,141,840	38,092,885	52,579,964	65,294,461	566,129,879

OAo GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

6. INVESTMENTS

Long-term investments

Investments in subsidiaries and associated undertakings

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

Investments in subsidiaries (balance sheet line 1151) are presented net of impairment provision of 2,338,448; 2,280,841 and 461,069 as of 31 December 2011, 2010 and 2009, respectively.

Investments in associates (balance sheet line 1152) are presented net of impairment provision of 715,599, 715,312 and 762,726 as of 31 December 2011, 2010 and 2009, respectively.

Investments in other companies

Investments in other companies (balance sheet line 1153) are presented net of impairment provision of 3,880, 3,880 and 3,896 as of 31 December 2011, 2010 and 2009, respectively.

Loans provided to companies for a period over 12 months

Loans provided to companies for a period over 12 months (balance sheet line 1154) include long-term loans of 22,287,895; 23,757,537 and 12,887,735 as of 31 December 2011, 2010 and 2009, respectively. Loans provided for a period from one to three years, among them, amounted to 11,152,480; 5,887,557 and 2,789,809 as of 31 December 2011, 2010 and 2009, respectively.

Security provided for loans issued is recognised in Form 8 “Security of liabilities” in the balance sheet note and as of 31 December 2009 amounts to 65,322,838. As of 31 December 2010 and 2011 the Company did not recognise security for loans issued.

Other long-term investments

Other long-term investments included within Long-term investments (balance sheet line 1150) are presented net of impairment provision of 8,065,717; 8,639,241 and 1,684,497 as of 31 December 2011, 2010 and 2009, respectively. The provision relates to investments in joint activities.

	31 December		
	2011	2010	2009
Joint activity	111,318,165	95,250,729	80,258,963
including:			
development of oil and gas fields on the Barents and Pechora Seas shelf (operator – OOO Gazprom Neft Shelf)	89,881,731	74,055,505	59,642,626
development of oil and gas fields on continental shelf of Socialist Republic of Vietnam (operator – OOO Gazprom Zarubezhneftegaz)	16,552,975	14,700,444	10,000,886
development of a satellite communication system (operator - OAO Gazprom Space Systems)	3,252,323	3,180,363	3,180,363
Long-term deposits	8,060,702	9,270,404	10,192,413
Other,	371,126	371,126	764,320
including:			
South Pars (oil and gas field located in Iran)	370,126	370,126	763,320
Total	119,749,993	104,892,259	91,215,696

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

6. INVESTMENTS (continued)

Long-term investments include securities of other entities, mainly investments in the shares of subsidiaries, associated companies and other organisations amounting to 1,171,921,245; 998,127,084 and 1,106,968,435 as of 31 December 2011, 2010 and 2009 respectively, including securities of foreign issuers of 483,017,870; 397,450,816 and 363,516,436 as of 31 December 2011, 2010 and 2009, respectively.

7. OTHER NON-CURRENT ASSETS

As of 31 December 2011, 2010 and 2009 other non-current assets included costs associated with implementation of license agreement terms of 35,418,198; 30,160,393 and 30,391,280; costs associated with implementation of international projects of 16,761,450; 12,017,802 and 9,300,146 and costs of exploration wells construction (drilling) of 31,868,213; 17,047,419 and 4,916,649, respectively.

8. ACCOUNTS RECEIVABLE

Trade receivables

	31 December		
	2011	2010	2009
Accounts receivable for gas sold:	389,933,654	286,151,432	260,575,993
in Russia	143,532,676	119,423,389	80,999,795
outside Russia (net of doubtful debt provision of 74,478,690; 52,414,144 and 35,081,967 as of 31 December 2011, 2010 and 2009, respectively), including:	246,400,978	166,728,043	179,576,198
far abroad countries (net of doubtful debt provision in the amount of 889,854; 2,163,521 and 2,333,900 as of 31 December 2011, 2010 and 2009, respectively)	168,940,589	132,029,782	130,816,965
Accounts receivable for leased property (net of doubtful debt provision in amount of 326,725 and 581,138 as of 31 December 2011 and 2010, respectively. No provision was formed as of 31 December 2009)	87,471,937	87,455,343	36,633,603
Accounts receivable for services related to organisation of gas transportation I (net of doubtful debt provision of 117,812 and 120,167 as of 31 December 2011 and 2010, respectively. No provision was formed as of 31 December 2009)	7,129,523	6,585,497	8,882,737
Accounts receivable for sold gas condensate and oil and gas refinery products (net of doubtful debt provision of 94 as of 31 December 2011 and 2010. No provision was formed as of 31 December 2009)	30,496,964	19,745,534	17,712,749
Other trade receivables (net of doubtful debt provision of 12,971 as of 31 December 2010. No provision was formed as of 31 December 2009 and 2011)	1,496,687	776,847	1,063,752
Total	516,528,765	400,714,653	324,868,834

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

8. ACCOUNTS RECEIVABLE (continued)

The increase in accounts receivable for gas sold in the Russia was primarily due to increased accounts receivable from ООО Газпром Межрегионгаз. As of 31 December 2011, 2010 and 2009 accounts receivable from ООО Газпром Межрегионгаз for supplied gas amounted to 117,702,965; 98,298,407 and 70,768,617, respectively. In 2009 the debt of ООО Газпром Межрегионгаз was partially restructured under a relevant agreement. The restructured receivable balance amounted to 928,500 and 12,435,700 as of 31 December 2010 and 2009, respectively, as of 31 December 2011 these accounts receivable are repaid.

In 2007 the Company and ООО Factoring-Finance signed the agreement for debt assigning to ООО Газпром Межрегионгаз for the period to December 2010 in the total amount of 14,798,781 including accounts receivable of 14,477,662 for gas supplied in 2002-2004 and penalty and interest receivable of 321,119. As of 31 December 2010 receivables of ООО Factoring-Finance are repaid.

The accounts receivable recorded in the balance sheet line “Accounts receivable from buyers and customers (payments expected within 12 months after the reporting date)” (line 1236) are presented net of a bad debt provision of 74,923,321; 53,128,514 and 35,081,967 as of 31 December 2011, 2010 and 2009, respectively. The doubtful debt provision was calculated net of a deferred excise in the amount of 143,032; 373,742 and 396,862 as of 31 December 2011, 2010 and 2009, respectively. Deferred excise decreases the balance sheet line “Other creditors” (line 1528).

Advances receivable

The balance sheet line “Advances issued” (line 1233) within accounts receivable payments for which are expected beyond 12 months after the reporting date, includes the advance paid to NAK Naftogaz Ukraine for gas transportation services in the amount of 28,937,793 and 38,859,322 as of 31 December 2011 and 2010, respectively. Short-term part of advance is recognised in the balance sheet line “Advances issued” (line 1238) within accounts receivable with payments expected within 12 months after the reporting date of 9,921,530 as of 31 December 2011 and 2010 and 26,295,302 as of 31 December 2009.

Other accounts receivable

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

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line “Accounts receivable from other debtors (payments expected beyond 12 months after the reporting date)” (line 1234) in the amount of 472,301,366; 648,225,919 and 539,607,272 as of 31 December 2011, 2010 and 2009, respectively.

A current portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line “Accounts receivables from other debtors (payments expected within 12 months after the reporting date)” (line 1239) in the amount of 1,114,240,916; 516,782,663 and 283,682,657 as of 31 December 2011, 2010 and 2009, respectively.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

8. ACCOUNTS RECEIVABLE (continued)

Accounts receivable from other debtors (payments expected within 12 months after the reporting date (balance sheet line 1239) include accounts receivable from ООО Gazprom Energoholding (former ООО Gazoenergeticheskaya Kompania) related to the contract of guarantee of 21,508,289 as of 31 December 2011, 2010 and 38,339,216 as of 31 December 2009. The Company issued a guarantee to secure the loans obtained by ООО Gazprom Energoholding from ОАО Gazprombank (Open Joint Stock Company) to finance the purchase of shares of energy companies.

9. CASH AND CASH EQUIVALENTS

Composition of cash and cash equivalents

	31 December		
	2011	2010	2009
Cash in hand	21,428	7,891	5,065
Cash on settlement accounts	130,129,385	86,670,344	17,830,252
Cash on foreign currency accounts	53,673,528	117,222,131	40,040,926
Cash on bank settlement accounts	3,953,791	3,811,380	3,812,360
Total cash	187,778,132	207,711,746	61,688,603
Short-term bank deposits (maturing in less than three months)	51	51	51
Total cash equivalents	51	51	51
Total	187,778,183	207,711,797	61,688,654

The balance sheet line “Other cash and cash equivalents” (line 1259) includes cash balances of 3,876,028; 3,668,529 and 3,637,686 as of 31 December 2011, 2010 and 2009, respectively, which are restricted as to withdrawal under the terms of certain loans (see Note 12).

Cash flows from operating activities recognised in line “Other receipts” (line 4119) of cash flow statements include advances received from buyers (customers) amounting to 35,847,090 and 132,384,935 for 2011 and 2010, respectively; proceeds from short-term loans issued to other organisations amounting to 23,907,390 and 14,410,894, respectively.

Cash flows from operating activities recognised in line “Other payments” (line 4129) of cash flow statement include contributions in the subsidiaries’ property amounting to 64,156,368 and 94,226,676 for 2011 and 2010, respectively; short-term loans provided to other organisations amounting to 33,833,902 and 15,466,826 for 2011 and 2010, respectively; cash used to pay customs duties amounting to 410,674,408 and 258,358,872 for 2011 and 2010, respectively.

Cash flow from investing activities in item “Other payments” (line 4229) of cash flow statement including cash used to make settlements on capital construction amounting to 1,159,834,735 and 694,174,765 for 2011 and 2010, respectively.

10. OTHER CURRENT ASSETS

As of 31 December 2011, 2010 and 2009 other current assets include expenses of exploration works performed amounting to 5,332,357; 6,887,482 and 5,484,677; expenses associated with performing license agreements amounting to 1,182,660; 818,153 and 748,402; expenses for software purchases amounting to 1,823,285; 818,927 and 16,540 and expenses for start-up works amounting to 1,740,789; 587,730 and 700,712, respectively.

OAD GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

11. EQUITY AND RESERVES

Charter capital

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RR 5 each) and did not change in 2011.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company 2010 results were accrued in the amount of RR 3.85 per one common share. Dividends paid amounted to 90,983,996. Final dividends on the Company 2009 and 2008 results were accrued in the amount of RR 2.39 and RR 0.36 per one common share, dividends paid amounted to 56,472,955 and 8,500,865, respectively.

Reserve capital

In 2011, 2010 and 2009 the Company did not make any contributions to the reserve fund from net profit as the target limit of the fund was reached (7.3% of the charter capital).

Non-current assets revaluation

As of 31 December 2009 and 2011 additional capital increased due to revaluation of fixed assets (Note 5).

12. BORROWINGS AND LOANS

Bank loans

Lender	Credit currency	Maturity	31 December		
			2011	2010	2009
Royal Bank of Scotland AG	USD dollars	2013	58,150,852	55,045,726	54,625,436
Bank of Tokyo-Mitsubishi UFJ Ltd.	USD dollars	2012-2016	25,780,218	-	-
Credit Suisse International ¹	USD dollars	2017	16,886,139	15,988,859	15,866,779
BNP Paribas SA ¹	Euro	2013-2022	15,934,701	7,108,095	-
Citibank N.A. ¹	USD dollars	2011-2021	10,261,872	10,268,911	-
Deutsche Bank AG	USD dollars	2011-2014	6,923,689	11,410,440	16,143,664
Royal Bank of Scotland AG ¹	USD dollars	2011-2012	3,794,998	10,774,235	17,819,379
Deutsche Bank AG	USD dollars	2011	-	2,906,970	5,770,671
J.P. Morgan Chase Bank ²	USD dollars	2011	-	1,528,434	3,034,253
Citibank N.A. ^{1,2}	USD dollars	2011-2012	-	1,247,932	1,819,558
OAD Sberbank of Russia ²	USD dollars	2010-2013	-	-	70,564,210
Credit Suisse International	Euro	2010	-	-	10,859,506
Commerzbank AG ¹	USD dollars	2010	-	-	9,473,694
Royal Bank of Scotland AG ¹	USD dollars	2010	-	-	8,151,678
Gazprombank (Open Joint Stock Company) ²	RR	2012	-	-	7,500,000
Royal Bank of Scotland AG ¹	USD dollars	2010	-	-	6,730,384
Citibank N.A.	USD dollars	2010	-	-	3,973,438
BNP Paribas SA ^{1,2}	Euro	2011-2012	-	-	2,851,919
Loans of other banks	USD dollars	Various	1,347,547	1,374,261	1,759,109
Total, including:			139,080,016	117,653,863	236,943,678
Due within one year, including current portion of long-term loans			11,047,364	19,712,099	80,304,375

¹ Loans received from bank syndicates, named lender is the bank-agent

² These loans were repaid ahead of contracted schedule

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

12. BORROWINGS AND LOANS (continued)

Total amount of loans received in 2011 was 40,130,075; total amount of loans and interest repaid in 2011 was 30,768,141 (in 2010, the total amount of loans received was 18,061,849 and the total amount of loans repaid was 147,037,528; in 2009, the total amount of loans received was 129,280,578 and the total amount of loans repaid was 301,845,147).

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

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

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

Under credit facility agreement No. 407 dated 19 February 2009 the Company received a short-term loan of 6,300,000 from Gazprombank (Open Joint Stock Company) on 9 March 2011 and repaid it on 10 March 2011.

In April 2011, the Company repaid the loan of Citibank N.A. ahead of time.

In June 2011, the Company repaid the loan of J.P. Morgan Chase Bank ahead of time.

In December 2011, the Company received a loan of 25,416,080 from Bank of Tokyo-Mitsubishi UFJ Ltd. for the development of Bovanenkovo gas field repayable in December 2016, with the interest rate determined for each interest period at LIBOR + 1.95%.

In 2011, 2010 and 2009 fixed interest rates for long-term foreign currency loans ranged from 5 % to 9.63 %, from 5 % to 9.63 % and from 4.15 % to 10.50 %, respectively. In addition, in 2009-2011 LIBOR rates were also used.

In 2010 and 2009, LIBOR rates were used for short-term foreign currency loans; no short-term foreign currency loans were received in 2011.

In 2009, the fixed interest rates on long-term bank loans denominated in Russian roubles ranged from 6.25% to 8.0%; the fixed interest rate was 8.0% in 2010; no long-term loans denominated in Russian roubles were received in 2011.

In 2011, the fixed interest rate on short-term bank loans denominated in Russian roubles was 3.43%; no short-term bank loans denominated in Russian roubles were received in 2009 and 2010.

OA O GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

12. BORROWINGS AND LOANS (continued)**Borrowings**

Lenders	Currency	Maturity	31 December		
			2011	2010	2009
Gazprom Sakhalin Holdings B.V.	US dollar	2012	153,650,974	64,440,169	-
Gaz Capital S.A.	US dollar	2019	73,706,934	69,771,148	69,238,425
Rosingaz Ltd.	RR	2012	57,952,178	-	-
Gaz Capital S.A.	Euro	2018	52,919,449	51,219,912	55,099,779
Gaz Capital S.A.	US dollar	2013	51,724,830	48,962,839	48,588,994
Gaz Capital S.A.	US dollar	2016	43,757,238	41,420,699	41,104,440
Gaz Capital S.A.	Euro	2015	43,099,514	41,715,349	44,875,253
Gaz Capital S.A.	US dollar	2022	42,717,769	40,436,736	40,127,989
Gaz Capital S.A.	Euro	2012	41,787,524	40,445,495	43,509,209
Gaz Capital S.A.	US dollar	2014	41,607,758	39,385,996	39,093,806
Gaz Capital S.A.	US dollar	2037	41,345,024	39,137,292	38,838,467
Gaz Capital S.A.	US dollar	2034	39,218,472	37,124,293	36,840,838
Gaz Capital S.A.	Euro	2015	38,030,540	36,809,168	38,144,354
Gaz Capital S.A.	US dollar	2018	36,056,813	34,131,460	33,870,856
Gaz Capital S.A.	Euro	2014	33,892,267	32,803,799	35,288,660
Gaz Capital S.A.	US dollar	2016	32,364,325	-	-
Gaz Capital S.A.	US dollar	2015	32,341,827	30,614,845	-
Gaz Capital S.A.	Euro	2014	29,435,035	28,490,415	30,648,541
White Nights Finance B.V.	US dollar	2014	25,794,442	24,417,076	24,230,645
Gaz Capital S.A.	Euro	2017	21,668,991	20,975,289	22,564,151
Gaz Capital S.A.	Euro	2017	21,021,514	20,346,889	21,888,149
Gaz Capital S.A.	US dollar	2021	19,440,005	-	-
Gazprom International S.A.	US dollar	2011-2020	18,837,878	22,747,073	27,117,502
Gaz Capital S.A.	US dollar	2013	16,554,832	15,670,841	15,551,190
White Nights Finance B.V.	US dollar	2014	16,191,955	15,327,341	15,210,313
Gazprom ESP S.A.	US dollar	2012	15,924,218	-	-
OOO Gazprom Capital	RR	2014	15,156,165	-	-
Gaz Capital S.A.	US dollar	2013	13,088,616	12,389,713	12,295,114
RosUkrEnergo AG ¹	US dollar	2012	10,778,254	-	-
Gaz Capital S.A.	US dollar	2012	8,469,546	8,017,291	7,956,077
Gazstream S.A.	US dollar	2011-2012	1,250,675	2,367,784	3,524,558
Gaz Capital S.A.	Swiss francs	2011	-	17,208,860	15,471,747
Gazprom Germany GmbH ¹	US dollar	2012	-	13,596,009	-
Gaz Capital S.A.	Euro	2010	-	-	44,278,414
Gaz Capital S.A.	US dollar	2010	-	-	5,301,968
Golden Gates B.V.	RR	2010	-	-	3,227,303
Gazstream SA	US dollar	2010	-	-	1,735,752
A13 series Russian bonds	RR	2012	10,014,400	10,010,800	10,007,200
A9 series Russian bonds	RR	2014	5,134,700	5,133,700	5,132,700
A11 series Russian bonds	RR	2014	5,007,550	5,005,650	5,003,750
A8 series Russian bonds	RR	2011	-	5,061,350	5,060,400
A4 series Russian bonds	RR	2010	-	-	5,158,750
Total, including:			1,109,942,212	875,185,281	845,985,294
Due within one year, including current portion of long-term loans			396,027,626	110,179,027	82,989,248

**ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)**

12. BORROWINGS AND LOANS (continued)

Total amount of loans received in 2011 was 231,870,752; total amount of loans and interest repaid in 2011 was 102,568,018 (in 2010, the total amount of loans received was 109,474,330 and the total amount of loans repaid was 119,018,861; in 2009, the total amount of loans received was 333,477,083 and the total amount of loans repaid was 201,177,679).

As of 31 December 2011, 2010 and 2009, the long-term loan from Gazprom International S.A. amounting to 18,837,878, 22,747,073 and 27,117,502, respectively, are secured by export revenues from gas sales to Western Europe.

As of 31 December 2011, 2010 и 2009, the long-term borrowings include the loan from Gaz Capital S.A. related to bonds issued in 2004 in the amount of 34,644,000 due on 28 April 2034 at the interest rate of 8.63% and the loan from Gaz Capital S.A. related to bonds issued in 2009 in the amount of 76,634,325 due on 23 April 2019 at the interest rate of 9.25%. The bonds issued can be redeemed in the amount of the principal balance and interest accrued on 28 April 2014 (put option exercise date for bonds issued in 2004) and 23 April 2012 (put option exercise date for bonds issued in 2009), respectively.

In 2008, the Company raised a loan from Gaz Capital S.A. related to the issue of loan participation notes of 11,722,800 due in 2013. The loan has a variable interest rate and is linked to Brent oil quotes. In 2011, 2010 and 2009, the interest rate was 6.81%.

In November 2010, the Company raised two loans: a loan of 31,353,900 due in 2015 at 5.09% from Gaz Capital S.A. and a loan of 13,928,069 due in 2012 at 3.20% from Gazprom Germany GmbH. In July 2011, the Company repaid the loan of Gazprom Germany GmbH ahead of time.

In March 2011, the Company raised two loans of 15,808,210 and 482 248, respectively, due no sooner than July 2012 at 3.5% from RosUkrEnergо AG. In October 2011, the Company made a payment of 7,385,051 to partially repay one of the loans (15,808,210).

