



FINANCIAL  
REPORT

2012

L E A D E R S H I P   A N D   E F F I C I E N C Y



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**OPEN JOINT STOCK COMPANY GAZPROM  
STATUTORY ACCOUNTING REPORTS  
OF THE PARENT COMPANY ОАО ГАЗПРОМ 2012**

## AUDITOR'S REPORT

To the Shareholders of Open Joint Stock Company "Gazprom":

### Client

Open Joint Stock Company Gazprom.

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

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

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

### Auditor

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

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

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

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

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

## **AUDITOR'S REPORT**

To the Shareholders of Open Joint Stock Company "Gazprom":

We have audited the attached financial statements of Open Joint Stock Company "Gazprom" (hereinafter – JSC "Gazprom") which comprise the balance sheet as of 31 December 2012, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2012 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the "financial statements").

### **JSC "Gazprom's" responsibility for the financial statements**

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

### **The auditor's responsibility**

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Gazprom" as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

**Director of ZAO PricewaterhouseCoopers Audit**

**M.E. Timchenko**

26 March 2013

**BALANCE SHEET**  
**as at 31 December 2012**

Company JSC GAZPROM Taxpayer identification number Field of activity wholesale Legal form/property form Open Joint Stock Company Unit of measurement: thousands of RR Address 117997, Moscow, Nametkina str., 16, V-420, GSP-7	Form on OKUD	Codes 0710001
	Date (day, month, year)	31 / 12 / 2012
	OKPO	00040778
	INN	7736050003
	OKVED	51.51.3
	OKOPF/OKFS	47/31
	OKEI	384

Note	Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
<b>ASSETS</b>					
<b>I. NON-CURRENT ASSETS</b>					
1	Intangible assets, including:	1110	523,393	371,494	401,664
	intellectual property right	1111	522,739	370,054	400,346
	other	1119	654	1,440	1,318
1	Results of research and development	1120	1,957,582	3,079,812	3,089,366
9	Intangible exploration assets	1130	41,594,376	40,612,661	33,322,521
9	Tangible exploration assets	1140	22,758,926	17,382,693	7,588,404
2	Fixed assets, including:	1150	5,569,621,570	4,808,400,368	3,883,459,737
	Fixed assets items, including:	1151	5,547,269,450	4,781,322,391	3,860,843,942
	land plots and natural resources	1152	920,428	651,186	261,400
	buildings, machinery and equipment	1153	5,476,588,337	4,721,150,167	3,854,892,174
	Capital investments in progress	1154	22,352,120	27,077,977	22,615,795
3	Financial investments, including:	1170	1,769,588,382	1,717,983,114	1,517,264,033
	investments in subsidiaries	1171	1,540,121,603	1,489,479,681	1,236,770,566
	investments in associates	1172	80,808,417	86,364,938	151,743,064
	investments in other entities	1173	112,665	100,607	100,607
	loans provided to companies for a period over 12 months	1174	32,222,356	22,287,895	23,757,537
	Deferred tax assets	1180	40,512,953	17,478,804	12,853,736
	Other non-current assets	1190	28,536,903	24,944,629	18,194,028
	<b>Total Section I</b>	1100	7,475,094,085	6,630,253,575	5,476,173,489



Form on OKUD 0710001 p. 2

Note	Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
<b>ASSETS</b>					
<b>II. CURRENT ASSETS</b>					
4	Inventories, including:	1210	350,733,995	281,000,069	245,146,165
	raw materials and other inventories	1211	2,965,322	2,969,572	2,636,375
	work in progress	1213	224,731,247	186,376,089	166,318,156
	finished goods and goods for resale	1214	120,554,119	90,133,409	73,970,851
	goods dispatched	1215	2,483,274	1,520,966	2,220,675
	Value added tax on goods purchased	1220	49,199,088	20,357,283	21,189,481
5	Accounts receivable, including:	1230	2,012,827,396	2,375,188,275	1,853,994,531
	Accounts receivable (payment expected beyond 12 months after the reporting date), including:	1231	585,306,509	520,637,888	703,918,072
	buyers and customers	1232	9,178,505	-	464,100
	advances issued	1233	19,021,844	28,943,373	38,859,322
	other debtors	1234	557,106,160	491,694,515	664,594,650
	Accounts receivable (payment expected within 12 months after the reporting date), including:	1235	1,427,520,887	1,854,550,387	1,150,076,459
	buyers and customers	1236	516,433,842	516,528,765	400,250,553
	advances issued	1238	102,000,902	17,349,449	104,614,692
	other debtors	1239	809,086,143	1,320,672,173	645,211,214
3	Financial investments (less cash equivalents), including:	1240	21,046,052	23,102,447	20,198,008
	loans provided to other companies for a period within 12 months	1241	20,960,267	20,272,583	15,316,724
	Cash and cash equivalents, including:	1250	120,666,566	187,778,183	207,711,797
	cash	1251	25,855	21,428	7,891
	settlement accounts	1252	67,817,882	130,129,385	86,670,344
	foreign currency accounts	1253	48,766,336	53,673,528	117,222,131
	other cash and cash equivalents	1259	4,056,493	3,953,842	3,811,431
	Other current assets	1260	6,084,600	3,594,288	1,476,764
	<b>Total Section II</b>	1200	2,560,557,697	2,891,020,545	2,349,716,746
	<b>BALANCE</b>	1600	10,035,651,782	9,521,274,120	7,825,890,235

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Note	Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
<b>EQUITY AND LIABILITIES</b>					
<b>III. EQUITY AND RESERVES</b>					
	Charter capital	1310	118,367,564	118,367,564	118,367,564
	Own shares buy-back	1320	-	-	-
	Non-current assets revaluation	1340	4,328,879,078	4,331,266,961	3,769,181,002
	Additional capital (without revaluation)	1350	-	-	-
	Reserve capital	1360	8,636,001	8,636,001	8,636,001
	Retained earnings (loss)	1370	3,427,213,881	3,080,819,369	2,288,264,725
	<b>Total Section III</b>	1300	7,883,096,524	7,539,089,895	6,184,449,292
<b>IV. NON-CURRENT LIABILITIES</b>					
	Borrowings and bank loans, including:	1410	774,749,753	841,947,238	862,948,018
	bank loans due for repayment beyond 12 months	1411	42,524,135	128,032,652	97,941,764
	other borrowings due for repayment beyond 12 months	1412	732,225,618	713,914,586	765,006,254
	Deferred tax liabilities	1420	216,246,405	199,610,901	137,383,657
7	Estimated liabilities	1430	-	-	-
5	Other liabilities	1450	2,120,310	3,180,459	4,240,609
	<b>Total Section IV</b>	1400	993,116,468	1,044,738,598	1,004,572,284
<b>V. CURRENT LIABILITIES</b>					
	Borrowings and bank loans, including:	1510	526,648,116	407,074,990	129,891,126
	bank loans due for repayment within 12 months	1511	-	-	-
	other borrowings due for repayment within 12 months	1512	12,294,308	73,876,396	64,440,169
	current portion of long term borrowings and bank loans	1513	514,353,808	333,198,594	65,450,957

Form on OKUD 0710001 p. 3

Note	Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
5	Accounts payable, including:	1520	513,089,718	526,153,479	503,433,490
	suppliers and contractors	1521	359,027,028	360,301,618	307,451,964
	salaries payable	1522	209,039	194,714	253,725
	payable to state non-budget funds	1523	73,999	48,827	52,812
	taxes payable	1524	6,549,779	45,311,984	41,231,679
	other creditors, including:	1525	146,940,385	120,004,004	153,721,242
	advances received	1527	82,087,411	82,407,176	136,150,704
	other settlements	1528	64,852,974	37,596,828	17,570,538
	dividends payable to participants (shareholders)	1529	289,488	292,332	722,068
	Future periods income	1530	838,101	-	-
7	Estimated liabilities	1540	118,862,855	4,217,158	3,544,043
	Other liabilities	1550	-	-	-
	<b>Total Section V</b>	1500	1,159,438,790	937,445,627	636,868,659
	<b>BALANCE</b>	1700	10,035,651,782	9,521,274,120	7,825,890,235

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

26 March 2013

**STATEMENT OF FINANCIAL RESULTS  
for 2012**

		Form on OKUD	Codes
		Date (day, month, year)	0710002
		OKPO	31 / 12 / 2012
		INN	00040778
		OKVED	7736050003
		OKOPF/OKFS	51.51.3
		OKEI	47/31
			384
Company	JSC GAZPROM		
Taxpayer identification number			
Field of activity	wholesale		
Legal form/property form			
Open Joint Stock Company			
Unit of measurement: thousands of RR			
Address	117997, Moscow, Nametkina str., 16, V-420, GSP-7		

