

ОАО ГАЗПРОМ

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

30 JUNE 2014



Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of OAO Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 30 June 2014 and the related consolidated interim condensed statements of comprehensive income for the three-month and six-month periods then ended, and of cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

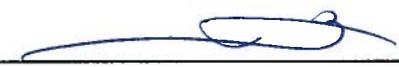
ZAO PricewaterhouseCoopers Audit

13 October 2014
Moscow, Russian Federation

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 JUNE 2014
(In millions of Russian Roubles)

Notes	30 June 2014	31 December 2013
Assets		
Current assets		
6	943,882	689,130
	899	401
21	25,568	24,502
7	842,638	1,032,026
8	586,545	569,724
	257,755	341,315
	<u>251,243</u>	<u>205,572</u>
	2,908,530	2,862,670
Non-current assets		
9	9,177,778	8,940,088
	151,313	151,189
10	611,044	549,684
11	429,977	437,349
21	154,924	168,904
12	<u>339,235</u>	<u>326,352</u>
	10,864,271	10,573,566
Total assets	13,772,801	13,436,236
Liabilities and equity		
Current liabilities		
	861,362	895,694
	19,512	17,750
	149,457	146,095
	<u>294,792</u>	<u>331,926</u>
	1,325,123	1,391,465
Non-current liabilities		
13	1,543,637	1,470,002
20	336,970	330,580
14	606,928	558,869
	<u>54,369</u>	<u>50,966</u>
	2,541,904	2,410,417
Total liabilities	3,867,027	3,801,882
Equity		
15	325,194	325,194
15	(103,925)	(103,919)
	<u>9,368,324</u>	<u>9,098,315</u>
	9,589,593	9,319,590
Non-controlling interest	<u>316,181</u>	<u>314,764</u>
Total equity	9,905,774	9,634,354
Total liabilities and equity	13,772,801	13,436,236

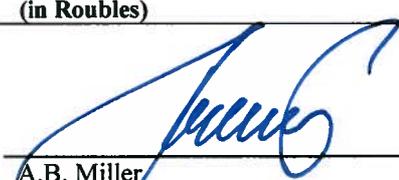

A.B. Miller
Chairman of the Management Committee
13 October 2014


E.A. Vasilieva
Chief Accountant
13 October 2014

The accompanying notes on pages 6 to 32 are an integral part of this consolidated interim condensed financial information.

OAD GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014
(In millions of Russian Roubles)

Notes		Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
16	Sales	1,315,195	1,106,681	2,873,932	2,568,122
	Net gain (loss) from trading activity	10,575	(828)	14,377	3,764
17	Operating expenses	<u>(1,158,910)</u>	<u>(768,832)</u>	<u>(2,248,659)</u>	<u>(1,718,884)</u>
	Operating profit	166,860	337,021	639,650	853,002
18	Finance income	138,286	11,135	165,596	38,501
18	Finance expense	(15,453)	(111,187)	(218,540)	(162,479)
10	Share of net income of associated undertakings and joint ventures	26,977	14,962	47,884	12,804
	(Losses) gains on disposal of available-for-sale financial assets	<u>(56)</u>	<u>(6)</u>	<u>(26)</u>	<u>16</u>
	Profit before profit tax	316,614	251,925	634,564	741,844
	Current profit tax expense	(61,926)	(36,287)	(124,525)	(42,992)
	Deferred profit tax expense	<u>(21,126)</u>	<u>(10,385)</u>	<u>(44,813)</u>	<u>(105,447)</u>
	Profit tax expense	(83,052)	(46,672)	(169,338)	(148,439)
	Profit for the period	233,562	205,253	465,226	593,405
	Other comprehensive (loss) income:				
	Items that will not be reclassified to profit or loss:				
20	Remeasurements of post-employment benefit obligations	<u>(304)</u>	<u>74,870</u>	<u>(6,463)</u>	<u>75,623</u>
	Total items that will not be reclassified to profit or loss	(304)	74,870	(6,463)	75,623
	Items that will be reclassified to profit or loss:				
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	9,754	9,586	(8,850)	(2,588)
	Share of other comprehensive (loss) income of associated undertakings and joint ventures	(1,030)	2,960	(3,403)	4,138
	Translation differences	(60,017)	41,808	13,667	49,247
	Gains (losses) from cash flow hedges, net of tax	<u>3,416</u>	<u>(5,018)</u>	<u>(6,971)</u>	<u>(3,981)</u>
	Total items that will be reclassified to profit or loss	(47,877)	49,336	(5,557)	46,816
	Other comprehensive (loss) income for the period, net of tax	(48,181)	124,206	(12,020)	122,439
	Total comprehensive income for the period	185,381	329,459	453,206	715,844
	Profit attributable to:				
	Owners of OAO Gazprom	227,571	202,018	450,578	582,683
	Non-controlling interest	<u>5,991</u>	<u>3,235</u>	<u>14,648</u>	<u>10,722</u>
		233,562	205,253	465,226	593,405
	Total comprehensive income attributable to:				
	Owners of OAO Gazprom	182,610	323,682	438,470	702,329
	Non-controlling interest	<u>2,771</u>	<u>5,777</u>	<u>14,736</u>	<u>13,515</u>
		185,381	329,459	453,206	715,844
19	Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	9.92	8.80	19.63	25.39


A.B. Miller
Chairman of the Management Committee
13 October 2014


E.A. Vasilieva
Chief Accountant
13 October 2014

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OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(In millions of Russian Roubles)

Notes	Six month ended 30 June	
	2014	2013
	Cash flows from operating activities	
	634,564	741,844
	Profit before profit tax	
	Adjustments to profit before profit tax for:	
17	228,784	210,810
	Depreciation	
18	52,944	123,978
	Net finance expense	
10	(47,884)	(12,804)
	Share of net income of associated undertakings and joint ventures	
	237,066	46,309
	Charge for provisions	
17	9,454	(28)
	Derivatives losses (gains)	
	10,109	(17,586)
	Other	
	490,473	350,679
	Total effect of adjustments	
	1,125,037	1,092,523
	Cash flows from operating activities before working capital changes	
	(950)	4,577
	(Increase) decrease in non-current assets	
	5,239	1,244
	Increase in non-current liabilities	
	(14,682)	(59,693)
	Changes in working capital	
	(128,501)	(83,109)
	Profit tax paid	
	986,143	955,542
	Net cash from operating activities	
	Cash flows from investing activities	
	(620,690)	(699,197)
	Capital expenditures	
18	(35,776)	(30,317)
	Interest paid and capitalised	
	(22,638)	1,969
	Net change in loans issued	
	(17,243)	(26,819)
	Acquisition of subsidiaries, net of cash acquired	
	(57,262)	(4,255)
	Investments in associated undertakings and joint arrangements	
	13,799	15,738
	Interest received	
	(615)	(722)
	Change in available-for-sale long-term financial assets	
	43,847	52,158
	Proceeds from associated undertakings and joint ventures	
	(1,572)	(2,514)
	Other	
	(698,150)	(693,959)
	Net cash used in investing activities	
	Cash flows from financing activities	
	205,223	231,600
	Proceeds from long-term borrowings	
	(174,186)	(179,713)
	Repayment of long-term borrowings (including current portion)	
	26,890	45,191
	Proceeds from short-term borrowings	
	(42,472)	(73,963)
	Repayment of short-term borrowings	
	(15,012)	(962)
	Dividends paid	
18	(27,329)	(17,114)
	Interest paid	
	(6)	(96)
	Purchase of treasury shares	
	(498)	3,334
	Change in restricted cash	
	(27,390)	8,277
	Net cash (used in) from financing activities	
	(5,851)	17,621
	Effect of foreign exchange rate changes on cash and cash equivalents	
	254,752	287,481
	Increase in cash and cash equivalents	
6	689,130	425,720
	Cash and cash equivalents at the beginning of reporting period	
6	943,882	713,201
	Cash and cash equivalents at the end of reporting period	

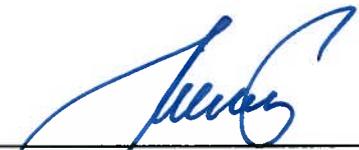

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Chairman of the Management Committee
13 October 2014