In 2011, the Company raised three loans from Rosingaz Ltd.: in September the Company received a loan of 22,000,000 due in March 2012 at 4.5%, and in October the Company received a loan of 20,300,000 due in February 2012 at 5.0% and a loan of 15,000,000 due in February 2012 at 4.9%.

In October 2011 the Company raised a loan from Gazprom ESP SA related to the issue of bonds of 15,412,168 due in April 2012 at 3.60%.

In November 2011, the Company raised two loans from Gaz Capital S.A.: a loan related to the issue of bonds of 18,636,720 due in 2021 at 6.00% and a loan of 31,061,200 due in 2016 at 4.95%.

In November 2011, the Company raised a loan of 15,000,000 due in April 2014 at 7.6% from ООО Gazprom Capital.

Interest rates on foreign currency long-term borrowings received from Gaz Capital S.A., Gazprom International S.A. and Gazstream S.A. as a result of Loan Participation Notes ranged from 4.56% to 9.25% and did not change in 2010 and 2011.

Interest rates on other foreign currency long-term loans ranged from 1.50% to 10.50% in 2011, from 3.20% to 10.50% in 2010 and from 5.30% to 10.50% in 2009.

OAD GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

12. BORROWINGS AND LOANS (continued)

Interest rates on other foreign currency short-term loans ranged from 1.50% to 3.60% in 2011, the interest rate was 2.25% in 2010, and it ranged from 2.0% to 3.70% in 2009.

In 2009, interest rates on long-term borrowings (including bonds) denominated in Russian Roubles ranged from 6.77 % to 13.75 % and they did not change in 2010; in 2011, they ranged from 7.0% to 13.75%.

In 2011, the interest rates on short-term bank loans denominated in Russian roubles ranged from 4.5% to 5.0%, no short-term bank loans denominated in Russian roubles were received in 2009 and 2010.

In 2009, the Company received credit facilities from Gazprombank (Open Joint Stock Company), OAO Sberbank of Russia, OAO Bank VTB and the Central branch of AB Rossia in the amounts of roubles 25,000,000, 17,000,000, 5,000,000 and 100,000 thousand, respectively, due in February 2012, February 2012, June 2012 and July 2012, respectively.

Under the credit facility from Gazprombank (Open Joint Stock Company), the Company received in the reporting year 6,300,000 and repaid 6,300,000.

In the reporting year, total interest accrued for the use of credit facility provided by Gazprombank (Open Joint Stock Company) at 3.43% was 592.

There were no previous drawdowns under the above credit facilities.

The amounts of loans (borrowings) that were not needed, and consequently, drawn down by the Company were 24,045,591, 10,288,453 and 17,988,867 as of 31 December 2011, 2010 and 2009, respectively.

13. TAXATION

Profit tax

Theoretical profit tax determined based on accounting profit and statutory rates (20%, 9%, and 0%) amounted to 213,473,906 and 97,258,921 in 2011 and 2010, respectively. According to the tax returns, the profit tax was 241,497,924 and 189,568,220 in 2011 and 2010, respectively.

In the amended tax returns submitted in 2011, the profit tax was a negative amount of 36,698,162 (the decrease of the current profit tax for 2008 - 2010 is primarily explained by the application of a special depreciation coefficient). In the amended tax returns submitted in 2010, the profit tax was a negative amount of 11,926,524.

Permanent differences which increase the taxable profit amounted to 345,660,967 and 354,385,665 (net of doubtful debt provision) in 2011 and 2010, respectively. Permanent differences which decrease the taxable profit amounted to 97,090,321 and 30,067,980 (net of doubtful debt provision) in 2011 and 2010, respectively. Permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by 248,570,646 and 324,317,685 in 2011 and 2010, respectively. This resulted in the profit tax amount calculated per tax accounts (the current profit tax) exceeding the theoretical profit tax amount by 50,272,601 and 65,182,097 in 2011 and 2010, respectively.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

13. TAXATION (continued)

Incurred deductible temporary differences amounted to 31,006,818 and 21,734,173 in 2011 and 2010, respectively; deductible temporary differences settled in 2011 and 2010 totalled 5,575,713 and 9,216,058, respectively. In 2011, incurred deductible temporary differences exceeded settled deductible temporary differences by 25,431,105 as a result of which the deferred tax asset increased by 5,086,221. In 2010, incurred deductible temporary differences exceeded settled deductible temporary differences by 12,518,115 as a result of which the deferred tax asset increased by 2,503,623.

Deductible temporary differences have primarily arisen from different methods of depreciation used for statutory accounting and tax accounting purposes, in particular, the longer useful life of certain fixed assets for tax accounting purposes as compared to the useful life of these items for statutory accounting purposes, that has resulted in a deferred tax asset increase of 2,664,912 and 2,168,664 in 2011 and 2010, respectively, and different methods of costs recognition for mineral resources development used for statutory accounting and tax accounting purposes that has resulted in the increase in the deferred tax asset by 2,575,699 and 71,230 in 2011 and 2010, respectively.

In addition, net profit for 2011 was reduced by the write off of deferred tax assets of 148,468, such reduction being recorded in item "Other" (line 2460) in the profit and loss account. In 2010, the deferred tax assets decreasing the net profit amounted to 56,370.

Incurred taxable temporary differences amounted to 540,904,718 (including 296,892,248 related to the current period) in 2011 and to 125,035,931 in 2010; taxable temporary differences settled in 2011 and 2010 totalled 231,348,009 (including 130,624,335 related to the current period) and 199,519,161, respectively. In 2011 incurred taxable temporary differences exceeded settled taxable temporary differences by 309,556,709 as a result of which the deferred tax liability increased by 64,032,966 (including 33,253,582 related to the current period). In 2010, settled taxable temporary differences exceeded incurred taxable temporary differences by 74,483,230 as a result of which the deferred tax liability decreased by 12,697,054.

Taxable temporary differences have primarily arisen from revaluation of investments for statutory accounting purposes, for which the current market value can be determined, that has resulted in a deferred tax liability increase of 18,155,970 in 2011 and in a deferred tax liabilities decrease of 30,009,045 in 2010. Taxable temporary differences have also arisen from different methods of depreciation used for statutory accounting and tax accounting purposes, resulting in a deferred tax liability increase of 43,980,826 (including 13,201,443 related to the current period) in 2011.

In addition, net profit for 2011 was increased by the write off of deferred tax liabilities of 2,122,820, such increase being recorded in item "Other" (line 2460) in the profit and loss account. In 2010, net profit was increased by written off deferred tax liabilities in the amount of 2,166,173.

In December 2011, OAO Gazprom decided to establish a consolidated taxpayers' group based on the agreement within Gazprom Group for the purposes of the profit tax (hereafter CTG) starting from 2012. CTG will include 56 major Russian entities where OAO Gazprom has direct (indirect) interest of over 90%. As the CTG responsible member, OAO Gazprom plans to file the agreement for creating of CTG for registration with tax authorities by 31 March 2012. Following the registration of this agreement, OAO Gazprom as the CTG responsible member will become CTG's taxpayer for profit tax purposes, calculate and pay profit tax on behalf of CTG.

OA O GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

13. TAXATION (continued)

Other taxes

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and restored amounts of previously recovered VAT with respect to payment, partial payment issued against forthcoming purchases of goods (works, services, property rights) totalled 373,676,684 and 312,728,376 for 2011 and 2010, respectively.

14. OTHER CREDITORS

As of 31 December 2011, 2010 and 2009, the balance sheet line “Advances Received” (line 1527) within accounts payable (payment expected within 12 months of the reporting date) includes the advances of 76,624,542; 55,255,606 and 6,334,099, respectively, received by the Company from gas customers under commission agreements between OAO Gazprom and OOO Gazprom Export in accordance with the terms of gas supply contracts.

Trade accounts payable mainly include accounts payable to related parties (Note 19).

15. SALE OF GOODS, WORK AND SERVICES

	2011	2010
Revenue from gas sales:		
in Russia	884,266,555	761,241,719
outside Russia, including:	1,941,053,821	1,470,112,190
to far abroad countries	1,366,620,616	1,026,161,973
	2,825,320,376	2,231,353,909
Revenue from leasing out assets	380,539,248	372,944,949
Revenue from sale of gas condensate and refined products	170,527,018	126,548,975
Revenue from sale of gas transportation services	153,926,911	145,256,818
Other	4,027,878	3,285,691
Total	3,534,341,431	2,879,390,342

The 26.6% increase in gas sales was primarily due to increased volumes of gas sale and increased gas prices.

Revenue from gas sales outside Russia includes revenue from export gas sales through an agent as well.

The Company's customers, each contributing at least 10% of the total revenue from gas sales, are presented below:

	2011	2010
OOO Gazprom Mezhhregiongaz	770,553,031	670,633,152
NAK Naftogaz Ukraine	341,898,918	264,612,951

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

16. COST OF SALES AND SELLING EXPENSES (LINES 2120 AND 2210 OF THE PROFIT AND LOSS ACCOUNT)

	2011	2010
Purchase cost of gas, including gas sold		
in Russia	302,655,935	263,274,515
outside Russia, including:	526,861,684	399,890,372
to far abroad countries	461,496,576	344,796,167
	829,517,619	663,164,887
Gas transportation costs, including		
in Russia	375,651,706	342,524,765
outside Russia, including:	450,709,059	410,357,157
to far abroad countries	341,210,267	307,279,152
	826,360,765	752,881,922
Cost of assets leasing	394,823,176	375,585,137
Cost of purchased gas condensate, oil products and their refinery and transportation	93,443,013	80,890,644
Cost of gas transportation services	135,195,931	133,186,621
Cost of other sales	5,536,605	4,413,832
Total	2,284,877,109	2,010,123,043

The increase in purchased gas costs resulted from increased internal settlement prices of gas purchased from the Company's subsidiaries as well as increased price of gas purchased outside Russia.

Total costs of used energy resources were 326,112 and 396,283 in 2011 and 2010, respectively. The Company used the following types of energy resources: electric power, heat and gas.

17. OTHER INCOME AND EXPENSES

	2011		2010	
	Income	Expenses	Income	Expenses
Sale of foreign currency	2,886,517,265	2,886,556,597	1,975,762,624	1,975,402,076
Exchange differences on foreign currency transactions	267,653,506	310,846,382	211,205,381	205,872,597
Market value revaluation of investments	91,994,001	836,283	1,097,135	150,887,120
Movement of investments	17,479,719	15,269,061	48,728,190	43,195,093
Prior year profit (loss)	7,863,470	4,185,170	17,782,394	6,744,054
Bad debt provision accrual/release	1,634,919	24,671,863	1,570,235	19,639,988
Investments impairment provision accrual/release	979,054	463,424	519,485	9,214,381
Contributions to subsidiaries' property	-	64,156,368	-	94,226,676
Costs of mineral resources development	-	9,631,952	-	3,451,823
Charitable contributions	-	6,178,817	-	12,326,581
Income/ expense from the sale of other assets	18	-	15,094,519	14,874,102
Assignment of the right to claim accounts receivable	-	-	9,295,631	9,295,631
Other	9,088,845	30,220,130	21,630,374	32,771,242
Total	3,283,210,797	3,353,016,047	2,302,685,968	2,577,901,364

In 2010, the line "Movements of investments" includes separately income of 48,714,737 and expenses of 43,176,977 from the sale of equity interest in OOO SeverEnergiya.

AO GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

17. OTHER INCOME AND EXPENSES (continued)

The line “Income/expenses from the sale of other assets” includes separately income and expenses from transactions with financial instruments of forward-type transactions (FIFT). In 2010, the financial result of FIFT transactions in the amount of 220,410 was recognized as of the transaction date (there were no such transactions in 2011). The Company calculated the financial result from exercising the foreign currency forward contracts as the difference between the USD/RR exchange rate of the Russian Central Bank as of the exercise date of the forward contract and the forward rate set out by the parties to the forward contract for purchase and sale of foreign currency.

In 2011, the company entered into ten foreign currency forward contracts for the sale of USD 493,431 thousand to be exercised in 2012 (in 2010: two foreign currency forward contracts for the sale of USD 485,000 thousand to be exercised in 2010). The underlying asset of forward contracts is foreign currency – US dollar. The Company entered into the contracts on the assumption that the financial result from their exercise will allow mitigating the adverse effect of USD/RR exchange rate uncertainty as regards the Company’s foreign currency-denominated revenue.

Unrealised net gains on foreign currency forward contracts were 240,946 as of 31 December 2011.

The line “Contributions to subsidiaries’ property” includes contributions made into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004-2011. As of 31 December 2011, 2010 and 2009, contributions in the subsidiaries’ property that were to be made under the adopted decisions amounted to 15,491,679; 8,942,915 and 21,739,539, respectively.

In 2011, due to an increase in the share quotation of investees the Company recognised an income of 91,994,001 from the market revaluation of investments as of 31 December 2011, including an income of 91,616,133 from the market revaluation of its investment in the shares of OAO Gazprom Neft. In 2010, the Company recognised an expense of 150,887,120 from the market revaluation of investment in the shares of OAO Gazprom Neft as of 31 December 2010.

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

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

The line ‘Other expenses’ includes pension contributions of 284,839 and 183,230 transferred to OAO Gazprom’s joint account in NPF Gazfund in 2011 and 2010, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

In 2010, the line “Other expenses” includes penalties of 5,300,759 that the Company recognised under contracts with OAO Severneftegazprom, ZAO Gazprom YuRGM Development, and ZAO Gazprom YuRGM Trading.

18. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares totalled 23,673,513 during the years ended 31 December 2011, 2010 and 2009.

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

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES

Major 100% subsidiaries of ОАО Gazprom:

ООО Авиапредприятие Газпром Авия	ООО Газпром трансгаз Санкт Петербург
ООО Газпром ВНИИГАЗ	ООО Газпром трансгаз Саратов
ООО Газпром добыча Астрахан	ООО Газпром трансгаз Surgut
ООО Газпром добыча Краснодар	ООО Газпром трансгаз Томск
ООО Газпром геологоразведка	ООО Газпром трансгаз Уфа
ООО Газпром добыча Кузнецк	ООО Газпром трансгаз Укхта
ООО Газпром добыча Надым	ООО Газпром трансгаз Chaikovsky
ООО Газпром добыча Нойабрск	ООО Газпром трансгаз Yugorsk
ООО Газпром добыча Оренбург	ООО Газпром экспорт
ООО Газпром добыча Уренгой	ООО Газпром энергоholding
ООО Газпром добыча shelf	ООО Газпромтранс
ООО Газпром добыча Ямбург	ООО Газфлот
ООО Газпром investproject	ООО Georesource
ООО Газпром investholding	ООО Novourengoysky GHK
ООО Газпром inform	ООО Surgutstroygaz
ООО Газпром komplektatsia	ООО Temryukmortrans
ООО Газпром mezhregiongaz	ООО TyumenNIIgiprogaz
ООО Газпром нефть shelf	Gazprom (U.K.) Limited
ООО Газпром переработка	Gazprom EP International B.V.
ООО Газпром подземремонт Оренбург	Gazprom Sakhalin Holdings B.V.
ООО Газпром подземремонт Уренгой	Gazprom Finance B.V.
ООО Газпром PHG	ООО Газпром capital
ООО Газпром svyaz	ООО Газпром трансгаз Stavropol
ООО Газпром liquefied gas	ZAO Yamalgazinvest
ООО Газпром трансгаз Краснодар	ИЧУП Газпром трансгаз Запад
ООО Газпром трансгаз Volgograd	ООО Gaz Oil
ООО Газпром трансгаз Екатеринбург	ООО Газпром трансгаз Makhachkala
ООО Газпром трансгаз Kazan	ООО Газпром трансгаз Nizhny Novgorod
ООО Газпром трансгаз Samara	ОАО Beltransgaz
ООО Газпром трансгаз Москва	ООО Kovyktaneftegaz

All the above subsidiary companies, excluding Gazprom Finance B.V., Gazprom EP International B.V. and Gazprom Sakhalin Holdings B.V., which are registered in the Netherlands, Gazprom (UK) Ltd., which is registered in Great Britain, and ИЧУП Газпром трансгаз Запад and ОАО Beltransgaz, which are registered in the Republic of Belarus, are registered in Russia. These companies are mainly engaged in producing, transporting and selling natural gas.

In January 2010, the Company additionally contributed 1,000,000 to the charter capital of ООО Газпром энергоholding. In May 2010, the increase in the charter capital of ООО Газпром энергоholding was registered. As of 31 December 2010, the Company recorded this contribution in the balance sheet line "Investments in subsidiaries" (line 1151). In October 2011, the Company contributed 10,000,000 to the charter capital of ООО Газпром энергоholding. As of 31 December 2011, no increase in the charter capital of ООО Газпром энергоholding was registered, therefore the Company recorded settlements related to the contribution to the charter capital of ООО Газпром энергоholding within "Other debtors" (payments expected within 12 months after the reporting date) (balance sheet line 1239) and did not recognise any increase in its investment into the equity.

In March 2011, the Company sold an equity interest in ООО Газпром бурение to КОО Milasi Engineering Limited for 4,050,000 (100%). Income and expenses from the sale of interest is recorded within other income and expenses.

OAo GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

In March 2011, the Company acquired 100% equity interest in OOO Kovyktaneftegas from RUSIA Petroleum Company for 1,290,283.

In July 2011, OOO Gazprom dobycha Krasnoyarsk was renamed to OOO Gazprom geologorazvedka.

In July 2011, OOO Gazprom transgaz Kuban was renamed to OOO Gazprom transgaz Krasnodar.

In May 2007, the Company signed a contract with the State Property Committee of the Republic of Belarus under which the Company acquired a 50% equity interest in OAO Beltransgaz for USD 2,500,000 thousand within four years starting from 2007. In February 2010, in accordance with the signed agreement, the Company acquired a 12.5% equity interest in OAO Beltransgaz for 18,844,375. With 37.5% equity interest acquired by the Company in June 2007, February 2008 and February 2009 for 53,587,688, OAO Gazprom's equity interest in OAO Beltransgaz as of 31 December 2010 was 50% valued at 72,432,063 and it was recorded within the line "Investments in associates" (line 1152) of the balance sheet. In November 2011, the Company signed a contract with the State Property Committee of the Republic of Belarus for acquisition of the remaining 50% equity interest in OAO Beltransgaz for USD 2,500,000 thousand. In December 2011, in accordance with the signed agreement, the Company acquired a 50% equity interest in OAO Beltransgaz for 78,304,000. As of 31 December 2011 OAO Gazprom's share in OAO Beltransgaz was 100% valued at 150,736,063 and recorded within the balance sheet line "Investments in subsidiaries" (line 1151).

Other major subsidiaries of OAO Gazprom:

Company name	% of interest	Type of activity	Location
OOO GazpromPurInvest	99.99%	Investment	Russia
OAO Gazmash	99.99%	Manufacture of household fuel using equipment	Russia
OAO Tsentr-gaz	99.99%	Construction	Russia
OAO Vostokgazprom	99.98%	Production, processing and sale of gas and gas condensate	Russia
OAO Gazpromtrubinvest	99.87%	Manufacturing and sale of pipes	Russia
OAO Lazurnaya	99.69%	Design and construction	Russia
ZAO Kaunasskaya Heat-Electric Generating Plant	99.5%	Generation and sales of electricity	Lithuania
OOO Gazprom Torgservis	99.0%	Trading	Russia
OAO Gazprom Neft	90.0%	Oil production, processing and refinery	Russia
OAO Daltransgaz	87.99%	Transportation of gas	Russia
ZAO ArmRosgazprom	80.00%	Transportation and sale of gas	Armenia
OAO Zapsibgazprom	76.69%	Construction	Russia
ZAO Gazprom YuRGM Development	75.0%	Sale of hydrocarbons	Russia
ZAO Gazprom YuRGM Trading	75.0%	Gas production, storage and transportation	Russia
OAO Severneftgazprom	40.0%	Production, processing and sale of gas and gas condensate	Russia

In April 2009 the Company acquired an equity interest of 20.0002% in OAO Gazprom Neft for 138,527,489 from Eni PetroRussia B.V. under the option to buy shares concluded in April 2007. In addition, in December 2009 the Company acquired an equity interest of 10.9876% in OAO Gazprom Neft for 84,764,642 from Gazprom Finance B.V. As of 31 December 2009 the Company recognised the accounts payable to Gazprom Finance B.V. associated with payments for shares of OAO Gazprom Neft amounting to 15,812,450. As of 31 December 2010 the accounts payable were repaid in full.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

In September 2009 the Company acquired from Arctic Russia B.V. a 51 % interest in the charter capital of ООО SeverEnergiya for 43,176,977 having realized the stock option entered into in April 2007. As of 31 December 2009 outstanding accounts payable of the Company for the interest in the charter capital of ООО SeverEnergiya were 35,757,215. As of 31 December 2010 the payable has been repaid in full.