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
	<b>Sales of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)</b>	2110	3,659,150,757	3,534,341,431
	including:			
	gas	2111	2,798,886,719	2,825,320,376
	leased assets	2112	485,425,895	380,539,248
	gas transportation services	2113	168,156,090	153,926,911
	oil and gas refinery products	2114	165,800,505	137,391,096
	gas condensate	2115	35,412,783	33,135,922
	other	2116	4,156,437	2,895,230
	gas storage services	2117	1,312,328	1,132,648
6	<b>Cost of goods, products, work, services sold</b>	2120	(1,708,052,596)	(1,452,194,381)
	including:			
	gas	2121	(934,338,028)	(829,517,619)
	leased assets	2122	(488,865,619)	(394,823,176)
	gas transportation services	2123	(159,266,627)	(135,195,931)
	oil and gas refinery products	2124	(94,859,434)	(67,252,232)
	gas condensate	2125	(23,184,258)	(19,868,818)
	other	2126	(6,995,109)	(5,134,563)
	gas storage services	2127	(543,521)	(402,042)
	<b>Gross profit (loss)</b>	2100	1,951,098,161	2,082,147,050
6	Sales expenses	2210	(895,758,005)	(832,682,728)
6	General business expenses	2220	(62,191,727)	(57,799,976)
	<b>Profit (loss) from sales</b>	2200	993,148,429	1,191,664,346
	Income from participation in other entities	2310	110,415,078	78,657,115
	Interest receivable	2320	10,290,572	8,227,724
	Interest payable	2330	(76,671,447)	(63,580,415)

Form on OKUD 0710002 p.2

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
	Other income	2340	3,240,450,443	3,283,210,857
	Other expenses	2350	(3,523,946,168)	(3,353,016,047)
	<b>Profit (loss) before taxation</b>	2300	753,686,907	1,145,163,580
	<b>Income tax, including:</b>	2405	(205,040,254)	(204,799,762)
	current income tax	2410	(214,588,602)	(241,497,924)
	prior year income tax	2411	9,548,348	36,698,162
	<i>including permanent tax liabilities (assets) from the 2405 line</i>	2421	68,406,024	50,272,601
	Changes in deferred tax liabilities	2430	(16,692,734)	(64,350,064)
	Changes in deferred tax assets	2450	23,040,779	4,773,536
	Other	2460	(177,871)	1,333,568
	Reallocation of income tax within the Consolidated Taxpayer Group	2465	1,523,527	-
	<b>Net profit (loss)</b>	2400	556,340,354	882,120,858

Form on OKUD 0710002 p.3

Note	Parameter name	Line code	For reporting period	For the similar period of the prior year
<b>REFERENCE:</b>				
	Result of revaluation of non-current assets not included to the net profit (loss) for the reporting year	2510	-	563,634,895
	Results of other transactions not included to the net profit (loss) for the reporting year	2520	8,975	27,874
	Cumulative financial result for the year	2500	556,349,329	1,445,783,627
	Basic earnings (loss) per share (in RR)	2900	23.50	37.26
	Diluted earnings (loss) per share	2910	-	-

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

26 March 2013

**STATEMENT OF CHANGES IN EQUITY  
for 2012**

		Codes
	Form on OKUD	0710003
	Date (day, month, year)	31 / 12 / 2012
Company JSC GAZPROM	OKPO	00040778
Taxpayer identification number	INN	7736050003
Field of activity wholesale	OKVED	51.51.3
Legal form/property form		
Open Joint Stock Company	OKOPF/OKFS	47/31
Unit of measurement: thousands of RR	OKEI	384
Address 117997, Moscow, Nametkina str., 16, V-420, GSP-7		

**1. Changes in equity**

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Accumulated profit (loss)	Total
<b>Equity as of 31 December 2010</b>	3100	118,367,564	-	3,769,181,002	8,636,001	2,288,264,725	6,184,449,292
<b>For 2011</b>							
<b>Increase of equity - total, including:</b>	3210	-	-	565,595,280	-	882,148,732	1,447,744,012
net profit	3211	X	X	X	X	882,120,858	882,120,858
revaluation of assets	3212	X	X	565,595,280	X	-	565,595,280
income directly attributable to equity	3213	X	X	-	X	27,874	27,874
additional shares issue	3214	-	X	-	X	X	-
increase of share par value	3215	-	X	-	X	-	-
reorganization of legal entity	3216	-	-	-	-	-	-
placement of buy-backed shares	3217	X	-	X	X	X	-
other	3219	-	-	-	-	-	-
<b>Decrease of equity - total, including:</b>	3220	-	-	(1,960,385)	-	(91,143,024)	(93,103,409)
loss	3221	X	X	X	X	-	-
revaluation of assets	3222	X	X	(1,960,385)	X	-	(1,960,385)
expenses directly attributable to equity	3223	X	X	X	X	-	-
decrease of share par value	3224	-	X	X	X	-	-
decrease in number of shares	3225	-	-	X	X	X	-
reorganization of legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	(91,143,024)	(91,143,024)
other	3229	-	-	-	-	-	-

Form on OKUD 0710003 p.2

Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Accumulated profit (loss)	Total
Additional capital change	3230	X	X	(1,548,936)	X	1,548,936	-
Reserve capital change	3240	X	X	X	-	-	-
<b>Equity as of 31 December 2011</b>	3200	118,367,564	-	4,331,266,961	8,636,001	3,080,819,369	7,539,089,895
<b>For 2012</b>							
<b>Increase of equity - total, including:</b>	3310	-	-	8,711	-	556,349,329	556,358,040
net profit	3311	X	X	X	X	556,340,354	556,340,354
revaluation of assets	3312	X	X	-	X	X	-
income directly attributable to equity	3313	X	X	-	X	8,975	8,975
additional shares issue	3314	-	X	-	X	X	-
increase of share par value	3315	-	X	-	X	-	-
reorganization of legal entity	3316	-	-	-	-	-	-
placement of buy-backed shares	3317	X	-	X	X	X	-
other	3319	-	-	8,711	-	-	8,711
<b>Decrease of equity - total, including:</b>	3320	-	-	-	-	(212,351,411)	(212,351,411)
loss	3321	X	X	X	X	-	-
revaluation of assets	3322	X	X	-	X	X	-
expenses directly attributable to equity	3323	X	X	X	X	-	-
decrease of share par value	3324	-	X	X	X	-	-
decrease in number of shares	3325	-	-	X	X	X	-
reorganization of legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	(212,351,411)	(212,351,411)
other	3329	-	-	-	-	-	-
Additional capital change	3330	X	X	(2,396,594)	X	2,396,594	-
Reserve capital change	3340	X	X	X	-	-	-
<b>Equity as of 31 December 2012</b>	3300	118,367,564	-	4,328,879,078	8,636,001	3,427,213,881	7,883,096,524

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

Narrative	Line code	as at 31 December 2010	Changes in equity for 2011		as at 31 December 2011
			from net profit (loss)	from other equity	
<b>Equity - total before restatement</b>	3400	6,189,150,344	879,601,664	472,519,745	7,541,271,753
restatement due to:					
changes in accounting policies	3410	(4,701,052)	2,519,194	-	(2,181,858)
corrections of accounting errors	3420	-	-	-	-
after restatement	3500	6,184,449,292	882,120,858	472,519,745	7,539,089,895
including:					
<b>Retained earnings (uncovered loss): before restatement</b>	3401	2,292,965,777	879,601,664	(89,566,214)	3,083,001,227
restatement due to:					
changes in accounting policies	3411	(4,701,052)	2,519,194	-	(2,181,858)
corrections of accounting errors	3421	-	-	-	-
after restatement	3501	2,288,264,725	882,120,858	(89,566,214)	3,080,819,369
<b>Additional capital before restatement</b>	3402	3,769,181,002	-	562,085,959	4,331,266,961
restatement due to:					
changes in accounting policies	3412	-	-	-	-
corrections of accounting errors	3422	-	-	-	-
after restatement	3502	3,769,181,002	-	562,085,959	4,331,266,961
<b>Reserve capital before restatement</b>	3403	8,636,001	-	-	8,636,001
restatement due to:					
changes in accounting policies	3413	-	-	-	-
corrections of accounting errors	3423	-	-	-	-
after restatement	3503	8,636,001	-	-	8,636,001
<b>Own shares buy-back before restatement</b>	3404	-	-	-	-
restatement due to:					
changes in accounting policies	3414	-	-	-	-
corrections of accounting errors	3424	-	-	-	-
after restatement	3504	-	-	-	-
<b>Social government fund before restatement</b>	3405	-	-	-	-
restatement due to:					
changes in accounting policies	3415	-	-	-	-
corrections of accounting errors	3425	-	-	-	-
after restatement	3505	-	-	-	-



Form on OKUD 0710003 p.4

### 3. Net assets

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Net assets	3 600	7,883,934,625	7,539,089,895	6,184,449,292

