

ОАО ГАЗПРОМ

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

30 JUNE 2010

**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 2010 and the related consolidated interim condensed statements of comprehensive income for the three and six month periods then ended, and of cash flows and of changes in equity for the six month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

Without qualifying our conclusion, we draw attention to Note 27 to the consolidated interim condensed financial information. The Government of the Russian Federation has a controlling interest in OAO Gazprom and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

29 October 2010

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 JUNE 2010
(In millions of Russian Roubles)

Notes		30 June 2010	31 December 2009
	Assets		
	Current assets		
6	Cash and cash equivalents	371,178	249,759
6	Restricted cash	3,753	4,872
7	Short-term financial assets	19,753	52,137
8,24	Accounts receivable and prepayments	666,922	846,725
9	Inventories	294,738	286,719
	VAT recoverable	115,536	144,691
	Other current assets	<u>169,171</u>	<u>107,044</u>
		1,641,051	1,691,947
	Non-current assets		
10,25	Property, plant and equipment	5,114,504	4,899,223
11	Investments in associated undertakings and jointly controlled entities	804,887	794,705
12	Long-term accounts receivable and prepayments	401,199	413,309
13	Available-for-sale long-term financial assets	62,186	106,658
14	Other non-current assets	<u>492,567</u>	<u>462,686</u>
		<u>6,875,343</u>	<u>6,676,581</u>
	Total assets	8,516,394	8,368,528
	Liabilities and equity		
	Current liabilities		
	Accounts payable and accrued charges	509,856	502,075
	Profit tax payable	4,712	37,267
24	Other taxes payable	63,635	71,934
	Short-term borrowings and current portion of long-term borrowings	301,888	424,855
	Short-term promissory notes payable	<u>5,416</u>	<u>11,761</u>
		885,507	1,047,892
	Non-current liabilities		
15	Long-term borrowings	1,042,344	1,184,457
	Long-term promissory notes payable	2	4,592
22	Provisions for liabilities and charges	147,066	143,591
16,25	Deferred tax liabilities	355,130	321,524
	Other non-current liabilities	<u>23,990</u>	<u>17,151</u>
		<u>1,568,532</u>	<u>1,671,315</u>
	Total liabilities	2,454,039	2,719,207
	Equity		
17	Share capital	325,194	325,194
17	Treasury shares	(104,204)	(104,204)
	Retained earnings and other reserves	<u>5,527,913</u>	<u>5,105,525</u>
		5,748,903	5,326,515
	Non-controlling interest	<u>313,452</u>	<u>322,806</u>
	Total equity	6,062,355	5,649,321
	Total liabilities and equity	8,516,394	8,368,528

A.B. Miller
Chairman of the Management Committee
29 October 2010

E.A. Vasilieva
Chief Accountant
29 October 2010

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

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2010
(In millions of Russian Roubles)

Notes	Three months ended 30 June		Six months ended 30 June		
	2010	2009	2010	2009	
18	Sales	764,477	633,379	1,721,293	1,470,535
	Net gain (loss) from trading activity	1,797	(988)	7,761	2,351
19	Operating expenses	<u>(527,855)</u>	<u>(483,047)</u>	<u>(1,151,334)</u>	<u>(1,040,949)</u>
	Operating profit	238,419	149,344	577,720	431,937
	Purchase of non-controlling interest in OAO				
	Gazprom neft	-	13,865	-	13,865
20	Finance income	20,086	121,401	91,588	240,415
20	Finance expense	(64,479)	(48,635)	(83,444)	(317,073)
11	Share of net income of associated undertakings and jointly controlled entities	24,716	2,254	52,945	15,790
	(Losses) gains on disposal of available-for-sale financial assets	<u>(240)</u>	<u>2,323</u>	<u>1,389</u>	<u>2,839</u>
	Profit before profit tax	218,502	240,552	640,198	387,773
	Current profit tax expense	(44,337)	(54,606)	(99,390)	(88,393)
	Deferred profit tax (expense) benefit	<u>(2,780)</u>	<u>9,637</u>	<u>(32,574)</u>	<u>6,380</u>
	Profit tax expense	(47,117)	(44,969)	(131,964)	(82,013)
	Profit for the period	171,385	195,583	508,234	305,760
	Other comprehensive income				
	(Losses) gains arising from change in fair value of available-for-sale financial assets, net of tax	(9,619)	10,728	174	12,468
	Share of other comprehensive income of associated undertakings and jointly controlled entities	715	2,343	726	3,960
	Translation differences	8,899	(5,885)	(13,315)	5,926
	Revaluation of equity interest	-	<u>9,911</u>	-	<u>9,911</u>
	Other comprehensive income(loss) for the period, net of tax	(5)	17,097	(12,415)	32,265
	Total comprehensive income for the period	171,380	212,680	495,819	338,025
	Profit attributable to:				
	owners of OAO Gazprom	169,731	192,564	494,684	296,243
	non-controlling interest	<u>1,654</u>	<u>3,019</u>	<u>13,550</u>	<u>9,517</u>
		171,385	195,583	508,234	305,760
	Total comprehensive income attributable to:				
	owners of OAO Gazprom	165,449	211,261	480,079	330,396
	non-controlling interest	<u>5,931</u>	<u>1,419</u>	<u>15,740</u>	<u>7,629</u>
		171,380	212,680	495,819	338,025
21	Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	7.40	8.14	21.56	12.53

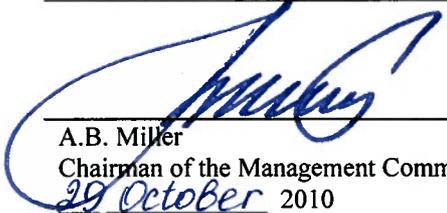
A.B. Miller
Chairman of the Management Committee
29 October 2010

E.A. Vasilieva
Chief Accountant
29 October 2010

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OA0 GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010
(In millions of Russian Roubles)

Notes	Six months ended 30 June	
	2010	2009
	Operating activities	
	640,198	387,773
	Profit before profit tax	
	Adjustments to profit before profit tax	
	-	(13,865)
	119,188	106,342
	(20,952)	56,423
	24,154	36,105
	(11,342)	(15,798)
	(1,389)	(2,839)
	(52,945)	(15,790)
	19,143	16,349
	8,458	(1,948)
	1,162	2,661
	85,477	167,640
	Total effect of adjustments	
	(4,113)	692
	200	155
	216,979	38,555
	Total effect of working capital changes	
	(190,959)	(70,628)
	747,782	524,187
	Net cash provided by operating activities	
	Investing activities	
	(427,354)	(394,116)
	(2,776)	(24,070)
	(54,912)	(54,204)
	-	(138,527)
26	(32,504)	-
	(24,576)	(21,011)
	7,331	18,256
	(4,207)	(4,674)
	47,058	11,360
	(2,014)	(10,831)
	(493,954)	(617,817)
	Net cash used for investing activities	
	Financing activities	
	81,625	297,161
	(172,960)	(167,978)
	(11,375)	18,777
	(812)	(1,458)
	(22,230)	(28,971)
	-	(58)
	(757)	(485)
	(126,509)	116,988
	Net cash (used for) provided by financing activities	
	(5,900)	7,101
	121,419	30,459
	Increase in cash and cash equivalents	
6	249,759	343,833
	Cash and cash equivalents, at the beginning of reporting period	
6	371,178	374,292
	Cash and cash equivalents, at the end of reporting period	


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OA0 GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010
(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 2009								
	Balance as of 31 December 2008	23.6	325,194	(597)	4,280,518	4,605,115	307,984	4,913,099
	Profit for the period	-	-	-	296,243	296,243	9,517	305,760
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	12,468	12,468	-	12,468
	Share of other comprehensive income of associated undertakings and jointly controlled entities	-	-	-	3,960	3,960	-	3,960
	Translation differences	-	-	-	7,814	7,814	(1,888)	5,926
	Revaluation of equity interest	-	-	-	9,911	9,911	-	9,911
	Total comprehensive income for the six months ended 30 June 2009	-	-	-	330,396	330,396	7,629	338,025
	Return of social assets to governmental authorities	-	-	-	(546)	(546)	-	(546)
24	Acquisition of the controlling interest in Sibir Energy plc	-	-	-	-	-	56,724	56,724
	Non-controlling interest in subsidiaries acquired	-	-	-	-	-	28,980	28,980
	Purchase of non-controlling interest in OAO Gazprom neft	-	-	-	-	-	(152,392)	(152,392)
17	Net treasury shares transactions	(0.0)	-	(58)	-	(58)	-	(58)
	Dividends	-	-	-	(8,528)	(8,528)	(1,442)	(9,970)
	Balance as of 30 June 2009	23.6	325,194	(655)	4,601,840	4,926,379	247,483	5,173,862
Six months ended 30 June 2010								
	Balance as of 31 December 2009	22.9	325,194	(104,204)	5,105,525	5,326,515	322,806	5,649,321
	Profit for the period	-	-	-	494,684	494,684	13,550	508,234
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	-	-	-	174	174	-	174
	Share of other comprehensive income of associated undertakings and jointly controlled entities	-	-	-	726	726	-	726
	Translation differences	-	-	-	(15,505)	(15,505)	2,190	(13,315)
	Total comprehensive income for the six months ended 30 June 2010	-	-	-	480,079	480,079	15,740	495,819
26	Disposal of controlling interest in subsidiaries	-	-	-	-	-	(3,024)	(3,024)
24	Purchase of non-controlling interest in subsidiaries	-	-	-	(2,499)	(2,499)	(20,960)	(23,459)
	Return of social assets to governmental authorities	-	-	-	(185)	(185)	-	(185)
	Dividends	-	-	-	(55,007)	(55,007)	(1,110)	(56,117)
	Balance as of 30 June 2010	22.9	325,194	(104,204)	5,527,913	5,748,903	313,452	6,062,355

A.B. Miller
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29 October 2010

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

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2010
(In millions of Russian Roubles)

1 NATURE OF OPERATIONS

OAO Gazprom and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world and are responsible for major part of gas production and high pressure gas transportation in the Russian Federation. The Group is also a major supplier of gas to European countries. The Group is engaged in oil production, refining activities, electric and heat energy generation.