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

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

In October 2011 the Company sold a 61.8% in the charter capital of ЗАО Газпром Нефт Оренбург to ОАО Газпром Нефт for 3,576,000. Income and expenses from the sale are recorded within other income and expenses.

Major associates of ОАО Газпром:

Company name	% of interest	Type of activity	Location
Nord Stream AG	51.0%	Design, construction and operation of gas pipeline area North Stream	Switzerland
Shtockman Development AG	51.0%	Gas field development	Switzerland
АО Moldovagaz	50.0%	Transportation and sale of gas	Moldova
Blue Stream Pipeline Company B.V.	50.0%	Transportation of gas	Netherlands
АО YugoRosGaz	50.0%	Transportation and sale of gas	Serbia
RosUkrEnergo AG	50.0%	Transportation and sale of gas	Switzerland
ТОО KazRosGaz	50.0%	Transportation and sale of gas	Kazakhstan
ОАО Belgazprombank	49.02%	Banking	Republic of Belarus
АО EuRoPol Gaz	48.0%	Transportation and sale of gas	Poland
АО Turusgaz	45.0%	Sale of gas	Turkey
Газпромбанк (Open Joint Stock Company)	41.73%	Banking	Russia
ЗАО Rosshelf	39.51%	Gas production	Russia
АО Lietuvos Dujos	37.06%	Transportation and sale of gas	Lithuania
АО Latvijas Gaze	34.0%	Transportation and sale of gas	Latvia
ЗАО Stella Vitae	30.0%	Transportation and sale of gas	Lithuania
АО Gazum	25.0%	Sale of gas	Finland
South Stream AG	50.0%	Design, construction and operation of South Stream gas pipeline area	Switzerland
South Stream Austria GmbH	50.0%	Design, construction and operation of South Stream gas pipeline area	Austria

AO GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Other major related parties

Wintershall Erdgas Handelshaus GmbH and Co. KG	WINGAS GmbH and Co. KG
Wintershall Erdgas Handelshaus Zug AG	AO Gazprom Gazenergoset
GWH – Gashandel GmbH (previously	AO Gazprom Neftekhim Salavat
GWH – Gas unt Varenhandels GmbH)	(previously OAO Salavatnefteorgsintez)
AO Overgas Inc.	Rosingaz Ltd.
ZAO Panrusgaz	Gazprom (Schweiz) AG
AO Promgaz S.P.A.	(previously ZMB (Schweiz) AG)
Gazprom Marketing and Trading Ltd.	Sakhalin Energy Investment Company Ltd.
	Gazprom Germania GmbH

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

Transactions with related parties

AO Gazprom transactions with major wholly owned subsidiaries

	2011	2010
Sale (net of VAT, excise, custom duties and similar payments):		
gas	1,040,455,987	761,241,719
leasing out of property	371,208,648	361,916,819
services related to organisation of gas transportation	15,957,080	16,054,804
Acquisition:		
gas transportation and storage services	787,728,128	706,987,556
gas	337,193,241	290,898,654
liquid hydrocarbons	56,314,572	49,382,041
liquid hydrocarbons processing services	23,580,847	21,348,385

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

Accounts receivable and accounts payable arising from settlements with major wholly owned subsidiaries of OAO Gazprom were as follows:

	31 December		
	2011	2010	2009
Accounts receivable	1,467,422,074	1,051,063,612	853,364,406
Accounts payable	309,759,836	247,055,820	167,400,910

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

As of 31 December 2011 and 2010 the doubtful debt provision of 243 was formed with respect to accounts receivable from major subsidiaries of OAO Gazprom. As of 31 December 2009 the doubtful debt provision of 149 was formed.

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

	31 December		
	2011	2010	2009
Loans due beyond 12 months of the reporting date	13,403,063	11,158,304	2,209,095
Loans due within 12 months of the reporting date	1,487,677	3,573,000	5,788,220

Interest on loans that the Company granted to its major wholly owned subsidiaries was 781,233; 751,827 and 1,158,440 in 2011, 2010 and 2009, respectively. The Company granted loans to its major wholly owned subsidiaries at the interest rate in the range from 3.19% to 20.0%, from 1.89% to 9.25% and from 5.79% to 9.00% in 2011, 2010 and 2009, respectively.

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

	31 December		
	2011	2010	2009
Loans due beyond 12 months of the reporting date	15,000,000	-	-
Loans due within 12 months of the reporting date	153,807,138	64,440,169	-

As of 31 December 2011 and 2010 loans due within 12 months of the reporting date are represented by loans due to subsidiary Gazprom Sakhalin Holdings B.V. of 153,650,973 and 64,440,169, respectively.

Interest on loans that the Company received from its major wholly owned subsidiaries was 1,558,351; 442,889 and 271,363 in 2011, 2010 and 2009, respectively, including interest on loan that the Company received from Gazprom Sakhalin Holdings B.V. of 1,402,187, 442,889 and 46,423 in 2011, 2010 and 2009, respectively.

The Company received loans from its major wholly owned subsidiaries at the interest rate ranged from 1.50% to 7.60% in 2011, 2.25% in 2010 and from 2.00% to 5.30% in 2009.

Guarantees issued by the Company on behalf of its major wholly owned subsidiaries totalled 132,639,627; 97,530,450 and 57,005,939 as of 31 December 2011, 2010 and 2009, respectively.

OAD GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)**Transactions with other major subsidiaries**

	2011	2010
Sale (net of VAT, excise, custom duties and similar payments):		
services related to organisation of gas transportation	35,316,134	33,070,885
gas	8,891,927	7,409,726
Acquisition:		
gas	99,694,033	87,051,526
liquid hydrocarbons	3,134,850	3,528,960

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

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

	31 December		
	2011	2010	2009
Accounts receivable	8,575,618	16,651,710	16,594,545
Accounts payable	18,397,430	19,572,730	16,077,340

As of 31 December 2011 and 2010 the doubtful debt provision of 53,211 and 170,223, respectively, was formed with respect to accounts receivable from other major subsidiaries, no provision was formed in 2009.

The debt of other major subsidiaries of the Company on loans received was as follows:

	31 December		
	2011	2010	2009
Loans due within 12 months of the reporting date	8,829,275	-	14,395,625

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

Loans due within 12 months of the reporting date are represented primarily by the loan receivable from its subsidiary OAO Daltransgas that amounted to 5,679,275 as of 31 December 2011. Interest on loan that the Company granted to OAO Daltransgas was 200,452 in 2011.

Interest on loans that the Company granted to its other major subsidiaries was 381,204; 876,913 and 628,926 in 2011, 2010 and 2009, respectively.

The Company granted loans to its other major subsidiaries at the interest rate in the range from 4.73% to 6.02% in 2011, from 6.98% to 8% in 2010 and 2009, respectively.

Guarantees issued by the Company on behalf of its other major subsidiaries totalled 18,528,271; 17,659,895 and 28,841,550 as of 31 December 2011, 2010 and 2009, respectively.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Transactions with major associates

	2011	2010
Sale (net of VAT, excise, custom duties and similar payments):		
gas	87,356,079	198,052,619
Acquisition:		
gas	122,541,234	9,671,384
gas transportation and storage services, including	24,477,855	33,987,525
through the commissioner ООО Gazprom Export	21,646,791	17,829,571

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

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

	31 December		
	2011	2010	2009
Accounts receivable	87,855,820	162,197,441	65,038,874
Accounts payable	14,532,389	22,014,744	9,944,113

As of 31 December 2011, 2010 and 2009 the doubtful debt provision of 73,600,707; 50,261,860 and 32,759,218, respectively, was formed with respect to accounts receivable from major associated companies.

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

	31 December		
	2011	2010	2009
Loans due beyond 12 months of the reporting date	-	2,509,525	-
Loans due within 12 months of the reporting date	2,592,795	6,170,964	23,234,435

Interest on the loans that the Company provided to its major associate – Nord Stream AG was 343,477; 812,867 and 320,783 for 2011, 2010 and 2009, respectively.

Deposits placed by the Company in Gazprombank (Open Joint Stock Company) totalled 9,361,661; 10,203,828 and 11,477,995 as of 31 December 2011, 2010 and 2009, respectively.

	31 December		
	2011	2010	2009
Deposits due beyond 12 months of the reporting date	8,060,702	9,270,404	10,192,413
Deposits due within 12 months of the reporting date	1,300,959	933,424	1,285,582

OAo GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

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

	31 December		
	2011	2010	2009
Loans due beyond 12 months of the reporting date	-	-	7,500,000

Interest on loans that the Company received from Gazprombank (Open Joint Stock Company) was 592; 236,712 and 600,000 in 2011, 2010 and 2009, respectively.

The Company's debt to its major associate – RosUkrEnergo AG was as follows:

	31 December		
	2011	2010	2009
Loans due within 12 months of the reporting date	10,778,254	-	-

Interest on loans that the Company received from RosUkrEnergo AG at the rate of 3.5% was 406,126.

Guarantees issued by the Company on behalf of major associates totalled 113,841,396; 63,728,311 and 22,445,864 as of 31 December 2011, 2010 and 2009, respectively.

Information on cash flows related to transactions with major subsidiaries and associates of OAO Gazprom

Line code	Narrative	For reporting period	including major subsidiaries associates	For similar period of prior year	including major subsidiaries associates
Cash flows from operating activities					
4110	Receipts - total, including	4,088,906,915	1,818,864,704	3,639,426,150	1,567,957,375
4111	sale of goods, products, works and services	3,977,157,600	1,778,495,722	3,318,886,147	1,531,291,200
4112	rent payments, license payments, royalties, commissions and other payments	-	-	-	-
4113	resale of financial investments	-	-	-	-
4119	other receipts	111,749,315	40,368,982	320,540,003	36,666,175
4120	Payments - total, including	(3,010,222,013)	(1,702,333,038)	(2,649,424,358)	(1,533,876,243)
4121	to suppliers (contractors) for raw materials, works, services	(2,077,143,648)	(1,605,157,297)	(1,793,749,629)	(1,352,583,313)
4122	wages and salaries	(18,519,177)	-	(15,489,755)	-

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Line code	Narrative	For reporting period	including major subsidiaries associates	For similar period of prior year	including major subsidiaries associates
4123	interests on borrowings	(63,108,748)	(1,462,539)	(70,150,132)	(236,712)
4124	corporate income tax	(235,704,062)	-	(186,925,150)	-
4129	other payments	(615,746,378)	(95,713,202)	(583,109,692)	(181,056,218)
4100	Net cash flows from operating activities	1,078,684,902	116,531,666	990,001,792	34,081,132
Cash flows from investing activities					
4210	Receipts - total, including	87,522,492	77,896,907	136,100,408	85,179,398
4211	sale of non-current assets (except financial investments)	402,636	85,634	264,636	178,525
4212	sale of shares of other entities (ownership interest)	7,632,789	3,576,000	48,716,815	-
4213	return of loans issued, sales of debt securities (sale of rights of claiming cash to third parties)	13,857,998	11,124,673	39,171,322	39,128,417
4214	dividends, interest on debt investments and similar proceeds from equity participation in other organisations	63,169,766	61,583,555	45,997,653	43,959,778
4219	other receipts	2,459,303	1,527,045	1,949,982	1,912,678
4220	Payments - total, including	(1,300,858,910)	(776 608 446)	(849,212,854)	(499,392,655)
4221	acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	(2,518,630)	(558 853)	(866,542)	(154,988)
4222	acquisition of other entities shares	(110,245,235)	(108,619,443)	(100,739,851)	(63,082,812)
4223	acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	(6,620,924)	(6,582,716)	(21,452,624)	(21,436,586)
4224	borrowing costs included to the cost of the investment assets	-	-	-	-
4229	other payments	(1,181,474,121)	(660,847,434)	(726,153,837)	(414,718,269)
4200	Net cash flows from investment activities	(1,213,336,418)	(698,711,539)	(713,112,446)	(414,213,257)

ОАО GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. СВЯЗАННЫЕ СТОРОНЫ (продолжение)

Line code	Narrative	For reporting period	including major subsidiaries associates	For similar period of prior year	including major subsidiaries associates
Cash flows from financing activities					
4310	Receipts - total, including	265,700,827	109,460,664	127,536,178	64,192,361
4311	loans and borrowings received	265,700,827	109,460,664	127,536,178	64,192,361
4312	cash contributions of owners (participants)	-	-	-	-
4313	issue of shares, increase in participation interest	-	-	-	-
4314	issue of bonds, promissory notes and other debt securities, etc.	-	-	-	-
4319	other receipts	-	-	-	-
4320	Payments - total, including	(148,360,690)	(7,385,051)	(251,425,159)	(7,500,000)
4321	to owners (participants) due to the fact of share buy-back or cessation of membership	-	-	-	-
4322	dividend payments or other distribution of profit to owners (participants)	(84,502,821)	-	(53,585,133)	-
4323	redemption (buy-back) of promissory notes and other debt securities, loan repayment	(63,857,869)	(7,385,051)	(197,840,026)	(7,500,000)
4329	other payments	-	-	-	-
4300	Net cash flows from financing activities	117,340,137	102,075,613	(123,888,981)	56,692,361
4400	Net cash flows for the reporting period	(17,311,379)	(480,104,260)	153,000,365	(323,439,764)

Transactions with other major related parties

	2011	2010
Sale (net of VAT, excise, custom duties and similar payments):		
gas	319,996,925	262,656,439
gas condensate and oil refinery products	105,808,940	86,518,070
services related to organisation of gas transportation	31,229,535	66,439,812
Acquisition:		
gas	207,822,242	245,823,657
gas transportation and storage services, including through the commissioner OOO Gazprom Export	5,347,505	5,166,762
	5,347,505	5,166,762

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

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

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

	31 December		
	2011	2010	2009
Accounts receivable	75,917,433	58,913,756	55,810,157
Accounts payable	17,546,740	25,724,306	7,879,906

In 2011, 2010 and 2009 no doubtful debt provision was formed for accounts receivable from other major related parties of the Company.

The Company's debt to its major related parties was as follows:

	31 December		
	2011	2010	2009
Loans due beyond 12 months of the reporting date	-	13,596,009	-
Loans due within 12 months of the reporting date	57,952,178	-	-

Interest on loans that the Company received from its other major related parties was 876,955 and 36,851 in 2011 and 2010, respectively. Interest rates on loans that the Company received from its other major related parties were in the range from 3.20% to 5.0% in 2011 and 3.2% in 2010.

Guarantees issued by the Company on behalf of its other major related parties totalled 103,219,967; 100,259,858 and 101,318,070 as of 31 December 2011, 2010 and 2009, respectively.

Company's cash flows related to transactions with other related parties:

	2011	2010
Cash inflow, including:	509,323,059	474,566,980
from operating activities	452,022,371	460,638,539
from financing activities	57,300,000	13,928,069
from investing activities	688	372
Cash outflow, including:	239,142,186	238,579,883
for operating activities	226,725,930	238,579,883
for financing activities	12,416,256	-
for investing activities	-	-

Line "Cash inflow from operating activities" includes proceeds from sale of goods, products, works and services.

Line "Cash outflow for operating activities" includes payments to the suppliers (contractors) for raw materials, works and services.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

19. RELATED PARTIES (continued)

Remuneration to key management personnel

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom), including salary, bonuses and remuneration for serving in the management bodies of the Company, amounted to 1,339,256; 1,243,354 and 1,203,766 for the years ended 31 December 2011, 2010 and 2009, respectively. Such amounts include personal income tax and insurance payments (prior to 1 January 2010 - unified social tax). Government officials, who are directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) is determined by the terms of the annual employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to the Russian legislation, the Company makes contributions to the Russian Federation State Pension Fund, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund and territorial compulsory medical insurance funds calculated on the basis of salaries and other payments to employees including key management personnel.

The Company provided medical insurance and liability insurance for key management personnel. Voluntary medical insurance amounted to 1,049; 699 and 656; liability insurance amounted to 1,008; 1,365 and 1,314 for 2011, 2010 and 2009, respectively.

20. ESTIMATED AND CONTINGENT LIABILITIES

Estimated liabilities

Information about estimated liabilities is disclosed in Section 7 of the table enclosed in the notes to the balance sheet and income statement. Amounts in column 4 "Accrued" reflect estimated liabilities that were accrued in 2011- 3,629,901.

Estimated asset retirement liability and liability to restore environment disturbed by mineral extraction

According to Articles 22.8 and 22.9 of Federal Law No. 2395-I dated 21 February 1992 "On Subsoil" and subsoil use licence agreements, the Company is obliged to bring the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as liquidate mine workings and wells that are not subject to further use.

The Company used subsoil together with its subsidiaries. And the specifics of the subsoil use management process are as follows: the fixed assets items used in this process are owned by the Company but leased out to subsidiaries and used by them in compliance with the terms and conditions of their licence agreements. The subsidiaries are obliged to bear costs associated with dismantling of fixed assets items that are not subject to further use and with restoration of environment disturbed by the subsoil use. The Company, being the owner of fixed assets, subsequently reimburses them for these costs.

Due to the above specifics of the subsoil use management process, the Company currently has no grounds for fair and substantiated assessment of such liabilities as of 31 December 2011, 2010 and 2009 and their effect on the value of the underlying assets as well as the effect of the change in these liabilities on the Company's financial results for 2011 and 2010. Therefore, the estimated liabilities on fixed assets retirement and environmental restoration are not recorded in the Company's accounting system and included in the respective items of the Company's accounting reports.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

20. ESTIMATED AND CONTINGENT LIABILITIES (continued)

In 2011 and 2010 the Company incurred wells liquidation expenses of 1,085,741 and 523,834, respectively.

As of 31 December 2011, the Company carried 12,211 wells (including 11,600 wells leased out to subsidiaries) on its balance sheet. As of 31 December 2010 and 31 December 2009, the Company carried 12,048 and 11,932 wells (including 11,589 wells and 11,552 wells leased out to subsidiaries) on its balance sheet.

Pension liabilities

The Group operates a defined benefit plan. As the current legislation provides no guidance for recording pension liability accruals on accounts, calculations of both pension liabilities and pension assets are only possible at the level of Gazprom Group, and they are disclosed in the Notes to Gazprom Group's consolidated financial statements prepared under International Financial Reporting Standards (www.gazprom.ru).

Contingent liabilities

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

	31 December		
Outstanding guarantees issued on behalf of the following entities:	2011	2010	2009
Nord Stream AG	105,616,166	50,005,302	-
ООО Novourengoysky GHK	103,942,605	62,867,143	42,884,581
Sakhalin Energy Investment Company Ltd.	103,219,967	100,259,858	101,318,070
ОАО Gazprom Space Systems	22,433,668	13,923,904	6,983,445
ОАО Severneftegazprom	16,967,763	16,433,390	27,536,138
ООО Gazprom Investproject	11,888,002	21,490,067	6,659,877
ООО Gazprom Neft Shelf	10,403,088	9,502,486	10,237,145
Gazprom Lybia B.V.	9,401,261	8,899,255	8,831,306
Blue Stream Pipeline Company B.V.	8,225,230	13,723,009	19,790,500
ООО Gazprom Export	6,158,079	2,627,755	2,662,787
EM Interfinance Ltd.	5,868,767	5,693,648	5,785,118
Blackrock Capital Investments Ltd.	4,984,730	4,823,583	4,899,553
ОАО Gazprom Automatisatcion	4,000,000	2,342,487	-
Devere Capital International Ltd.	1,957,645	4,217,122	5,671,750
ZAO Kaunasskaya Heat-Electric Generating Plant	1,267,182	1,226,505	1,305,413
Mortgage Lending Assistance Fund Gazpromipoteka	1,144,763	1,196,292	1,202,032
АО Gaztransit	573,751	724,559	972,098
ZAO Achimgaz	387,384	4,330,488	4,840,879
ООО Severny Evropeysky Trubny Project	-	40,251,384	-
Production company VIS	-	16,030,000	-
ООО Trade House Truboprovod	-	12,658,886	-
ООО Investgazavtomatika	-	2,448,906	3,154,864
ООО Stroygazconsulting	-	-	8,841,227
MRK Energy DMSS	-	-	8,619,597
ООО Gazprom Burenie	-	-	1,221,426
Other	646,069	1,332,601	3,426,958
Total	419,086,120	397,008,630	276,844,764

OAD GAZPROM
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

20. ESTIMATED AND CONTINGENT LIABILITIES (continued)

In June 2008, the Company issued a number of guarantees to Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. within the Company's share (50%) in the liabilities of Sakhalin Energy Investment Company Ltd. regarding the loans received. The guarantees were issued for the period of loans received by Sakhalin Energy Investment Company Ltd., but not later than 15 December 2021. Total liabilities guaranteed amounted to 103,219,967; 100,259,858 and 101,318,070 as of 31 December 2011, 2010 and 2009, respectively.