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Chief Accountant
13 October 2014

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ОАО ГАЗПРОМ
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(In millions of Russian Roubles)

Notes	Number of shares outstanding (billions)	Attributable to the owners of OAO Gazprom				Total	Non-controlling interest	Total equity
		Share capital	Treasury shares	Retained earnings and other reserves				
Six months ended 30 June 2013								
	Balance as of 31 December 2012	22.9	325,194	(104,094)	7,949,633	8,170,733	309,212	8,479,945
	Profit for the period	-	-	-	582,683	582,683	10,722	593,405
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations	-	-	-	75,623	75,623	-	75,623
	Losses arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	(2,588)	(2,588)	-	(2,588)
	Share of other comprehensive income of associated undertakings and joint ventures	-	-	-	4,138	4,138	-	4,138
	Translation differences	-	-	-	46,251	46,251	2,996	49,247
	Losses from cash flow hedges, net of tax	-	-	-	(3,778)	(3,778)	(203)	(3,981)
	Total comprehensive income for the six months ended 30 June 2013	-	-	-	702,329	702,329	13,515	715,844
	Changes in non-controlling interest in subsidiaries	-	-	-	50	50	3,835	3,885
	Net treasury shares transactions	-	-	-	(96)	(96)	-	(96)
	Return of social assets to governmental authorities	-	-	-	(76)	(76)	-	(76)
	Dividends declared	-	-	-	(137,464)	(137,464)	(8,926)	(146,390)
	Acquisition of shares in subsidiaries	-	-	-	19,600	19,600	(19,600)	-
	Balance as of 30 June 2013	22.9	325,194	(104,190)	8,534,072	8,755,076	298,036	9,053,112
Six months ended 30 June 2014								
	Balance as of 31 December 2013	23.0	325,194	(103,919)	9,098,315	9,319,590	314,764	9,634,354
	Profit for the period	-	-	-	450,578	450,578	14,648	465,226
20	Other comprehensive income (loss):							
	Remeasurements of post-employment benefit obligations	-	-	-	(6,463)	(6,463)	-	(6,463)
	Losses arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	(8,847)	(8,847)	(3)	(8,850)
	Share of other comprehensive loss of associated undertakings and joint ventures	-	-	-	(3,403)	(3,403)	-	(3,403)
	Translation differences	-	-	-	13,470	13,470	197	13,667
	Losses from cash flow hedges, net of tax	-	-	-	(6,865)	(6,865)	(106)	(6,971)
	Total comprehensive income for the six months ended 30 June 2014	-	-	-	438,470	438,470	14,736	453,206
	Changes in non-controlling interest in subsidiaries	-	-	-	(3,162)	(3,162)	(2,871)	(6,033)
	Net treasury shares transactions	-	-	-	(6)	(6)	-	(6)
	Return of social assets to governmental authorities	-	-	-	(52)	(52)	-	(52)
	Dividends declared	-	-	-	(165,247)	(165,247)	(10,448)	(175,695)
	Balance as of 30 June 2014	23.0	325,194	(103,925)	9,368,324	9,589,593	316,181	9,905,774


A.B. Miller
Chairman of the Management Committee
13 October 2014


E.A. Vasilieva
Chief Accountant
13 October 2014

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OAQ GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2014
(In millions of Russian Roubles)

1 NATURE OF OPERATIONS

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

The Group is involved in the following principal activities:

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

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

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 30% of total annual gas volumes are shipped in the first calendar quarter and approximately 20% in the second calendar quarter.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

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

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

3 BASIS OF PRESENTATION

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

The official Russian Rouble (“RR”) to US dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 33.63 and 32.71 as of 30 June 2014 and 2013, respectively, 32.73 and 30.37 as of 31 December 2013 and 2012, respectively. The official RR to Euro foreign exchange rates as determined by the Central Bank of the Russian Federation were 45.83 and 42.72 as of 30 June 2014 and 2013, respectively, 44.97 and 40.23 as of 31 December 2013 and 2012, respectively.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2014
(In millions of Russian Roubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

Application of new IFRS

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

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

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

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

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

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

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2014
(In millions of Russian Roubles)

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

- IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014 and effective for annual periods beginning on or after January 1, 2017). The new standard introduces the core principle that revenue must be recognized when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be recognized as an asset and amortized over the period when the benefits of the contract are consumed.

The Group is currently assessing the impact of the amendments on its financial position and results of operation.

5 SEGMENT INFORMATION

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

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

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

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

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

The inter-segment sales mainly consist of:

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

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

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

OAo GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2014
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Six months ended 30 June 2014									
Total segment revenues	337,437	471,414	1,706,796	20,401	369,010	799,037	218,683	103,157	4,025,935
Inter-segment sales	329,750	388,693	127,812	19,133	264,212	5,405	-	-	1,135,005
External sales	7,687	82,721	1,578,984	1,268	104,798	793,632	218,683	103,157	2,890,930
Segment result	14,385	27,927	315,584	3,822	46,710	102,497	23,989	(16,700)	518,214
Depreciation	69,796	187,894	7,676	9,311	36,103	20,650	17,845	14,956	364,231
Share of net income of associated undertakings and joint ventures	2,009	2,687	6,123	16	34,262	1,698	11	1,078	47,884
Six months ended 30 June 2013									
Total segment revenues	311,279	453,878	1,596,566	18,055	322,796	645,032	179,566	108,759	3,635,931
Inter-segment sales	306,942	373,383	112,486	17,426	223,007	5,389	-	-	1,038,633
External sales	4,337	80,495	1,484,080	629	99,789	639,643	179,566	108,759	2,597,298
Segment result	21,378	37,978	515,742	3,520	55,274	86,276	24,126	(15,688)	728,606
Depreciation	65,853	184,580	6,445	7,477	41,644	18,054	11,963	10,255	346,271
Share of net income (loss) of associated undertakings and joint ventures	727	755	6,237	101	2,551	(1,975)	-	4,408	12,804

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Three months ended 30 June 2014									
Total segment revenues	156,966	233,323	718,098	10,694	185,924	415,445	84,069	49,640	1,854,159
Inter-segment sales	153,216	190,903	45,129	10,234	130,465	2,471	-	-	532,418
External sales	3,750	42,420	672,969	460	55,459	412,974	84,069	49,640	1,321,741
Segment result	4,685	10,497	37,923	1,750	20,450	34,452	2,795	(9,046)	103,506
Depreciation	34,972	93,861	3,826	7,036	14,871	10,520	8,506	7,593	181,185
Share of net income (loss) of associated undertakings and joint ventures	980	1,610	2,799	(127)	18,355	939	(10)	2,431	26,977
Three months ended 30 June 2013									
Total segment revenues	148,388	226,196	623,473	9,698	155,878	322,963	72,715	53,534	1,612,845
Inter-segment sales	146,528	186,933	40,735	9,479	108,369	2,498	-	-	494,542
External sales	1,860	39,263	582,738	219	47,509	320,465	72,715	53,534	1,118,303
Segment result	10,160	18,263	168,562	1,934	31,445	50,204	4,670	(8,599)	276,639
Depreciation	32,830	92,022	3,359	3,718	15,808	9,711	5,994	4,959	168,401
Share of net income (loss) of associated undertakings and joint ventures	208	275	1,487	(38)	10,215	190	-	2,625	14,962

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5 SEGMENT INFORMATION (continued)

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

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Segment result for reportable segment	112,552	285,238	534,914	744,294
Other segments' result	(9,046)	(8,599)	(16,700)	(15,688)
Segment result	103,506	276,639	518,214	728,606
Difference in depreciation*	67,149	67,464	135,447	135,461
Expenses associated with pension obligations	(2,393)	(5,229)	(4,361)	(7,162)
Net finance income (expense)	122,833	(100,052)	(52,944)	(123,978)
(Losses) gains on disposal of available-for-sale financial assets	(56)	(6)	(26)	16
Share of net income of associated undertakings and joint ventures	26,977	14,962	47,884	12,804
Other	(1,402)	(1,853)	(9,650)	(3,903)
Profit before profit tax	316,614	251,925	634,564	741,844