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, services.

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

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

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

3 BASIS OF PRESENTATION

The consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). This consolidated interim condensed financial information should be read together with the consolidated financial statements for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The official Russian Rouble (“RR”) to US dollar (“USD”) exchange rates as determined by the Central Bank of the Russian Federation were 31.20 and 30.24 as of 30 June 2010 and 31 December 2009, respectively. The official RR to Euro exchange rates as determined by the Central Bank of the Russian Federation were 38.19 and 43.39 as of 30 June 2010 and 31 December 2009, respectively.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2009 and revised, as appropriate, to give effect to the new accounting standards described below.

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

New accounting developments

In 2010 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2010 and which are relevant to its operations.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2010
(In millions of Russian Roubles)

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

(a) Standards, Amendments or Interpretations effective in 2010

Amendment to IAS 27 “Consolidated and Separate Financial Statements” (“IAS 27”), which is effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control over a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group applied the amendment from 1 January 2010.

Amendment to IFRS 3 “Business Combinations” (“IFRS 3”), which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree’s identifiable net assets) or at fair value. Measurement of the non-controlling interests at fair value has a corresponding effect on consolidated goodwill (goodwill attributable to non-controlling interest should be recognized). The revised IFRS 3 is more detailed in providing guidance on the application of the acquisition method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred, the amount recognised for the non-controlling interest and the fair value of the net assets acquired. Acquisition-related costs are accounted for separately from the business combinations and therefore recognized as expenses rather than included in goodwill. An acquirer should recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group applied the new provisions of this standard to business combinations after 1 January 2010.

Improvements to International Financial Reporting Standards (issued in April 2009). Amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; amending disclosure requirements for a measure of segment assets under IFRS 8; amending IAS 1 regarding non-current/current classification of liabilities settled by equity instruments; clarifying in IAS 7 that only expenditures that result in a recognised asset are eligible for classification as investing activities; clarifying the considerations for classification of land leases and setting out transition requirements for reclassification of unexpired leases in IAS 17; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combinations, providing additional guidance on techniques used in the absence of an active market; supplementing IAS 39 to exclude from its scope certain forward contracts resulting in business combinations, to clarify the period of reclassifying gains or losses on the hedged instruments from equity to profit or loss and to provide guidance for circumstances when prepayment options are closely related to the host contract; clarification that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within the scope of IFRIC 9; and removal of the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The amendments did not have any material effect on the Group’s consolidated financial statements.

Amendment to IAS 39, which is effective for annual periods beginning on or after 1 July 2009. The amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portion of cash

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

flows is eligible for designation should be applied in particular situations. The application of this amendment did not materially affect the Group's consolidated financial statements.

IFRIC 17 "Distributions of Non-cash assets to owners" ("IFRIC 17") which is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on accounting for distribution of assets other than cash (non-cash assets) as dividends to its owners acting in their capacity as owners. It also clarifies the situations, when an entity gives its owners a choice of receiving either non-cash assets or a cash alternative. IFRIC 17 did not have any material effect on the Group's consolidated financial statements.

IFRIC 18 "Transfers of Assets from customers" ("IFRIC 18") which is effective for annual periods beginning on or after 1 July 2009. The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The application of this interpretation did not materially affect the Group's consolidated financial statements.

Amendments to IFRS 2 "Share-based Payment" which is effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of share-based payment awards in consolidated financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The application of these amendments did not materially affect the Group's consolidated financial statements.

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

Amendment to IAS 32 "Financial Instruments: Presentation" which is effective for annual periods beginning on or after 1 February 2010. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Amendment to IAS 24 "Related Party Disclosures" which is effective for annual periods beginning on or after 1 January 2011. IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group is currently assessing the impact of the amended standard on the Group's consolidated financial statements.

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

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

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

OAQ GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 JUNE 2010
(In millions of Russian Roubles)

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

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor.

A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The application of this interpretation is not expected to materially affect the Group’s consolidated financial statements.

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

5 SEGMENT INFORMATION

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

The Board of Directors and Management Committee of OAO Gazprom (chief operating decision maker (CODM)) provide general management of the Group, an assessment of the operating results and allocate resources using different internal financial information. Based on that the following reportable segments within the Group were determined:

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

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

The inter-segment sales mainly consist of:

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

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

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 2010
(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 2010									
Total segment revenues	<u>157,197</u>	<u>305,947</u>	<u>1,149,105</u>	<u>11,299</u>	<u>212,646</u>	<u>322,853</u>	<u>151,098</u>	<u>75,865</u>	<u>2,386,010</u>
Inter-segment sales	153,512	260,371	94,613	10,904	119,126	3,728	-	-	642,254
External sales	3,685	45,576	1,054,492	395	93,520	319,125	151,098	75,865	1,743,756
Segment result	<u>14,971</u>	<u>8,029</u>	<u>358,678</u>	<u>1,312</u>	<u>43,926</u>	<u>44,017</u>	<u>13,748</u>	<u>1,943</u>	<u>486,624</u>
Depreciation	37,698	128,321	2,815	4,539	20,276	10,948	8,506	8,214	221,317
Share of net income of associated undertakings and jointly controlled entities	4,272	1,966	10,051	-	23,358	1,126	-	12,172	52,945
Six months ended 30 June 2009									
Total segment revenues	<u>140,798</u>	<u>284,462</u>	<u>1,105,446</u>	<u>9,253</u>	<u>157,396</u>	<u>225,969</u>	<u>101,730</u>	<u>73,924</u>	<u>2,098,978</u>
Inter-segment sales	138,387	257,665	52,332	9,105	78,111	3,338	-	-	538,938
External sales	2,411	26,797	1,053,114	148	79,285	222,631	101,730	73,924	1,560,040
Segment result	<u>17,569</u>	<u>35,081</u>	<u>250,226</u>	<u>2,049</u>	<u>36,410</u>	<u>3,141</u>	<u>10,476</u>	<u>2,018</u>	<u>356,970</u>
Depreciation	32,588	113,285	1,950	3,474	14,257	16,598	6,588	7,115	195,855
Share of net income (loss) of associated undertakings and jointly controlled entities	1,155	2,409	8,868	-	366	(1,035)	593	3,434	15,790
Three months ended 30 June 2010									
Total segment revenues	<u>75,944</u>	<u>151,284</u>	<u>480,751</u>	<u>6,075</u>	<u>107,635</u>	<u>167,244</u>	<u>54,543</u>	<u>40,337</u>	<u>1,083,813</u>
Inter-segment sales	74,326	130,855	37,022	5,916	58,699	1,664	-	-	308,482
External sales	1,618	20,429	443,729	159	48,936	165,580	54,543	40,337	775,331
Segment result	<u>6,400</u>	<u>3,815</u>	<u>135,018</u>	<u>250</u>	<u>22,015</u>	<u>28,444</u>	<u>(2,461)</u>	<u>(1,389)</u>	<u>192,092</u>
Depreciation	15,181	51,570	1,263	2,268	8,840	5,625	4,278	3,723	92,748
Share of net income of associated undertakings and jointly controlled entities	1,610	1,891	4,691	-	13,367	533	-	2,624	24,716
Three months ended 30 June 2009									
Total segment revenues	<u>69,822</u>	<u>147,098</u>	<u>404,918</u>	<u>4,945</u>	<u>93,304</u>	<u>126,326</u>	<u>41,233</u>	<u>38,876</u>	<u>926,522</u>
Inter-segment sales	68,731	133,126	21,271	4,821	49,974	1,499	-	-	279,422
External sales	1,091	13,972	383,647	124	43,330	124,827	41,233	38,876	647,100
Segment result	<u>11,043</u>	<u>31,922</u>	<u>43,611</u>	<u>926</u>	<u>23,438</u>	<u>(1,496)</u>	<u>(1,812)</u>	<u>(2,155)</u>	<u>105,477</u>
Depreciation	15,900	55,111	1,029	1,751	9,294	10,679	3,888	886	98,538
Share of net income (loss) of associated undertakings and jointly controlled entities	598	(390)	(2,647)	-	1,253	429	99	2,912	2,254