In March 2010, the Company provided a guarantee to Societe Generale Bank for Nord Stream AG guaranteeing the completion of works under Stage 1 of Nord Stream pipeline construction project. According to the terms of this guarantee, the Company is obliged to repay debt to the creditors of Stage 1 of the project within its share (51%) if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of construction and tests of the first pipeline. As of 31 December 2011 and 2010, the guaranteed liabilities were 72,205,368 and 50,005,302, respectively.

In 2011, Nord Stream AG started implementing Stage 2 of the project and construction of the second Nord Stream pipeline. In March 2011, the Company provided a guarantee to Societe Generale Bank for Nord Stream AG guaranteeing the completion of works under Stage 2 of Nord Stream pipeline construction project. According to the terms of this guarantee, the Company is obliged to repay debt to the creditors of Stage 2 of the project within its share (51%) if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of construction and tests of the second pipeline. As of 31 December 2011 the guaranteed liabilities were 33,410,798.

In 2010, the Company issued the guarantee to Gazprombank (Open Joint Stock Company) valid until October 2011 to secure the loans raised by OOO Severny Evropeysky Trubny Project. As of 31 December 2010, the guarantees amounted to 40,251,384. In 2011, OOO Severny Evropeysky Trubny Project repaid the loan and, therefore, the guarantee agreement was no longer effective.

In July 2005, Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Company, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Company guaranteed the above loans until July 2013. As of 31 December 2011, 2010 and 2009, the guarantees amounted to 8,225,230; 13,723,009 and 19,790,500, respectively.

In December 2004 and June 2005, the Company guaranteed loans raised by OOO Gazprom Neft Shelf (former OOO Sevmorneftegaz) from ING Bank N.V. for the financing of fixed assets construction for a period until June 2016 and November 2015, respectively. In January 2007, the Company issued additional guarantees for the liabilities of OOO Gazprom Neft Shelf to Blueward Shipping Company Ltd. and Nostalgic Moon Shipping Company Ltd. under shipping agreements. The guarantee will be valid for 25 years after the vessels are transferred to OOO Gazprom Neft Shelf. As of 31 December 2011, 2010 and 2009, guarantees totalled 10,403,088; 9,502,486 and 10,237,145, respectively.

In 2006, the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands for five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland with respect to the bonds issued by them and due in December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. The bonds were issued for the purposes of financing the construction of a transit gas pipeline in the territory of Poland to be carried out by AO EuRoPol Gaz. In December 2009, liabilities related to the bonds of DSL Assets International Limited and United Energy Investments Limited were settled. As a result, the total amount of guarantees issued to Asset Repackaging Trust Five B.V. was 12,811,142; 14,734,353 and 16,356,421 as of 31 December 2011, 2010 and 2009, respectively.

In March 2011, the Company issued a guarantee valid until March 2016 to Bank of Tokyo-Mitsubishi UFJ Ltd. as a security of the loan granted to OOO Novourengoysky GHK. As of 31 December 2011 the guarantee was 10,562,323.

In July 2011 the Company issued a guarantee valid until July 2016 to Sumitomo Mitsui Finance Dublin Ltd as a security of the loan granted to OOO Novourengoysky GHK. As of 31 December 2011, the guarantee was 11,232,967.

In December 2011, the Company issued a guarantee valid until December 2018 to OOO Regional'naya Finansovaya Compania as a security of the loan granted to OOO Novourengoysky GHK. As of 31 December 2011, the guarantee was 10,000,000.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
(in thousand Russian Roubles, unless otherwise stated)

20. ESTIMATED AND CONTINGENT LIABILITIES (continued)

In December 2011, the Company issued a guarantee valid until December 2016 to Bank of America Securities Ltd. as a security of the loan granted to ООО Нововурганский ГК. As of 31 December 2011, the guarantee was 9,694,259.

Based on the Company's estimates, there are no third party obligations secured by OAO Gazprom guarantee with significant risk of non-fulfilment as of 31 December 2011 and 2010. Therefore, the Company did not record estimated liabilities for the issued guarantees as of 31 December 2011 and 2010.

Legal proceedings

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

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. As of 31 December 2011, management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

27 March 2012

Chief Executive Officer

A.B. Miller

Chief Accountant

E.A. Vasilieva

**STATUTORY CONSOLIDATED ACCOUNTING REPORTS
OF OAO GAZPROM AND ITS SUBSIDIARIES FOR 2011
PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS**

AUDITOR'S REPORT
on the Statutory consolidated accounting reports of OAO Gazprom and its subsidiaries
prepared in accordance with the legislation of Russian Federation 2011

AUDITOR'S REPORT
on the Statutory consolidated accounting reports

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

Client

Open Joint Stock Company Gazprom.

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

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

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

Auditor

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

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

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

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

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

AUDITOR'S REPORT

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

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

We have audited the attached Statutory consolidated accounting reports of Open Joint Stock Company Gazprom (OAO Gazprom) and its subsidiaries (the Group) which comprise the Consolidated balance sheet as of 31 December 2011, and the Consolidated statement of income, the Consolidated statement of changes in shareholders' equity and the Consolidated statement of cash flow for the year ended 31 December 2011 and Notes to the consolidated accounting reports (hereinafter all the reports together are referred to as the "Statutory consolidated accounting reports").

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

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

The auditor's responsibility

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

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

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

Opinion

In our opinion, the Statutory consolidated accounting reports present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and the results of its operations and its cash flows for the 2011 year in accordance with the reporting rules established in the Russian Federation.

Director of ZAO PricewaterhouseCoopers Audit

M.E. Timchenko

27 April 2012

OA OGAZPROM
CONSOLIDATED BALANCE SHEET
as of 31 December 2011 (in million Roubles)

Note	ASSETS	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
	I. NON-CURRENT ASSETS			
	Intangible assets, including:	859,870	743,495	815,911
5	goodwill on subsidiaries	855,290	740,554	814,347
	Results of research and development	5,968	5,540	5,083
	Fixed assets, including:	7,760,805	6,296,572	5,879,455
6	Objects of fixed assets, including:	6,114,279	4,991,540	4,932,130
	buildings, constructions, machinery and equipment	5,982,883	4,928,293	4,876,316
7	Construction in progress	1,646,526	1,305,032	947,325
8, 19	Financial investments, including:	980,888	1,043,982	1,040,980
	investments in subsidiaries	51,359	40,660	45,800
	investments in associates	608,117	668,599	691,795
	investments in other companies	180,174	185,530	171,077
	loans issued to companies beyond 12 months	107,197	110,401	90,317
	other financial investments	34,041	38,792	41,991
15	Deferred tax assets	58,016	48,386	42,076
	Other non-current assets, including:	318,753	344,613	266,471
	expenses for the development of natural resources	169,684	143,559	128,509
	TOTAL Section I	9,984,300	8,482,588	8,049,976
	II. CURRENT ASSETS			
9	Inventories, including:	447,625	373,569	327,912
	raw materials and other inventories	126,381	127,490	126,503
	work in progress	8,601	5,505	5,651
	finished goods and goods for resale	300,436	234,861	190,105
	goods dispatched	12,207	5,713	5,653
	Value added tax on purchased goods	303,287	158,533	139,645
	Accounts receivable, including:	1,235,449	1,047,183	1,007,790
10	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	115,505	105,152	90,600
	buyers and customers	10,178	9,337	22,909
	advances paid	31,118	41,966	6,592
	other accounts receivable	74,209	53,849	61,099

OAO GAZPROM
CONSOLIDATED BALANCE SHEET
as of 31 December 2011 (in million Roubles)

Note	ASSETS	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
10	Accounts receivable (payment expected within 12 months of the reporting date), including:			
	buyers and customers	1,119,944	942,031	917,190
	advances paid	551,635	417,718	384,176
	other accounts receivable	288,464	280,181	226,775
	Financial investments (less cash equivalents), including:	279,845	244,132	306,239
	loans issued to companies due within 12 months	142,936	154,312	130,771
11	other financial investments	90,994	76,524	86,641
12	Cash and cash equivalents, including:	51,942	77,788	44,130
	cash on hand	517,955	445,323	231,688
	rouble bank accounts	533	259	243
	non-rouble bank accounts	274,313	162,018	92,911
	other monetary assets and cash equivalents	127,615	177,085	87,174
	Other current assets, including:	115,494	105,961	51,360
	expenses for the development of natural resources	18,066	24,676	24,064
		8,481	12,316	11,399
	TOTAL Section II	2,665,318	2,203,596	1,861,870
	TOTAL ASSETS	12,649,618	10,686,184	9,911,846
	EQUITY AND LIABILITIES	As of	As of	As of
		31 December 2011	31 December 2010	31 December 2009
13	III. EQUITY AND RESERVES			
	Charter capital	118,368	118,368	118,368
	Treasury shares	(127,472)	(126,853)	(127,071)
	Revaluation of non-current assets	4,720,075	4,106,611	4,110,909
	Additional capital (less revaluation)	113,990	100,364	105,399
	Legal reserves	27,840	25,630	24,627
	Retained earnings	4,832,022	3,903,804	3,173,883
2, 6	Social government fund	730	862	1,117
	TOTAL Section III	9,685,553	8,128,786	7,407,232
	Minority interest	252,735	236,471	249,644

OA OGAZPROM
CONSOLIDATED BALANCE SHEET
as of 31 December 2011 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
	IV. NON-CURRENT LIABILITIES			
14	Borrowings, including:	1,173,207	1,125,609	1,127,839
	bank borrowings due for repayment beyond 12 months of the reporting date	384,752	314,417	317,631
	loans due for repayment beyond 12 months of the reporting date	788,455	811,192	810,208
15	Deferred tax liabilities	226,670	173,352	173,292
27	Contingencies	3,337	3,745	522
	Other liabilities	6,401	4,383	1,986
	TOTAL Section IV	1,409,615	1,307,089	1,303,639
	V. CURRENT LIABILITIES			
14	Borrowings, including:	366,037	190,005	336,986
	bank borrowings due for repayment within 12 months of the reporting date	36,968	48,666	77,223
	loans due for repayment within 12 months of the reporting date	27,028	13,938	26,124
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	302,041	127,401	233,639
	Accounts payable, including:	834,961	747,741	527,945
	suppliers and contractors	530,284	440,953	305,490
	salaries payable	10,947	9,795	8,949
	payable to state non-budget funds	2,304	1,335	1,382
	payable to budget	135,230	116,804	109,803
	advances received	106,271	150,849	23,978
	other accounts payable	48,037	25,602	75,988
	dividends payable	1,888	2,403	2,355
	Income of future periods	3,543	3,311	3,182
27	Contingencies	97,174	72,781	83,218
	TOTAL Section V	1,301,715	1,013,838	951,331
	TOTAL EQUITY AND LIABILITIES	12,649,618	10,686,184	9,911,846

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

27 April 2012

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF INCOME
for the year ended 31 December 2011 (in million Roubles)

Note		For 2011	For 2010
16	Sales	4,735,822	3,661,699
17	Cost of sales	(2,907,021)	(2,341,685)
	Gross profit	1,828,801	1,320,014
17	Commercial expenses	(440)	(175)
17	Administrative expenses	(206,072)	(158,007)
	Profit from sales	1,622,289	1,161,832
	Income from investments in other companies	7,574	4,584
	Interest income	19,868	15,302
	Interest expense	(79,663)	(88,916)
18	Other income	4,922,216	3,601,828
18	Other expenses	(5,220,578)	(3,719,509)
8	Capitalized profit of associates	92,769	72,630
	Profit before profit tax	1,364,475	1,047,751
15	Profit tax, including:	(287,294)	(252,743)
	current profit tax	(330,256)	(265,167)
	previous years profit tax	42,962	12,424
	including: permanent tax liabilities	61,425	59,334
15	Change in deferred tax liabilities	(54,893)	(29,266)
15	Change in deferred tax assets	9,644	12,473
15	Other	1,173	23,317
	Net profit of the reporting period before minority interest	1,033,105	801,532
	Minority interest	(32,205)	(30,290)
	Net profit of the reporting period	1,000,900	771,242
	FOR REFERENCE:		
6	Results of fixed assets revaluation not included into net profit of the reporting period	597,972	488
	Results of other transactions not included into net profit of the reporting period	18,542	(15,850)
	Comprehensive income of the reporting period attributable to the owners of OAO Gazprom	1,617,414	755,880
21	Basic earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	43.61	33.61

A.B. Miller
 Chairman of the Management Committee

E.A. Vasilieva
 Chief Accountant

27 April 2012

OA OGAZPROM
CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for the year ended 31 December 2011 (in million Roubles)

Note	Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
Equity as of 31 December 2009	118,368	(127,071)	4,216,308	24,627	3,173,883	1,117	7,407,232
For 2010							
Change of capital – total, including:	-	218	(3,236)	(3)	724,830	(255)	721,554
net profit	-	-	-	-	771,242	-	771,242
6 revaluation of property	-	-	488	-	-	-	488
differences resulting from the translation of foreign investments	-	-	(15,850)	-	-	-	(15,850)
change in the Group structure and change of interest in subsidiaries	-	-	11,768	(3)	9,801	-	21,566
dividends	-	-	-	-	(55,007)	-	(55,007)
6 social assets transferred to State authorities	-	-	-	-	-	(255)	(255)
other	-	218	358	-	(1,206)	-	(630)
Change of additional capital	-	-	(6,097)	-	6,097	-	-
Change of legal reserves	-	-	-	1,006	(1,006)	-	-
Equity as of 31 December 2010	118,368	(126,853)	4,206,975	25,630	3,903,804	862	8,128,786
For 2011							
Change of capital – total, including:	-	(619)	633,541	(352)	924,329	(132)	1,556,767
net profit	-	-	-	-	1,000,900	-	1,000,900
6 revaluation of property	-	-	597,972	-	-	-	597,972
differences resulting from the translation of foreign investments	-	-	18,542	-	-	-	18,542
change in the Group structure and change of interest in subsidiaries	-	-	16,735	(352)	13,454	-	29,837
dividends	-	-	-	-	(88,757)	-	(88,757)
6 social assets transferred to State authorities	-	-	-	-	-	(132)	(132)
other	-	(619)	292	-	(1,268)	-	(1,595)
Change of additional capital	-	-	(6,451)	-	6,451	-	-
Change of legal reserves	-	-	-	2,562	(2,562)	-	-
Equity as of 31 December 2011	118,368	(127,472)	4,834,065	27,840	4,832,022	730	9,685,553

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

27 April 2012

OAO GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2011 (in million Roubles)

Note	For 2011	For 2010
Cash flows from operating activities		
Total cash received, including:	5,604,075	4,820,759
sales of products, goods, works and services	5,435,600	4,478,077
lease and license payments, royalty, commission and other similar receipts	1,230	712
other receipts, including:	167,245	341,970
advances received from buyers (customers)	34,305	95,322
Total cash paid, including:	(4,215,678)	(3,448,154)
payment for purchased raw materials, works and services	(1,940,637)	(1,592,974)
wages and salaries	(263,981)	(246,243)
interests on borrowings	(82,284)	(91,690)
profit tax	(334,774)	(266,988)
other payments, including:	(1,594,002)	(1,250,259)
settlements with customs	(675,806)	(474,682)
settlements with budget (less profit tax)	(632,412)	(464,310)
advances paid	(101,229)	(184,380)
Net cash provided by operating activities	1,388,397	1,372,605
Cash flows from investing activities		
Total cash received, including:	355,012	357,543
sales of non-current assets (less financial investments)	5,279	3,064
11, 25 sales of other entities' shares (equity interests)	18,977	113,658
return of loans issued, sales of debt securities (assignment of cash from third parties)	144,241	132,148
dividends, interest from debt financial investments and receipts from participation in other entities	67,304	71,077
other receipts	119,211	37,596
Total cash paid, including:	(1,689,242)	(1,299,693)
purchase, construction, modernization, reconstruction and preparation for use of non-current assets	(1,417,660)	(989,947)
purchase of other entities' shares	(154,608)	(75,155)
purchase of debt securities (assignment of cash from third parties), loans issued	(89,668)	(137,037)
other payments	(27,306)	(97,554)
Net cash used for investing activities	(1,334,230)	(942,150)

OAO GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2011 (in million Roubles)

Note		For 2011	For 2010
	Cash flows from financing activities		
	Total cash received, including:	523,844	338,858
	loans and borrowings, issue of bonds, promissory notes and other debt securities	523,622	338,649
	other receipts	222	209
	Total cash paid, including:	(502,144)	(548,889)
	dividends and other distributions to owners (participants)	(108,170)	(77,865)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	(377,899)	(455,126)
	other payments	(16,075)	(15,898)
	Net cash provided by (used for) financing activities	21,700	(210,031)
	Net cash for the reporting year	75,867	220,424
	Cash and cash equivalents at the beginning of the reporting period	445,270	231,244
12	Cash and cash equivalents at the end of the reporting period	517,887	445,270
	Impact of changes in exchange rates	(3,250)	(6,398)

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

27 April 2012

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

1. GENERAL INFORMATION

OA0 Gazprom and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world and are responsible for substantially all gas production and high pressure gas transportation in the Russian Federation. The Group is a major exporter of gas to European countries. The Group is engaged in oil production, refining activities and electricity/heat generation.

The Group is involved in the following principal activities:

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

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

On average, the Group employed 400,280 and 389,702 people in 2011 and 2010, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

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

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

Basis of consolidation

In accordance with the methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112, the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Shareholder’s Equity, Consolidated Statement of Cash Flow and the Notes to the consolidated accounting reports (together, the “statutory consolidated accounting reports”) comprise a consolidation of the statutory accounting reports of OA0 Gazprom and its principal subsidiaries and associates.

Accounting policy for the year 2011 of OA0 Gazprom and its subsidiaries is approved by Order No. 372 dated 30 December 2010.

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

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

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

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

Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate determined by Central Bank of Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments) denominated in foreign currency were recorded using the official Rouble exchange rate as at reporting date. The rate of exchange as of 31 December 2011 was RR 32.1961 to USD 1 (as of 31 December 2010 – RR 30.4769, as of 31 December 2009 – RR 30.2442), RR 41.6714 to EUR 1 (as of 31 December 2010 - RR 40.3331, as of 31 December 2009 – RR 43.3883).

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

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

Current and non-current assets and liabilities

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

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

Goodwill of subsidiaries

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

Results of research and development

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

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

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

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting rule “Accounting for Fixed Assets” (RAR 6/01) approved by Order of the Russian Ministry of Finance dated 30 March 2001, No. 26n, accounted for in accordance with the established procedure.

Completed fixed assets, which have been put into operation but documents for the state registration of title for which have not been submitted to the State Register are accounted separately within fixed assets.

In the consolidated accounting reports fixed assets are recorded at replacement cost (as of 31 December 2011) net of depreciation accumulated for the period of their use.

As of 31 December 2011 the Group revalued land, property, plant and equipment, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of revaluation is reflected in the Consolidated Balance Sheet as of 31 December 2011.

Certain assets of the certain entities of the Group (including Gazprom neft Group entities, ОАО WGC-2, ОАО TGC-1) are reported at historical cost net of depreciation accumulated for the period of their use. The management of ОАО Gazprom does not believe that this has a material impact on the consolidated accounting reports.