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
External sales for reportable segments	1,272,101	1,064,769	2,787,773	2,488,539
External sales for other segments	49,640	53,534	103,157	108,759
Total external segment sales	1,321,741	1,118,303	2,890,930	2,597,298
Differences in external sales*	(6,546)	(11,622)	(16,998)	(29,176)
Total sales per the consolidated interim condensed statement of comprehensive income	1,315,195	1,106,681	2,873,932	2,568,122

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

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

	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
30 June 2014									
Segment assets	2,092,161	5,160,945	1,234,840	230,384	1,697,417	1,170,261	815,008	679,528	13,080,544
Investments in associated undertakings and joint ventures	33,569	92,661	73,504	6,385	271,844	17,752	450	114,879	611,044
Capital additions*	93,607	145,699	7,637	2,451	101,532	40,718	27,652	12,857	432,153
31 December 2013									
Segment assets	2,051,204	5,271,761	1,394,112	242,198	1,585,429	1,121,301	798,781	669,682	13,134,468
Investments in associated undertakings and joint ventures	31,032	74,292	73,339	6,090	228,612	17,575	439	118,305	549,684
Capital additions**	257,407	380,547	36,085	23,524	223,557	113,254	77,191	102,285	1,213,850

* Capital additions for the six months ended 30 June 2014.

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

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5 SEGMENT INFORMATION (continued)

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

	30 June 2014	31 December 2013
Segment assets for reportable segments	12,401,016	12,464,786
Other segments' assets	<u>679,528</u>	<u>669,682</u>
Total segment assets	13,080,544	13,134,468
Differences in property, plant and equipment, net*	(1,463,106)	(1,600,509)
Loan interest capitalised	408,991	378,792
Decommissioning costs	75,393	75,886
Cash and cash equivalents	943,882	689,130
Restricted cash	899	401
Short-term financial assets	25,568	24,502
VAT recoverable	257,755	341,315
Other current assets	251,243	205,572
Available-for-sale long-term financial assets	154,924	168,904
Goodwill	151,313	151,189
Other non-current assets	339,235	326,352
Inter-segment assets	(656,397)	(671,612)
Other	<u>202,557</u>	<u>211,846</u>
Total assets per the consolidated interim condensed balance sheet	13,772,801	13,436,236

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

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

	Production of gas	Transport	Distri- bution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy genera- tion and sales	All other segments	Total
Segment liabilities									
30 June 2014	103,772	182,763	477,965	7,381	222,465	307,076	35,318	107,942	1,444,682
31 December 2013	155,578	290,678	534,370	9,599	225,777	287,677	49,088	125,339	1,678,106

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

	30 June 2014	31 December 2013
Segment liabilities for reportable segments	1,336,740	1,552,767
Other segments' liabilities	<u>107,942</u>	<u>125,339</u>
Total segments liabilities	1,444,682	1,678,106
Current profit tax payable	19,512	17,750
Short-term borrowings, promissory notes and current portion of long-term borrowings	294,792	331,926
Long-term borrowings and promissory notes	1,543,637	1,470,002
Provisions for liabilities and charges	336,970	330,580
Deferred tax liabilities	606,928	558,869
Other non-current liabilities	54,369	50,966
Dividends	174,544	3,791
Inter-segment liabilities	(656,397)	(671,612)
Other	<u>47,990</u>	<u>31,504</u>
Total liabilities per the consolidated interim condensed balance sheet	3,867,027	3,801,882

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6 CASH AND CASH EQUIVALENTS

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

	30 June 2014	31 December 2013
Cash on hand and bank balances payable on demand	794,546	568,663
Term deposits with original maturity of three months or less	<u>149,336</u>	<u>120,467</u>
	943,882	689,130

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2014	31 December 2013
Trade receivables	514,162	751,219
Prepayments and advances	131,441	105,741
Other receivables	<u>197,035</u>	<u>175,066</u>
	842,638	1,032,026

Accounts receivable and prepayments are presented net of impairment provision of RR 543,616 and RR 334,141 as of 30 June 2014 and 31 December 2013, respectively.

Accounts receivable due from NAK Naftogaz Ukraine in relation to gas sales are RR nil and RR 90,267 net of impairment provision of RR 178,128 and nil as of 30 June 2014 and 31 December 2013, respectively.

8 INVENTORIES

Inventories are presented net of provision for obsolescence of RR 4,890 and RR 4,895 as of 30 June 2014 and 31 December 2013, respectively.

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9 PROPERTY, PLANT AND EQUIPMENT

	Production assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2012				
Cost	9,788,646	93,181	1,578,379	11,460,206
Accumulated depreciation	<u>(3,478,858)</u>	<u>(32,178)</u>	<u>-</u>	<u>(3,511,036)</u>
Net book value as of 31 December 2012	6,309,788	61,003	1,578,379	7,949,170
Six months ended 30 June 2013				
Net book value as of 31 December 2012	6,309,788	61,003	1,578,379	7,949,170
Depreciation	(208,852)	(1,333)	-	(210,185)
Additions	15,721	288	461,230	477,239
Acquisition of subsidiaries	2,853	-	3,139	5,992
Translation differences	14,275	15	948	15,238
Transfers	138,968	136	(139,104)	-
Disposals	(8,466)	(244)	(6,644)	(15,354)
Charge for impairment provision	<u>-</u>	<u>-</u>	<u>(219)</u>	<u>(219)</u>
Net book value as of 30 June 2013	6,264,287	59,865	1,897,729	8,221,881
Six months ended 31 December 2013				
Net book value as of 30 June 2013	6,264,287	59,865	1,897,729	8,221,881
Depreciation	(206,688)	(1,283)	-	(207,971)
Additions	84,737	122	751,050	835,909
Acquisition of subsidiaries	109,260	-	15,821	125,081
Translation differences	2,984	(13)	507	3,478
Transfers	827,400	2,555	(829,955)	-
Disposals	(25,916)	(16)	(12,531)	(38,463)
Release of impairment provision	<u>-</u>	<u>-</u>	<u>173</u>	<u>173</u>
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
As of 31 December 2013				
Cost	10,942,398	94,737	1,822,794	12,859,929
Accumulated depreciation	<u>(3,886,334)</u>	<u>(33,507)</u>	<u>-</u>	<u>(3,919,841)</u>
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Six months ended 30 June 2014				
Net book value as of 31 December 2013	7,056,064	61,230	1,822,794	8,940,088
Depreciation	(227,404)	(1,309)	-	(228,713)
Additions	62,296	-	407,468	469,764
Acquisition of subsidiaries	9,406	-	396	9,802
Translation differences	2,149	(10)	201	2,340
Transfers	104,982	1,114	(106,096)	-
Disposals	(5,025)	(778)	(9,625)	(15,428)
Charge for impairment provision	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>(75)</u>
Net book value as of 30 June 2014	7,002,468	60,247	2,115,063	9,177,778
As of 30 June 2014				
Cost	11,114,464	94,528	2,115,063	13,324,055
Accumulated depreciation	<u>(4,111,996)</u>	<u>(34,281)</u>	<u>-</u>	<u>(4,146,277)</u>
Net book value as of 30 June 2014	7,002,468	60,247	2,115,063	9,177,778

Production assets are shown net of provision for impairment of RR 54,047 as of 30 June 2014 and 31 December 2013. Assets under construction are presented net of provision for impairment of RR 42,863 and RR 42,873 as of 30 June 2014 and 31 December 2013, respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 386 and RR 463 as of 30 June 2014 and 31 December 2013, respectively.