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5 SEGMENT INFORMATION (continued)

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

	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009
Segment result	192,092	105,477	486,624	356,970
Difference in depreciation	41,574	46,676	102,129	89,513
Expenses associated with pension obligations	(3,294)	(1,948)	(5,620)	(5,494)
Income (expenses) associated with other provisions	-	713	-	(2,017)
Purchase of non-controlling interest in OAO Gazprom neft	-	13,865	-	13,865
Finance (expense) income, net	(44,393)	72,766	8,144	(76,658)
(Losses) gains on disposal of available-for-sale financial assets	(240)	2,323	1,389	2,839
Share of net income of associated undertakings and jointly controlled entities	24,716	2,254	52,945	15,790
Other	8,047	(1,574)	(5,413)	(7,035)
Profit before profit tax	218,502	240,552	640,198	387,773

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

	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009
External sales for reportable segments	734,994	608,224	1,667,891	1,486,116
External sales for other segments	40,337	38,876	75,865	73,924
Total external segment sales	775,331	647,100	1,743,756	1,560,040
Differences in external sales	(10,854)	(13,721)	(22,463)	(89,505)
Total sales per the statement of comprehensive income	764,477	633,379	1,721,293	1,470,535

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
30 June 2010									
Segment assets	1,527,219	3,737,222	847,950	162,461	1,094,491	726,738	465,735	530,887	9,092,703
Investments in associated undertakings and jointly controlled entities	106,530	122,107	81,885	-	421,040	35,434	20	37,871	804,887
Capital additions	84,147	112,296	12,382	3,378	45,735	22,130	16,407	8,920	305,395
31 December 2009									
Segment assets	1,438,222	3,323,087	874,339	125,069	1,124,222	747,980	470,221	546,336	8,649,476
Investments in associated undertakings and jointly controlled entities	102,503	102,801	88,991	-	438,655	34,439	-	27,316	794,705
Capital additions	218,921	231,723	27,185	9,549	84,749	41,557	26,139	20,959	660,782
30 June 2009									
Segment assets	1,230,932	3,344,071	758,890	122,261	1,106,186	662,950	348,711	520,170	8,094,171
Investments in associated undertakings and jointly controlled entities	91,575	102,838	73,997	-	473,777	15,209	32,988	10,990	801,374
Capital additions	94,190	87,104	12,437	2,894	32,276	22,883	5,946	5,084	262,814

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5 SEGMENT INFORMATION (continued)

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

	30 June 2010	31 December 2009	30 June 2009
Segment assets for reportable segments	8,561,816	8,103,140	7,574,001
Other segments' assets	<u>530,887</u>	<u>546,336</u>	<u>520,170</u>
Total segment assets	9,092,703	8,649,476	8,094,171
Differences in property, plant and equipment, net*	(1,814,926)	(1,399,885)	(1,479,670)
Loan interest capitalised	167,340	143,967	122,497
Decommissioning costs	54,673	55,466	29,376
Cash and cash equivalents	371,178	249,759	374,292
Restricted cash	3,753	4,872	4,232
Short-term financial assets	19,753	52,137	30,115
VAT recoverable	115,536	144,691	110,173
Other current assets	169,171	107,044	119,242
Available-for-sale long-term financial assets	62,186	106,658	64,869
Other non-current assets	492,567	462,686	445,034
Inter-segment assets	(381,170)	(380,774)	(315,143)
Other	<u>163,630</u>	<u>172,431</u>	<u>151,773</u>
Total assets per the balance sheet	8,516,394	8,368,528	7,750,961

* 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 2010	105,545	167,919	219,200	2,940	144,014	59,488	33,679	142,029	874,814
31 December 2009	111,421	135,788	195,403	1,407	214,098	98,545	35,760	141,694	934,116
30 June 2009	53,457	118,830	243,448	850	108,816	84,107	15,743	75,014	700,265

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

	30 June 2010	31 December 2009	30 June 2009
Segment liabilities for reportable segments	732,785	792,422	625,251
Other segments' liabilities	<u>142,029</u>	<u>141,694</u>	<u>75,014</u>
Total segments liabilities	874,814	934,116	700,265
Profit tax payable	4,712	37,267	15,004
Short-term borrowings and current portion of long-term borrowings	301,888	424,855	502,539
Short-term promissory notes payable	5,416	11,761	8,217
Long-term borrowings	1,042,344	1,184,457	1,200,523
Long-term promissory notes payable	2	4,592	1,546
Provisions for liabilities and charges	147,066	143,591	107,551
Deferred tax liabilities	355,130	321,524	285,990
Other non-current liabilities	23,990	17,151	16,004
Dividends payable	57,423	1,924	10,062
Inter-segment liabilities	(381,170)	(380,774)	(315,143)
Other	<u>22,424</u>	<u>18,743</u>	<u>44,542</u>
Total liabilities per the balance sheet	2,454,039	2,719,207	2,577,100

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6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand and balances with banks. Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings. As of 30 June 2010 and 31 December 2009 restricted cash includes cash balances of RR nil and RR 1,233, respectively, in banking subsidiaries, which are restricted as to withdrawal under banking regulations. As of 31 December 2009 these balances of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

7 SHORT-TERM FINANCIAL ASSETS

	30 June 2010	31 December 2009
Financial assets held for trading	2,990	21,939
Available-for-sale financial assets (net of impairment provision of RR 427 and RR 196 as of 30 June 2010 and 31 December 2009, respectively)	<u>16,763</u>	<u>30,198</u>
	19,753	52,137

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

Available-for-sale financial assets primarily comprise third parties' promissory notes maturing within twelve months of the balance sheet date and debt securities.

As of 30 June and 31 December 2009 short-term financial assets owned by the Group's banking subsidiaries amounted to RR nil and RR 35,535, respectively. As of 31 December 2009 these assets mainly included financial assets of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2010	31 December 2009
Trade receivables	336,686	393,554
Prepayments and advances	197,407	263,765
Other receivables	<u>132,829</u>	<u>189,406</u>
	666,922	846,725

Accounts receivable and prepayments are presented net of impairment provision of RR 152,258 and RR 153,061 as of 30 June 2010 and 31 December 2009, respectively.

As of 30 June and 31 December 2009 other receivables include RR nil and RR 42,640, respectively, relating to the operations of the Group's banking subsidiaries. This balance mainly represents deposits with other banks and loans issued to customers at commercial rates based on credit risks and maturities. As of 31 December 2009 other receivables of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

9 INVENTORIES

Inventories are presented net of provision for obsolescence of RR 3,247 and RR 3,540 as of 30 June 2010 and 31 December 2009, respectively.

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10 PROPERTY, PLANT AND EQUIPMENT

	Total production assets (including production licenses)	Social assets	Assets under construction	Total
As of 31 December 2008				
Cost	5,522,304	82,248	759,007	6,363,559
Accumulated depreciation	<u>(2,316,305)</u>	<u>(26,732)</u>	<u>-</u>	<u>(2,343,037)</u>
Net book value as of 31 December 2008	3,205,999	55,516	759,007	4,020,522
Six months ended 30 June 2009				
Net book value as of 31 December 2008	3,205,999	55,516	759,007	4,020,522
Depreciation	(108,889)	(1,236)	-	(110,125)
Additions	10,944	130	293,232	304,306
Acquisition of subsidiaries	182,500	51	16,900	199,451
Transfers	90,670	821	(91,491)	-
Disposals	(4,926)	(722)	(4,942)	(10,590)
Translation differences	(7,670)	(35)	(1,309)	(9,014)
Charge of impairment provision	<u>-</u>	<u>-</u>	<u>(4,642)</u>	<u>(4,642)</u>
Net book value as of 30 June 2009	3,368,628	54,525	966,755	4,389,908
Six months ended 31 December 2009				
Net book value as of 30 June 2009	3,368,628	54,525	966,755	4,389,908
Depreciation	(113,152)	(1,168)	-	(114,320)
Additions	18,344	264	444,328	462,936
Acquisition of subsidiaries	66,679	-	123,862	190,541
Transfers	341,103	36	(341,139)	-
Disposals	(9,940)	(2,168)	(8,406)	(20,514)
Translation differences	(3,054)	(30)	(1,203)	(4,287)
Charge for impairment provision	<u>(3,636)</u>	<u>-</u>	<u>(1,405)</u>	<u>(5,041)</u>
Net book value as of 31 December 2009	3,664,972	51,459	1,182,792	4,899,223
As of 31 December 2009				
Cost	6,179,522	78,487	1,182,792	7,440,801
Accumulated depreciation	<u>(2,514,550)</u>	<u>(27,028)</u>	<u>-</u>	<u>(2,541,578)</u>
Net book value as of 31 December 2009	3,664,972	51,459	1,182,792	4,899,223
Six months ended 30 June 2010				
Net book value as of 31 December 2009	3,664,972	51,459	1,182,792	4,899,223
Depreciation	(120,496)	(1,189)	-	(121,685)
Additions	3,377	549	340,374	344,300
Acquisition of subsidiaries	14,272	-	232	14,504
Disposal of subsidiaries	(4,896)	-	-	(4,896)
Transfers	88,315	50	(88,365)	-
Disposals	(9,521)	(283)	(9,788)	(19,592)
Translation differences	1,527	25	831	2,383
Release of impairment provision	<u>-</u>	<u>-</u>	<u>267</u>	<u>267</u>
Net book value as of 30 June 2010	3,637,550	50,611	1,426,343	5,114,504
As of 30 June 2010				
Cost	6,273,946	78,609	1,426,343	7,778,898
Accumulated depreciation	<u>(2,636,396)</u>	<u>(27,998)</u>	<u>-</u>	<u>(2,664,394)</u>
Net book value as of 30 June 2010	3,637,550	50,611	1,426,343	5,114,504

Production assets are shown net of provision for impairment of RR 54,387 as of 30 June 2010 and 31 December 2009. Assets under construction are presented net of provision for impairment of RR 96,315 and RR 97,157 as of 30 June 2010 and 31 December 2009, 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 2,003 and RR 2,265 as of 30 June 2010 and 31 December 2009, respectively.