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

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

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

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

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

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

The following assets are not depreciated:

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

Investments in non-current assets

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

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

Financial investments

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

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

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

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

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

Inventories and costs

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

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

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

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

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

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

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

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

Accounts receivable

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

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

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

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

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

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

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

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

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

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

In the context of recent revision of composition of Consolidated Statement of Cash Flow, initiated by Russian accounting rule «Cash flow statement» (RAR 23/2011), adopted by the Order of the Ministry of Finance dated 2 February 2011 No.11n, starting from accounting reports for the year 2011 indirect taxes within settlements with suppliers and contractors and settlements with debtors are netted. The Group is updating its accounting system, which allows estimating the amount of indirect taxes for the purposes of preparation of accounting reports for the year 2012. Guided by rationality, in the consolidated accounting reports for the year 2011 indirect taxes are represented in full amount both within settlements with suppliers and contractors and settlements with debtors lines of the Consolidated Statement of Cash Flows.

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

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

Loans and borrowings received

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

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

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

Commitments and contingencies

The Group recognizes the following contingent liabilities in accounting:

- bonus payments at the year end;
- vacations;
- retirement benefits payable as a lump sum.

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

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

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

Contingent liabilities are attributed to general expenses and to other expenses.

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

Deferred taxes

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

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

Revenue and other income recognition

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

Other income primarily include transactions related to the sale of foreign currency and investments, positive exchange differences arising from foreign currency transactions, income from trading operations without actual delivery.

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

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

Expenses recognition

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

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

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

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

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

Changes in the 2011 accounting policies

In the context of changes in the existing accounting regulation the Group has modified the accounting policy for FY 2011 as follows:

The Order of the Russian Ministry of Finance “On financial reporting forms” dated 2 July 2010 No.66n has come into effect starting from 2011 accounting reports. Due to differences in presentation of information in the consolidated accounting reports in accordance with the noted Order and presentation of information in the consolidated accounting reports for FY 2010 (in accordance with the order of the Russian Ministry of Finance “On financial reporting forms” dated 22 July 2003 No.67n) individual items of 2009 and 2010 reports were presented as comparative data in the other lines of the consolidated accounting reports for 2011.

In the context of the Order of the Russian Ministry of Finance dated 24 December 2010 No. 186n becoming effective alterations were made to accounting regulation, which came into effect since 2011 and lead to changes in the accounting policy of the Group for FY 2011.

The indicated changes in the accounting policy lead to necessary adjustments of comparative periods in the consolidated accounting reports for 2011, which are disclosed in subsection “Changes in the comparative periods” in the Notes to the consolidated accounting reports.

Changes in the accounting of fixed and intangible assets

Since 2011 revaluation of fixed and intangible assets is represented as of the end of the reporting year. Before 2011 the revaluation was carried out as of 1 January of the year following the reporting one.

Since 2011 the amounts of fixed assets depreciation and appreciation depending on the results of current and previous revaluations might be attributed to additional capital or other expenses (other income). Before 2011 fixed assets depreciation and appreciation depending on the results of current and previous revaluations were attributed to additional capital or retained earnings.

The regulation prohibiting revaluation of land and natural resources sites has been abolished since 2011.

Since 2011 fixed assets constructed and put into operation, but the title for which have not yet been registered in the State Register in accordance with the established procedure, are accounted separately within fixed assets, including objects documents for the state registration of title for which have not been submitted to the State Register. Before 2011 fixed assets documents for the state registration of title for which have not been submitted to the State Register were not accounted within fixed assets.

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

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

Since 2011 assets with historic cost up to than th'RR 40 per item are represented within inventory. Before 1 January 2011 assets with historic cost up to than th'RR 20 per item were represented within inventory. Assets priced at th'RR 20-40, recorded in the accounting before 1 January 2011, are represented within fixed assets and are depreciated in accordance with the generally established procedure.

Changes in the accounting of bad debt provision

Since 2011 the Group provides for doubtful trade and other accounts receivable if the debt is recognized as doubtful. Before 2011 bad debt provision was created only for trade accounts receivable.

Besides, since 2011 a debt is recognized as doubtful if it was not paid or it is highly probable that it would not be paid within the time period specified in the contract, and it is not secured with a guarantee. Before 2011 a debt was recognized as doubtful if it was not paid within the time period specified in the contract and was not secured with a guarantee.

Changes in the accounting of profit tax

Since 2011 at profit tax rate change deferred tax assets and deferred tax liabilities are subject to recalculation as of the date prior to the date of first application of new profit tax rate (rates). The effect from recalculation is attributable to current year's profit or loss. Before 2011 the effect from recalculation of deferred tax assets and deferred tax liabilities at profit tax change was attributable to retained earnings.

Changes due to coming into effect of the Russian Accounting Rule 8/2010

In the context of effective Russian Accounting Rule "Estimated liabilities, contingent liabilities and assets" (RAR 8/2010), adopted by the Order of the Russian Ministry of Finance dated 13 December 2010 No.167n, since 2011 the Group creates contingent liabilities on pending payment of accrued but unused vacation days. Also the Group accrues contingent liabilities on retirement benefits payable as a lump sum and bonus payments at the year end. Before 2011 the mentioned contingent liabilities were not created by the Group.

The Group no longer creates provisions for future expenses and payments related to annual bonuses payable at year end.

Changes in the comparative periods

Columns "As of 31 December 2011" and "As of 31 December 2009" of the Consolidated Balance Sheet as of 31 December 2011 were formed by the way of adjusting closing balances of the Consolidated Balance Sheet as of 31 December 2010 and 2009 for:

- change of accounting policy for 2011 in respect of the date and representation of the results of fixed assets revaluation in accounting and reports. The results of fixed assets revaluation as of 1 January 2010 are reflected within 2010 and 2009 data, respectively;
- change of accounting policy related to recognition in accounting and reporting of contingent liabilities on pending payment of accrued but unused vacation days and on retirement benefits payable as a lump sum;
- change of accounting policy in respect of fixed assets constructed and put into operation, but the title for which have not yet been registered in the State Register in accordance with the established procedure. Previously these assets were recorded within construction in progress. Since 2011 accounting reports they are represented within fixed assets;
- reclassification of advances issued on capital construction from advances given to other non-current assets in the Consolidated Balance Sheet;

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

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

- change in the procedure of bad debt provision creation. Since 2011 the Group provides for doubtful trade and other accounts receivable if the debt is recognized as doubtful. Debt is recognized as doubtful if it is not secured with a guarantee or other means of discharge of obligations and is not settled at maturity or if there is a high probability of non redemption of non-overdue debts. Before 2011 bad debt provision was created only for trade accounts receivable, which were not paid on maturity;
- change of future period expenses representation. Since 2011 insurance is recorded within the line “Accounts receivable” of the Consolidated Balance Sheet, while the remaining short term portion of future period expenses is recorded in the line “Other current assets” of the Consolidated Balance Sheet;
- change of representation of expenses for the development of natural resources in the consolidated accounting reports. Expenses for the development of natural resources are transferred from construction in progress to other non-current assets in the Consolidated Balance Sheet;
- changes in the 2011 financial reporting forms in accordance with the Order of the Russian Ministry of Finance “On financial reporting forms” dated 2 July 2010 No.66n, particularly in part of creation of intangible assets and research and development. Related expenses were transferred from construction in progress and other non-current assets to intangible assets and results of research and development in the Consolidated Balance Sheet;
- change of cash equivalents representation in the consolidated accounting reports. Cash equivalents are transferred from financial investments to cash and cash equivalents in the Consolidated Balance Sheet.

Adjustments to the amounts as at 31 December 2010 and 2009 in the Consolidated Balance Sheet as at 31 December 2011

Item	As of 31 December 2010			As of 31 December 2009		
	Amount before adjustment	Adjustment	Amount after adjustment	Amount before adjustment	Adjustment	Amount after adjustment
I. NON-CURRENT ASSETS						
Intangible assets, including:	743,232	263	743,495	816,832	(921)	815,911
Results of research and development	-	5,540	5,540	-	5,083	5,083
Fixed assets, including:	6,317,276	(20,704)	6,296,572	5,422,378	457,077	5,879,455
Objects of fixed assets, including:	4,682,348	309,192	4,991,540	4,185,800	746,330	4,932,130
buildings, constructions, machinery and equipment	4,619,458	308,835	4,928,293	4,129,702	746,614	4,876,316
Construction in progress	1,634,928	(329,896)	1,305,032	1,236,578	(289,253)	947,325
Financial investments, including:	1,043,982	-	1,043,982	1,040,180	800	1,040,980
other financial investments	38,792	-	38,792	41,191	800	41,991
Deferred tax assets	45,395	2,991	48,386	39,575	2,501	42,076
Other non-current assets, including:	255,644	88,969	344,613	168,658	97,813	266,471
expenses for the development of natural resources	-	143,559	143,559	-	128,509	128,509
TOTAL Section I	8,405,529	77,059	8,482,588	7,487,623	562,353	8,049,976

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

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

Item	As of 31 December 2010			As of 31 December 2009		
	Amount before adjustment	Adjustment	Amount after adjustment	Amount before adjustment	Adjustment	Amount after adjustment
II. CURRENT ASSETS						
Inventories, including:	399,858	(26,289)	373,569	353,954	(26,042)	327,912
finished goods and goods for resale	234,861	-	234,861	190,111	(6)	190,105
goods dispatched	4,815	898	5,713	4,809	844	5,653
future period expenses	27,187	(27,187)	-	26,880	(26,880)	-
Value added tax on purchased goods	158,639	(106)	158,533	144,618	(4,973)	139,645
Accounts receivable, including:	1,119,337	(72,154)	1,047,183	1,039,991	(32,201)	1,007,790
Accounts receivable (payment expected beyond 12 months of the reporting date), including:						
including:	177,823	(72,671)	105,152	124,705	(34,105)	90,600
advances paid	115,587	(73,621)	41,966	41,792	(35,200)	6,592
other accounts receivable	52,899	950	53,849	60,004	1,095	61,099
Accounts receivable (payment expected within 12 months of the reporting date), including:						
including:	941,514	517	942,031	915,286	1,904	917,190
buyers and customers	418,000	(282)	417,718	384,386	(210)	384,176
advances paid	281,520	(1,339)	280,181	227,262	(487)	226,775
other accounts receivable	241,994	2,138	244,132	303,638	2,601	306,239
Financial investments (less cash equivalents), including:						
other financial investments	255,638	(101,326)	154,312	178,384	(47,613)	130,771
other financial investments	179,114	(101,326)	77,788	91,743	(47,613)	44,130
Cash and cash equivalents, including:						
other monetary assets and cash equivalents	343,997	101,326	445,323	184,875	46,813	231,688
other monetary assets and cash equivalents	4,635	101,326	105,961	4,547	46,813	51,360
Other current assets, including:						
expenses for the development of natural resources	485	24,191	24,676	216	23,848	24,064
expenses for the development of natural resources	-	12,316	12,316	-	11,399	11,399
TOTAL Section II	2,277,954	(74,358)	2,203,596	1,902,038	(40,168)	1,861,870
TOTAL ASSETS	10,683,483	2,701	10,686,184	9,389,661	522,185	9,911,846
III. EQUITY AND RESERVES						
Revaluation of non-current assets	-	4,106,611	4,106,611	-	4,110,909	4,110,909
Additional capital (less revaluation)	4,205,420	(4,105,056)	100,364	3,691,791	(3,586,392)	105,399
Retained earnings	3,927,048	(23,244)	3,903,804	3,196,008	(22,125)	3,173,883
Social government fund	862	-	862	765	352	1,117
TOTAL Section III	8,150,475	(21,689)	8,128,786	6,904,488	502,744	7,407,232
Minority interest	236,662	(191)	236,471	250,455	(811)	249,644
IV. NON-CURRENT LIABILITIES						
Deferred tax liabilities	173,431	(79)	173,352	173,293	(1)	173,292
Contingencies	-	3,745	3,745	-	522	522
Other liabilities	7,574	(3,191)	4,383	1,986	-	1,986
TOTAL Section IV	1,306,614	475	1,307,089	1,303,118	521	1,303,639
V. CURRENT LIABILITIES						
Accounts payable, including:						
other accounts payable	747,796	(55)	747,741	528,006	(61)	527,945
other accounts payable	25,657	(55)	25,602	76,049	(61)	75,988
Contingencies	48,620	24,161	72,781	63,426	19,792	83,218
TOTAL Section V	989,732	24,106	1,013,838	931,600	19,731	951,331
TOTAL EQUITY AND LIABILITIES	10,683,483	2,701	10,686,184	9,389,661	522,185	9,911,846

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

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

Adjustments to the Consolidated Statement of Income

To ensure comparability of the data for 2011 to comparative amounts for 2010 in the Consolidated Statement of Income amounts for 2010 were adjusted for:

- accrual of contingencies;
- accrual of additional provision for bad debts.

Item	Amount before adjustment for 2010	Adjustment	Amount after adjustment for 2010
Cost of sales	(2,337,996)	(3,689)	(2,341,685)
Gross profit	1,323,703	(3,689)	1,320,014
Commercial expenses	(136)	(39)	(175)
Administrative expenses	(157,214)	(793)	(158,007)
Profit from sales	1,166,353	(4,521)	1,161,832
Other income	3,601,620	208	3,601,828
Other expenses	(3,718,505)	(1,004)	(3,719,509)
Profit before profit tax, including	1,053,068	(5,317)	1,047,751
permanent tax liabilities (assets)	58,841	493	59,334
Change in deferred tax liabilities	(29,345)	79	(29,266)
Change in deferred tax assets	11,981	492	12,473
Net profit of the reporting period before minority interest	806,278	(4,746)	801,532
Minority interest	(30,345)	55	(30,290)
Net profit of the reporting period	775,933	(4,691)	771,242

Adjustments to the Consolidated Statement of Cash Flow

To ensure comparability of the data for 2011 to comparative amounts for 2010 in the Consolidated Statement of Cash Flow amounts for 2010 were adjusted for the changes of presentation of cash inflows and outflows, including:

- recalculation of cash flows in foreign currency using the official Rouble exchange rate as at the date of transaction (before the official Rouble exchange rate as at reporting date was used);
- recognition of highly liquid financial investments within cash equivalents;
- netting of countervailing settlements within cash flows (used for) provided by operating activities;
- representation of dividends payment and other profit distribution attributable to owners (participants) within cash flows used for financial activities.

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

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

Item	Amount before adjustment for 2010	Adjustment	Amount after adjustment for 2010
Cash flows from operating activities			
Total cash received	4,937,084	(116,325)	4,820,759
Total cash paid	(3,639,983)	191,829	(3,448,154)
Net cash provided by operating activities	1,297,101	75,504	1,372,605
Cash flows from investing activities			
Total cash received	372,633	(15,090)	357,543
Total cash paid	(1,374,831)	75,138	(1,299,693)
Net cash used for investing activities	(1,002,198)	60,048	(942,150)
Cash flows from financial activities			
Total cash received	369,858	(31,000)	338,858
Total cash paid	(503,347)	(45,542)	(548,889)
Net cash provided by financial activities	(133,489)	(76,542)	(210,031)
Net cash for the reporting year	161,414	59,010	220,424
Cash and cash equivalents at the beginning of the reporting period	182,530	48,714	231,244
Cash and cash equivalents at the end of the reporting period	343,944	101,326	445,270

Changes in the 2012 accounting policies

New regulatory acts, changing accounting procedure come into effect in 2012, in particular Russian accounting rule “Accounting of expenses for the development of natural resources” (RAR 24/2011), adopted by the Order No. 125n of the Ministry of Finance of the Russian Federation dated October 6, 2011, in view of which the accounting policy of the Group may be changed.

4. SEGMENT INFORMATION

Starting from accounting reports for 2011 Russian Accounting Rule “Segment information” adopted by the Order of the Russian Ministry of Finance dated 8 November 2010 No143n, which changed representation and disclosure of segment information in the accounting reports, came into force.

With consideration for this RAR the Gazprom Group changed the order of representation and disclosure of information on reportable segments in the consolidated accounting reports. The structure of reportable segments was also altered.

“Gas storage” and “Electric and heat energy generation and sales” segments are also determined in the consolidated accounting reports. The management of the Group believes that disclosure of these segments will be helpful for interested users.

The Group conducts business as a vertically-integrated system and almost all sales to third parties relate to the “Distribution of gas” segment.

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.

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

4. SEGMENT INFORMATION (continued)

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

- Production of gas – geologic exploration and production of gas;
- Transportation – transportation of gas;
- Distribution of gas – sales of gas on internal and external markets;
- Gas storage – storage of extracted and purchased gas in underground gas storages;
- Production of crude oil and gas condensate – exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Electric and heat energy generation and sales – electric and heat energy generation and sales;
- Other – other activities.

The inter-segment sales mainly consist of:

- Production of gas – sales of gas to the Distribution and Refining segments;
- Transportation – rendering transportation services to the Distribution segment;
- Distribution of gas – 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;
- Refining – sales of refined hydrocarbon products to other segments.

Internal transfer prices, mostly for Production of gas, Transportation and Gas storage segments, are established by the management of the Group with the objective of providing specific funding requirements of the individual subsidiaries within each segment. The prices are determined as Cost plus normal profit rate.

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

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

4. 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
For 2011									
Total segment revenues	388,537	756,873	3,030,459	29,658	630,002	979,993	342,873	228,672	6,387,067
Inter-segment sales	381,481	677,634	238,290	28,583	318,302	6,955	-	-	1,651,245
External sales	7,056	79,239	2,792,169	1,075	311,700	973,038	342,873	228,672	4,735,822
Segment result	46,350	49,557	1,216,948	4,613	99,125	167,960	25,497	12,239	1,622,289
Depreciation	87,655	267,038	7,756	9,854	51,478	19,256	19,142	10,536	472,715
Capitalized profit (loss) of associates	957	(8,756)	21,554	-	64,766	1,860	-	12,388	92,769
For 2010									
Total segment revenues	340,918	620,904	2,345,225	25,824	498,077	717,630	297,461	180,461	5,026,500
Inter-segment sales	334,524	558,851	187,555	24,893	250,433	8,545	-	-	1,364,801
External sales	6,394	62,053	2,157,670	931	247,644	709,085	297,461	180,461	3,661,699
Segment result	67,138	23,835	846,315	4,150	76,988	112,783	27,565	3,058	1,161,832
Depreciation	81,495	263,526	5,678	9,251	36,507	16,944	16,096	10,365	439,862
Capitalized profit (loss) of associates	(460)	3,181	19,430	-	40,365	1,530	-	8,584	72,630

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

	For 2011	For 2010
Segment result	1,622,289	1,161,832
Income from investments in other companies	7,574	4,584
Interest income	19,868	15,302
Interest expense	(79,663)	(88,916)
Other income	4,922,216	3,601,828
Other expense	(5,220,578)	(3,719,509)
Capitalized profit (loss) of associates	92,769	72,630
Profit before profit tax	1,364,475	1,047,751

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

Inter-segment operations represent the balance of intercompany transactions.