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10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

Notes			Carrying value as of		Share of the income (loss) of associated undertakings and joint ventures for the six months ended	
			30 June 2014	31 December 2013	30 June 2014	30 June 2013
23	OAO NGK Slavneft and its subsidiaries	Joint venture	124,939	126,976	3,864	(23,967)
23	Gazprombank Group	Associate	98,836	100,612	1,025	4,251
23,24	Sakhalin Energy Investment Company Ltd.	Associate	74,226	67,868	30,171	22,185
23	OOO Yamal razvitie and its subsidiaries*	Joint venture	60,005	24,165	(2,018)	(161)
23,24	Nord Stream AG	Joint venture	45,408	43,851	4,350	993
23	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries**	Associate	38,556	40,302	1,945	2,650
	Shtokman Development AG	Joint venture	23,715	23,216	(146)	(156)
	South Stream Transport B.V. and its subsidiaries	Joint venture	23,511	7,081	(1,896)	-
23,24	SGT EuRoPol GAZ S.A.	Associate	19,116	18,802	(6)	(316)
23	ZAO Achimgaz	Joint venture	13,420	9,956	3,464	1,731
23	TOO KazRosGaz	Joint venture	12,875	9,819	2,966	2,111
	Wintershall AG	Associate	11,755	11,528	25	1,278
23	AO Latvijas Gaze	Associate	5,225	4,959	179	159
23	AO Gasum	Associate	4,901	4,515	530	154
23	ZAO Nortgaz	Joint venture	4,586	2,258	2,328	174
23	AO Lietuvos dujos***	Associate	-	1,359	491	213
	AO Amber Grid***	Associate	-	1,206	60	-
	Other (net of provision for impairment of RR 1,929 as of 30 June 2014 and 31 December 2013)		49,970	51,211	552	1,505
			611,044	549,684	47,884	12,804

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

** In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 30 June 2014 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

*** In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AO Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AO Amber Grid, an associate of the Group. In June 2014 the Group sold its 37% interests in associates, AO Lietuvos dujos and AO Amber Grid, to companies controlled by the Republic of Lithuania for Euro 121 million.

The Group's share of income of associated undertakings and joint ventures for the six months ended 30 June 2013 includes additional expense of RR 25,961 recognized for OAO NGK Slavneft and its subsidiaries as a result of a one-time adjustment in the first quarter of 2013 to correct the prior understatement of depreciation on the basis difference for property, plant and equipment since the Group's acquisition of interest in OAO NGK Slavneft.

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

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

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

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10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

	Percent of share capital held	Country of primary operations	As of 30 June 2014		For the six months ended 30 June 2014	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank Group*	37%	Russia	3,688,612	3,412,423	79,925	2,779
Sakhalin Energy Investment Company Ltd.**	50%	Russia	610,336	442,580	150,405	60,341
ООО Yamal razvitie and its subsidiaries	50%	Russia	452,608	320,722	9,763	(5,666)
ОАО NGK Slavneft and its subsidiaries	50%	Russia	379,305	138,361	106,870	7,755
Nord Stream AG***	51%	Russia, Germany	353,294	262,236	25,913	8,530
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	162,766	85,368	301,362	4,598
South Stream Transport B.V. and its subsidiaries****	50%	Russia, Bulgaria	63,110	19,556	13	(900)
АО Gasum	25%	Finland	62,754	40,365	27,311	1,030
SGT EuRoPol GAZ S.A.	48%	Poland	49,538	9,712	6,986	(11)
Wintershall AG****	49%	Libya	47,560	26,133	2,339	51
ZАО Nortgaz	50%	Russia	47,213	36,392	14,375	4,656
ZАО Achimgaz	50%	Russia	39,630	11,677	9,826	6,926
Shtokman Development AG****	75%	Russia	34,837	1,987	-	(194)
ТОО KazRosGaz	50%	Kazakhstan	30,671	4,921	19,602	5,930
АО Latvijas Gaze	34%	Latvia	25,257	8,418	12,823	529
АО Amber Grid*****	37%	Lithuania	-	-	1,059	163
АО Lietuvos dujos*****	37%	Lithuania	-	-	8,917	1,325

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

** Country of incorporation is Bermuda Islands.

*** Country of incorporation is Switzerland.

**** Country of incorporation is Germany.

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

***** The revenue and profit of АО Lietuvos dujos and АО Amber Grid for the six months ended 30 June 2014 are disclosed until the date of disposal of interests in these associates.

	Percent of share capital held	Country of primary operations	As of 30 June 2013		For the six months ended 30 June 2013	
			Assets	Liabilities	Revenues	Income (loss)
Gazprombank Group*	38%	Russia	3,097,966	2,847,400	70,153	11,248
Sakhalin Energy Investment Company Ltd**.	50%	Russia	626,284	463,538	115,996	44,370
ОАО NGK Slavneft and its subsidiaries	50%	Russia	379,266	98,320	92,075	(49,568)
Nord Stream AG***	51%	Russia, Germany	332,646	246,131	16,653	1,948
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	287,569	207,530	271,956	10,356
ООО Yamal razvitie and its subsidiaries	50%	Russia	192,899	98,256	6,626	(632)
Wintershall AG****	49%	Libya	49,205	28,995	45,092	2,608
SGT EuRoPol GAZ S.A.	48%	Poland	46,721	11,225	5,651	(267)
ZАО Nortgaz	51%	Russia	34,826	32,275	4,223	513
Shtokman Development AG****	75%	Russia	33,986	2,115	-	(207)
ТОО KazRosGaz	50%	Kazakhstan	33,613	1,601	13,770	4,222
АО Gasum	25%	Finland	31,722	15,400	26,177	557
ZАО Achimgaz	50%	Russia	24,287	7,843	5,245	3,456
АО Latvijas Gaze	34%	Latvia	22,947	8,926	13,623	466
АО Lietuvos dujos	37%	Lithuania	19,564	9,547	10,233	574

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

** Country of incorporation is Bermuda Islands.

*** Country of incorporation is Switzerland.

**** Country of incorporation is Germany.

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10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

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

	30 June 2014	31 December 2013
AO Latvijas Gaze	6,225	5,702
AO Lietuvos dujos	-	3,065
AO Amber Grid	-	2,170

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2014	31 December 2013
Long-term accounts receivable and prepayments	166,092	160,957
Advances for assets under construction	<u>263,885</u>	<u>276,392</u>
	429,977	437,349

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 20,552 and RR 14,670 as of 30 June 2014 and 31 December 2013, respectively.

12 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 80,199 and RR 74,711 as of 30 June 2014 and 31 December 2013, respectively.

Other non-current assets include net pension assets in the amount of RR 89,212 and RR 111,160 as of 30 June 2014 and 31 December 2013, respectively (see Note 20).

13 LONG-TERM BORROWINGS AND PROMISSORY NOTES

	Currency	Final maturity	30 June 2014	31 December 2013
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009 ²	US dollar	2019	76,991	74,927
Mizuho Bank Ltd. ¹	US dollar	2019	72,351	-
Loan participation notes issued in July 2012 ²	Euro	2017	64,868	64,849
Loan participation notes issued in October 2007 ²	Euro	2018	56,360	57,108
Loan participation notes issued in September 2012 ⁷	US dollar	2022	51,066	49,697
Loan participation notes issued in November 2013 ⁷	US dollar	2023	50,723	49,364
Loan participation notes issued in March 2013 ²	Euro	2020	46,263	46,164
Loan participation notes issued in May 2005 ²	Euro	2015	46,049	46,511
Loan participation notes issued in November 2006 ²	US dollar	2016	45,707	44,482
Loan participation notes issued in March 2007 ²	US dollar	2022	44,621	43,425
Loan participation notes issued in July 2009 ²	US dollar	2014	43,462	42,297
Loan participation notes issued in August 2007 ²	US dollar	2037	43,187	42,030
Loan participation notes issued in July 2013 ²	Euro	2018	42,668	41,129
Loan participation notes issued in April 2004 ²	US dollar	2034	40,966	39,868
Loan participation notes issued in July 2009 ²	Euro	2015	40,226	41,041
Loan participation notes issued in April 2008 ²	US dollar	2018	37,663	36,654
Loan participation notes issued in February 2014 ²	Euro	2021	34,793	-
Loan participation notes issued in April 2013 ⁷	Euro	2018	34,543	34,398
Loan participation notes issued in July 2012 ²	US dollar	2022	34,380	33,458
Loan participation notes issued in November 2011 ²	US dollar	2016	33,806	32,900
Loan participation notes issued in November 2010 ²	US dollar	2015	33,783	32,877
Loan participation notes issued in June 2007 ²	Euro	2014	33,223	31,766
Loan participation notes issued in February 2013 ²	US dollar	2028	30,871	30,044
ZAO Mizuho Corporate Bank (Moscow) ¹	US dollar	2016	29,387	28,606
Loan participation notes issued in September 2013 ²	GBP	2020	27,715	27,198
Loan participation notes issued in February 2013 ²	US dollar	2020	27,322	26,589