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

26 March 2013

**CASH FLOW STATEMENT  
for 2012**

		Codes
	Form on OKUD	0710004
	Date (day, month, year)	31 / 12 / 2012
Company JSC GAZPROM	OKPO	00040778
Taxpayer identification number	INN	7736050003
Field of activity wholesale	OKVED	51.51.3
Legal form/property form		
Open Joint Stock Company	OKOPF/OKFS	47/31
Unit of measurement: thousands of RR	OKEI	384
Address 117997, Moscow, Nametkina str., 16, V-420, GSP-7		

Narrative	Line code	For reporting period	For the similar period of the prior year
<b>Cash flows from operating activities</b>			
<b>Receipts - total, including</b>	4110	4,265,121,606	3,823,511,721
from sale of goods, products, works and services	4111	4,047,083,416	3,708,218,082
rent payments, license payments, royalties, commissions and other payments	4112	-	-
resale of financial investments	4113	-	-
other receipts	4119	218,038,190	115,293,639
<b>Payments - total, including</b>	4120	(3,347,815,363)	(2,733,839,663)
to suppliers for raw materials, works, services	4121	(2,197,163,756)	(1,826,844,333)
wages and salaries	4122	(21,942,037)	(18,519,177)
interests on borrowings	4123	(70,676,793)	(63,108,748)
income tax	4124	(284,026,110)	(235,892,250)
other payments	4129	(774,006,667)	(589,475,155)
<b>Net cash flows from operating activities</b>	4100	917,306,243	1,089,672,058

Form on OKUD 0710004 p.2

Narrative	Line code	For reporting period	For the similar period of the prior year
<b>Cash flows from investing activities</b>			
<b>Receipts - total, including</b>	4210	140,978,687	87,473,280
from sales of non-current assets (except financial investments)	4211	1,089,703	353,425
from sales of shares of other entities (ownership interest)	4212	2,699,998	7,632,789
from return of loans issued, sales of debt securities (sale of rights of claiming cash to third parties)	4213	5,023,653	13,857,998
dividends, interests from long-term financial investments and receipts from participation in other entities	4214	122,889,265	63,169,766
from sales of exploration assets	4215	-	-
other receipts	4219	9,276,068	2,459,302
<b>Payments - total, including</b>	4220	(1,028,162,752)	(1,311,796,854)
acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(911,546)	(2,225,825)
acquisition of other entities shares	4222	(78,935,666)	(110,245,235)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(14,819,986)	(6,620,924)
borrowing costs included to the cost of the investment assets	4224	-	-
construction/purchase of exploration assets	4225	(9,084,192)	(15,281,293)
other payments	4229	(924,411,362)	(1,177,423,577)
<b>Net cash flows from investment activities</b>	4200	(887,184,065)	(1,224,323,574)
<b>Cash flows from financing activities</b>			
<b>Receipts - total, including</b>	4310	262,319,798	265,700,827
borrowings and bank loans	4311	262,319,798	265,700,827
contributions of owners (participants)	4312	-	-
issue of shares, increase in participation interest	4313	-	-
issue of bonds, promissory notes and other debt securities	4314	-	-
other receipts	4319	-	-

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Narrative	Line code	For reporting period	For the similar period of the prior year
<b>Payments - total, including</b>	4320	(353,117,544)	(148,360,690)
to owners (participants) due to the fact of share buy-back or cessation of membership	4321	-	-
dividend payments or other distribution to owners	4322	(198,329,393)	(84,502,821)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	(154,788,151)	(63,857,869)
other payments	4329	-	-
<b>Net cash flows from financing activities</b>	4300	(90,797,746)	117,340,137
<b>Net cash flows for the reporting period</b>	4400	(60,675,568)	(17,311,379)
<b>Cash and cash equivalents at the beginning of the reporting period</b>	4450	187,778,183	207,711,797
<b>Cash and cash equivalents at the end of the reporting period</b>	4500	120,666,566	187,778,183
<b>Effect of changes in the Russian rouble exchange rate</b>	4490	(6,436,049)	(2,622,235)

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

26 March 2013

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

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1. INTANGIBLE ASSETS AND EXPENDITURE OF RESEARCH AND DEVELOPMENT (R&D)

1.1 Movement of intangible assets

Narrative	Line code	Period	At the beginning of the year		Changes for the reporting period							At the end of the reporting period	
					additions	disposals		depreciation accrued	impairment loss	revaluation			
			initial cost	accumulated amortisation and impairment loss		initial cost	accumulated depreciation and impairment losses			initial cost	accumulated depreciation and impairment losses	initial cost	accumulated depreciation and impairment losses
Intangible assets – total	5100	for 2012	1,374,596	(1,004,542)	308,298	(25,400)	25,400	(155,613)	-	-	-	1,657,494	(1,134,755)
	5110	for 2011	1,211,289	(810,943)	163,307	-	-	(193,599)	-	-	-	1,374,596	(1,004,542)
including:													
Intellectual property (exclusive rights to intellectual property)	5101	for 2012	1,374,596	(1,004,542)	308,298	(25,400)	25,400	(155,613)	-	-	-	1,657,494	(1,134,755)
	5111	for 2011	1,211,289	(810,943)	163,307	-	-	(193,599)	-	-	-	1,374,596	(1,004,542)
Goodwill	5102	for 2012	-	-	-	-	-	-	-	-	-	-	-
	5112	for 2011	-	-	-	-	-	-	-	-	-	-	-
Other	5104	for 2012	-	-	-	-	-	-	-	-	-	-	-
	5114	for 2011	-	-	-	-	-	-	-	-	-	-	-

1.2 The initial value of intangible assets created by the Company

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Total	5120	1,646,596	1,365,322	1,204,022
including:				
Intellectual property (exclusive rights to intellectual property)	5121	1,646,596	1,365,322	1,204,022
Other	5129	-	-	-

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1.3 Intangible assets fully amortized

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Total	5130	892,511	816,456	462,730
including:				
Intellectual property (exclusive rights to intellectual property)	5131	892,511	816,456	462,730
Goodwill	5138	-	-	-
Other	5139	-	-	-

# 1.4 Movement of the results of research and development

Narrative	Line code	Period	At the beginning of the year		Changes for the reporting period				At the end of the reporting period	
			initial cost	part of the cost recognised in expenses	additions	disposals		part of the cost recognised in expenses	initial cost	part of the cost recognised in expenses
						initial cost	part of the cost recognised in expenses			
R&D - total	5140	for 2012	23,024,523	(19,969,661)	3,263,052	(5,921,191)	5,921,191	(4,398,885)	20,366,384	(18,447,355)
	5150	for 2011	18,831,752	(15,792,937)	4,192,771	-	-	(4,176,724)	23,024,523	(19,969,661)

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

Narrative	Line code	Period	At the beginning of the year	Changes for the reporting period			At the end of the reporting period
				costs for the period	written off to expenses (research and development without positive result)	recognised as intangible assets and R&D	
Costs of R&D in progress - total	5160	for 2012	24,950	3,297,138	(45,883)	(3,237,652)	38,553
	5170	for 2011	50,551	4,261,795	(32,545)	(4,254,851)	24,950
Acquisitions of intangible assets in progress - total	5180	for 2012	1,440	307,512	-	(308,298)	654
	5190	for 2011	1,318	24,386	-	(24,264)	1,440

## 2.1 Movement of fixed assets

[illegible]

## 2.2 Capital investments in progress

Narrative	Line code	Period	At the beginning of the year	Changes for the reporting period				At the end of the reporting period
				costs for the period	written off	recognised as fixed assets or increased costs	other changes	
Construction and activity in progress on acquisition, modernisation etc. of fixed assets - total	5240	for 2012	27,077,977	1,222,366,928	-	(1,214,343,593)	(12,749,192)	22,352,120
	5250	for 2011	22,615,795	730,983,584	(71,075)	(711,415,343)	(15,034,984)	27,077,977
including:								
construction in progress	5241	for 2012	27,074,099	1,222,366,928	-	(1,214,343,593)	(12,749,192)	22,348,242
	5251	for 2011	22,540,868	730,894,818	-	(711,415,343)	(14,946,244)	27,074,099
equipment for installation	5242	for 2012	3,878	-	-	-	-	3,878
	5252	for 2011	74,927	88,766	(71,075)	-	(88,740)	3,878

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

Narrative	Line code	for 2012	for 2011
Increase in value of fixed assets as a result of completion, equipping, reconstruction - total	5260	6,950,274	5,049,680
including:			
Trunk pipelines	5261	635,005	1,257,041
Wells	5262	2,616,532	1,445,315
Machinery and equipment	5263	1,214,762	1,573,345
Buildings and roads	5264	202,266	206,370
Other fixed assets	5265	2,281,709	567,609
Reducing the cost of fixed assets as a result of partial liquidation - total	5270	(120,335)	(106,647)
including:			
Trunk pipelines	5271	(2,331)	(50,494)
Wells	5272	(30,065)	(783)
Machinery and equipment	5273	(73,442)	(43,679)
Buildings and roads	5274	(6,764)	(8,611)
Other fixed assets	5275	(7,733)	(3,080)