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

4. SEGMENT INFORMATION (continued)

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

	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
As of 31 December 2011									
Segment assets	1,913,702	4,955,286	1,242,506	206,467	946,078	938,666	495,049	543,129	11,240,883
Investments in associated undertakings	27,914	66,655	107,502	-	291,252	47,250	48	67,496	608,117
Capital expenditure	237,421	740,910	48,802	19,978	72,440	111,267	67,181	29,700	1,327,699
As of 31 December 2010									
Segment assets	1,651,911	4,007,043	1,062,591	169,574	877,311	669,585	392,577	642,016	9,472,608
Investments in associated undertakings	23,600	142,837	98,225	-	321,070	30,927	48	51,892	668,599
Capital expenditure	202,416	407,571	37,578	17,355	83,097	70,726	44,115	20,452	883,310

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

	As of 31 December 2011	As of 31 December 2010
Segment assets for reportable segments	10,697,754	8,830,592
Other segments' assets	543,129	642,016
Total segment assets	11,240,883	9,472,608
Goodwill	855,290	740,554
Loans issued to companies beyond 12 months	107,197	110,401
Other long-term financial investments	34,041	38,792
Deferred tax assets	58,016	48,386
Value added tax on purchased goods	303,287	158,533
Loans issued to companies due within 12 months	90,994	76,524
Other short-term financial investments	51,942	77,788
Cash and cash equivalents	517,955	445,323
Inter-segment assets	(801,796)	(659,640)
Other	191,809	176,915
Total assets per the balance sheet	12,649,618	10,686,184

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2011									
Segment liabilities	115,136	421,721	468,773	7,940	260,749	166,963	35,559	137,010	1,613,851
As of 31 December 2010									
Segment liabilities	86,041	315,268	436,840	7,473	209,274	148,443	32,059	149,663	1,385,061

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

4. SEGMENT INFORMATION (continued)

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

	As of 31 December 2011	As of 31 December 2010
Segment liabilities for reportable segments	1,476,841	1,235,398
Other segments' liabilities	137,010	149,663
Total segments liabilities	1,613,851	1,385,061
Long-term loans and borrowings	1,173,207	1,125,609
Deferred tax liabilities	226,670	173,352
Short-term loans and borrowings and current portion of long-term loans and borrowings	366,037	190,005
Dividends payable	1,888	2,403
Income of future periods	3,543	3,311
Inter-segment liabilities	(801,796)	(659,640)
Other	127,930	100,826
Total liabilities per the balance sheet	2,711,330	2,320,927

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

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

	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
For 2011									
Cash flows from operating activities									
Total cash received	5,261	89,191	3,250,607	1,227	433,663	1,073,541	384,523	234,528	5,472,541
Unallocated cash flows									131,534
Total cash paid	(315,894)	(365,542)	(1,134,310)	(14,451)	(328,707)	(844,081)	(259,572)	(156,598)	(3,419,155)
Unallocated cash flows									(796,523)
Cash flows from investing activities									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									355,012
Total cash paid	(266,411)	(781,692)	(27,556)	(31,039)	(39,817)	(136,052)	(62,953)	(72,140)	(1,417,660)
Unallocated cash flows									(271,582)
Cash flows from financial activities									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									523,844
Total cash paid	(2,929)	(8,706)	(51)	(86)	(203)	(2,291)	(298)	(1,511)	(16,075)
Unallocated cash flows									(486,069)
For 2010									
Cash flows from operating activities									
Total cash received	5,490	122,488	2,749,421	1,597	271,061	785,122	340,567	302,271	4,578,017
Unallocated cash flows									242,742
Total cash paid	(242,529)	(322,199)	(869,154)	(13,137)	(216,897)	(631,897)	(281,085)	(227,299)	(2,804,197)
Unallocated cash flows									(643,957)

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

4. 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
Cash flows from investing activities									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									357,543
Total cash paid	(214,462)	(443,599)	(57,588)	(9,456)	(28,054)	(102,421)	(40,545)	(94,120)	(990,245)
Unallocated cash flows									(309,448)
Cash flows from financial activities									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									338,858
Total cash paid	(2,427)	(9,620)	(69)	(84)	(291)	(1,611)	(436)	(1,360)	(15,898)
Unallocated cash flows									(532,991)

5. GOODWILL ON SUBSIDIARIES

Note		Gross book value	Accumulated amortization	Net book value
	As of 31 December 2010			
19	ОАО Gazprom neft	539,720	(115,978)	423,742
19, 24	Sibir Energy Ltd.	113,878	(7,675)	106,203
19	ОАО Mosenergo	46,612	(7,991)	38,621
19, 23	ОАО WGC-2	45,468	(5,741)	39,727
23	ОАО WGC-6	41,611	(5,345)	36,266
19	ООО Gazprom neft shelf	37,416	(10,823)	26,593
19	ОАО TGC-1	35,518	(1,776)	33,742
19, 24	ОАО Gazpromneft – MNPZ	9,825	(697)	9,128
19	ОАО Daltransgaz	6,990	(581)	6,409
19	ООО Gazovie Magistraly Tumeny	6,285	(157)	6,128
	Others	16,768	(2,773)	13,995
	Total	900,091	(159,537)	740,554
	Additions for 2011			
19, 22	ОАО Beltransgaz	146,316		
19	ОАО Yuzhuralneftegaz	6,815		
19, 24	ОАО Gazpromneft – MNPZ	861		
19, 23	ОАО WGC-2	184		
	Others	6,808		
	Total	160,984		
	Disposals for 2011			
19, 24	Sibir Energy Ltd.	(819)	-	(819)
	Total	(819)	-	(819)
2	Amortization charge			
	ОАО Gazprom neft		(26,987)	
	Sibir Energy Ltd.		(5,663)	
	ОАО WGC-2		(2,621)	
	ОАО Mosenergo		(2,331)	
	ОАО WGC-6		(1,734)	
	ООО Gazprom neft shelf		(1,871)	
	ОАО TGC-1		(1,776)	
	ОАО Gazpromneft – MNPZ		(527)	
	ОАО Daltransgaz		(349)	

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

5. GOODWILL ON SUBSIDIARIES (continued)

Note	Gross book value	Accumulated amortization	Net book value
		(314)	
		(28)	
		(1,228)	
Total		(45,429)	
As of 31 December 2011			
	539,720	(142,965)	396,755
	146,316	-	146,316
	113,059	(13,338)	99,721
	87,263	(15,441)	71,822
	46,612	(10,322)	36,290
	37,416	(12,694)	24,722
	35,518	(3,552)	31,966
	10,686	(1,224)	9,462
	6,990	(930)	6,060
	6,815	(28)	6,787
	6,285	(471)	5,814
	23,576	(4,001)	19,575
Total	1,060,256	(204,966)	855,290

6. FIXED ASSETS

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2009						
	7,469,349	1,189,648	1,744,517	1,199,171	1,181,355	12,784,040
	(4,921,237)	(805,164)	(1,252,192)	(377,047)	(496,270)	(7,851,910)
	2,548,112	384,484	492,325	822,124	685,085	4,932,130
For 2010						
	88,612	68,338	113,974	57,920	181,338	510,182
	(706)	(1,541)	(1,386)	(4,330)	(3,656)	(11,619)
	(3,004)	(8,948)	(15,900)	(8,115)	(11,314)	(47,281)
	2,298	7,407	14,514	3,785	7,658	35,662
4	(209,185)	(46,632)	(91,809)	(37,930)	(54,306)	(439,862)
	-	-	23	660	26	709
	-	-	283	1,142	263	1,688
	-	-	(260)	(482)	(237)	(979)
As of 31 December 2010						
	7,554,851	1,248,358	1,852,584	1,251,799	1,357,518	13,265,110
	(5,128,018)	(843,709)	(1,339,457)	(413,355)	(549,031)	(8,273,570)
	2,426,833	404,649	513,127	838,444	808,487	4,991,540
For 2011						
	314,651	94,148	224,983	98,872	295,431	1,028,085
	(168)	(502)	(11,691)	(12,014)	(6,780)	(31,155)
	(2,631)	(4,405)	(49,977)	(18,227)	(16,963)	(92,203)
	2,463	3,903	38,286	6,213	10,183	61,048
4	(209,455)	(54,179)	(102,801)	(40,696)	(65,584)	(472,715)
	373,852	39,475	41,558	80,142	63,497	598,524
	1,230,159	154,722	242,230	148,246	125,460	1,900,817
	(856,307)	(115,247)	(200,672)	(68,104)	(61,963)	(1,302,293)

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

6. FIXED ASSETS (continued)

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2011						
Historical (replacement) cost	9,119,303	1,494,831	2,287,453	1,483,609	1,774,196	16,159,392
Accumulated depreciation	(6,213,590)	(1,011,240)	(1,622,277)	(518,861)	(679,145)	(10,045,113)
Net book value as of 31 December 2011	2,905,713	483,591	665,176	964,748	1,095,051	6,114,279

Acquisition of OAo “Beltransgaz” is reflected in Additions for 2011, including historical (replacement) cost in amount of RR 72,174 and accumulated depreciation in amount of RR 40,852.

In 2011 the Group entities continued to transfer social assets which were obtained in the course of privatization to local authorities (see Note 2). The transferred assets which were obtained in the course of privatization amounted to RR 132 in 2011 (in 2010 – RR 255).

7. CONSTRUCTION IN PROGRESS

	Construction in progress	Equipment for installation	Total
As of 31 December 2009	846,101	101,224	947,325
For 2010			
Capital expenditures	741,301	73,438	814,739
Transfers	(432,413)	-	(432,413)
Other disposals	(21,090)	(3,529)	(24,619)
As of 31 December 2010	1,133,899	171,133	1,305,032
For 2011			
Capital expenditures	1,286,988	54,199	1,341,187
Transfers	(977,347)	-	(977,347)
Other disposals	(21,360)	(986)	(22,346)
As of 31 December 2011	1,422,180	224,346	1,646,526

Construction in progress mostly consists of construction of new objects of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo – Ukhta, Ukhta – Torzhok, as well as arrangement of Bovanenkovo field.

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

8. FINANCIAL INVESTMENTS**Long-term financial assets****Investments in subsidiaries**

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 5,595, RR 5,125 and RR 5,759 as of 31 December 2011, 2010 and 2009, respectively. The impairment provision primarily relates to non-core investments.

Investments in associates

Note		Carrying value			Capitalized profit (loss)	
		As of 31 December 2011	As of 31 December 2010	As of 31 December 2009	For 2011	For 2010
20, 27	Sakhalin Energy Investment Company Ltd.	113,706	138,928	176,748	57,016	31,336
20	OA0 Tomskneft VNK and its subsidiaries	83,329	85,520	89,848	3,014	1,651
20	OA0 NGK Slavneft and its subsidiaries	73,114	81,531	81,254	304	2,812
20	OA0 Gazprombank	57,163	46,566	39,577	11,498	7,491
20	WINGAS GmbH & Co. KG	40,481	41,595	45,907	3,768	4,125
20	OA0 Gazprom neftekhim Salavat	39,381	19,940	19,272	1,149	668
20, 27	Nord Stream AG	36,692	39,066	32,373	(9,135)	(1,587)
20	TOO KazRosGaz	35,663	27,034	18,675	7,896	9,521
	Shtokman Development AG	20,784	17,741	14,298	(94)	(442)
20, 27	SGT EuRoPol GAZ S.A.	16,253	17,314	17,744	141	(171)
20, 27	Blue Stream Pipeline Company B.V.	13,478	10,875	8,907	1,814	1,872
20	Salym Petroleum Development N.V.	12,776	9,871	7,412	2,905	2,462
	Wintershall AG	11,740	11,003	11,325	889	2,023
20	AO Lietuvos dujos	8,542	8,352	8,481	420	714
20	AO Latvijas Gaze	7,603	7,151	7,430	536	529
	ZAO Nortgaz	5,521	5,023	4,331	804	783
27	ZAO Achimgaz	4,520	3,054	1,650	1,466	1,404
20	AO Gazum	4,123	4,040	4,507	708	735
20	OA0 Beltransgaz*	-	75,582	54,363	(1,576)	3,067
	Bennfield Ltd**	-	-	22,418	-	-
	Others	23,248	18,413	25,275	9,246	3,637
	Total	608,117	668,599	691,795	92,769	72,630

* In December 2011 the Group accomplished acquisition of 50% interest in OA0 Beltransgaz. As a result the Group obtained control over OA0 Beltransgaz (see Note 22).

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

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 236, RR 73 and RR 127 as of 31 December 2011, 2010 and 2009, respectively.

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

8. FINANCIAL INVESTMENTS (continued)

Investments in other companies

As of 31 December 2011, 2010 and 2009 the line “Investments in other companies” of the Consolidated Balance Sheet includes an investment in OAO NOVATEK in the amount of 9.99%, 9.99% and 19.39% of shares in statutory fund, respectively, with carrying value amounting to RR 122,270, RR 110,471 and RR 117,538, respectively.

The line “Investments in other companies” of the Consolidated Balance Sheet also includes investments in shares of energy companies, with carrying value amounting to RR 33,021, RR 55,529 and RR 49,047 as of 31 December 2011, 2010 and 2009, respectively.

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 1,233, RR 1,251 and RR 1,230 as of 31 December 2011, 2010 and 2009, respectively. The impairment provision primarily relates to non-core investments.

Loans issued to companies due beyond 12 months

The line “Loans issued to companies beyond 12 months” of the Consolidated Balance Sheet includes the loan to OAO Mezhrefionteploenergo, denominated in RR maturing in 2023, in the amount of RR 34,224, RR 26,537 and RR 24,400 as of 31 December 2011, 2010 and 2009, respectively.

Loans issued to companies beyond 12 months in the Consolidated Balance Sheet include a foreign currency loan to the associated undertaking WINGAS GmbH & Co. KG maturing in 2015 in amount of RR 15,952, RR 15,439 and RR 16,609 as of 31 December 2011, 2010 and 2009, respectively. In 2011 and 2010 the average interest rate on this loan was 3.4% and 2.6%, respectively.

Other financial investments

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Joint activity, including:	21,744	21,536	20,996
development of a satellite communication system (operator – OAO Gazprom kosmicheskiye sistemy)	3,252	3,180	3,180
Other, including:	12,297	17,256	20,995
long-term deposits	9,633	13,251	13,753
third party promissory notes	2,113	3,534	6,296
South Pars project (oil and gas field in Iran)	370	370	763
Total	34,041	38,792	41,991

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 8,095, RR 9,188 and RR 2,413 as of 31 December 2011, 2010 and 2009, respectively

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

9. INVENTORY**Raw materials and other inventories**

In the Consolidated Balance Sheet values of raw materials and other inventories in amount of RR 126,381, RR 127,490 and RR 126,503 are disclosed net of impairment allowance in amount of RR 3,962, RR 2,353 and RR 2,485 as of 31 December 2011, 2010 and 2009, respectively.

Finished goods and goods for resale

In the Consolidated Balance Sheet values of finished goods and goods for resale in amount of RR 300,436, RR 234,861 and RR 190,105 are disclosed net of impairment allowance in amount of RR 270, RR 268 and RR 918 as of 31 December 2011, 2010 and 2009, respectively.

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Gas in pipelines and storages	235,323	184,981	151,291
Oil and refinery products	37,449	25,317	23,773
Goods for resale	27,664	24,563	15,041
Total	300,436	234,861	190,105

10. ACCOUNTS RECEIVABLE**Accounts receivable (payment expected beyond 12 months of the reporting date)**

The Accounts Receivable line in the Consolidated Balance Sheet includes long-term receivables for gas in the amount of RR 712, RR 868 and RR 13,163 as of 31 December 2011, 2010 and 2009, respectively (including accounts receivable related to RosUkrEnergo amounting to RR 0, RR 0 and RR 11,842, respectively).

The Advances issued line in the Consolidated Balance Sheet includes an advance issued to NJSC "Naftogas of Ukraine" on account of gas transportation services in amount of RR 28,938, RR 38,859 and RR 0 as of 31 December 2011, 2010, 2009, respectively.

The Other receivables line in the Consolidated Balance Sheet includes receivables, issued for capital construction purposes in amount of RR 47,726, RR 25,916 and RR 35,185 as of 31 December 2011, 2010 and 2009, respectively.

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

Accounts receivable from buyers and customers in the Consolidated Balance Sheet as of 31 December 2011, 2010 and 2009 include the following:

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Receivables from Europe and other countries gas, crude oil, gas condensate and refined products customers	257,853	187,055	190,151
Receivables from Domestic gas, crude oil, gas condensate and refined products customers	107,805	110,046	69,442
Receivables from FSU gas, crude oil, gas condensate and refined products customers	74,369	33,285	53,151
Receivables from electric and heat energy sales customers	36,440	28,702	25,040
Other trade debtors	75,168	58,630	46,392
Total	551,635	417,718	384,176

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

10. ACCOUNTS RECEIVABLE (continued)

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

As of 31 December 2011, 2010 and 2009 accounts receivable from buyers and customers are stated net of impairment provision of RR 204,850, RR 160,007 and RR 121,285, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 143, RR 374 and RR 397 as of 31 December 2011, 2010 and 2009, respectively.

As of 31 December 2011, 2010 and 2009 advances paid in the Consolidated Balance Sheet include advances issued for capital construction purposes in amount of RR 209,144, RR 122,789 and RR 117,038, respectively.

The advances paid include current portion of the advance issued to NJSC “Naftogas of Ukraine” in the amount of RR 9,922, RR 9,922 and RR 26,295 as of 31 December 2011, 2010 and 2009, respectively.

As of 31 December 2011, 2010 and 2009 other accounts receivable of the Consolidated Balance Sheet include the following:

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Overpayment of taxes to the budget	128,902	48,716	56,744
Settlements on claims	17,103	18,662	18,705
Other	133,840	176,754	230,790
Total	279,845	244,132	306,239

Other accounts receivable are stated net of the impairment provision amounting to RR 11,278, RR 8,523 and RR 14,405 as of 31 December 2011, 2010 and 2009, respectively.

11. OTHER FINANCIAL INVESTMENTS

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Short-term deposits	25,194	69,801	25,411
Shares, bonds and participatory interests	21,527	2,689	2,757
Third party promissory notes	2,644	5,151	15,789
Other	2,577	147	173
Total	51,942	77,788	44,130

As of 31 December 2010 other financial investments in the Consolidated Balance Sheet include deposits in the amount of RR 58,331, which represent cash received from sale of 9.4% of shares of ОАО NOVATEK. As of 31 December 2010 a portion of these cash balances in the amount of RR 20,000 and RR 38,331 were placed on deposit with ОАО VTB Bank and ОАО Gazprombank, respectively. As of 31 December 2011 the noted deposits were withdrawn.

As of 31 December 2011, 2010 and 2009 other financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 182, RR 466 and RR 465, respectively.

12. CASH AND CASH EQUIVALENTS

Other monetary assets in the Consolidated Balance Sheet include cash balances on bank accounts in amount of RR 3,877 and RR 3,669 and RR 3,639 as of 31 December 2011, 2010 and 2009, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

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

13. EQUITY

OAo Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2011 and amounted to 23,674 million with nominal value of 5 Roubles each.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group totals 726 million, 723 million and 724 million as of 31 December 2011, 2010 and 2009, respectively.

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

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

In accordance with the decision of the General shareholders meeting, based on the 2010 results of OAo Gazprom, final dividends were paid in 2011 in the amount of 3.85 Roubles per ordinary share. Based on the 2009 results dividends were paid in 2010 in the amount of 2.39 Roubles per ordinary share.

14. BORROWINGS

Bank borrowings

Lender	Currency	Maturity	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
The Royal Bank of Scotland AG	US dollar	2013	58,151	55,046	54,625
Natixis SA*	US dollar	2015	48,300	45,721	-
ZAO Midzuho					
Corporate Bank (Moscow)	US dollar	2014 – 2016	28,011	-	-
Bank of Tokyo-Mitsubishi UFJ Ltd.*	US dollar	2012 – 2016	25,780	-	-
UniCredit Bank AG*	US dollar	2011 – 2018	17,983	-	-
Credit Suisse International	US dollar	2017	16,886	15,989	15,867
UniCredit Bank AG*	Euro	2011 – 2018	16,797	-	-
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	16,122	15,259	15,184
BNP Paribas SA*	Euro	2013 – 2022	15,935	7,108	-
J.P. Morgan Chase bank	US dollar	2012	13,576	12,847	12,757
OAo VTB Bank	US dollar	2012	13,012	12,317	12,226
GK Vnesheconombank	Rouble	2013 – 2025	11,779	6,621	-
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	10,337	-	-
Citibank International plc*	US dollar	2010 – 2021	10,262	10,269	-
WestLB AG*	US dollar	2008 – 2013	10,224	25,744	30,446
OAo Gazprombank	Rouble	2018	10,000	-	-
Deutsche Bank AG	US dollar	2014	9,737	9,217	-
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,719	9,198	-
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,672	-	-
Credit Agricole CIB*	US dollar	2013	8,064	7,633	-
OAo Sberbank Rossii	US dollar	2012	7,535	16,643	25,937
Deutsche Bank AG	US dollar	2008 – 2014	6,923	11,410	16,144
Deutsche Bank AG	US dollar	2014	6,460	6,115	6,058
Bank of America Securities Limited	US dollar	2016	5,800	-	-
UniCredit Bank AG*	Rouble	2011 – 2018	5,127	-	-
The Royal Bank of Scotland AG*	US dollar	2008 – 2013	4,546	5,521	5,479
OAo TransKreditBank	Rouble	2014	4,535	-	-
The Royal Bank of Scotland AG*	US dollar	2007 – 2012	3,795	10,774	24,550
OAo Sberbank Rossii	Rouble	2013	3,500	-	-
OAo Nordea bank	US dollar	2014	3,342	3,048	-
ZAO Raiffaisenbank	US dollar	2013	3,220	3,050	-

OAO GAZPROM

NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

14. BORROWINGS (continued)

Lender	Currency	Maturity	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Bank of America Securities Limited	Euro	2016	2,712	-	-
BNP Paribas SA*	Euro	2023	2,530	2,211	2,070
Banque Societe Generale*	US dollar	2011	-	33,051	32,838
OAO Russian National Commercial Bank	US dollar	2011	-	19,018	18,872
Banque Societe Generale*	Euro	2011	-	7,799	8,395
Deutsche Bank AG	US dollar	2008 – 2011	-	2,907	5,770
OAO TransKreditBank	Rouble	2011	-	1,970	2,718
J.P. Morgan Chase bank	US dollar	2008 – 2011	-	1,528	3,034
OAO Sberbank Rossii	US dollar	2010	-	-	70,564
GK Vnesheconombank	US dollar	2010	-	-	22,751
Credit Agricole CIB*	US dollar	2010	-	-	18,156
Credit Suisse International	Euro	2010	-	-	10,860
Commerzbank AG*	US dollar	2010	-	-	9,474
The Royal Bank of Scotland AG*	US dollar	2010	-	-	8,152
OAO Gazprombank	Rouble	2010	-	-	7,500
E.ON Rurgaz AG	Euro	2010	-	-	4,589
Citibank N.A.	US dollar	2010	-	-	3,973
BNP Paribas SA	Euro	2010	-	-	2,852
Other	Various	Various	96,877	64,310	67,833
Total, including:			517,249	422,324	519,674
Due within one year, including:					
current portion of					
long-term borrowings			132,497	107,907	202,043

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

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 4.62% to 10.95% and from 5% to 10.95% in 2011 and 2010, respectively. Also in 2011-2010 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

Long-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 5.9% to 11.4% and from 5% to 16.85% in 2011 and 2010, respectively.