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11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

Notes	Carrying value as of		Group's share of the profit (loss)* for the six months ended		
	30 June 2010	31 December 2009	30 June 2010	2009	
	Sakhalin Energy Investment Company Ltd.	172,152	187,323	18,992	(3,266)
27	OA O NGK Slavneft and its subsidiaries	152,300	151,671	776	937
27	OA O NOVATEK	81,809	78,929	3,552	1,806
27	OA O Beltransgaz	70,229	50,340	1,702	497
27	OA O Tomskneft VNK and its subsidiaries	65,944	69,614	2,309	2,133
24,27	Salym Petroleum Development N.V.	38,420	35,933	857	74
27	WINGAS GmbH & Co. KG	38,222	46,344	2,168	(1,691)
27	Gazprombank Group	34,149	22,284	12,176	3,432
28	Nord Stream AG	32,967	32,373	(543)	(299)
27	TOO KazRosGaz	24,368	18,675	5,011	5,143
27	OA O Salavatnefteorgsintez	20,204	19,272	932	(1,422)
27	SGT EuRoPol GAZ S.A.	16,286	17,744	580	2,061
	Shtokman Development AG	14,127	14,298	(609)	11
	Wintershall AG	9,094	11,325	754	881
	ZAO Nortgaz	4,774	4,331	443	273
27	AO Latvijas Gaze	3,984	4,326	154	138
27	AO Gazum	3,577	4,507	451	303
27	AO Lietuvos dujos	2,552	2,796	378	245
28	ZAO Achimgaz	2,545	1,650	895	(932)
27,28	Blue Stream Pipeline Company B.V.	1,884	1,603	227	150
	Other (net of provision for impairment of RR 2,097 and RR 2,452 as of 30 June 2010 and 31 December 2009, respectively)	<u>15,300</u>	<u>19,367</u>	<u>1,740</u>	<u>5,316</u>
		804,887	794,705	52,945	15,790

* Represents Group's share of the profit (loss) of the associated undertakings and jointly controlled entities for the six months ended 30 June 2010 and 2009, respectively.

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

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

	Percent of share capital held	Location	As of 30 June 2010		For the six months ended 30 June 2010	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	45%	Russia	1,747,546	1,522,173	150,006	29,543
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	656,731	307,635	95,888	37,984
OA O NGK Slavneft and its subsidiaries	50%	Russia	241,316	71,142	66,998	1,554
OA O NOVATEK	19%	Russia	216,943	67,096	53,448	18,321
Nord Stream AG	51%	Switzerland	147,744	81,077	-	(1,064)
WINGAS GmbH & Co. KG	50%	Germany	143,797	101,371	144,604	4,828
OA O Tomskneft VNK and its subsidiaries	50%	Russia	137,185	73,963	37,276	4,628
Blue Stream Pipeline Company B.V.	50%	Netherlands	70,841	63,446	4,084	908
OA O Salavatnefteorgsintez	50%	Russia	67,886	45,397	46,264	1,865
OA O Beltransgaz**	50%	Belarus	50,434	18,788	67,745	3,410

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(continued)

	Percent of share capital held	Location	As of 30 June 2010		For the six months ended 30 June 2010	
			Assets	Liabilities	Revenues	Profit (loss)
TOO KazRosGaz	50%	Kazakhstan	50,030	1,294	19,348	10,022
SGT EuRoPol GAZ S.A.	48%	Poland	48,167	14,240	5,668	1,189
Salym Petroleum Development N.V.	50%	Netherlands	37,794	27,618	21,706	2,335
Shtokman Development AG	51%	Switzerland	33,166	5,468	-	(1,026)
Wintershall AG	49%	Germany	27,875	19,722	29,675	1,539
AO Lietuvos dujos	37%	Lithuania	27,550	5,372	11,306	1,021
AO Gazum	25%	Finland	26,570	12,262	25,146	1,803
AO Latvijas Gaze	34%	Latvia	24,200	5,199	10,175	453
ZAO Nortgaz	51%	Russia	11,718	2,358	2,754	868
ZAO Achimgaz	50%	Russia	10,065	4,975	2,312	1,790

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

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

	Percent of share capital held	Location	As of 30 June 2009		For the six months ended 30 June 2009	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	45%	Russia	1,855,343	1,698,842	105,141	22,443
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	715,855	263,179	31,279	(6,533)
OAO NGK Slavneft and its subsidiaries	50%	Russia	618,015	254,965	63,616	1,878
OAO NOVATEK	19%	Russia	186,391	66,092	40,129	9,302
OAO Tomskneft VNK and its subsidiaries	50%	Russia	150,413	78,414	29,361	4,265
WINGAS GmbH & Co. KG	50%	Germany	132,700	101,563	195,512	(516)
Nord Stream AG	51%	Switzerland	75,350	8,324	2	(584)
Blue Stream Pipeline company B.V.	50%	Netherlands	72,923	67,199	3,993	601
SGT EuRoPol GAZ S.A.	48%	Poland	61,294	23,464	10,145	4,255
OAO Beltransgaz**	38%	Belarus	59,886	27,880	47,154	1,809
Salym Petroleum Development N.V.	50%	Netherlands	42,553	35,740	1,100	269
TOO KazRosGaz	50%	Kazakhstan	33,365	2,405	22,227	10,286
Wintershall AG	49%	Germany	32,155	22,468	28,804	1,798
AO Lietuvos dujos	37%	Lithuania	30,111	6,187	8,857	661
AO Latvijas Gaze	34%	Latvia	27,573	6,768	12,470	407
AO Gazum	25%	Finland	27,136	10,944	23,396	1,211
Shtokman Development AG	51%	Switzerland	21,556	6,356	-	22
ZAO Nortgaz	51%	Russia	10,784	2,649	2,024	532
ZAO Achimgaz	50%	Russia	10,468	9,613	786	(900)

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

** In February 2009 the Group acquired 12.5% interest in OAO Beltransgaz for USD 625 million. As a result the Group increased its interest in OAO Beltransgaz up to 37.5%.

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

	30 June 2010	31 December 2009
OAO NOVATEK	132,807	117,538
OAO Salavatnefteorgsintez	18,471	19,748
AO Lietuvos dujos	4,210	4,539
AO Latvijas Gaze	4,054	3,382

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12 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2010	31 December 2009
Long-term accounts receivable and prepayments	153,534	193,319
Advances for assets under construction	<u>247,665</u>	<u>219,990</u>
	401,199	413,309

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 14,716 and RR 24,922 as of 30 June 2010 and 31 December 2009, respectively.

As of 30 June and 31 December 2009 long-term accounts receivable included RR nil and RR 62,967, respectively, relating to the operations of Group's banking subsidiaries. This balance mainly represents deposits and long-term loans issued to customers at commercial rates based on credit risk and maturities. As of 31 December 2009 other receivable of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

13 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS

Available-for-sale long-term financial assets, in total amount of RR 62,186 and RR 106,658, are shown net of provision for impairment of RR 3,365 and RR 5,354 as of 30 June 2010 and 31 December 2009, respectively.

As of 30 June 2010 and 31 December 2009 available-for-sale long-term financial assets owned by the Group's banking subsidiaries amounted to RR nil and RR 25,809 and are shown net of provision for impairment of RR nil and RR 1,473, respectively. As of 31 December 2009 these assets mainly included financial assets of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

14 OTHER NON-CURRENT ASSETS

Other non-current assets include net pension assets in the amount of RR 243,982 as of 30 June 2010 and 31 December 2009.