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**2.4 Other use of fixed assets**

<b>Narrative</b>	<b>Line code</b>	<b>as at 31 December 2012</b>	<b>as at 31 December 2011</b>	<b>as at 31 December 2010</b>
Leased out on-balance fixed assets	5280	5,368,345,566	4,626,279,358	3,799,338,479
Off-balance fixed assets subleased to third parties	5281	-	-	-
On-balance fixed assets received in finance lease	5282	-	-	-
Off-balance fixed assets received in operating lease	5283	23,925,562	28,239,505	16,335,434
Real estate actually used and in the process of state registration	5284	1,254,062,154	549,003,359	239,944,913
Transferred fixed assets	5285	99,232,966	82,960,379	18,315,870
Other use of fixed assets (pledged and others)	5286	-	-	-
including:				
pledged fixed assets	5287	-	-	-

### 3. Financial investments

#### 3.1 Movement of financial investments

Narrative	Line code	Period	At the beginning of the year		Changes for the reporting period					At the end of the period	
					additions	disposed		other	the current market value (impairment loss)		
			initial cost	accrued adjustment		initial cost	accrued adjustment				
Long term financial investments - total	5301	for 2012	1,627,856,108	101,143,622	121,280,112	(39,258,826)	-	(221,894)	(31,765,009)	1,709,655,500	69,378,613
	5311	for 2011	1,521,896,843	9,470,274	205,873,973	(100,647,133)	-	732,425	91,673,348	1,627,856,108	101,143,622
investments to charter capital, including:	5302	for 2012	1,466,735,887	109,209,339	102,108,773	(25,064,461)	-	-	(31,946,853)	1,543,780,199	77,262,486
	5312	for 2011	1,370,504,722	18,109,515	179,658,151	(83,426,986)	-	-	91,099,824	1,466,735,887	109,209,339
investments to charter capitals of subsidiaries	53021	for 2012	1,381,975,583	107,504,098	85,242,345	(2,716,108)	-	-	(31,884,315)	1,464,501,820	75,619,783
	53121	for 2011	1,220,824,994	15,945,572	172,144,462	(10,993,873)	-	-	91,558,526	1,381,975,583	107,504,098
investments to charter capitals of associates	53022	for 2012	84,655,817	1,709,121	16,854,370	(22,348,353)	-	-	(62,538)	79,161,834	1,646,583
	53122	for 2011	149,575,241	2,167,823	7,513,689	(72,433,113)	-	-	(458,702)	84,655,817	1,709,121
investments to charter capitals of other entities	53023	for 2012	104,487	(3,880)	12,058	-	-	-	-	116,545	(3,880)
	53123	for 2011	104,487	(3,880)	-	-	-	-	-	104,487	(3,880)
other long-term financial investments, including:	5303	for 2012	161,120,221	(8,065,717)	19,171,339	(14,194,365)	-	(221,894)	181,844	165,875,301	(7,883,873)
	5313	for 2011	151,392,121	(8,639,241)	26,215,822	(17,220,147)	-	732,425	573,524	161,120,221	(8,065,717)
loans provided to companies for a period over 12 months	53031	for 2012	32,003,552	-	14,819,986	(5,023,653)	-	(169,074)	-	41,630,811	-
	53131	for 2011	36,927,248	-	8,267,937	(13,857,998)	-	666,365	-	32,003,552	-
joint activity	53032	for 2012	119,383,882	(8,065,717)	2,870,957	(372,006)	-	-	181,844	121,882,833	(7,883,873)
	53132	for 2011	103,889,970	(8,639,241)	17,947,885	(2,453,973)	-	-	573,524	119,383,882	(8,065,717)
third party promissory notes	53033	for 2012	-	-	-	-	-	-	-	-	-
	53133	for 2011	-	-	-	-	-	-	-	-	-
long-term deposits	53034	for 2012	9,362,661	-	-	(8,798,706)	-	(52,820)	-	511,135	-
	53134	for 2011	10,204,777	-	-	(908,176)	-	66,060	-	9,362,661	-
bonds	53035	for 2012	-	-	-	-	-	-	-	-	-
	53135	for 2011	-	-	-	-	-	-	-	-	-
other	53036	for 2012	370,126	-	1,480,396	-	-	-	-	1,850,522	-
	53136	for 2011	370,126	-	-	-	-	-	-	370,126	-
Short- term financial investments - total	5305	for 2012	12,085,831	-	22,521,125	(23,006,635)	-	-	-	11,600,321	-
	5315	for 2011	6,094,924	-	35,694,931	(29,834,438)	-	130,414	-	12,085,831	-
including:											
loans granted to companies for less than 12 months	5306	for 2012	10,556,926	-	20,597,580	(19,602,694)	-	-	-	11,551,812	-
	5316	for 2011	2,147,013	-	33,833,901	(25,554,402)	-	130,414	-	10,556,926	-
other short-term financial investments, including:	5307	for 2012	1,528,905	-	1,923,545	(3,403,941)	-	-	-	48,509	-
	5317	for 2011	3,947,911	-	1,861,030	(4,280,036)	-	-	-	1,528,905	-
short-term deposits	53071	for 2012	-	-	-	-	-	-	-	-	-
	53171	for 2011	-	-	-	-	-	-	-	-	-
third party promissory notes	53072	for 2012	-	-	-	-	-	-	-	-	-
	53172	for 2011	-	-	-	-	-	-	-	-	-
bonds	53073	for 2012	-	-	-	-	-	-	-	-	-
	53173	for 2011	-	-	-	-	-	-	-	-	-
other	53074	for 2012	1,528,905	-	1,923,545	(3,403,941)	-	-	-	48,509	-
	53174	for 2011	3,947,911	-	1,861,030	(4,280,036)	-	-	-	1,528,905	-
Financial investments - total	5300	for 2012	1,639,941,939	101,143,622	143,801,237	(62,265,461)	-	(221,894)	(31,765,009)	1,721,255,821	69,378,613
	5310	for 2011	1,527,991,767	9,470,274	241,568,904	(130,481,571)	-	862,839	91,673,348	1,639,941,939	101,143,622

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### 3.2 Other use of financial investments

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Long-term financial investments pledged - total	5320	15,506,333	15,506,266	231,861
including:				
investments	5321	15,506,333	15,506,266	231,861
investments in subsidiaries	53211	15,274,472	15,274,405	-
investments in associates	53212	231,861	231,861	231,861
investments in other entities	53213	-	-	-
other long-term investments	5322	-	-	-
third party promissory notes	53221	-	-	-
bonds	53222	-	-	-
other	53223	-	-	-
Long-term financial investments transferred to third parties (except sales) - total	5325	-	74,815	74,815
including:				
investments	5326	-	74,815	74,815
investments in subsidiaries	53261	-	74,815	74,815
investments in associates	53262	-	-	-
investments in other entities	53263	-	-	-
other long-term investments	5327	-	-	-
third party promissory notes	53271	-	-	-
bonds	53272	-	-	-
other	53273	-	-	-
Short-term financial investments pledged - total	5328	-	-	-
including:				
third party promissory notes	53281	-	-	-
bonds	53282	-	-	-
other	53283	-	-	-
Short-term financial investments passed to third parties (except sales) - total	5329	-	-	-
including:				
third party promissory notes	53291	-	-	-
bonds	53292	-	-	-
other	53293	-	-	-

## 4. Inventory

### 4.1 Movement of inventory

Narrative	Line code	Period	At the beginning of the year			Changes for the reporting period				At the end of reporting period		
			cost	provision for the decrease in value of inventory	book value	additions	disposals	provision for the decrease in value of inventory	inventory turnover between groups (types)	cost	provision for the decrease in value of inventory	book value
Inventory - total	5400	for 2012	281,000,069	-	281,000,069	2,098,535,617	(2,028,801,691)	-	-	350,733,995	-	350,733,995
	5420	for 2011	245,146,165	-	245,146,165	1,843,237,662	(1,807,383,758)	-	-	281,000,069	-	281,000,069
including:												
raw materials and other inventories	5401	for 2012	2,969,572	-	2,969,572	73,786,932	(74,018,266)	-	-	2,965,322	-	2,965,322
	5421	for 2011	2,636,375	-	2,636,375	56,224,494	(56,009,050)	-	-	2,969,572	-	2,969,572
work in progress	5403	for 2012	186,376,089	-	186,376,089	934,220,462	(495,040,614)	-	-	224,731,247	-	224,731,247
	5423	for 2011	166,318,156	-	166,318,156	852,830,878	(481,590,057)	-	-	186,376,089	-	186,376,089
finished goods and goods for resale	5404	for 2012	90,133,409	-	90,133,409	1,085,500,367	(477,928,627)	-	-	120,554,119	-	120,554,119
	5424	for 2011	73,970,851	-	73,970,851	934,094,710	(369,711,808)	-	-	90,133,409	-	90,133,409
goods dispatched	5405	for 2012	1,520,966	-	1,520,966	5,027,856	(981,814,184)	-	-	2,483,274	-	2,483,274
	5425	for 2011	2,220,675	-	2,220,675	87,580	(900,072,793)	-	-	1,520,966	-	1,520,966