In 2011 interest rates on short-term foreign currency denominated borrowings ranged from 4.75% to 10%. Short-term foreign currency denominated borrowings had fixed interest rate 8.11% in 2010. Also in 2011-2010 short-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

Short-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 3.43% to 10% and from 7.6% to 15.5% in 2011 and 2010, respectively.

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

14. BORROWINGS (continued)**Loans**

Borrowing / Creditors	Currency	Maturity	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Loan participation notes issued in April 2009*	US dollar	2019	73,707	69,771	69,238
Loan participation notes issued in October 2007*	Euro	2018	52,919	51,220	55,100
Loan participation notes issued in June 2007*	US dollar	2013	51,725	48,963	48,589
Loan participation notes issued in November 2006*	US dollar	2016	43,757	41,421	41,104
Loan participation notes issued in May 2005*	Euro	2015	43,100	41,715	44,875
Loan participation notes issued in March 2007*	US dollar	2022	42,718	40,437	40,128
White Nights Finance B.V.	US dollar	2014	41,986	39,744	39,441
Loan participation notes issued in December 2005*	Euro	2012	41,788	40,445	43,509
Loan participation notes issued in July 2009*	US dollar	2014	41,608	39,386	39,094
Loan participation notes issued in August 2007*	US dollar	2037	41,345	39,137	38,838
Loan participation notes issued in April 2004*	US dollar	2034	39,218	37,124	36,841
Loan participation notes issued in July 2009*	Euro	2015	38,031	36,809	38,144
Loan participation notes issued in April 2008*	US dollar	2018	36,057	34,131	33,871
Loan participation notes issued in October 2006*	Euro	2014	33,892	32,804	35,289
Loan participation notes issued in November 2011*	US dollar	2016	32,364	-	-
Loan participation notes issued in November 2010*	US dollar	2015	32,342	30,615	-
Loan participation notes issued in June 2007*	Euro	2014	29,435	28,490	30,649
Loan participation notes issued in November 2006*	Euro	2017	21,669	20,975	22,564
Loan participation notes issued in March 2007*	Euro	2017	21,022	20,347	21,888
Russian bonds issued in April 2010*****	Rouble	2013	20,670	20,000	-
Loan participation notes issued in November 2011*	US dollar	2021	19,440	-	-
Structured export notes issued in July 2004**	US dollar	2007 – 2020	18,838	22,747	27,118
Loan participation notes issued in July 2008*	US dollar	2013	16,555	15,671	15,551
European commercial papers issued in October 2011*****	US dollar	2012	15,924	-	-
Russian bonds issued in November 2011*****	Rouble	2014	14,878	-	-

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

14. BORROWINGS (continued)

Borrowing / Creditors	Currency	Maturity	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Loan participation notes issued in April 2008*	US dollar	2013	13,089	12,390	12,295
RosUkrEnergo AG	US dollar	2012	10,778	-	-
Russian bonds issued in April 2009*****	Rouble	2019	10,368	11,173	10,427
Russian bonds issued in February 2011*****	Rouble	2021	10,127	-	-
Russian bonds issued in February 2011*****	Rouble	2016	10,121	-	-
Russian bonds issued in February 2011*****	Rouble	2021	10,121	-	-
Russian bonds issued in June 2009	Rouble	2012	10,014	10,011	10,007
Eurofert Trading Limited llc***	Rouble	2015	8,600	8,600	-
Loan participation notes issued in November 2007*	Japanese yen	2012	8,470	8,017	7,956
Russian bonds issued in July 2009*****	Rouble	2016	8,230	8,000	8,429
Russian bonds issued in February 2007	Rouble	2014	5,135	5,134	5,133
Russian bonds issued in December 2009****	Rouble	2014	5,041	5,039	5,038
Russian bonds issued in June 2009	Rouble	2014	5,008	5,006	5,004
Eurofert Trading Limited llc***	Rouble	2015	5,000	5,000	-
Russian bonds issued in March 2006****	Rouble	2016	4,911	4,910	4,909
Russian bonds issued in July 2009*****	Rouble	2014	2,894	5,000	5,000
Russian bonds issued in April 2007***	Rouble	2012	1,554	1,547	2,916
Gazstream SA	US dollar	2006 – 2012	1,251	2,368	3,525
Loan participation notes issued in April 2009*	CHF	2011	-	17,209	15,472
Russian bonds issued in November 2006	Rouble	2011	-	5,061	5,060
Russian bonds issued in September 2006****	Rouble	2011	-	4,801	4,799
Loan participation notes issued in September 2003*	Euro	2010	-	-	44,278
ООО Aragon*****	Euro	2010	-	-	7,343
Loan participation notes issued in November 2007*	Japanese yen	2010	-	-	5,302
A4 series Russian bonds, issued in February 2005	Rouble	2010	-	-	5,159

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

14. BORROWINGS (continued)

Borrowing / Creditors	Currency	Maturity	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Russian bonds issued in July 2007***	Rouble	2010	-	-	5,001
Wintershall Holding GmbH****	Euro	2010	-	-	4,906
Golden Gates B.V.	Rouble	2010	-	-	3,227
Stock bonds-BO-02, issued in August 2009****	Rouble	2010	-	-	2,079
Gazstream SA	US dollar	2010	-	-	1,736
Other loans	Various	Various	26,295	22,072	38,319
Total, including:			1,021,995	893,290	945,151
Due within one year, including current portion of long-term borrowings			233,540	82,098	134,943

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

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

*** Issuers of these notes are OAO WGC-2 and OAO WGC-6. In November 2011 OAO WGC-2 was reorganized through merger with OAO WGC-6 (See Note 23).

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

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

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

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

***** Issuer of these bonds is OOO Gazprom capital.

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

As of 31 December 2011, 2010 and 2009 long-term loans (including current portion of long-term loans) of RR 18,838, RR 22,747 and RR 27,118, respectively, were secured by cash from gas sales contracts to Western Europe.

As at 31 December 2011 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoye oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OAO Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,666 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Fixed interest rates on long-term foreign currency denominated loans ranged from 3.5% to 10.5% and from 4.56% to 10.5% in 2011 and 2010, respectively. Fixed interest rates on long-term loans denominated in Russian Roubles ranged from 6.7% to 16.99% and from 7% to 16.7% in 2011 and 2010, respectively.

In 2011 and 2010 fixed interest rates on short-term loans denominated in Russian Roubles ranged from 0.3% to 8% and from 0.3% to 12%, respectively. Short-term foreign currency denominated loans had fixed interest rate 3.6% in 2011. In 2010 interest rates on short-term foreign currency denominated loans ranged from 6% to 9.8%.

As of 31 December 2011, 2010 and 2009 long-term borrowings included loans received from Gaz Capital S.A. in connection with the issue in 2004 of the loan participation notes of USD 1,200 million at an interest rate of 8.625% due on 28 April 2034. The loan participation notes can be presented for payment in the amount of the principal debt and accumulated interest before the maturity date, i.e. on 28 April 2014 (put option exercise date).

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

15. TAXATION

Profit tax

In 2011 and 2010 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 271,118 and RR 210,202, respectively. According to the tax returns the profit tax in 2011 and 2010 included within the line Current Profit Tax amounted to RR 330,256 and RR 265,167, respectively.

According to updated tax returns submitted in 2011 the profit tax amounted to minus RR 42,962 (decrease of current profit tax in 2008-2010 was mainly due to application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment). According to updated tax returns submitted in 2010 the profit tax amounted to minus RR 12,424.

In 2011 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RR 300,519 (in 2010 by RR 295,270). The permanent differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge for tax purposes, social expenses, charitable donations, expenses exceeding prescribed limits and other non-production costs.

In 2011 and 2010 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 168,335 and RR 148,249, respectively.

Deductible temporary differences incurred in 2011 principally arise from the elimination in accounting records of unrealised income from intergroup transactions, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, and the fact that expenses for geological and geophysical exploration and annual bonuses are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2011 and 2010 totaled RR 119,981 and RR 85,818, respectively. Settlement of these differences in 2011 is principally due to investments revaluation to fair value in accounting records, recognition of the profit that was formerly excluded as unrealised income from intergroup transactions for accounting purposes in the current period, decrease of the current tax base related to geological and geophysical exploration expenses, as well as annual bonuses and other expenses recognized for accounting purposes in prior periods.

In 2011 and 2010 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 541,742 and RR 222,647, respectively. Taxable temporary differences in 2011 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment, investments revaluation to fair value in accounting records, storage costs included in the cost of finished goods for accounting purposes, as well as write-off for tax purposes of expenses for licences for the use of subsurface resources within two years.

Taxable temporary differences settled in 2011 and 2010 totaled RR 294,747 and RR 75,243, respectively. Settlement of these differences in 2011 is principally due to revaluation of financial investments at market value, increase of the current tax base by the amount of costs of storage included in the cost of finished goods recognized in prior period for accounting purposes, as well as by the amount of depreciation charge, accrued on fixed assets, useful life of which for accounting purposes is longer than for tax purposes, during prior tax periods.

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

15. TAXATION (continued)**Other similar payments**

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

	For 2011	For 2010
Deferred tax assets and liabilities write-off	(2,468)	(24,213)
Late payment charges and other taxes	1,246	888
Fines	49	8
Total	(1,173)	(23,317)

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

16. SALES

	For 2011	For 2010
Gas sales (net of VAT and other similar mandatory payments)		
Russian Federation	722,978	614,702
Former Soviet Union countries (excluding Russian Federation)	637,178	450,137
Europe and other countries	1,439,069	1,099,225
Net sales of gas	2,799,225	2,164,064
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	588,262	412,208
Former Soviet Union countries (excluding Russian Federation)	48,630	36,042
Europe and other countries	336,146	260,835
Net sales of refined products	973,038	709,085
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	117,710	74,697
Former Soviet Union countries (excluding Russian Federation)	36,345	25,988
Europe and other countries	157,645	146,959
Net sales of oil and gas condensate	311,700	247,644
Sales of electric and heat energy (net of VAT)		
Russian Federation	331,526	290,659
Former Soviet Union countries (excluding Russian Federation)	3,469	3,476
Europe and other countries	7,878	3,326
Net sales of electric and heat energy	342,873	297,461
Sales of gas transportation services (net of VAT)		
Russian Federation	77,326	60,775
Former Soviet Union countries (excluding Russian Federation)	1,913	1,278
Europe and other countries	-	-
Net sales of gas transportation services	79,239	62,053
Other sales (net of VAT)		
Russian Federation	211,220	165,904
Former Soviet Union countries (excluding Russian Federation)	7,490	7,683
Europe and other countries	11,037	7,805
Total other sales	229,747	181,392
Net sales	4,735,822	3,661,699

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

16. SALES (continued)

Net sales of gas increased by 29% in 2011 compared to 2010. The overall increase in net sales of gas was primarily driven by the increase in tariffs which are set by the Federal Tariffs Service (FTS), as well as by increase of average prices and gas volumes sold. Volumes of gas sold to the customers in the Russian Federation remained on the level of year 2010.

The increase of net sales of refined products in 2011 compared to 2010 mainly resulted from the increase of world prices for refined products and increase in volumes sold by Gazprom нефт to customers in the Russian Federation.

Net sales of electric and heat energy increased by 15% in 2011 compared to 2010. Increase of electric and heat energy sales was mainly due to the increase of revenue of Gazprom Group energy companies.

17. COST OF SALES, COMMERCIAL AND MANAGEMENT EXPENSES

	For 2011	For 2010
Purchased gas	488,727	329,434
Depreciation and amortization	475,589	440,858
Taxes included in cost of sales	415,028	288,776
Staff costs and social expenses	336,209	287,548
Purchased oil	326,814	255,129
Transit costs for gas, oil and refined products	284,175	277,266
Repairs and maintenance	193,931	178,201
Cost of goods for resale	185,824	110,566
Materials	109,333	96,499
Energy	71,143	64,208
Rent, lease payments	40,193	32,084
Insurance	26,606	21,417
Other	230,723	173,788
Changes in inventories of finished goods, work in progress and other effects*	(70,762)	(55,907)
Total cost of goods, products, works and services sold, commercial and management expenses	3,113,533	2,499,867

* Starting from 2011 the Group changed presentation of cost of sales, commercial and management expenses disclosing it by nature of 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 for 2010 was adjusted accordingly.

The increase of purchased gas is primarily explained by growth of volume and price of gas purchased outside Russian Federation.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RR 266,406 and RR 172,219 in 2011 and 2010, respectively.

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

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

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

18. OTHER INCOME AND EXPENSES

Note	For 2011		For 2010	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	3,541,648	3,541,505	2,548,131	2,547,452
Income/expense from trading activity without delivery	874,469	871,678	446,083	439,827
Exchange differences	367,167	418,016	274,966	265,862
Transactions with securities, including promissory notes	34,665	27,577	149,069	135,929
Bad debts provision	-	48,171	-	44,178
Amortization of goodwill	-	45,429	-	46,847
Contingencies	-	39,726	16,932	23,989
Social expenses	-	28,139	-	24,937
Income/expense related to sale of other assets	32,761	28,460	18,993	18,271
Profit and losses of previous years identified in the reporting period	16,822	17,905	27,251	12,685
Adjustment of investments (to fair value)	11,799	22,333	68,373	-
Income/expense related to sale and disposal of fixed assets	7,217	6,188	3,744	2,216
Fines and penalties for breach of contracts	5,472	1,883	2,295	2,686
Transfer of accounts receivable	3,595	3,702	12,348	12,506
Investment impairment provision	922	-	-	5,479
Income/expense related to gratuitous transfer of assets	276	4,357	82	3,841
Services of credit organizations	-	4,289	-	4,976
Accounts receivable written-off	-	969	-	1,975
Other	25,403	110,251	33,561	125,853
Total	4,922,216	5,220,578	3,601,828	3,719,509

Transactions with securities for 2010 include income and expenses from sale of 9.4% of shares of OAO NOVATEK in amount of RR 57,462 and RR 54,755, respectively, as well as income and expenses from sale of share in charter capital of OOO SeverEnergiya in amount of RR 48,715 and RR 43,177, respectively (see Note 25).

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

19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP**Principal subsidiaries as of 31 December 2011**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Aviapredpriyatie Gazprom avia	100	Air transportation services	Russia
	ZAO ArmRosgazprom	80	Gas transportation and gas distribution	Armenia
22	OAO Beltransgaz**	100	Transportation and gas distribution	Belorussia
	Vemex s.r.o.	50	Gas distribution	Czech Republic
	OAO Vostokgazprom	100	Gas production	Russia
	OOO Gazovie Magistraly Tumeny	100	Gas network operation	Russia
	Gazprom (Schweiz) AG (ZMB (Schweiz) AG)	100	Gas distribution	Switzerland
	OOO Gazprom VNIIGAZ	100	Research and development	Russia
	OAO Gazprom Gazoraspredelenie (OAO Gazpromregiongaz)***	100	Gas network operation	Russia

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

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

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	000 Gazprom Geologorazvedka (000 Gazprom dobycha Krasnoyarsk)***	100	Geologic exploration	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	Gazprom Gerosgaz Holding B.V.	100	Investing	Netherlands
	Gazprom Global LNG Ltd.	100	Participation in LNG production and realization projects	United Kingdom
	000 Gazprom dobycha Astrakhan	100	Production and refining of hydrocarbons	Russia
	000 Gazprom dobycha Krasnodar	100	Gas production	Russia
	000 Gazprom dobycha Nadym	100	Production of hydrocarbons	Russia
	000 Gazprom dobycha Noyabrsk	100	Production of hydrocarbons	Russia
	000 Gazprom dobycha Orenburg	100	Production, refining and transportation of hydrocarbons	Russia
	000 Gazprom dobycha Urengoy	100	Production of hydrocarbons	Russia
	000 Gazprom dobycha shelf	100	Development of hydrocarbons fields	Russia
	000 Gazprom dobycha Yamburg	100	Production of hydrocarbons	Russia
	Gazprom EP International B.V.	100	Investments, asset management	Netherlands
	000 Gazprom invest Vostok	100	Construction	Russia
	000 Gazprom invest Zapad	100	Construction	Russia
	ZAO Gazprom invest Yug	100	Construction	Russia
	000 Gazprom investholding	100	Investing	Russia
	000 Gazprom inform	100	Informational and technical assistance	Russia
	000 Gazprom komplektaciya	100	Trading	Russia
	Gazprom Libyen Verwaltungs GmbH	100	Investing	Germany
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	000 Gazprom Mezhhregiongaz	100	Gas distribution	Russia
	ZAO Gazprom neft Orenburg	100	Exploration and sales of oil and petroleum gas	Russia
	Gazprom Neft Trading GmbH	100	Oil products trading	Austria
	000 Gazprom neft shelf	100	Development of oil and gas fields	Russia
	ОАО Gazprom neft	96	Exploration, refining and sales of crude oil	Russia
	000 Gazprom pererabotka	100	Refining of hydrocarbons	Russia
	000 Gazprom podzemremont Orenburg	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	000 Gazprom podzemremont Urengoy	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	000 Gazprom PKhG	100	Gas storage	Russia
	Gazprom Sakhalin Holding B.V.	100	Foreign investing	Netherlands
	000 Gazprom torgservis	100	Trading	Russia
	000 Gazprom transgas Volgograd	100	Gas transportation	Russia
	000 Gazprom transgas Ekaterinburg	100	Gas transportation	Russia
	000 Gazprom transgas Kazan	100	Gas transportation	Russia
	000 Gazprom transgas Krasnodar (000 Gazprom transgas Kuban)***	100	Gas transportation	Russia
	000 Gazprom transgas Makhachkala	100	Gas transportation	Russia
	000 Gazprom transgas Moskva	100	Gas transportation	Russia
	000 Gazprom transgas Nizhny Novgorod	100	Gas transportation	Russia
	000 Gazprom transgas Samara	100	Gas transportation	Russia
	000 Gazprom transgas St. Petersburg	100	Gas transportation	Russia
	000 Gazprom transgas Saratov	100	Gas transportation	Russia
	000 Gazprom transgas Stavropol	100	Gas transportation	Russia