15 LONG-TERM BORROWINGS

	Currency	Final maturity	30 June 2010	31 December 2009
Long-term borrowings payable to:				
Loan participation notes issued in April 2009 ¹	US dollar	2019	71,416	69,238
The Royal Bank of Scotland (ABN AMRO Bank NV)	US dollar	2013	56,343	54,625
Loan participation notes issued in June 2007 ¹	GBP	2013	51,655	48,589
Loan participation notes issued in October 2007 ¹	Euro	2018	46,968	55,100
Loan participation notes issued in November 2006 ¹	US dollar	2016	42,397	41,104
Loan participation notes issued in March 2007 ¹	US dollar	2022	41,390	40,128
White Nights Finance B.V.	US dollar	2014	40,682	39,441
Loan participation notes issued in September 2003 ¹	Euro	2010	40,447	44,278
Loan participation notes issued in July 2009 ¹	US dollar	2014	40,315	39,094
Loan participation notes issued in August 2007 ¹	US dollar	2037	40,060	38,838
Loan participation notes issued in December 2005 ¹	Euro	2012	39,163	43,509
Loan participation notes issued in May 2005 ¹	Euro	2015	38,373	44,875
Loan participation notes issued in April 2004 ¹	US dollar	2034	38,000	36,841
Loan participation notes issued in April 2008 ¹	US dollar	2018	34,936	33,871
Loan participation notes issued in July 2009 ¹	Euro	2015	33,520	38,144

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15 LONG-TERM BORROWINGS (continued)

	Currency	Final maturity	30 June 2010	31 December 2009
Loan participation notes issued in October 2006 ¹	Euro	2014	30,303	35,289
WestLB AG ²	US dollar	2013	29,683	30,446
Loan participation notes issued in June 2007 ¹	Euro	2014	27,685	30,649
Structured export notes issued in July 2004 ³	US dollar	2020	25,642	27,118
GK Vnesheconombank	US dollar	2011	23,454	22,751
OAO Sberbank Rossii	US dollar	2012	21,903	25,937
Russian bonds issued in April 2010 ⁷	Rouble	2013	20,306	-
Loan participation notes issued in March 2007 ¹	Euro	2017	19,779	21,888
OAO Russian Commercial Bank	US dollar	2012	19,466	18,872
Loan participation notes issued in November 2006 ¹	Euro	2017	19,365	22,564
Credit Suisse International	US dollar	2017	16,364	15,867
Loan participation notes issued in July 2008 ¹	US dollar	2013	16,040	15,551
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	15,791	15,184
The Royal Bank of Scotland AG (ABN AMRO Bank NV) ²	US dollar	2012	14,704	24,550
Loan participation notes issued in April 2009 ¹	CHF	2011	14,583	15,472
Deutsche Bank AG	US dollar	2014	14,166	16,144
J.P. Morgan Chase bank	US dollar	2012	13,154	12,757
Loan participation notes issued in April 2008 ¹	US dollar	2013	12,682	12,295
OAO VTB Bank	US dollar	2012	12,611	12,226
Russian bonds issued in April 2009 ⁷	Rouble	2019	10,524	10,427
Russian bonds issued in June 2009	Rouble	2012	10,004	10,007
Credit Suisse International	Euro	2010	9,557	10,860
Deutsche Bank AG	US dollar	2014	9,407	-
Citibank International plc ²	US dollar	2021	8,963	-
Russian bonds issued in July 2009 ⁷	Rouble	2016	8,320	8,429
Loan participation notes issued in November 2007 ¹	JPY	2012	8,206	7,956
Credit Agricole CIB ²	US dollar	2013	7,799	-
Deutsche Bank AG	US dollar	2014	6,258	6,058
Credit Agricole CIB ²	US dollar	2010	6,242	18,156
The Royal Bank of Scotland AG (ABN AMRO Bank NV) ²	US dollar	2013	5,651	5,479
Loan participation notes issued in November 2007 ¹	JPY	2010	5,469	5,302
Russian bonds issued in February 2007	Rouble	2014	5,132	5,133
Russian bonds issued in November 2006	Rouble	2011	5,059	5,060
Russian bonds issued in December 2009 ⁶	Rouble	2014	5,037	5,038
Russian bonds issued in June 2009	Rouble	2014	5,002	5,004
Russian bonds issued in July 2009 ⁸	Rouble	2014	5,000	5,000
Russian bonds issued in March 2006 ⁶	Rouble	2016	4,908	4,909
Commerzbank AG (Dresdner Bank AG) ²	US dollar	2010	4,886	9,474
Russian bonds issued in September 2006 ⁶	Rouble	2011	4,797	4,799
Deutsche Bank AG	US dollar	2011	4,463	5,770
OAO Nordea Bank	US dollar	2014	3,120	-
ZAO Raiffeisenbank	US dollar	2013	3,120	-

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15 LONG-TERM BORROWINGS (continued)

	Currency	Final maturity	30 June 2010	31 December 2009
Gazstream S.A.	US dollar	2012	3,030	3,525
The Royal Bank of Scotland AG (ABN AMRO Bank NV) ²	US dollar	2010	2,803	8,152
J.P. Morgan Chase bank	US dollar	2011	2,347	3,034
Russian bonds issued in April 2007 ⁵	Rouble	2012	1,554	2,916
Golden Gates B.V. (OAO Bank of Moscow)	Rouble	2010	1,076	3,227
OAO Sberbank Rossii	US dollar	2010	-	70,564
OAO Gazprombank	Rouble	2010	-	7,500
OOO Aragon ⁴	Euro	2010	-	7,343
Russian bonds issued in February 2005	Rouble	2010	-	5,159
Russian bonds issued in July 2007 ⁵	Rouble	2010	-	5,001
Wintershall Holding GmbH (Wintershall Holding AG) ⁴	Euro	2010	-	4,906
Other long-term borrowings	Various	Various	<u>64,549</u>	<u>120,713</u>
Total long-term borrowings			1,245,629	1,418,136
Less: current portion of long-term borrowings			<u>(203,285)</u>	<u>(233,679)</u>
			1,042,344	1,184,457

¹ Issuer of these bonds is Gaz Capital S.A.

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

³ Issuer of these notes is Gazprom International S.A.

⁴ Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

⁵ Issuers of these notes are OAO WGC-2 and OAO WGC-6.

⁶ Issuer of these bonds is OAO Mosenergo.

⁷ Issuer of these bonds is OAO Gazprom neft.

⁸ Issuer of these bonds is OAO TGC-1.

	30 June 2010	31 December 2009
Due for repayment:		
Between one and two years	93,137	162,848
Between two and five years	548,233	527,212
After five years	<u>400,974</u>	<u>494,397</u>
	1,042,344	1,184,457

Long-term borrowings, including current portion, include fixed rate loans with a carrying value of RR 1,056,953 and RR 1,149,288 and fair value of RR 1,113,879 and RR 1,199,339 as of 30 June 2010 and 31 December 2009, respectively. All other long-term borrowings generally have variable interest rates linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 30 June 2010 and 31 December 2009 long-term borrowings include RR nil and RR 57,365, respectively, relating to the operations of the Group's banking subsidiaries. As of 31 December 2009 long-term borrowings of the banking subsidiaries were partly attributable to borrowings of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 26).

As of 30 June 2010 and 31 December 2009 long-term borrowings, including current portion, of RR 25,642 and RR 27,118 were secured by revenues from export supplies of gas to Western Europe.

16 PROFIT TAX

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

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16 PROFIT TAX (continued)

	30 June 2010	Differences recognition and reversals	31 December 2009	30 June 2009	Differences recognition and reversals	31 December 2008
Tax effects of taxable temporary differences:						
Property, plant and equipment	(343,031)	(38,405)	(304,626)	(278,874)	(30,168)	(248,706)
Financial assets	(14,735)	2,969	(17,704)	(18,523)	809	(19,332)
Inventories	<u>(1,572)</u>	<u>1,796</u>	<u>(3,368)</u>	<u>(2,724)</u>	<u>(903)</u>	<u>(1,821)</u>
	(359,338)	(33,640)	(325,698)	(300,121)	(30,262)	(269,859)
Tax effects of deductible temporary differences:						
Tax losses carry forward	2,198	(41)	2,239	1,163	(170)	1,333
Other deductible temporary differences	<u>2,010</u>	<u>75</u>	<u>1,935</u>	<u>12,968</u>	<u>9,721</u>	<u>3,247</u>
	4,208	34	4,174	14,131	9,551	4,580
Total net deferred tax liabilities	(355,130)	(33,606)	(321,524)	(285,990)	(20,711)	(265,279)

Taxable temporary differences recognized for the six months ended 30 June 2010 include the effect of applying of special depreciation coefficient 2 for property, plant and equipment working in aggressive environment. Deferred tax liability related to property, plant and equipment was recognized in the amount of RR 23,088.