### 5.1 Movement of accounts receivables

Narrative	Line code	Period	Changes for the reporting period											At the end of the reporting period	
			At the beginning of the year		disposals						transfer from long-term to short-term (and vice versa)				
			recognised under the terms of the contract	provision for doubtful debt	as a result of transactions	receivable on interest, penalties and other accruals	provision for doubtful debt	settlement	write-off to financial result	recovery of the provision for doubtful debt	write-off from the provision	recognised under the terms of the contract	provision for doubtful debt	recognised under the terms of the contract	provision for doubtful debt
Long-term accounts receivable - total	5501	for 2012	520,637,888	-	190,195,038	895,063	-	(116,455,571)	-	-	-	(9,965,909)	-	585,306,509	-
	5521	for 2011	703,918,072	-	104,071,655	887,552	-	(128,521,601)	-	-	-	(159,717,790)	-	520,637,888	-
including:															
buyers and customers	5502	for 2012	-	-	6,184,452	-	-	-	-	-	-	2,994,053	-	9,178,505	-
	5522	for 2011	464,100	-	-	-	-	(115,800)	-	-	-	(348,300)	-	-	-
advances issued	5503	for 2012	28,943,373	-	-	-	-	-	-	-	-	(9,921,529)	-	19,021,844	-
	5523	for 2011	38,859,322	-	5,627	-	-	(47)	-	-	-	(9,921,529)	-	28,943,373	-
other debtors	5504	for 2012	491,694,515	-	184,010,586	895,063	-	(116,455,571)	-	-	-	(3,038,433)	-	557,106,160	-
	5524	for 2011	664,594,650	-	104,066,028	887,552	-	(128,405,754)	-	-	-	(149,447,961)	-	491,694,515	-
Short-term accounts receivable - total	5510	for 2012	1,929,549,815	(74,999,428)	7,823,298,340	115,531,588	(28,069,149)	(8,347,811,481)	(6,024)	61,317	(13,171)	9,965,909	-	1,530,514,976	(102,994,089)
	5530	for 2011	1,203,269,983	(53,193,524)	7,707,620,722	85,380,143	(24,651,906)	(7,225,134,670)	(93,070)	1,634,919	(1,211,083)	159,717,790	-	1,929,549,815	(74,999,428)
including:															
nuyers and customers	5511	for 2012	591,452,086	(74,923,321)	4,359,529,218	-	(28,069,149)	(4,328,617,930)	(3,505)	60,496	-	(2,994,053)	-	619,365,816	(102,931,974)
	5531	for 2011	453,379,067	(53,128,514)	4,227,835,976	-	(24,640,809)	(4,088,831,810)	(68,364)	1,634,919	(1,211,083)	348,300	-	591,452,086	(74,923,321)
advances issued	5512	for 2012	17,349,449	-	147,432,048	-	-	(72,702,124)	-	-	-	9,921,529	-	102,000,902	-
	5532	for 2011	104,614,692	-	65,482,780	-	-	(162,668,078)	(1,474)	-	-	9,921,529	-	17,349,449	-
outstanding shareholders' contributions to charter capital	5513	for 2012	-	-	-	-	-	-	-	-	-	-	-	-	-
	5533	for 2011	-	-	-	-	-	-	-	-	-	-	-	-	-
other debtors	5514	for 2012	1,320,748,280	(76,107)	3,316,337,074	115,531,588	-	(3,946,491,427)	(2,519)	821	(13,171)	3,038,433	-	809,148,258	(62,115)
	5534	for 2011	645,276,224	(65,010)	3,414,301,966	85,380,143	(11,097)	(2,973,634,782)	(23,232)	-	-	149,447,961	-	1,320,748,280	(76,107)
Accounts receivable - total	5500	for 2012	2,450,187,703	(74,999,428)	8,013,493,378	116,426,651	(28,069,149)	(8,464,267,052)	(6,024)	61,317	(13,171)	-	-	2,115,821,485	(102,994,089)
	5520	for 2011	1,907,188,055	(53,193,524)	7,811,692,377	86,267,695	(24,651,906)	(7,353,656,271)	(93,070)	1,634,919	(1,211,083)	-	-	2,450,187,703	(74,999,428)

## 5.2 Past due accounts receivable

Narrative	Line code	as at 31 December 2012		as at 31 December 2011		as at 31 December 2010	
		under a contract	book value (net of doubtful debt provision)	under a contract	book value (net of doubtful debt provision)	under a contract	book value (net of doubtful debt provision)
Overdue receivable - total	5540	217,909,953	117,556,036	183,023,939	108,078,284	192,663,795	139,524,044
including:							
buyers and customers	5541	192,199,480	91,854,054	157,681,026	82,757,705	167,450,685	114,322,171
advances issued	5542	-	-	6	6	-	-
Other debtors	5543	25,710,473	25,701,982	25,342,907	25,320,573	25,213,110	25,201,873

## 5.3 Movement of accounts payable

Narrative	Line code	Period	At the beginning of the year	Changes for the reporting period				Transfer from long term to short-term (and vice versa)	At the end of reporting period
				additions		disposals			
				as a result of transactions	payable on interest, penalties and other accruals	settlement	write-off to financial result		
Long-term accounts payable - total	5551	for 2012	3,180,459	-	-	-	-	(1,060,149)	2,120,310
	5571	for 2011	4,240,609	-	-	-	-	(1,060,150)	3,180,459
including:									
suppliers and contractors	5552	for 2012	-	-	-	-	-	-	-
	5572	for 2011	-	-	-	-	-	-	-
promissory notes payable	5553	for 2012	-	-	-	-	-	-	-
	5573	for 2011	-	-	-	-	-	-	-
restructured debt to budget and state non-budget funds	5554	for 2012	-	-	-	-	-	-	-
	5574	for 2011	-	-	-	-	-	-	-
advances received	5555	for 2012	-	-	-	-	-	-	-
	5575	for 2011	-	-	-	-	-	-	-
other liabilities	5556	for 2012	3,180,459	-	-	-	-	(1,060,149)	2,120,310
	5576	for 2011	4,240,609	-	-	-	-	(1,060,150)	3,180,459
Short-term accounts payable - total	5560	for 2012	526,153,479	4,318,225,689	214,999,016	(4,547,347,224)	(1,391)	1,060,149	513,089,718
	5580	for 2011	503,433,490	3,902,704,554	91,303,060	(3,972,347,426)	(349)	1,060,150	526,153,479
including:									
suppliers and contractors	5561	for 2012	360,301,618	2,553,107,340	378	(2,554,382,278)	(30)	-	359,027,028
	5581	for 2011	307,451,964	2,304,733,765	-	(2,251,884,111)	-	-	360,301,618
promissory notes payable	5562	for 2012	-	-	-	-	-	-	-
	5582	for 2011	-	-	-	-	-	-	-
salaries payable	5563	for 2012	194,714	28,967,196	-	(28,952,871)	-	-	209,039
	5583	for 2011	253,725	24,869,005	-	(24,928,016)	-	-	194,714
payable to state non-budget funds	5564	for 2012	48,827	5,281,856	76	(5,256,760)	-	-	73,999
	5584	for 2011	52,812	3,596,033	88	(3,600,106)	-	-	48,827
taxes payable	5565	for 2012	45,311,984	685,031,568	14,222	(723,807,995)	-	-	6,549,779
	5585	for 2011	41,231,679	650,984,698	38,267	(646,942,660)	-	-	45,311,984
advances received	5566	for 2012	82,407,176	772,340,763	-	(772,660,528)	-	-	82,087,411
	5586	for 2011	136,150,704	760,419,109	-	(814,162,607)	(30)	-	82,407,176
dividends payable to participants (shareholders)	5567	for 2012	292,332	-	212,351,411	(212,354,142)	(113)	-	289,488
	5587	for 2011	722,068	-	91,143,024	(91,572,495)	(265)	-	292,332
other settlements	5568	for 2012	37,596,828	273,496,966	2,632,929	(249,932,650)	(1,248)	1,060,149	64,852,974
	5588	for 2011	17,570,538	158,101,944	121,681	(139,257,431)	(54)	1,060,150	37,596,828
Accounts payable - total	5550	for 2012	529,333,938	4,318,225,689	214,999,016	(4,547,347,224)	(1,391)	-	515,210,028
	5570	for 2011	507,674,099	3,902,704,554	91,303,060	(3,972,347,426)	(349)	-	529,333,938

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#### 5.4 Past due accounts payable