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

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

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	000 Gazprom transgas Surgut	100	Gas transportation	Russia
	000 Gazprom transgas Tomsk	100	Gas transportation	Russia
	000 Gazprom transgas Ufa	100	Gas transportation	Russia
	000 Gazprom transgas Ukhta	100	Gas transportation	Russia
	000 Gazprom transgas Tchaikovsky	100	Gas transportation	Russia
	000 Gazprom transgas Yugorsk	100	Gas transportation	Russia
	Gazprom Finance B.V.	100	Investing	Netherlands
	000 Gazprom tsentremont	100	Agency on technical maintenance and repairs	Russia
	000 Gazprom export	100	Foreign trade	Russia
	000 Gazprom energo	100	Electric energy transmission	Russia
	000 Gazprom energoholding	100	Investing, asset management	Russia
	ZAO Gazprom YRGM Development****	100	Raw hydrocarbons distribution	Russia
	ZAO Gazprom YRGM Trading****	100	Raw hydrocarbons distribution	Russia
	000 Gazpromneft-Vostok	100	Oil and gas production	Russia
	ZAO Gazpromneft-Kuzbass	100	Oil products trading	Russia
24	OA0 Gazpromneft-MNPZ (OA0 Moskovsky NPZ)***	78	Processing and distribution of refined products	Russia
	OA0 Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
	OA0 Gazpromneft-Omsk	100	Oil products trading	Russia
	OA0 Gazpromneft-Omskiy NPZ	100	Oil refining	Russia
	ZAO Gazpromneft-Severo-Zapad	100	Oil products trading	Russia
	000 Gazpromneftfinans	100	Investing	Russia
	000 Gazpromneft-Khantos	100	Oil and gas production	Russia
	000 Gazpromneft-Centr	100	Oil products trading	Russia
	000 GazpromPurInvest	100	Investing	Russia
	000 Gazpromtrans	100	Forwarding services	Russia
	OA0 Gazpromtrubinvest	100	Production and sales of pipes	Russia
	000 Gazflot	100	Transportation, offshore field development	Russia
	000 Georesurs	100	Exploration, geophysics	Russia
	OA0 Daltransgaz	100	Gas transportation	Russia
	000 Zapolyarneft	100	Oil and gas production	Russia
	OA0 Zapsibgazprom	77	Construction	Russia
	ZAO Kaunasskaya power station	99	Electric power generation and distribution	Lithuania
	OA0 Krasnoyarskgazprom	75	Exploration, geophysics	Russia
	OA0 Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	Naftna Industrija Srbije	56	Extraction and Processing of oil distribution of refined products	Serbia
	000 NK Sibneft-Yugra	100	Oil and gas production	Russia
	000 Novourenogysky GHK	100	Construction of gas chemical complex	Russia
23	OA0 WGC-2	58	Production and sales of electric and heat energy	Russia
	ZAO Purgaz	51	Gas production	Russia
	OA0 Regiongazholding	56	Construction and maintenance of gas facilities	Russia
	ZAO Rosshelf	57	Investments in oil and gas fields	Russia
	ZAO RSh-Centr	100	Information, consulting and transportation services	Russia
	OA0 Severneftegazprom****	50	Exploration, processing and sales of gas and gas condensate	Russia

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

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

Note	Company	Share in Charter Capital*, %	Type of activity	Location
24	Sibir Energy Ltd.	100	Exploration, processing and sales of hydrocarbons	United Kingdom
	OOO Sibmetahim	100	Gas processing and sales of petrochemicals	Russia
	OAO Spetsgazavtotrans	51	Construction and transportation services	Russia
	OAO TGC-1	52	Production and sales of electric and heat energy	Russia
	OAO Teploset Sankt-Peterburga	75	Transportation and distribution of electric and heat energy	Russia
	OAO Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	OOO Faktoring-Finance	90	Investing	Russia
	OAO Tsentrngaz	100	Construction	Russia
	OAO Tsentrenergogaz	66	Repair and maintenance of gas equipment	Russia
	OAO Yuzhuralneftegaz	88	Exploration and sales of oil and petroleum gas	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

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

** In December 2011 the Group completed acquisition of 50% additional interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz.

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

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

Principal associates as of 31 December 2011

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Exploration and production of gas and gas condensate	Russia
Bosphorus Gaz Corporation A.S.	51	Gas distribution	Turkey
Wintershall AG	49	Production of oil and gas distribution	Germany
WINGAS GmbH & Co. KG	50	Transportation and sales of gas	Germany
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	50	Gas distribution	Germany
Gaz Project Development Central Asia AG	50	Gas production	Switzerland
OAO Gazprom neftekhim Salavat**	69	Processing and distribution of refined products	Russia
OAO Gazprombank	42	Banking	Russia
AO Gazum	25	Gas distribution	Finland
Blue Stream Pipeline Company B.V.	50	Construction, gas transportation	Netherlands
SGT EuRoPol GAZ S.A.	48	Transportation and gas distribution	Poland
TOO KazRosGaz	50	Gas processing and sales of gas and refined products	Kazakhstan
AO Latvijas Gaze	34	Transportation and gas distribution	Latvia
AO Lietuvos dujos	37	Transportation and gas distribution	Lithuania
AO Moldovagaz	50	Transportation and gas distribution	Moldova
ZAO Nortgaz	51	Exploration and sale of gas and gas condensate	Russia
Nord Stream AG	51	Construction, gas transportation	Switzerland
AO Overgaz Inc.	50	Gas distribution	Bulgaria

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

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

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Panrusgas	40	Gas distribution	Hungary
AO Prometey Gaz	50	Gas distribution, construction	Greece
RosUkrEnergo AG	50	Gas distribution	Switzerland
Salym Petroleum Development N.V.	50	Oil production	Netherlands
Sakhalin Energy Investment Company Ltd.	50	Oil production, production of LNG	Bermuda Islands
OAO NGK Slavneft	50	Production of oil, sale of oil and refined products	Russia
OAO Tomskneft VNK	50	Oil production	Russia
AO Turusgas	45	Gas distribution	Turkey
Shtokman Development AG	51	Exploration and production of gas	Switzerland
OOO Yamal razvitie ***	50	Investment, asset management	Russia

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

**In November and December 2011 the Group acquired 19% interest in OAO Gazprom neftekhim Salavat. As a result, the Group increased its interest in OAO Gazprom neftekhim Salavat up to 69%. Investment in OAO Gazprom neftekhim Salavat continues to be accounted under the equity method of accounting, as the Group didn't obtain control due to corporate governance rules.

*** The company owns 51% share in the charter capital of OOO SeverEnergiya (See Note 25).

20. RELATED PARTIES

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

Associates and other major related parties

In 2011 and 2010 the Group had following operations with major associates and other related parties:

	For 2011	For 2010
Revenue (net of VAT and other similar mandatory payments):		
Gas sales		
OAO Beltransgaz*	138,015	122,983
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	94,921	77,487
WINGAS GmbH & Co.KG	71,870	41,716
ZAO Panrusgaz	55,683	69,708
AO Gazum	30,535	27,654
Wintershall Erdgas Handelshaus Zug AG (WIEE)**	27,283	21,050
AO Overgaz Inc.	24,805	19,134
AO Moldovagaz	21,875	17,125
Promgaz S.p.A.***	13,333	13,600
AO Lietuvos dujos	12,356	10,942
PremiumGas S.p.A.	9,115	9,808
AO Latvijas Gaze	7,805	5,121
GWH Gazhandel GmbH****	4,900	9,663
Bosphorus Gaz Corporation A.S.	4,035	3,695
Gas transportation services		
OAO NOVATEK*****	-	25,975
Crude oil, gas condensate and refined products sales		
OAO NGK Slavneft and its subsidiaries	41,946	35,228
OAO Gazprom neftekhim Salavat	19,698	12,419

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

20. RELATED PARTIES (continued)

	For 2011	For 2010
Gas refining services		
TOO KazRosGas	5,064	4,518
Purchases:		
Gas purchases		
RosUkrEnergo AG	122,541	8,447
WINGAS GmbH & Co. KG	37,006	25,869
TOO KazRosGas	25,073	28,158
Sakhalin Energy Investment Company Ltd.	4,750	7,533
ОАО NOVATEK*****	-	12,935
Gas transportation services		
ОАО Beltransgaz*	13,526	14,206
SGT EuRoPol GAZ S.A.	10,365	10,207
Blue Stream Pipeline Company B.V.	7,274	7,622
Nord stream AG	4,007	-
WINGAS GmbH & Co.KG	3,835	3,238
Oil and oil products purchases		
ОАО NGK Slavneft and its subsidiaries	69,695	53,146
ОАО Tomskneft VNK and its subsidiaries	46,267	34,864
Salym Petroleum Development N.V.	32,540	26,452
Oil and oil product refining services		
ОАО NGK Slavneft and its subsidiaries	8,113	7,835
Pension fund contributions:		
NPF Gazfund	9,201	5,435

* In December 2011 the Group acquired the remaining 50% shares in ОАО “Beltransgaz”. As a result of this transaction “Beltransgaz” became a subsidiary of the Group.

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

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

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

***** In December 2010 the Group sold its 9.4% shares in ОАО NOVATEK. As a result of this transaction, the Group ceased to have a significant impact on the company ОАО NOVATEK.

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

20. RELATED PARTIES (continued)

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

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the Consolidated Balance Sheet of the Group as of 31 December 2011, 2010 and 2009:

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Accounts receivable:			
Payment expected beyond 12 months of the reporting date:			
RosUkrEnergo AG	-	-	11,842
Payment expected within 12 months of the reporting date:			
AO Moldovagaz*	19,902	18,231	19,245
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	16,325	7,253	12,018
OAO Gazprom neftekhim Salavat	8,532	10,829	10,488
ZAO Panrusgaz	8,117	8,087	8,877
WINGAS GmbH & Co.KG	7,908	7,870	4,791
AO Overgaz Inc.	7,410	5,820	3,795
AO Gazum	4,077	5,164	4,082
OAO NGK Slavneft and its subsidiaries	3,361	1,238	1,647
AO Lietuvos dujos	2,319	2,103	1,622
Wintershall Erdgas Handelshaus Zug AG (WIEE)	1,131	2,763	2,249
TOO KazRosGaz	717	647	462
OAO Gazprombank	615	1,567	1,026
RosUkrEnergo AG	-	81,622	10,573
OAO Beltransgaz**	-	15,871	9,725
Promgaz S.p.A***	-	2,143	1,721
OAO Sibur Holding and its subsidiaries****	-	283	301
OAO NOVATEK*****	-	-	530
Accounts payable:			
Short-term accounts payable:			
SGT EuRoPol GAZ S.A.	6,997	6,976	6,590
TOO KazRosGaz	3,267	4,336	1,896
WINGAS GmbH & Co.KG	2,956	2,806	2,675
Nord Stream AG	1,999	-	-
OAO NGK Slavneft and its subsidiaries	1,976	1,394	788
Salym Petroleum Development N.V.	514	2,635	1,297
OAO Gazprombank	134	708	203
RosUkrEnergo AG	-	8,447	-
OAO Sibur Holding and its subsidiaries****	-	3,777	3,839

* As of 31 December 2011, 2010 and 2009 accounts payable include penalty fees for gas in amount of 15,514. Accounts receivable are stated net of provision for doubtful debts amounting to 92,643, 69,305 and 51,802 as of 31 December 2011, 2010 and 2009, respectively.

** In December 2011 the Group acquired 50% shares in OAO "Beltransgaz". As a result of this transaction OAO "Beltransgaz" became a subsidiary of the Group.

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

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

***** In December 2010 the Group sold its 9.4% shares in OAO NOVATEK. As a result of this transaction, the Group ceased to have a significant impact on the company OAO NOVATEK.

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

20. RELATED PARTIES (continued)

Loans issued to major associates as of 31 December 2011, 2010 and 2009 are:

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Loans and promissory notes due for repayment beyond 12 months of the reporting date:			
WINGAS GmbH & Co.KG	15,952	15,439	16,609
Gas Project Development Central Asia AG	1,707	1,602	1,216
Bosphorus Gaz Corporation A.S.	870	-	-
OAQ Gazprombank	831	1,250	2,858
Salym Petroleum Development N.V.	567	4,806	8,896
OAQ Sibur Holding and subsidiaries*	-	5,195	1,610
Loans and promissory notes due for repayment within 12 months of the reporting date:			
OOO Yamal razvitie	26,348	28,123	-
Salym Petroleum Development N.V.	2,878	2,127	1,903
Nord Stream AG	2,593	6,171	23,234
OAQ Gazprombank	400	1,601	826
OAQ Sibur Holding and subsidiaries*	-	198	3,783

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

Loans received from major associates as of 31 December 2011, 2010 and 2009 are presented as follows:

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Loans and borrowings due for repayment beyond 12 months of the reporting date:			
OAQ Gazprombank	16,229	3,770	9,536
Loans and borrowings due for repayment within 12 months of the reporting date (including current portion of long-term liabilities):			
OAQ Gazprombank	11,202	6,973	4,563
RosUkrEnergO AG	10,778	-	-
OAQ Tomskneft VNK and its subsidiaries	6,647	7,027	10,463
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	1,095	2,527	-

The Group received loans from its major associates in Russian Roubles at rates ranging from 6.5% to 10.35% in 2011. The similar figures for 2010 were 7.6% and 15.5%.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 3.5% to 9.5% in 2011. The similar figures for 2010 were 6% to 9%.

Remuneration to key management personnel

Key management personnel's (the members of the Board of Directors and Management Committee of OAQ Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of OAQ Gazprom and its subsidiaries, amounted to RR 1,759 and RR 1,561 for the years ended 31 December 2011 and 2010, respectively.

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

20. RELATED PARTIES (continued)

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

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

OAO Gazprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RR 1 and liability insurance amounted to RR 1 for 2011 and 2010, respectively.

21. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the reporting year. The weighted average number of ordinary shares outstanding for 2011 and 2010 amounted to 22,949 million shares.

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2011 and 2010.

22. ACQUISITION OF OAO BELTRANSOAZ

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

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

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

23. MERGER OF OAO WGC-2 AND OAO WGC-6

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

24. INCREASE OF INTEREST IN SIBIR ENERGY LTD

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

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

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

25. ACQUISITION OF OOO SEVERENERGIA AND ITS SUBSIDIARIES

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

OAO Gazprom Neft and OAO NOVATEK provided loans in equal portions to OOO Yamal razvitie to finance the the acquisition of OOO SeverEnergia.

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

26. CHANGE OF PRESENTATION OF ZAO GAZENERGOPROMBANK

On 30 April 2010 shareholders of ZAO Gazenergoprombank, the Group's banking subsidiary, and OAO AB Rossiya, a bank not related to the Group, approved the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAO AB Rossiya. In exchange for its 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 and in August 2010 received non-controlling interest in OAO AB Rossiya after completion of reorganization and procedures required by the Central Bank of Russia. As a result, the Group stopped to consolidate ZAO Gazenergoprombank as a banking subsidiary.

In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized.

27. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	As of 31 December 2010	Accrued	Utilized	Recovered	As of 31 December 2011
Contingent liabilities on bonus payments at the year end	19,520	20,459	(18,234)	-	21,745
Contingent liabilities on vacations	16,156	23,458	(21,683)	-	17,931
Contingent liabilities on retirement benefits payable as a lump sum	10,488	6,968	(3,496)	-	13,960
Other contingent liabilities	30,362	40,741	(24,197)	(31)	46,875
Total, including:	76,526	91,626	(67,610)	(31)	100,511
with maturity up to 1 year	72,781	91,444	(67,020)	(31)	97,174

Contingent liabilities on fixed assets liquidation and environmental restoration in the context of subsurface use

According to items 8 and 9 of article 22 of the Law of the Russian Federation dated 21 February 1992 No 2395-1 "On Subsoil resources" and mining licenses the Group is obliged to ensure restoration of environment affected in the process of subsurface use into condition appropriate for further use, as well as liquidation of driftage and non-use drilled wells in accordance with the established procedure.

OAO Gazprom and its subsidiaries use subsurface resources jointly. Meanwhile the peculiarity of the subsurface use process organization is that the majority of fixed assets participating this process belongs to OAO Gazprom but is leased out to subsidiaries and is used in accordance with the terms of obtained license agreements. Subsidiaries are obliged to incur expenses on dismantling of non-use fixed assets and on restoration of environment affected in the process of subsurface use, which are later reimbursed by OAO Gazprom as owner of these fixed assets.

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

27. COMMITMENTS AND CONTINGENCIES (continued)

Due to indicated peculiarity of the subsurface use process organization currently the Group has no reliable and reasonable basis for estimation of these liabilities as of 31 December 2011, 2010 and 2009 and their impact on the cost of relevant assets as well as the impact of change of these obligations on the financial result of the Group for 2011 and 2010. Therefore contingent liabilities on fixed assets liquidation and environmental restoration are not represented in the corresponding lines in the Group's accounting reports.

In 2011 and 2010 the Group incurred expenses on wells liquidation in amount of RR 1,166 and RR 648, respectively. The liquidated wells were accounted within fixed assets.

There were 12,818, 12,655 and 12,534 wells recorded within objects of fixed assets of the Group as of 31 December 2011, 2010 and 2009, respectively.

Pension obligations

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

Guarantees issued

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

	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Outstanding guarantees issued on behalf of:			
Nord Stream AG	105,616	50,005	2,655
Sakhalin Energy Investment Company Ltd.	103,220	100,260	101,318
Blue Stream Pipeline Company B.V.	8,225	13,723	19,791
EM Interfinance Limited	5,869	5,694	5,785
Blackrock Capital Investments Limited	4,985	4,824	4,900
Devere Capital International Limited	1,958	4,217	5,672
OA O Group E4	1,498	1,450	3,729
ZAO Achimgaz	387	4,330	4,841
OOO Severny Europeysky Trubny Proekt	-	40,251	-
OOO Torgovy Dom Truboprovod	-	12,659	-
OOO Production Company VIS	-	16,030	-
OOO Stroygazconsulting	-	-	8,841
MRK Energy DMCC	-	-	8,620
Other	31,806	20,443	18,068
Total	263,564	273,886	184,220

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2011 and 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 72,205 and RR 50,005, respectively.

In May 2011 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 33,411.

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

27. COMMITMENTS AND CONTINGENCIES (continued)

In January 2008 the Group issued a guarantee in favor of Europipe GmbH (supplier of large diameter steel pipes) on behalf of Nord Stream AG related to pipe supply contract for construction of Nord Stream pipeline. As of 31 December 2009 the above mentioned guarantee amounted to RR 2,655. As of 31 December 2010 this loan was repaid.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. The above guarantees amounted to RR 103,220, RR 100,260 and RR 101,318 as of 31 December 2011, 2010 and 2009, respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2011, 2010 and 2009, outstanding amounts of these loans were RR 8,225, RR 13,723 and RR 19,791, 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 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 12,812, RR 14,735 and RR 16,357 as of 31 December 2011, 2010 and 2009, 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 31 December 2011, 2010 and 2009 the above guarantee amounted to RR 1,498, RR 1,450 and RR 3,729, respectively.

In 2007 the Group provided a guarantee to Wintershall Vermogens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 31 December 2011, 2010 and 2009 the above guarantee amounted to RR 387, RR 4,330 and RR 4,841, respectively.

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 40,251. In February 2011 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Torgovy Dom Truboprovod as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 12,659. In February 2011 this credit facility was repaid.

In January 2010 the Group provided a guarantee to OAO Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAO WGC-6. As of 31 December 2010 the above guarantee amounted to RR 16,030. In September 2011 this credit facility was repaid.

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

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

27. COMMITMENTS AND CONTINGENCIES (continued)

In April 2008 the Group issued a guarantee in favour of Credit Suisse International and AKB National Reserve Bank (OAO) on behalf of MRK Energy DMCC as a security of loans received and used for construction of gas pipeline: Kudarsky pereval – Tskhinval (South Ossetia). As of 31 December 2009 the above mentioned guarantee amounted to RR 8,620. As of 31 December 2010 this loan was repaid.

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

As of 31 December 2009 according to the management's estimates some obligations on guarantees issued had to be settled. In view of this a provision on guarantees issued in amount of RR 16,657 was created. There were no such guarantees as of 31 December 2011 and 31 December 2010.

Legal proceedings

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

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 cannot 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 cannot estimate potential exposure in respect of this claim.

In November 2011 Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG SA) filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. The consideration of the case has not been assigned yet. Negotiations with PGNiG SA on the contract prices are in progress. Management of the Group cannot estimate potential exposure in respect of this claim.

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments.

Management believes that its interpretation of the relevant legislation as of 31 December 2011 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

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

28. POST BALANCE SHEET EVENTS

Borrowings and loans

In February 2012 the Group obtained the loan from RosUkrEnergo AG in the amount of USD 183 million due in December 2012 at an interest rate of 3.5% under terms of the agreement signed in January 2011.

In February 2012 the Group issued bonds in the amount of RR 10,000 due in 2022 at an interest rate of 8.25%. The bonds have an option for early redemption in three years from the placement date.

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

27 April 2012