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13 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final maturity	30 June 2014	31 December 2013
Loan participation notes issued in March 2007 ²	Euro	2017	23,736	22,686
Commerzbank AG	US dollar	2018	23,647	23,026
OA OVTB Bank	US dollar	2015	23,604	22,974
Loan participation notes issued in November 2006 ²	Euro	2017	23,238	23,387
Loan participation notes issued in March 2013 ²	Euro	2025	23,192	23,254
Loan participation notes issued in November 2011 ²	US dollar	2021	20,710	20,155
OA O Sberbank of Russia	Rouble	2017	19,750	-
Loan participation notes issued in October 2013 ²	CHF	2019	19,203	18,444
The Royal Bank of Scotland AG ¹	US dollar	2015	16,440	16,339
BNP Paribas SA ¹	Euro	2022	15,930	16,550
Bank of Tokyo-Mitsubishi UFJ Ltd. ¹	US dollar	2016	15,865	18,528
Russian bonds issued in February 2013 ⁹	Rouble	2016	15,401	15,404
Russian bonds issued in November 2013 ³	Rouble	2043	15,113	15,102
Russian bonds issued in November 2013 ³	Rouble	2043	15,113	15,102
Deutsche Bank AG	US dollar	2016	13,685	13,327
GK Vnesheconombank	Rouble	2025	12,896	14,698
Credit Agricole CIB	Euro	2015	11,018	10,813
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	10,793	10,504
Russian bonds issued in February 2011 ⁷	Rouble	2021	10,356	10,358
Russian bonds issued in February 2011 ⁷	Rouble	2021	10,340	10,342
Russian bonds issued in February 2011 ⁷	Rouble	2016	10,340	10,342
OA O Sberbank of Russia	Euro	2017	10,337	10,145
Russian bonds issued in February 2012 ⁷	Rouble	2022	10,330	10,332
Russian bonds issued in February 2013 ⁹	Rouble	2017	10,269	10,271
Banc of America Securities Limited	US dollar	2018	10,172	9,894
Russian bonds issued in April 2009 ⁷	Rouble	2019	10,171	10,173
Deutsche Bank AG	US dollar	2014	10,171	9,899
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	10,144	9,874
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	10,094	9,830
Russian bonds issued in December 2012 ⁷	Rouble	2022	10,063	10,065
HSBC Bank plc	Euro	2022	10,049	10,443
OA O Gazprombank	Rouble	2018	10,000	10,000
OA O Gazprombank	Rouble	2017	10,000	10,000
Citibank International plc ¹	US dollar	2021	8,650	9,020
UniCredit Bank AG ^{1,6}	US dollar	2018	8,620	11,220
UniCredit Bank AG ^{1,6}	Euro	2018	8,470	11,116
OA O Sberbank of Russia	Rouble	2016	8,300	-
Banc of America Securities Limited	Euro	2017	8,299	8,143
OA OVTB Bank	Rouble	2018	8,250	3,750
OA O Sberbank of Russia	Rouble	2016	7,400	7,400
Deutsche Bank AG	US dollar	2014	6,746	6,566
UniCredit Bank AG	US dollar	2018	6,728	6,548
BNP Paribas SA ¹	Euro	2023	6,290	6,536
Banc of America Securities Limited	US dollar	2016	6,058	5,895
OA O Gazprombank	US dollar	2015	5,751	-
OA OVTB Bank	US dollar	2016	5,563	-
OA O Sberbank of Russia	Rouble	2015	5,502	-
Russian bonds issued in February 2013 ⁹	Rouble	2018	5,134	5,126
OA O Sberbank of Russia	US dollar	2018	5,051	4,915
OA O Bank ROSSIYA	Rouble	2016	5,000	5,000
Russian bonds issued in December 2009 ⁵	Rouble	2014	4,619	5,038
UniCredit Bank AG ^{1,6}	Rouble	2018	2,351	3,145
OA O Gazprombank	US dollar	2015	2,142	2,085
Deutsche Bank AG	US dollar	2014	1,205	2,346

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13 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final maturity	30 June 2014	31 December 2013
Russian bonds issued in July 2009 ⁸	Rouble	2014	126	126
White Nights Finance B.V.	US dollar	2014	-	42,682
Loan participation notes issued in October 2006 ²	Euro	2014	-	36,575
Natixis SA ¹	US dollar	2014	-	23,933
Russian bonds issued in February 2007 ³	Rouble	2014	-	5,138
Russian bonds issued in June 2009 ³	Rouble	2014	-	5,013
Eurofert Trading Limited llc ⁴	Rouble	2014	-	3,600
OA O VTB Bank	Rouble	2014	-	708
Other long-term borrowings and promissory notes	Various	Various	92,324	91,076
Total long-term borrowings and promissory notes			1,813,743	1,762,343
Less: current portion of long-term borrowings			(270,106)	(292,341)
			1,543,637	1,470,002

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

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

³ Issuer of these bonds is OA O Gazprom.

⁴ Issuer of these notes is OA O WGC-2.

⁵ Issuer of these bonds is OA O Mosenergo.

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

⁷ Issuer of these bonds is OA O Gazprom neft.

⁸ Issuer of these bonds is OA O TGC-1.

⁹ Issuer of these bonds is OO O Gazprom capital.

Due for repayment:	30 June 2014	31 December 2013
Between one and two years	263,897	242,531
Between two and five years	722,043	640,741
After five years	557,697	586,730
	1,543,637	1,470,002

Long-term borrowings include fixed rate loans with a carrying value of RR 1,433,018 and RR 1,427,690 and fair value of RR 1,497,555 and RR 1,500,542 as of 30 June 2014 and as of 31 December 2013, respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 30 June 2014 and 31 December 2013 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OA O Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,210 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 30 June 2014 and 31 December 2013 carrying amount of these fixed assets is RR 24,009 and RR 24,614, respectively. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

As of 30 June 2014 loan participation notes with the nominal value of RR 40,356 issued by Gaz Capital S.A. in April 2004 due in 2034 were classified as long-term borrowings as the noteholders did not execute the right of early redemption.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OA O Gazprom neft in February 2012 due in 2022 bondholders can execute the right of early redemption in February 2015 at par, including interest accrued. As of 30 June 2014 these loan participation notes were classified as current portion of long-term borrowings.

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

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

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

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

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

14 PROFIT TAX

Profit tax is recognized based on the estimated average annual effective profit tax rate applied to the profit before tax for the six months ended 30 June 2014. Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates, including the prevailing rate of 20% in the Russian Federation.

	30 June 2014	Differences recognition and reversals	31 December 2013	30 June 2013	Differences recognition and reversals	31 December 2012
Tax effects of taxable temporary differences:						
Property, plant and equipment	(615,513)	(49,530)	(565,983)	(561,286)	(95,788)	(465,498)
Financial assets	(8,457)	1,216	(9,673)	(8,383)	1,610	(9,993)
Inventories	<u>(6,732)</u>	<u>(1,120)</u>	<u>(5,612)</u>	<u>(2,444)</u>	<u>(2,587)</u>	<u>143</u>
	(630,702)	(49,434)	(581,268)	(572,113)	(96,765)	(475,348)
Tax effects of deductible temporary differences:						
Tax losses carry forward	10,240	(461)	10,701	209	1	208
Gas price adjustments	2,480	(2,232)	4,712	14,973	(8,078)	23,051
Other deductible temporary differences	<u>11,054</u>	<u>4,068</u>	<u>6,986</u>	<u>8,974</u>	<u>689</u>	<u>8,285</u>
	23,774	1,375	22,399	24,156	(7,388)	31,544
Total net deferred tax liabilities	(606,928)	(48,059)	(558,869)	(547,957)	(104,153)	(443,804)

Taxable temporary differences recognized for the six months ended 30 June 2014 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 23,121 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the six months ended 30 June 2014.