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Overdue payable - total	5590	107,508,389	163,072,703	108,980,537
including:				
suppliers and contractors	5591	107,374,416	162,929,671	108,606,795
promissory notes payable	5592	-	-	-
advances received	5593	-	-	-
dividends payable to participants (shareholders)	5594	-	-	-
other settlements	5599	133,973	143,032	373,742

#### 6. Cost of production

Narrative	Line code	For 2012	For 2011
Material- related costs	5610	1,220,618,716	1,091,038,836
Payroll expenses	5620	25,277,573	21,764,868
Allocations for social needs	5630	4,946,788	3,676,867
Depreciation	5640	446,098,338	358,955,510
Other expenses	5650	81,268,992	60,777,349
Total by cost element	5660	1,778,210,407	1,536,213,430
Changes in the balance:			
Increase ([ - ]):	5670		
finished goods	5671	(120,237,534)	(87,276,355)
others (except farm turnover costs)	5672	(407,496,188)	(354,530,625)
Decrease ([ + ]):	5680		
finished goods	5681	14,813,877	13,260,170
goods for resale	5682	462,204,377	356,362,514
goods dispatched	5683	976,862,547	898,705,884
Changes in the balance of work in progress (increase [ - ], decrease [ + ])	5690	(38,355,158)	(20,057,933)
Total expenses attributable to ordinary activities	5600	2,666,002,328	2,342,677,085

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## 7. Estimated liabilities

Narrative	Line code	At the beginning of the year	Accrued	Used	Reversed	At the end of the reporting period
Estimated liabilities- total	5700	4,217,158	119,873,549	(5,112,569)	(115,283)	118,862,855
onerous contracts	5702	-	-	-	-	-
liabilities related to future restructuring	5703	-	-	-	-	-
given guarantee commitment	5704	-	-	-	-	-
legal proceedings	5705	-	-	-	-	-
other estimated liabilities	5706	161,121	114,322,020	(317,207)	(16,497)	114,149,437
including adjustments to gas prices		-	113,918,582	-	-	113,918,582
liabilities of pay remuneration based on performance results	5707	2,377,545	2,761,233	(2,282,769)	(96,946)	2,759,063
liability of vacation payment	5708	1,678,492	2,790,296	(2,512,593)	(1,840)	1,954,355
including repayment period up to 1 year		4,217,158	-	-	-	118,862,855

## 8. Security

Narrative	Line code	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
Received - total	5800	707,713	717,242	4,388,841
including:				
promissory notes	5801	-	-	-
assets under pledge	5802	677,110	677,110	4,339,939
including:				
fixed assets	5803	677,110	677,110	4,339,939
securities and other financial investments	5804	-	-	-
other	5805	-	-	-
Issued - total	5810	364,244,062	419,086,120	397,008,630
including:				
promissory notes	5811	-	-	-
assets under pledge	5812	17,092,937	17,101,145	127,482
including:				
fixed assets	5813	-	-	-
securities and other financial investments	5814	17,092,937	17,101,145	127,482
other	5815	-	-	-



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## 9. Exploration assets

### 9.1 Movement of exploration assets

Narrative	Line code	Period	At the beginning of the year			Changes for the reporting period						At the end of the reporting period		
			initial cost	accumulated depreciation	impairment loss	additions	disposals	depreciation accrued	revaluation	impairment loss		initial cost	accumulated depreciation	impairment loss
Intangible exploration assets		for 2012	40,612,661	-	-	981,715	-	-	-	-	-	41,594,376	-	-
		for 2011	33,322,521	-	-	7,290,140	-	-	-	-	-	40,612,661	-	-
including:														
licenses		for 2012	40,612,661	-	-	981,715	-	-	-	-	-	41,594,376	-	-
		for 2011	33,322,521	-	-	7,290,140	-	-	-	-	-	40,612,661	-	-
other		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-
Tangible exploration assets		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-
including:														
buildings and roads		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-
wells		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-
machinery and equipment		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-
other fixed assets		for 2012	-	-	-	-	-	-	-	-	-	-	-	-
		for 2011	-	-	-	-	-	-	-	-	-	-	-	-

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### 9.2 Exploration expenses recognized as non-current assets

Narrative	Line code	Period	At the beginning of the year	Changes for the reporting period				At the end of the reporting period
				costs for the period	disposals	recognised as tangible exploration assets or intangible exploration assets	other changes	
Exploration costs recognised as intangible exploration assets		for 2012	-	981,715	-	(981,715)	-	-
		for 2011	-	7,290,140	-	(7,290,140)	-	-
Exploration costs recognised as tangible exploration assets		for 2012	17,382,693	5,376,233	-	-	-	22,758,926
		for 2011	7,588,404	16,538,082	(6,743,793)	-	-	17,382,693

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

26 March 2013

**JSC GAZPROM**  
**EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS**  
**IN THE STATUTORY FINANCIAL STATEMENTS FOR 2012**  
**(in thousand Russian Roubles, unless otherwise stated)**

**1. GENERAL INFORMATION**

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

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

As at 31 December 2012, 2011 and 2010 the Company employed 23,304, 22,092 and 20,865 persons, respectively.

As at 31 December 2012 members of the Board of Directors of OAO Gazprom included:

Zubkov, Victor Alekseevich – Chairman of the Board of Directors

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

As at 31 December 2012 members of the Management Committee of OAO Gazprom included:

Miller, Alexei Borisovich – Chairman of the Management Committee

Aksyutin, Oleg Evgenievich	Markov, Vladimir Konstantinovich
Vasilieva, Elena Alexandrovna	Medvedev, Alexander Ivanovich
Golko, Yaroslav Yaroslavovich	Mikhailova, Elena Vladimirovna
Golubev, Valery Alexandrovich	Rusakova, Vlada Vilorikovna
Dubik, Nikolay Nikolayevich	Seleznev, Kirill Gennadievich
Kozlov, Alexander Nikolayevich	Fedorov, Igor Yuryevich
Kruglov, Andrei Viacheslavovich	Khomyakov, Sergei Fedorovich
Markelov, Vitaly Anatolievich	Cherepanov, Vsevolod Vladimirovich

As at 31 December 2012 members of the Internal Audit Commission of OAO Gazprom included:

Tikhonova, Maria Gennadievna – Chairman of the Internal Audit Commission

Arkipov, Dmitry Alexandrovich	Nonadze, George Avtandilovich
Bikulov, Vadim Kasymovich	Nosov, Yury Stanislavovich
Mironov, Alexey Borisovich	Oganyan, Karen Isifovich
Nesterova, Anna Borisovna	Yugov, Alexander Sergeevich

**JSC GAZPROM  
EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
IN THE STATUTORY FINANCIAL STATEMENTS FOR 2012  
(in thousand Russian Roubles, unless otherwise stated)**

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

**Basis of presentation**

The financial statements have been prepared in accordance with the accounting and reporting rules applicable in the Russian Federation, specifically with Federal Law "On Accounting" dated 6 December 2011 No402-FZ, and the Regulations on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No34n, as well as the Accounting Policy Regulation approved by order of OAO Gazprom of 30 December 2011 No409.

Assets and liabilities are measured at actual purchase costs, except for regularly re-valued fixed assets at the current (replacement) value, intangible and tangible exploration assets, investments for which current market price is determinable, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits and assets for which impairment provisions have been formed in accordance with the generally accepted procedure.

**Assets, liabilities and transactions denominated in foreign currency**

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate effective at the date of the relevant transactions. Cash in currency and deposit accounts with banks, cash in hand, securities (except for shares), accounts receivable and payable, including loans issued and raised but without advances received and issued, prepayments and down payments denominated in foreign currency have been recorded using the official rouble exchange rate as at the reporting date. As at 31 December 2012 the rates of exchange were RR 30.3727 to USD 1 (as at 31 December 2011 – RR 32.1961, 31 December 2010 - RR 30.4769) and RR 40.2286 to EUR 1 (as at 31 December 2011 - RR 41.6714, 31 December 2010 – RR 40.3331).

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

**Current and non-current assets and liabilities**

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

**Research and development results**

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

**JSC GAZPROM  
EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
IN THE STATUTORY FINANCIAL STATEMENTS FOR 2012  
(in thousand Russian Roubles, unless otherwise stated)**

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

**Intangible and tangible exploration assets**

Exploration expenses recognised within tangible exploration assets relate to the following:

- expenses for drilling and development of wildcats, exploratory and pre-drilled development wells (drilled at exploration stage until production's commercial viability is confirmed) with breakdown by fields (areas);
- expenses for purchasing and assembling buildings, installations, equipment and facilities, acquisition of vehicles used for prospecting, assessment of fields and exploration of mineral reserves.

Accounting items for tangible exploration assets include wells, buildings, machinery, equipment, installations, facilities, vehicles, metal structures, dedicated tooling and other tools.

Exploration expenses recognised within intangible exploration assets include expenses for acquisition of subsoil use rights.

Accounting items for intangible exploration assets include licenses for geological survey, licenses for geological survey and production.