17 EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 30 June 2010 and 31 December 2009 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

Treasury shares

As of 30 June 2010 and 31 December 2009, subsidiaries of OAO Gazprom held 724 million of the ordinary shares of OAO Gazprom, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

18 SALES

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Gas sales (including excise tax, customs duties and net of VAT) to customers in:				
Russian Federation	110,804	90,268	343,587	248,215
Former Soviet Union (excluding Russian Federation)	98,265	81,258	216,658	170,803
Europe and other countries	<u>295,440</u>	<u>305,553</u>	<u>661,392</u>	<u>720,191</u>
Gross sales of gas	504,509	477,079	1,221,637	1,139,209
Excise tax	-	-	-	(290)
Customs duties	<u>(59,162)</u>	<u>(92,341)</u>	<u>(163,460)</u>	<u>(144,617)</u>
Net sales of gas	445,347	384,738	1,058,177	994,302
Sales of refined products to customers in:				
Russian Federation	92,015	60,866	178,381	112,015
Former Soviet Union (excluding Russian Federation)	8,597	6,747	16,351	13,397
Europe and other countries	<u>64,968</u>	<u>57,214</u>	<u>124,393</u>	<u>97,219</u>
Total sales of refined products	165,580	124,827	319,125	222,631

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18 SALES (continued)

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Sales of crude oil and gas condensate to customers in:				
Russian Federation	6,144	4,188	11,006	7,521
Former Soviet Union (excluding Russian Federation)	7,275	6,722	12,635	11,421
Europe and other countries	<u>35,517</u>	<u>32,420</u>	<u>69,879</u>	<u>60,343</u>
Total sales of crude oil and gas condensate	48,936	43,330	93,520	79,285
Electric and heat energy sales	53,254	40,219	148,670	99,826
Gas transportation sales	20,429	13,972	45,576	26,797
Other revenue	<u>30,931</u>	<u>26,293</u>	<u>56,225</u>	<u>47,694</u>
Total sales revenue	<u>764,477</u>	<u>633,379</u>	<u>1,721,293</u>	<u>1,470,535</u>

The presentation of interim condensed financial statements for the three and six months ended 30 June 2009 related to sales of gas, electric and heat energy has been changed to be consistent with the net presentation of trading activity result. The effect of this reclassification on sales for the three and six months ended 30 June 2009 was a reduction of RR 74,916 and RR 169,163 and had no effect on operating income and cash flows.

19 OPERATING EXPENSES

Note	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Purchased gas and oil	143,994	122,938	282,530	362,526
Staff costs	66,182	62,517	148,946	122,170
Transit of gas, oil and refined products	68,956	48,432	145,316	111,265
27 Taxes other than on income	69,607	57,780	144,592	107,666
Depreciation	51,174	51,862	119,188	106,342
Repairs and maintenance	34,350	32,317	61,762	56,062
Materials	18,934	17,251	40,576	31,813
Cost of goods for resale, including refined products	20,615	14,157	32,431	38,011
Electricity and heating expenses	11,166	9,475	30,132	20,014
Rental expenses	5,373	5,173	11,349	8,868
Research and development expenses	5,412	5,985	11,070	10,668
Social expenses	4,727	4,248	10,030	8,430
Charge for impairment provisions	4,726	1,163	8,968	7,187
Insurance expenses	2,951	3,652	7,529	7,349
Exchange rate differences on operating items	(13,785)	16,545	6,975	(36,046)
Transportation services	3,861	1,634	6,659	2,723
Other	<u>29,612</u>	<u>27,918</u>	<u>83,281</u>	<u>75,901</u>
Total operating expenses	<u>527,855</u>	<u>483,047</u>	<u>1,151,334</u>	<u>1,040,949</u>

Staff costs include RR 4,452 and RR 10,175 of expenses associated with pension obligations for the three and six months ended 30 June 2010, respectively, and RR 5,037 and RR 9,162 for the three and six months ended 30 June 2009, respectively.

20 FINANCE INCOME AND EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Exchange gains	16,302	109,518	80,242	224,545
Interest income	3,782	11,847	11,342	15,798
Gains on extinguishment of restructured liabilities	<u>2</u>	<u>36</u>	<u>4</u>	<u>72</u>
Total finance income	<u>20,086</u>	<u>121,401</u>	<u>91,588</u>	<u>240,415</u>

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20 FINANCE INCOME AND EXPENSES (continued)

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
Exchange losses	54,604	25,571	59,290	280,968
Interest expense	9,875	23,064	24,154	36,105
Total finance expenses	64,479	48,635	83,444	317,073

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

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

There were 22.9 billion weighted average shares outstanding for the three and six months ended 30 June 2010 and 23.6 billion weighted average shares outstanding for the three and six months ended 30 June 2009.

There are no dilutive financial instruments outstanding.

22 PROVISIONS FOR LIABILITIES AND CHARGES

	30 June 2010	31 December 2009
Provision for environmental liabilities	87,056	84,272
Provision for pension obligations	42,409	36,651
Other	17,601	22,668
	147,066	143,591

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

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RR 243,982 as of 30 June 2010 and 31 December 2009 are presented within other non-current assets in the consolidated balance sheet. In accordance with IAS 19, pension assets are recorded at estimated fair market values subject to certain limitations. As of 30 June 2010 and 31 December 2009 management estimated the fair value of these assets at approximately RR 511 billion and RR 514 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

23 ACQUISITION OF THE CONTROLLING INTEREST IN NAFTA INDUSTRIJA SRBIJE (NIS)

On 3 February, 2009, the Group acquired a 51% interest in NIS for RR 18.5 billion (Euro 400 million). As part of the purchase agreement the Group pledged to invest Euro 547 million (approximately RR 24.6 billion as at acquisition date) to rebuild and upgrade NIS's refining facilities by 2012. NIS is one of the largest vertically integrated oil companies in Central Europe, operating two oil refineries in Pancevo and Novi Sad, Serbia with a total processing capacity of 7.3 million tons per year. NIS also has crude oil production of approximately 0.6 million tons per year from its oil and gas exploration and production operations in Serbia and operates a network of retail stations throughout Serbia.

As of 31 March 2010 the Group has finalized assessment of the estimated fair values of certain assets and liabilities acquired in accordance with IFRS 3 "Business Combinations". There were no changes to the estimated fair values as of 31 December 2009.

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23 ACQUISITION OF THE CONTROLLING INTEREST IN NAFTNA INDUSTRIJA SRBIJE (NIS)
(continued)

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

	Book value	Attributable fair value
Cash and cash equivalents	794	794
Accounts receivable and prepayments	7,796	7,796
Inventories	8,496	8,496
Other current assets	<u>1,302</u>	<u>1,302</u>
Current assets	18,388	18,388
Property, plant and equipment	58,896	53,148
Other non-current assets	<u>5,429</u>	<u>5,604</u>
Non-current assets	64,325	58,752
Total assets	82,713	77,140
Accounts payable and accrued charges	7,382	7,382
Current profit tax payable	92	92
Other taxes payable	3,333	3,333
Short-term borrowings and current portion of long-term borrowings	<u>23,342</u>	<u>23,342</u>
Current liabilities	34,149	34,149
Long-term borrowings	6,741	6,741
Provisions for liabilities and charges	6,163	10,434
Deferred tax liabilities	1,654	1,934
Other non-current liabilities	<u>237</u>	<u>237</u>
Non-current liabilities	14,795	19,346
Total liabilities	48,944	53,495
Net assets at acquisition date	33,769	23,645
Fair value of net assets at acquisition date		23,645
Fair value of the Group's interest		12,059
Purchase consideration		<u>18,489</u>
Goodwill		6,430

24 ACQUISITION OF THE CONTROLLING INTEREST IN SIBIR ENERGY PLC (SIBIR)

In the period from 23 April 2009, being the date of the Group's first acquisition of shares in Sibir, until 23 June 2009, the Company invested GBP 1,057 million (approximately RR 53 billion) to acquire 54.71% of the ordinary shares of Sibir. This transaction provided the Group with effective control over Sibir and accordingly Sibir became a subsidiary of the Group at this date.

Sibir is a vertically integrated oil company operating in the Russian Federation. Sibir's primary upstream assets include OAO Magma Oil Company (95% Sibir owned) and a 50% interest in Salym Petroleum Development N.V. (a joint venture with Royal Dutch Shell). Sibir's upstream assets are located in Khanty-Mansiysk Autonomous Region and comprise annual production interest of over 10,600 tons of oil per day.

Sibir also holds a 38.63% stake in the OAO Moskovsky NPZ and a network of 134 retail stations in Moscow and the Moscow region through OAO Moscow Fuelling Company and OAO Mosnefteproduct.

As a result of the acquisition of the ordinary shares of Sibir, the Group also obtained control over OAO Moskovsky NPZ, having increased its cumulative share in OAO Moskovsky NPZ from 38.63% to 77.26%. The Group previously accounted for its 38.63% interest in OAO Moskovsky NPZ as equity investment. As a result of the Group obtaining control over OAO Moskovsky NPZ, the Group's previously held 38.63% interest was re-measured to fair value, resulting in a revaluation surplus of RR 9,911 recognised in other comprehensive income. The purchase consideration includes approximately RR 15 billion representing the cost of the purchase of the previous equity interest.

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24 ACQUISITION OF THE CONTROLLING INTEREST IN SIBIR ENERGY PLC (SIBIR) (continued)

In accordance with IFRS 3 “Business Combinations”, the Group recognized the acquired assets and liabilities assumed based upon their fair values. In the consolidated interim condensed financial information, management revised the preliminary assessment disclosed in the consolidated financial statements for the year ended 31 December 2009. As a result, the fair value of accounts receivable and prepayments and other taxes payable increased by RR 3,936 and RR 906, respectively, with the responding decrease of goodwill. Revisions made to the preliminary assessment applied in the consolidated interim condensed financial information were reflected as of the acquisition date. As of 30 June 2010 the Group finalized assessment of the estimated fair values of certain assets and liabilities acquired in accordance with IFRS 3 “Business Combinations”.