Taxable temporary differences recognized for the six months ended 30 June 2013 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 81,693 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the six months ended 30 June 2013.

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15 EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 30 June 2014 and 31 December 2013 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

Treasury shares

As of 30 June 2014 and 31 December 2013, subsidiaries of OAO Gazprom held 723 millions of the ordinary shares of OAO Gazprom, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

16 SALES

	Three months ended		Six month ended	
	30 June		30 June	
	2014	2013	2014	2013
Gas sales gross of customs duties to customers in:				
Russian Federation	141,714	130,715	440,528	411,013
Former Soviet Union (excluding Russian Federation)	182,316	69,804	320,337	216,409
Europe and other countries	<u>492,783</u>	<u>484,321</u>	<u>1,104,040</u>	<u>1,022,453</u>
	816,813	684,840	1,864,905	1,649,875
Customs duties	(140,094)	(100,242)	(278,234)	(234,888)
Retroactive gas price adjustments*	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,430</u>
Sales of gas	676,719	584,598	1,586,671	1,488,417
Sales of refined products to customers in:				
Russian Federation	240,845	187,991	449,793	368,514
Former Soviet Union (excluding Russian Federation)	17,393	19,924	35,200	37,977
Europe and other countries	<u>154,736</u>	<u>112,550</u>	<u>308,639</u>	<u>233,152</u>
Total sales of refined products	412,974	320,465	793,632	639,643
Sales of crude oil and gas condensate to customers in:				
Russian Federation	12,686	6,950	22,762	14,712
Former Soviet Union (excluding Russian Federation)	2,964	10,352	8,391	23,560
Europe and other countries	<u>39,809</u>	<u>30,207</u>	<u>73,645</u>	<u>61,517</u>
Total sales of crude oil and gas condensate	55,459	47,509	104,798	99,789
Electric and heat energy sales	84,069	72,715	218,683	179,566
Gas transportation sales	42,420	39,263	82,721	80,495
Other revenues	<u>43,554</u>	<u>42,131</u>	<u>87,427</u>	<u>80,212</u>
Total sales	<u>1,315,195</u>	<u>1,106,681</u>	<u>2,873,932</u>	<u>2,568,122</u>

* Retroactive gas price adjustments relate to gas deliveries in 2010, 2011 and 2012 for which a discount has been agreed or is in the process of negotiations and where it is probable that a discount will be provided. The effects of gas price adjustments, including corresponding impacts on profit tax, are recorded when they become probable and a reliable estimate of the amounts can be made. The effect of retroactive gas price adjustments on sales for the three and six months ended 30 June 2013 was a credit of RR nil and RR 73,430, respectively reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated interim condensed financial information.

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17 OPERATING EXPENSES

Note	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
23	188,679	160,376	394,392	343,192
	202,457	182,586	382,928	369,866
	130,288	115,384	259,288	235,238
	114,036	100,937	228,784	210,810
	144,744	16,867	219,449	30,181
	95,892	84,849	191,409	171,302
	73,207	55,797	133,393	107,881
	62,110	34,315	123,311	65,065
	46,361	46,204	72,208	77,649
	20,515	15,557	44,461	39,286
	9,153	6,421	17,580	12,295
	10,232	9,331	16,215	18,221
	7,176	7,950	16,034	15,409
	6,098	5,576	12,410	10,961
	4,481	(6,472)	9,454	(28)
	4,360	4,599	8,717	8,106
	3,824	2,777	8,558	7,491
	18	982	61	4,817
	41,522	(37,720)	(3,566)	(43,038)
	<u>55,653</u>	<u>55,821</u>	<u>132,382</u>	<u>99,516</u>
	1,220,806	862,137	2,267,468	1,784,220
	<u>(61,896)</u>	<u>(93,305)</u>	<u>(18,809)</u>	<u>(65,336)</u>
Total operating expenses	1,158,910	768,832	2,248,659	1,718,884

Staff costs include RR 8,814 and RR 17,617 of expenses associated with post-employment benefit obligations for the three and six months ended 30 June 2014, respectively, and RR 8,089 and RR 16,128 for the three and six months ended 30 June 2013, respectively (see Note 20).

18 FINANCE INCOME AND EXPENSES

	Three months ended 30 June		Six month ended 30 June	
	2014	2013	2014	2013
Foreign exchange gains	130,120	327	149,754	21,968
Interest income	<u>8,166</u>	<u>10,808</u>	<u>15,842</u>	<u>16,533</u>
Total finance income	138,286	11,135	165,596	38,501
Foreign exchange losses	6,131	97,093	197,741	141,374
Interest expense	<u>9,322</u>	<u>14,094</u>	<u>20,799</u>	<u>21,105</u>
Total finance expenses	15,453	111,187	218,540	162,479

Total interest paid amounted to RR 27,205 and RR 63,105 for the three and six months ended 30 June 2014, respectively, and RR 20,277 and RR 47,431 for the three and six months ended 30 June 2013, respectively.

Significant foreign exchange gains and losses for the six months ended 30 June 2014 are primarily related to non-operating items such as foreign denominated borrowings. Foreign exchange gains were recognized as a result of the depreciation of the US dollar and Euro against Russian Rouble during the period of the three months ended 30 June 2014, while foreign exchange losses – as a result of the appreciation of the US dollar and Euro against the Russian Rouble during the period of three months ended 31 March 2014.

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

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

There were 23.0 billion weighted average shares outstanding for the three and six months ended 30 June 2014, respectively, and 22.9 billion weighted average shares outstanding for the three and six months ended 30 June 2013, respectively.

There are no dilutive financial instruments outstanding.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	30 June 2014	31 December 2013
Provision for post-employment benefit obligations	189,197	198,202
Provision for decommissioning and site restoration costs	125,575	120,782
Other	<u>22,198</u>	<u>11,596</u>
	336,970	330,580

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

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RR 89,212 and RR 111,160 as of 30 June 2014 and 31 December 2013, respectively, are presented within other non-current assets in the consolidated balance sheet. In accordance with IAS 19 (revised), pension assets are recorded at estimated fair value subject to certain limitations. As of 30 June 2014 and 31 December 2013 management estimated the fair value of these assets at approximately RR 391 billion and RR 429 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

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

	30 June 2014		31 December 2013	
	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits	Funded benefits - provided through NPF Gazfund	Unfunded liabilities - other benefits
Present value of benefit obligations	(302,067)	(189,197)	(318,208)	(198,202)
Fair value of plan assets	<u>391,279</u>	-	<u>429,368</u>	-
Net balance asset (liability)	89,212	(189,197)	111,160	(198,202)

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
Current service cost	7,010	6,005	14,020	12,010
Net interest expense	<u>1,804</u>	<u>2,084</u>	<u>3,597</u>	<u>4,118</u>
Total expenses included in staff costs	8,814	8,089	17,617	16,128

The principal assumptions used for post-employment benefit obligations for the six months ended 30 June 2014 were the same as those applied for the year ended 31 December 2013 with exception of the discount rate based on interest rates of government securities. The increase in the discount rate from 8% to 9% resulted in recognition of an actuarial gain of RR 1,279 and RR 51,727 in other comprehensive income for the three and six months ended 30 June 2014.

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20 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Actuarial gains	1,279	78,473	51,727	78,473
Return on assets excluding amounts included in net interest expense	(1,583)	(3,603)	(58,190)	(2,850)
Total	(304)	74,870	(6,463)	75,623

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

a) Financial instruments in Level 1

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

b) Financial instruments in Level 2

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

c) Financial instruments in Level 3

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

As of 30 June 2014 and 31 December 2013 the Group had the following assets and liabilities that are measured at fair value:

	30 June 2014			Total
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)	
Financial assets held for trading:				
Equity securities	1,928	14,474	-	16,402
Bonds	7,020	-	-	7,020
Available-for-sale financial assets:				
Promissory notes	-	2,146	-	2,146
Total short-term financial assets	8,948	16,620	-	25,568
Available-for-sale financial assets:				
Equity securities	137,240	9,828	7,122	154,190
Bonds	-	-	80	80
Promissory notes	-	654	-	654
Total available-for-sale long-term financial assets	137,240	10,482	7,202	154,924
Derivatives	2,412	32,018	40	34,470
Total assets	148,600	59,120	7,242	214,962
Derivatives	3,080	45,994	394	49,468
Total liabilities	3,080	45,994	394	49,468

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21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the period. For the three and six months ended 30 June 2014 the Group has recognized available-for-sale investments losses in the profit or loss in the amount of RR 572 and RR 2,216, respectively.