Intangible exploration assets are not depreciated during prospecting, assessment of fields and exploration of mineral reserves.

Costs incurred in acquisition of machinery and equipment are depreciated on a straight-line basis during the whole period of their useful lives. Depreciation charges are included in expenses incurred in exploration by respective subsoil areas. The Company determines useful lives of exploration assets under the procedure similar to determining useful lives of fixed assets. Expenses incurred in creation of an exploration asset include depreciation of the exploration asset used to create that exploration asset.

When production's commercial viability on subsoil area (field) is confirmed, exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets which are intended for development and production of mineral reserves.

The Company assesses whether there is any indication that exploration assets may be impaired as at 31 December of the reporting year and when production's commercial viability on subsoil site (field) is confirmed. To test exploration assets for impairment they are allocated to the subsoil areas. The amounts of provisions were charged to expenses on ordinary activities.

Data about availability and movement of exploration assets are presented in table form 9.1 "Movement of Exploration Assets". Table form 9.2 "Exploration Expenses Recognised within Exploration Assets" includes data on exploration expenses related to acquisition (creation) of exploration assets.

**Fixed assets**

Fixed assets include assets which conform to the requirements of the Russian Accounting Regulation "Accounting for Fixed Assets" (RAR 6/01) approved by the order of the Russian Ministry of Finance dated 30 March 2001, No26n.

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

On the balance sheet fixed assets acquired before 1 January 2012 are recognized at the replacement cost as at 31 December 2011 less depreciation. Fixed assets acquired after 1 January 2012 are recorded at their historical value, less depreciation accumulated over the period of their use. The performed analysis of the present (replacement) cost has shown that the present value of these fixed assets as at 31 December 2012 insignificantly differs from the present (replacement) cost as at 31 December 2011, thus revaluation is considered inexpedient.

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EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

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

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

Fixed assets are depreciated on a straight line basis.

The following assets are not depreciated:

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

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

**Capital investments in progress**

Capital investments in progress are represented by real estate assets under construction, which have not been put into operation, equipment subject to assemblage, equipment not subject to assemblage but stored in warehouses and intended for assets under construction and recorded within investments in non-current assets in a separate line, other capital investments not included within fixed assets.

**Investments**

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

**JSC GAZPROM  
EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

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

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

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

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

**Inventories**

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

**Work-in-progress**

The balance sheet line "Work-in-Progress" includes gas transportation and storage costs attributable to outstanding gas balances.

**Selling and administrative costs**

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

Administrative costs are expensed in full on a monthly basis.

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EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

**Accounts receivable and accounts payable**

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

Doubtful receivables that are very likely to become uncollectible are stated net of bad debt provisions. Bad debt provisions are recorded within other expenses. A corresponding amount of the provision is released after settlement of doubtful receivables previously provided for as bad debts.

In table form 5.1 "Movement of Receivables" of the notes to the balance sheet and statement of financial results the accounts receivable which arise and are repaid (written off) in the same reporting period are disclosed on a gross-up basis. Accounts payable are disclosed in a similar manner.

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

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

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

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

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

Any difference arising on translation of foreign currency-denominated cash flows, cash balances and cash equivalents at the exchange rates as at date of transactions and reporting dates is included in line "Effect of Changes in the Russian Rouble Exchange Rate" in the cash flow statement.

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

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

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

Due to the changes in the procedure for preparing cash flow statement introduced by the Russian accounting standard (RAR 23/2011) "Cash Flow Statement" approved by the order of the Russian Ministry of Finance dated 2 February 2011, No 11n indirect taxes within payments to suppliers and contractors from buyers and customers shall be presented on a net basis.

**Loans and borrowings received**

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

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

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

**Estimated liabilities**

The Company recognizes the following estimated liabilities:

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

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

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

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

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

In addition, the Company records estimated liabilities with regard to adjustments to gas prices arising out of requirements made by foreign buyers under the contractual terms. The effect of adjustments to gas prices including the respective impact on income tax is recognised in the financial statements when the probability that the liabilities arise is high and the liabilities can be reliably estimated.

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

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



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

**Taxation**

The Company is a responsible participant of the consolidated group of taxpayers (CGT) since 1 January 2012.

The Company independently prepares information about income tax in accordance with RAR 18/02. Temporary differences are determined by the Company based on its income and expenses included in the consolidated tax base of CGT in accordance with the Russian Tax Code. Current income tax is determined based on the accounting data and recognised in the statement of financial results in line 2410 "Current Income Tax". Difference between current income tax calculated by the Company for inclusion in the consolidated tax base of CGT and cash payable by the Company under the CGT agreement is recognised in line 2465 "Reallocation of Income Tax within the Consolidated Taxpayer Group" of the statement of financial results and taken into account to calculate the Company's net profit (loss) but not considered for calculating the Company's profit (loss) before tax.

Income tax payable related to CGT as a whole and to be paid by the Company as a responsible participant of CGT is recognised in the balance sheet line 1524 "Taxes Payable".

Income tax overpayments related to CGT are recorded in the balance sheet line 1239 "Other Debtors".

Balances on settlements with CGT participants related to CGT income tax payable (interim payment) are recognised in the balance sheet within current assets in line 1239 "Other Debtors" and current liabilities in line 1528 "Other Settlements" on a gross basis.

**Revenue recognition**

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

**Segment information**

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

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**3. CHANGES IN THE ACCOUNTING POLICIES**

**Changes in the 2012 accounting policies**

Due to enactment of Accounting Regulation "Accounting for Expenses for Mineral Resources Exploration" (RAR 24/2011) adopted by the Resolution of the Russian Ministry of Finance of 6 October 2011 No125n the Company's accounting policies were amended for changes in the accounting treatment and recognition of expenses for mineral resources development. Expenses for mineral resources development which are incurred by the Company in prospecting, assessment and exploration of mineral reserves (exploration expenses) until the production's commercial viability with regard to the subsoil area on which the prospecting works, assessment and exploration of mineral reserves were performed is confirmed and supported by documents, and recognised by the Company as non-current assets are recorded as tangible or intangible exploration assets. According to the Order of the Russian Ministry of Finance of 5 October 2011 No124n "On Amending the Forms of the Organizations' Financial Statements" adopted by the Order of the Russian Ministry of Finance of 2 July 2010 No66n starting from financial statement for 2012 lines 1130 "Intangible Exploration Assets" and 1140 "Tangible Exploration Assets" were added to the balance sheet. Prior to 2012 the Company recognised its expenses for mineral resources exploration and development within other non-current assets and current assets.

**Changes in the 2013 accounting policies**

No significant changes were made to the Company's accounting policies for 2013.

**4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA**

Some data of columns "As at 31 December 2011" and "As at 31 December 2010" on the balance sheet and data of the statement of financial results for 2011 and statement of changes in equity for 2010 and 2011 were adjusted due to the below events:

*Adjusting the 2010 and 2011 data due to enactment of Accounting Regulation "Accounting for Expenses for Mineral Resources Exploration" (RAR 24/2011)*

1. Expenses for acquisition of licenses for prospecting, assessment and exploration of mineral reserves in the subsoil areas with regard to which the production's commercial viability is not determined are recognised within intangible exploration assets in the balance sheet line 1130 "Intangible Exploration Assets" and not depreciated (prior to 1 January 2012 they were recognised within other non-current assets (the balance sheet line 1190) and depreciated on a straight-line basis over the term of the licenses). Accordingly, the accumulated depreciation on these licenses was reversed that resulted in changes in the deferred tax liability. To ensure the comparability of data the respective data for 2011 and 2010 were adjusted (adjustment No1).
2. Costs associated with lump sum payments for subsoil use under the licenses for prospecting, exploration and production of mineral resources in the subsoil areas with regard to which the production's commercial viability is not determined, are recognised in the balance sheet line 1130 "Intangible Exploration Assets" and not depreciated (prior to 1 January 2012 they were recognised within other non-current assets (the balance sheet line 1190) and expensed over the term of the respective licenses (a part of expenses to be written-off within 12 months after the reporting date was recognised within other current assets in the balance sheet line 1260). Accordingly, costs associated with lump sum payments for subsoil use which were recognised as intangible exploration assets and expensed were reversed that resulted in changes in the deferred tax liability. To ensure the comparability of data the respective data for 2011 and 2010 were adjusted (adjustment No2).
3. Expenses for drilling and development of wildcats and exploration wells that were drilled at the exploration stage on subsoil areas with regard to which the production's commercial viability is not determined are recognised within tangible exploration assets in the balance sheet line 1140 "Tangible Exploration Assets" (prior to 1 January 2012 they were recognised within incomplete capital expenditure and other non-current assets in the balance sheet lines 1154 and 1190, respectively). To ensure the comparability of data the respective data for 2011 and 2010 were adjusted (adjustment No3).