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

	Book value	Attributable fair value
Cash and cash equivalents	5,643	5,643
Accounts receivable and prepayments	20,679	21,456
Inventories	1,884	1,884
Other current assets	<u>429</u>	<u>616</u>
Current assets	28,635	29,599
Property, plant and equipment	23,799	94,147
Investments in associated undertakings and jointly controlled entities	32,946	38,444
Long-term accounts receivable and prepayments	11,852	11,852
Other non-current assets	<u>851</u>	<u>1,116</u>
Non-current assets	69,448	145,559
Total assets	98,083	175,158
Accounts payable and accrued charges	9,915	10,259
Current profit tax payable	73	73
Other taxes payable	4,062	4,062
Short-term borrowings and current portion of long-term borrowings	<u>7,276</u>	<u>7,276</u>
Current liabilities	21,326	21,670
Long-term borrowings	5,438	5,438
Deferred tax liabilities	1,671	16,718
Provisions for liabilities and charges	300	300
Other non-current liabilities	<u>6</u>	<u>443</u>
Non-current liabilities	7,415	22,899
Total liabilities	28,741	44,569
Net assets at acquisition date	69,342	130,589
Non-controlling interest		(1,577)
Fair value of net assets at acquisition date		129,012
Fair value of the Group's interest		73,865
Revaluation surplus		9,911
Purchase consideration		<u>68,506</u>
Goodwill		4,552

In May 2010 the Group increased its interest in Sibir from 54.71% to 80.37% through obtaining of control over a company, the major asset of which was a 25.66% interest in Sibir. In addition, the Group's effective interest in OAO Moskovsky NPZ increased from 57.17% to 66.66%. The Group has accounted for the transaction as an acquisition of a non-controlling interest where control is maintained. The difference between the non-controlling interest acquired and consideration paid at the date of acquisition of RR 2,499 has been recognized in equity and is included within retained earnings and other reserves.

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25 ACQUISITION OF THE CONTROLLING INTEREST IN OAO TGC-1

As of 31 December 2009, the Group completed a series of transactions and obtained the controlling interest in OAO TGC-1. The Group's controlling interest of 51.8% have been accumulated through the acquisition of OOO Gazprom investproekt (former name - OOO Russian Energy Projects) which owned 19.5% interest in OAO TGC-1 in November 2009 and acquisition of additional 3.6% interest in OAO TGC-1 in the fourth quarter 2009.

The Group accounted for 28.7% interest in OAO TGC-1 owned prior to the fourth quarter of 2009 as an investment in associated undertakings and jointly controlled entities that was accounted as equity investment.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. In the interim condensed financial information for the three months ended 31 March 2010, management revised the preliminary assessment disclosed in consolidated financial statements for the year ended 31 December 2009. As a result, the fair value of items of property, plant and equipment and deferred tax liability has been increased by RR 5,305 and RR 1,061, respectively, with a corresponding decrease in goodwill. Revisions made to the preliminary assessment applied in consolidated financial statements were reflected as of the acquisition date. As of 31 March 2010 the Group has finalized assessment of the fair values of the assets and liabilities acquired in accordance with IFRS 3 "Business Combinations".

The total purchase consideration primarily includes the cost of shares acquired in the fourth quarter 2009 in amount of RR 28.3 billion and the fair value of the equity investment of RR 33.2 billion.

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

	Book value	Attributable fair value
Cash and cash equivalents	683	683
Accounts receivable and prepayments	6,366	6,366
VAT recoverable	2,807	2,807
Inventories	2,132	2,132
Other current assets	48	48
Current assets	12,036	12,036
Property, plant and equipment	78,710	126,679
Long-term accounts receivable and prepayments	6,418	6,418
Other non-current assets	956	956
Non-current assets	86,084	134,053
Total assets	98,120	146,089
Accounts payable and accrued charges	9,568	9,568
Short-term borrowings and current portion of long-term borrowings	6,918	6,918
Other current liabilities	798	798
Current liabilities	17,284	17,284
Long-term borrowings	8,499	8,499
Deferred tax liabilities	3,852	13,445
Other non-current liabilities	773	773
Non-current liabilities	13,124	22,717
Total liabilities	30,408	40,001
Net assets at acquisition date	67,712	106,088
Fair value of net assets at acquisition date		106,088
Fair value of the Group's interest		54,940
Purchase consideration		61,538
Goodwill		6,598

26 DECONSOLIDATION OF ZAO GAZENERGOPROMBANK

On 29 March 2010 the respective Boards of directors of ZAO Gazenergoprombank, banking subsidiary of the Group, and OAO AB Rossiya, a bank not related to the Group, approved a reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. As a result of the decision, assets and liabilities of ZAO Gazenergoprombank as of 31 March 2010 were classified as held for sale. Assets and liabilities of disposal group held for sale in the amount of RR 137,700 and RR 121,498, respectively, were shown net of RR 45,222 and RR 46,858 of intercompany balances, respectively.

On 30 April 2010 shareholders of both banks approved the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank are transferred to OAO AB Rossiya. In exchange for its existing controlling interest in ZAO Gazenergoprombank, the Group will receive a non-controlling interest in OAO AB Rossiya.

According to the terms of the merger agreement the Group lost the ability to control the financial and operating policies of ZAO Gazenergoprombank on 30 April 2010 and is to receive non-controlling interest in OAO AB Rossiya after completion of procedures required by the Central Bank of Russia. As a result, ZAO Gazenergoprombank and its subsidiaries were deconsolidated from the financial statements of the Group as of 30 June 2010 and recognized at fair value of RR 8,514. This investment was classified within other non-current assets. The deconsolidation of ZAO Gazenergoprombank did not have a material impact on the consolidated interim condensed statement of comprehensive income.

27 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 2010 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 financial statements for public use. The 11 seats on the Board of Directors include six State representatives. 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 and electricity tariffs in Russia are regulated by the Federal Tariffs Service (“FTS”). Bank loans with related parties are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

As of 30 June 2010 and 31 December 2009 and for the three and six months ended 30 June 2010 and 2009, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

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27 RELATED PARTIES (continued)

Notes	As of 30 June 2010		Three months ended 30 June 2010		Six months ended 30 June 2010	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
	78,205	4,712	-	44,337	-	99,390
	292	2,899	-	8,506	-	23,256
	262,362	27,319	-	-	-	-
	66,103	-	-	-	-	-
19	3,241	33,431	-	69,607	-	144,592
Transactions and balances with other parties under control of the Government						
	-	-	620	-	1,452	-
	-	-	34,664	-	97,964	-
	-	-	385	-	871	-
	22,076	-	-	-	-	-
	-	-	-	23,498	-	43,559
	-	8,625	-	-	-	-
	-	78,633	-	-	-	-
	-	-	-	2,555	-	5,465
	572	-	-	-	-	-
	42,866	-	-	-	-	-

Notes	As of 31 December 2009		Three months ended 30 June 2009		Six months ended 30 June 2009	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
	18,418	37,267	-	54,606	-	88,393
	407	1,626	-	8,534	-	18,090
	262,565	28,239	-	-	-	-
	142,041	-	-	-	-	-
15	2,804	42,109	-	57,780	-	107,666
Transactions and balances with other parties under control of the Government						
	-	-	3,426	-	7,617	-
	-	-	25,800	-	64,219	-
	-	-	542	-	1,022	-
	23,562	-	-	-	-	-
	-	-	-	15,443	-	33,944
	-	8,981	-	-	-	-
	-	148,641	-	-	-	-
	-	-	-	4,141	-	4,593
	14,577	-	-	-	-	-
	47,165	-	-	-	-	-

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

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

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the six months ended 30 June 2010 and 2009. See Note 10 for net book values as of 30 June 2010 and 31 December 2009 of social assets vested to the Group at privatisation.