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

Available-for-sale long-term financial assets in total amount of RR 154,924 and RR 168,904 are shown net of provision for impairment of RR 1,528 and RR 1,629 as of 30 June 2014 and 31 December 2013, respectively.

As of 30 June 2014 and 31 December 2013 long-term available-for-sale financial assets include OAO NOVATEK shares in the amount of RR 126,901 and RR 135,910, respectively.

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

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

In September 2013 the Group acquired 89.98% interest in the ordinary shares of OA0 Moscow Integrated Power Company (OA0 MIPC) and heat assets from the Moscow Government for cash consideration of RR 99,866 including VAT in the amount of RR 1,246 related to acquired heat assets. As a result of the acquisition, the Group obtained control over OA0 MIPC. Considering treasury shares of OA0 MIPC, the Group's effective interest is 98.77%. The primary business activity of OA0 MIPC is generation, purchase and supply of heat energy in the form of heating and hot water to commercial and residential customers in the City of Moscow. As of 30 June 2014 the title on the assets acquired in the amount of RR 6,920 excluding VAT was not transferred to the Group.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their provisional fair values at the date when control of OA0 MIPC was obtained. As of 30 June 2014 the Group finalized their assessment of the estimated fair values of assets and liabilities acquired in accordance with IFRS 3 "Business Combinations".

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

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

The comparative financial information of consolidated balance sheet as of December 31, 2013 and consolidated statement of comprehensive income for 2013 were not restated due to immaterial difference between provisional and final fair values of assets and liabilities of OA0 MIPC. All changes in fair values were recorded in the financial statements for the six months ended June 30, 2014.

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

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23 RELATED PARTIES

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 30 June 2014 is detailed below.

Government

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

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

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

Parties under control of the Government

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

As of 30 June 2014 and 31 December 2013 and for the three and six months ended 30 June 2014 and 2013, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	As of 30 June 2014		Three months ended 30 June 2014		Six months ended 30 June 2014	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	7,302	7,884	-	59,149	-	120,147
Insurance contributions to non-budget funds	222	7,189	-	23,216	-	50,515
VAT recoverable/payable	475,282	52,290	-	-	-	-
Customs duties	76,828	-	-	-	-	-
Other taxes	2,756	77,966	-	177,794	-	374,493
Transactions and balances with other parties under control of the Government						
Gas sales	-	-	12,819	-	35,809	-
Electricity and heating sales	-	-	47,430	-	127,888	-
Other services sales	-	-	1,182	-	1,244	-
Accounts receivable	57,305	-	-	-	-	-
Oil transportation expenses	-	-	-	24,734	-	50,336
Accounts payable	-	9,449	-	-	-	-
Loans	-	135,693	-	-	-	-
Interest expense	-	-	-	2,230	-	4,089
Short-term financial assets	5,753	-	-	-	-	-
Available-for-sale long-term financial assets	9,061	-	-	-	-	-

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23 **RELATED PARTIES (continued)**

	As of 31 December 2013		Three months ended 30 June 2013		Six months ended 30 June 2013	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	9,884	14,554	-	33,347	-	40,052
Insurance contributions to non-budget funds	534	5,354	-	18,026	-	40,655
VAT recoverable/payable	518,192	51,638	-	-	-	-
Customs duties	57,511	-	-	-	-	-
Other taxes	2,698	78,457	-	143,745	-	326,561
Transactions and balances with other parties under control of the Government						
Gas sales	-	-	13,216	-	37,017	-
Electricity and heating sales	-	-	40,567	-	105,316	-
Other services sales	-	-	609	-	1,018	-
Accounts receivable	54,970	-	-	-	-	-
Oil transportation expenses	-	-	-	26,460	-	52,409
Accounts payable	-	11,290	-	-	-	-
Loans	-	111,434	-	-	-	-
Interest expense	-	-	-	1,226	-	1,958
Short-term financial assets	4,334	-	-	-	-	-
Available-for-sale long-term financial assets	13,376	-	-	-	-	-

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

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

See the consolidated interim condensed statement of changes in equity for returns of social assets to government during the six months ended 30 June 2014 and 2013. See Note 9 for net book values as of 30 June 2014 and 31 December 2013 of social assets vested to the Group at privatisation.

Compensation for key management personnel

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

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

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

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

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

Associated undertakings and joint ventures

For the three and six months ended 30 June 2014 and 2013 and as of 30 June 2014 and 31 December 2013 the Group had the following significant transactions and balances with associated undertakings and joint ventures:

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23 **RELATED PARTIES (continued)**

	Three months ended		Six months ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	Revenues		Revenues	
Gas sales				
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	22,512	27,160	61,204	61,223
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries*	26,850	22,722	58,069	47,797
ZAO Panrusgaz	16,879	18,791	32,561	32,920
AO Gasum	5,535	5,818	15,152	15,626
AO Moldovagaz	4,445	2,381	13,472	9,413
Bosphorus Gaz Corporation A.S.	6,594	3,155	11,980	8,784
ZAO Gazprom YRGM Trading**	3,133	2,742	6,491	5,947
ZAO Gazprom YRGM Development**	2,237	1,959	4,636	4,248
AO Lietuvos dujos***	1,038	1,798	4,152	6,179
AO Latvijas Gaze	635	2,660	3,192	4,989
Wintershall Erdgas Handelshaus Zug AG (WIEE)****	-	2,910	2,432	7,649
SGT EuRoPol GAZ S.A.	1,068	1,119	2,152	2,024
AO Overgaz Inc.	584	567	1,752	1,818
Russian-Serbian Trading Corporation a.d.	-	1,955	-	3,839
Gas transportation sales				
ZAO Gazprom YRGM Trading**	5,390	4,743	11,169	10,287
ZAO Gazprom YRGM Development**	3,850	3,388	7,978	7,348
Gas condensate, crude oil and refined products sales				
OAo NGK Slavneft and its subsidiaries	8,073	5,781	14,526	12,903
OOO Gazpromneft – Aero Sheremetyevo*****	-	3,127	3,022	5,441
ZAO SOVEKS	1,524	1,514	2,717	2,458
Operator services sales				
ZAO Messoyakhaneftegaz	4,484	1,773	4,484	3,222
Gas refining services sales				
TOO KazRosGaz	1,390	1,244	2,897	2,689
	Expenses		Expenses	
Purchased gas				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries*	13,781	15,370	31,923	36,420
ZAO Gazprom YRGM Trading**	14,807	13,065	31,320	28,454
ZAO Gazprom YRGM Development**	10,580	9,335	22,381	20,328
TOO KazRosGaz	8,065	4,301	15,448	10,402
Sakhalin Energy Investment Company Ltd.	4,277	1,233	6,187	2,745
ZAO Nortgaz	2,167	414	5,819	809
OOO SeverEnergiya and its subsidiaries	2,974	2,283	5,646	4,256
Purchased transit of gas				
Nord Stream AG	12,800	8,483	25,949	16,683
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries*	3,241	3,274	7,949	6,369
SGT EuRoPol GAZ S.A.	2,858	2,196	5,548	4,338
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries*	1,526	-	1,526	-
Purchased crude oil and refined products				
OAo NGK Slavneft and its subsidiaries	24,069	18,922	46,155	39,429
Sakhalin Energy Investment Company Ltd.	2,852	4,856	8,562	4,856
Purchased services of gas and gas condensate extraction				
ZAO Achimgaz	5,155	2,787	9,826	5,245
Purchased processing services				
OAo NGK Slavneft and its subsidiaries	3,945	2,789	7,010	5,842

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23 RELATED PARTIES (continued)

* In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 30 June 2014 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

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

***In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AO Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AO Amber Grid, an associate of the Group. In June 2014 the Group sold its 37% interests in associates, AO Lietuvos dujos and AO Amber Grid, to companies controlled by the Republic of Lithuania for Euro 121 million.