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27 RELATED PARTIES (continued)

Compensation for key management personnel

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

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

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

Associated undertakings and jointly controlled entities

For the three and six months ended 30 June 2010 and 2009 and as of 30 June 2010 and 31 December 2009 the Group had the following significant transactions and balances with associated undertakings and jointly controlled entities:

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Revenues	Revenues	Revenues	Revenues
Gas sales				
OAO Beltransgaz	23,624	19,431	56,622	45,224
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	20,155	18,193	44,323	54,371
ZAO Panrusgaz	14,269	8,493	34,007	23,573
WINGAS GmbH & Co. KG	8,803	14,473	19,302	31,006
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	8,269	3,060	14,869	6,753
AO Gazum	4,654	4,288	13,178	13,657
AO Overgaz Inc.	4,648	3,945	9,501	9,905
Promgaz SPA	3,292	2,553	6,768	6,340
ZAO Gazprom YRGM Trading	2,998	1,285	6,479	2,498
AO Moldovagaz	2,956	2,732	8,507	14,712
ZAO Gazprom YRGM Development	2,141	-	4,628	-
GWH-Gaz und Warenhandels GmbH	2,135	1,399	4,588	3,329
AO Lietuvos dujos	1,583	875	5,984	4,692
PremiumGas S.p.A.	1,578	-	4,242	-
AO Latvijas Gaze	1,441	910	1,854	2,430
OAO TGC-1**	-	2,428	-	6,945
Gas transportation sales				
OAO NOVATEK	5,770	5,665	12,058	8,796
ZAO Gazprom YRGM Trading	4,140	2,718	8,948	5,121
ZAO Gazprom YRGM Development	2,958	-	6,392	-
Gas condensate, crude oil and refined products sales				
OAO NGK Slavneft and its subsidiaries	10,357	2,016	17,710	3,373
OAO Salavatnefteorgsintez	3,523	2,026	6,042	3,167
Gas refining services sales				
TOO KazRosGaz	1,182	1,051	2,480	2,152

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27 RELATED PARTIES (continued)

	Three months ended 30 June		Six months ended 30 June	
	2010 Expenses	2009 Expenses	2010 Expenses	2009 Expenses
Purchased gas				
TOO KazRosGaz	11,828	10,549	18,126	18,557
ZAO Gazprom YRGM Trading	9,356	9,118	20,381	18,670
ZAO Gazprom YRGM Development	6,691	-	14,572	-
OAO NOVATEK	2,938	5,073	6,659	6,785
Purchased transit of gas				
OAO Beltransgaz	3,403	3,367	6,520	6,730
SGT EuRoPol GAZ S.A.	2,308	2,999	4,885	5,583
Blue Stream Pipeline Company B.V.	1,859	2,144	3,831	4,813
WINGAS GmbH & Co. KG	1,049	1,217	2,175	2,477
Purchased crude oil and refined products				
OAO NGK Slavneft and its subsidiaries	13,679	15,214	28,594	24,206
OAO Tomskneft VNK and its subsidiaries	8,256	8,553	16,237	12,930
Salym Petroleum Development N.V.	5,541	-	12,117	-
Purchased processing services				
OAO NGK Slavneft and its subsidiaries	1,815	1,578	3,698	3,241

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

** OAO TGC-1 is consolidated from the moment of acquisition of controlling interest in December 2009 (See Note 25).

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 under long-term contracts based on world commodity prices.

	As of 30 June 2010		As of 31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
AO Moldovagaz*	12,923	-	3,731	-
RosUkrEnergo AG	10,846	-	10,573	-
OAO Salavatnefteorgsintez	10,740	-	10,488	-
OAO Beltransgaz	9,928	-	9,725	-
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	6,595	-	12,018	-
ZAO Panrusgaz	3,885	-	8,877	-
WINGAS GmbH & Co.KG	3,030	-	4,791	-
ZAO Gazprom YRGM Trading	2,680	-	1,354	-
Wintershall Erdgas Handelshaus Zug AG, (WIEE)	2,678	-	2,249	-
OAO NGK Slavneft and its subsidiaries	2,026	-	1,647	-
AO Gazum	1,964	-	4,082	-
ZAO Gazprom YRGM Development	1,914	-	5,121	-
OAO Gazprombank	1,604	-	1,026	-
OAO NOVATEK	505	-	530	-
OAO Sibur Holding and its subsidiaries	273	-	4,083	-
Short-term loans				
Salym Petroleum Development N.V.	3 728	-	2 335	-
Cash in associated companies				
OAO Gazprombank	164,253	-	93,148	-

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27 RELATED PARTIES (continued)

	As of 30 June 2010		As of 31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Long-term accounts receivable and prepayments				
RosUkrEnerg AG	12,215	-	11,842	-
OAO Sibur Holding and its subsidiaries	3,265	-	1,406	-
Long-term loans and promissory notes				
WINGAS GmbH & Co.KG	14,618	-	16,609	-
Salym Petroleum Development N.V.	5,467	-	8,896	-
OAO Gazprombank	1,562	-	2,193	-
Short-term accounts payable				
ZAO Gazprom YRGM Trading	-	7,627	-	5,546
SGT EuRoPol GAZ S.A.	-	6,524	-	6,590
TOO KazRosGaz	-	4,042	-	1,896
OAO Sibur Holding and its subsidiaries	-	3,947	-	3,839
ZAO Gazprom YRGM Development	-	3,225	-	9,547
WINGAS GmbH & Co.KG	-	2,273	-	2,675
OAO NGK Slavneft and its subsidiaries	-	2,008	-	788
Salym Petroleum Development N.V.	-	1,948	-	1,896
OAO Beltransgaz	-	1,741	-	2,028
OAO NOVATEK	-	1,220	-	784
Long-term accounts payable				
OAO Sibur Holding and its subsidiaries	-	-	-	100
Short-term loans from associated companies (including current portion of long-term liabilities)				
OAO Tomskneft VNK and its subsidiaries	-	10,705	-	10,463
OAO Gazprombank	-	8,161	-	4,563
Long-term loans from associated companies				
OAO Gazprombank	-	2,516	-	9,536

* Net of impairment provision on accounts receivable in the amount of RR 50,376 and RR 51,802 as of 30 June 2010 and 31 December 2009 respectively.

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

See Note 28 for financial guarantees issued by the Group to the associated undertakings and jointly controlled entities.

28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 June 2010 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

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28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

Financial guarantees

	30 June 2010	31 December 2009
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	16,102	18,317
MRK Energy DMCC	8,891	8,620
OOO Stroygazconsulting	6,500	8,841
EM Interfinance Limited	5,920	5,785
Blackrock Capital Investments Limited	5,021	4,900
Devere Capital International Limited	4,849	5,672
OOO Production Company VIS	4,475	-
ZAO Achimgaz	4,092	4,841
OAO Group E4	3,282	3,729
Gaztransit	874	972
Nord Stream AG	-	2,655
Other	<u>18,299</u>	<u>22,636</u>
	78,305	86,968

Included in financial guarantees are amounts denominated in USD of USD 1,524 million and USD 1,569 million as of 30 June 2010 and 31 December 2009, respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 30 June 2010 and 31 December 2009, outstanding amounts of these loans were RR 16,102 (USD 516 million) and RR 18,317 (USD 606 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. As a result as of 30 June 2010 and 31 December 2009 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 15,790 (USD 506 million) and RR 16,357 (USD 541 million), respectively.

In 2007 the Group provided a guarantee to Wintershall Vermögens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 30 June 2010 and 31 December 2009 the above guarantee amounted to RR 4,092 (Euro 107 million) and RR 4,841 (Euro 112 million), respectively.

In January 2008 the Group provided a guarantee to Europipe GmbH, supplier of large-diameter steel pipes, on behalf of Nord Stream AG related to pipe supply contract for construction of Nord Stream pipeline. As of 31 December 2009 the above guarantee amounted to RR 2,655 (Euro 61 million). As of 30 June 2010 this loan was repaid.

In April 2008 the Group provided a guarantee to Credit Suisse International and National Reserve bank (OAO) on behalf of MRK Energy DMCC related to loan received by MRK Energy DMCC. The purpose of the loan is the financing of the construction of gas pipeline "Kudarsky pereval – Tskhinval" (South Ossetia). As of 30 June 2010 and 31 December 2009 the above guarantee amounted to RR 8,891 and RR 8,620, respectively.

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 30 June 2010 and 31 December 2009 the above guarantee amounted to RR 3,282 (Euro 86 million) and RR 3,729 (Euro 86 million), respectively.

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28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

In April 2009 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Stroygazconsulting as a security of credit facility for construction supply of Bovanenkovskoye, Yamburgskoe fields and Bovanenkovo-Ukhta gas trunk-line system. As of 30 June 2010 and 31 December 2009 the above guarantee amounted to RR 6,500 and RR 8,841, respectively.

In January 2010 the Group provided a guarantee to OAO Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAO WGC-6. As of 30 June 2010 the above guarantee amounted to RR 4,475.

Other guarantees of the Group included guarantees, issued by the Group's banking subsidiaries to third parties, in the amount of RR nil and RR 5,700 as of 30 June 2010 and 31 December 2009, respectively.

29 POST BALANCE SHEET EVENTS

Investments

In July 2010 the Group sold 3.02% of the ordinary shares of Sibir to OAO Central Fuel Company which is controlled by the Government of Moscow. As a result of these transactions the Group's interest in Sibir equals to 77.35%.

In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized. As a result of the reorganization the Group received non-controlling interest in OAO AB Rossiya.

Borrowings and loans

In July 2010 the Group signed an agreement to obtain a long-term participation loan from a consortium of banks in the amount of USD 1,500 million due in 2015 at an interest rate of LIBOR +2.1%. The Bank of Tokyo-Mitsubishi UFJ, Natixis SA and Societe Generale were appointed as bank agents. In August 2010 the Group obtained USD 550 million under this agreement.

OAO GAZPROM
INVESTMENT RELATIONSHIPS

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