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

***** In March 2014 the Group acquired 100% share in OOO Aero TO the only asset of which is 50% share in OOO Gazpromneft – Aero Sheremetyevo. As a result the Group's effective share in OOO Gazpromneft – Aero Sheremetyevo increased from 47.84% to 95.68% and the Group obtained control over Gazpromneft – Aero Sheremetyevo.

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

	As of 30 June 2014		As of 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Gazprombank Group	11,467	-	8,974	-
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	10,260	-	20,501	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	9,800	-	8,452	-
OA O NGK Slavneft and its subsidiaries	9,556	-	4,512	-
ZAO Messoyakhaneftegaz	7,681	-	2,944	-
AO Overgaz Inc.	5,053	-	8,011	-
ZAO Panrusgaz	5,024	-	5,774	-
ZAO Gazprom YRGM Trading	2,889	-	1,377	-
AO Gasum	2,378	-	4,157	-
ZAO Gazprom YRGM Development	2,064	-	976	-
AO Moldovagaz*	1,846	-	-	-
Bosphorus Gaz Corporation A.S.	1,726	-	2,731	-
TOO KazRosGaz	643	-	676	-
AO Latvijas Gaze	252	-	227	-
Wintershall Erdgas Handelshaus Zug AG (WIEE)	4	-	1,290	-
AO Lietuvos dujos	-	-	2,000	-
Russian-Serbian Trading Corporation a.d.	-	-	660	-
Short-term promissory notes				
Gazprombank Group	1,233	-	1,059	-
Cash balances				
Gazprombank Group	374,355	-	366,421	-
Long-term accounts receivable and prepayments				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	17,542	-	17,214	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	9,161	-	-	-
ZAO Messoyakhaneftegaz	3,204	-	2,838	-
OOO Yamal razvitie	2,653	-	2,200	-
Gas Project Development Central Asia AG	637	-	1,826	-
Long-term promissory notes				
Gazprombank Group	224	-	431	-
Short-term accounts payable				
SGT EuRoPol GAZ S.A.	-	7,192	-	7,702
ZAO Gazprom YRGM Trading	-	6,499	-	8,723
ZAO Gazprom YRGM Development	-	4,196	-	5,786

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23 RELATED PARTIES (continued)

	As of 30 June 2014		As of 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Nord Stream AG	-	4,113	-	4,179
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	3,258	-	4,715
ZAO Nortgaz	-	2,698	-	501
ZAO Achimgaz	-	2,542	-	1,998
OA O NGK Slavneft and its subsidiaries	-	2,233	-	2,466
TOO KazRosGaz	-	1,730	-	2,992
Sakhalin Energy Investment Company Ltd.	-	406	-	657
Gazprombank Group	-	385	-	42
AO Latvijas Gaze	-	122	-	66
AO Lietuvos dujos	-	-	-	3,188
Other non-current liabilities				
ZAO Gazprom YRGM Trading	-	797	-	797
ZAO Gazprom YRGM Development	-	124	-	124
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank Group	-	16,455	-	13,614
Long-term borrowings				
Gazprombank Group	-	29,956	-	26,195

* Net of impairment provision on accounts receivable in the amount of RR 156,345 and RR 142,592 as of 30 June 2014 and 31 December 2013.

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

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

24 COMMITMENTS AND CONTINGENCIES

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 June 2014 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

Legal proceedings

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

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

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

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various environmental laws regarding handling, storage, and disposal of certain products, regulation by various governmental authorities. Management believe, there are no such current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Group.

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24 COMMITMENTS AND CONTINGENCIES (continued)

Financial guarantees

	30 June 2014	31 December 2013
Outstanding guarantees issued for:		
Sakhalin Energy Investment Company Ltd.	86,428	89,825
Blackrock Capital Investments Limited	4,877	4,804
OOO Production Company VIS	4,650	8,164
EM Interfinance Limited	2,793	3,668
Nord Stream AG	-	50,830
Other	<u>44,953</u>	<u>43,752</u>
Total financial guarantees	<u>143,701</u>	<u>201,043</u>

Included in financial guarantees are amounts denominated in USD of USD 3,183 million and USD 3,404 million as of 30 June 2014 and 31 December 2013, respectively, as well as amounts denominated in Euro of Euro 343 and Euro 1,493 million as of 30 June 2014 and 31 December 2013, respectively.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 30 June 2014 and 31 December 2013 the above guarantee amounted to RR 86,428 (USD 2,569 million) and RR 89,825 (USD 2,744 million), respectively.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result as of 30 June 2014 and 31 December 2013 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 7,670 (USD 228 million) and RR 8,472 (USD 259 million), respectively.

In July 2012 the Group provided a guarantee to OAO Sberbank of Russia for OOO Production company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 30 June 2014 and 31 December 2013 the above guarantee amounted to RR 4,650 and RR 8,164, respectively.

In May 2011 the Group provided a guarantee to Societe Generale for Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fails to repay those amounts. As of 31 December 2013 the above guarantee amounted to RR 50,830 (Euro 1,130 million). Construction of Phase 2 of Nord Stream was completed in the second quarter 2014. As a result as of 30 June 2014 the obligation under credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion was redeemed.

Capital commitments

The total investment program related to gas, oil and power assets for 2014 is RR 1,243 billion.

25 POST BALANCE SHEET EVENTS

Investments

In August 2014 the Group acquired an additional 16.22% interest in OAO SOGAZ. As a result of the transaction, the Group's effective interest in OAO SOGAZ increased from 4.98% to 21.20%.

Borrowings and loans

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

In September 2014 the Group signed an agreement to obtain a long-term loan from OAO Rosselkhozbank in the amount of RR 30,000 at an interest rate of 11.90% due in 2019. In September 2014 the Group obtained RR 10,000 under this agreement.

In September 2014 the Group signed agreements to obtain long-term loans from OAO Sberbank of Russia in the amount of RR 22,500 and RR 12,500 at interest rates of 11.98% and 12.08%, respectively, due in 2019.

In September 2014 the Group signed an agreement to obtain a long-term loan from a consortium of banks in the amount of EUR 500 million at an interest rate of EURIBOR + 0.9% due in 2016. Commerzbank AG was appointed as bank agent.

Sanctions

In September 2014 the U.S., the EU and certain other countries imposed additional sanctions on the Russian energy sector that partially apply to the Group.

The U.S. sanctions prohibit any U.S. person, and U.S. incorporated entities (including their foreign branches) or any person or entity in the United States from (1) transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity for a number of Russian energy companies, including OAO Gazprom Neft, and (2) from providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deep water, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory to Russian companies, including OAO Gazprom and OAO Gazprom neft. These sanctions also apply to any entity if 50% or more of its capital is owned, directly or indirectly, separately or in the aggregate, by sanctioned entities.

The EU sanctions prohibit (1) provision of drilling, well testing, logging and completion services and supply of specialized floating vessels necessary for deep water oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia, and (2) purchasing, selling, providing investment services for or assistance in the issuance of, or other dealings with transferable securities and money-market instruments with a maturity exceeding (a) 90 days issued after August 1, 2014 to September 12, 2014 or (b) 30 days, issued after September 12, 2014 by certain Russian companies such as OAO Gazprom neft (including subsidiaries of OAO Gazprom neft or any legal person, entity or body acting on behalf or at the direction of OAO Gazprom neft).

Sanctions imposed by the EU also prohibit EU persons from directly or indirectly making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to a number of Russian companies (including OAO Gazprom Neft), after September 12, 2014 except for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and Russia or for loans that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for legal persons established in the EU, whose proprietary rights are owned for more than 50% by any entity referred to above.

The Group continues to assess the impact of the ongoing sanctions but currently does not believe they have a significant impact on the financial position and results of operations of the Group.

ОАО ГАЗПРОМ
INVESTOR RELATIONS

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