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**4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)**

4. Expenses for exploration and other expenses for mineral resources development which are not recognised as exploration assets under RAR 24/2011 were written-off to account 84 "Retained Earnings (Accumulated Deficit)" (prior to 1 January 2011 these expenses were recognised as assets associated with mineral resources exploration and recorded within other non-current and current assets in the balance sheet lines 1190 and 1260, respectively, and charged to expenses during the year from recognition date). To ensure the comparability of data the respective data for 2011 and 2010 were adjusted. The adjustment also resulted in changes in the deferred tax asset (adjustment No4).

5. Expenses for drilling and development of wildcats and exploration wells that were drilled and temporarily shutdown on subsoil areas with regard to which the production's commercial viability is determined are recognised within capital investments in progress in the balance sheet line 1154 "Capital Investments in Progress" until the construction is completed (prior to 1 January 2012 they were recognised within other non-current assets in the balance sheet line 1190). To ensure the comparability of data the respective data for 2011 and 2010 were adjusted (adjustment No5).

**Adjustments due to CGT creation**

The Company is a participant of the consolidated group of taxpayers since 1 January 2012. Deferred tax asset arising from the Company's losses (related to CGT activities) calculated prior to joining the CGT is written-off to account 84 "Retained Earnings (Accumulated Deficit)" (adjustment No 6).

Adjustments to the 2010 and 2011 data in the annual financial statements for 2012:

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment, RR'000	Adjusted
<b>2010 adjustments</b>					
<b>Balance sheet:</b>					
1130	Intangible exploration assets	-	1,2	33,322,521	33,322,521
1140	Tangible exploration assets	-	3	7,588,404	7,588,404
1150	Fixed assets	3,873,633,124	3,5	9,826,613	3,883,459,737
1154	Capital investments in progress	12,789,182	3,5	9,826,613	22,615,795
1180	Deferred tax assets	11,540,073	4,6	1,313,663	12,853,736
1190	Other non-current assets	64,754,311	1,2,3,5	(46,560,283)	18,194,028
1100	Total of section I	5,470,682,571	1,2,3,4,6	5,490,918	5,476,173,489
1260	Other current assets	9,184,710	2,4	(7,707,946)	1,476,764
1200	Total section II	2,357,424,692	2,4	(7,707,946)	2,349,716,746
<b>1600</b>	<b>Balance</b>	<b>7,828,107,263</b>	<b>1,2,3,4,6</b>	<b>(2,217,028)</b>	<b>7,825,890,235</b>

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**4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)**

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment, RR'000	Adjusted
1370	Retained earnings (accumulated deficit)	2,291,705,667	1,2,3,4,6	(3,440,942)	2,288,264,725
1300	Total section III	6,187,890,234	1,2,3,4,6	(3,440,942)	6,184,449,292
1420	Deferred tax liabilities	136,710,142	1,2	673,515	137,383,657
1400	Total of section IV	1,003,898,769	1,2	673,515	1,004,572,284
1520	Accounts payable	502,883,091	4	550,399	503,433,490
1525	Other creditors	153,170,843	4	550,399	153,721,242
1528	Other settlements	17,020,139	4	550,399	17,570,538
1500	Total section V	636,318,260	4	550,399	636,868,659
<b>1700</b>	<b>Balance</b>	<b>7,828,107,263</b>	<b>1,2,3,4,6</b>	<b>(2,217,028)</b>	<b>7,825,890,235</b>
<b>Statement of changes in equity</b>					
3600	Net assets	6,187,890,234	1,2,3,4,6	(3,440,942)	6,184,449,292
<b>2011 adjustments</b>					
<b>Balance sheet:</b>					
1130	Intangible exploration assets	-	1,2	40,612,661	40,612,661
1140	Tangible exploration assets	-	3	17,382,693	17,382,693
1150	Fixed assets	4,794,146,790	3,5	14,253,578	4,808,400,368
1154	Capital investments in progress	12,824,399	3,5	14,253,578	27,077,977
1180	Deferred tax assets	16,477,826	4,6	1,000,978	17,478,804
1190	Other non-current assets	91,067,062	1,2,3,5	(66,122,433)	24,944,629
1100	Total section I	6,623,126,098	1,2,3,4,6	7,127,477	6,630,253,575
1230	Accounts receivable	2,375,188,215	4	60	2,375,188,275
1235	Accounts receivable (payments expected within 12 months of the reporting date)	1,854,550,327	4	60	1,854,550,387
1239	Other debtors	1,320,672,113	4	60	1,320,672,173
1260	Other current assets	10,102,561	1,2,4	(6,508,273)	3,594,288
1200	Total section II	2,897,528,758	2,4	(6,508,213)	2,891,020,545
<b>1600</b>	<b>Balance</b>	<b>9,520,654,856</b>	<b>1,2,3,4,6</b>	<b>619,264</b>	<b>9,521,274,120</b>

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**4. ADJUSTMENTS TO PRIOR REPORTING PERIOD DATA (continued)**

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment, RR'000	Adjusted
1370	Retained earnings (accumulated deficit)	3,081,741,117	1,2,3,4,6	(921,748)	3,080,819,369
1300	Total section III	7,540,011,643	1,2,3,4,6	(921,748)	7,539,089,895
1420	Deferred tax liabilities	198,620,288	1,2	990,613	199,610,901
1400	Total of section IV	1,043,747,985	1,2	990,613	1,044,738,598
1520	Accounts payable	525,603,080	4	550,399	526,153,479
1525	Other creditors	119,453,605	4	550,399	120,004,004
1528	Other settlements	37,046,429	4	550,399	37,596,828
1500	Total section V	936,895,228	4	550,399	937,445,627
<b>1700</b>	<b>Balance</b>	<b>9,520,654,856</b>	<b>1,2,3,4,6</b>	<b>619,264</b>	<b>9,521,274,120</b>
<b>Statement of financial results</b>					
2220	General business expenses	(60,948,893)	1,2,4	3,148,917	(57,799,976)
2200	Profit (loss) from sale	1,188,515,429	1,2,4	3,148,917	1,191,664,346
2340	Other income	3,283,210,797	4	60	3,283,210,857
2300	Profit (loss) before taxation	1,142,014,603	1,2,4	3,148,977	1,145,163,580
2430	Changes in the deferred tax liabilities	(64,032,966)	1,2	(317,098)	(64,350,064)
2450	Changes in the deferred tax assets	5,086,221	4	(312,685)	4,773,536
2400	Net profit (loss)	879,601,664	1,2,4	2,519,194	882,120,858
2500	Cumulative financial result for the period	1,443,264,433	1,2,4	2,519,194	1,445,783,627
2900	Basic earnings (loss) per share (in RR)	37.16	1,2,4	0.10	37.26
<b>Statement of changes in equity</b>					
3600	Net assets	7,540,011,643	1,2,3,4	(921,748)	7,539,089,895

In the statement of changes in equity for 2012 (form of restatements due to changes in accounting policies and correction of mistakes) the data as at 31 December 2010 in line "Changes in the Accounting Policies" includes the adjustments to the financial statements made in 2011 financial statements.

Due to the changes in presentation of cash inflow and outflow in cash flow statement the comparative data presented in the 2011 cash flow statement were adjusted including:

1. indirect taxes within payments to suppliers and contractors and proceeds from buyers and customers are recognised on a net basis (adjustment No1)
2. payments to suppliers and contractors associated with creation and acquisition of exploration assets are recognised within cash flows from investing activities (adjustment No 2).

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Material adjustments are provided below:

Line code	Narrative	Unadjusted	Number of adjustment	Adjustment	Adjusted
<b>Cash flows from operating activities</b>					
4110	Receipts - total	4,088,906,915	1	(265,395,194)	3,823,511,721
4120	Payments - total	(3,010,222,013)	1,2	276,382,350	(2,733,839,663)
4100	Net cash flows from operating activities	1,078,684,902	2	10,987,156	1,089,672,058
<b>Cash flows from investing activities</b>					
4210	Receipts - total	87,522,492	1	(49,212)	87,473,280
4220	Payments - total	(1,300,858,910)	1,2	(10,937,944)	(1,311,796,854)
4200	Net cash flows from investing activities	(1,213,336,418)	2	(10,987,156)	(1,224,323,574)

**5. PROPERTY, PLANT AND EQUIPMENT**

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
<b>As at 31 December 2010</b>						
Historical (replacement) cost	7,491,468,810	972,945,142	1,319,575,430	442,875,395	1,014,445,559	11,241,310,336
Accumulated depreciation	<u>5,099,795,901</u>	<u>719,891,795</u>	<u>1,006,705,243</u>	<u>187,723,313</u>	<u>366,350,142</u>	<u>7,380,466,394</u>
<b>Net book value</b>	<b>2,391,672,909</b>	<b>253,053,347</b>	<b>312,870,187</b>	<b>255,152,082</b>	<b>648,095,417</b>	<b>3,860,843,942</b>
<b>As at 31 December 2011</b>						
Historical (replacement) cost	9,025,184,972	1,163,407,838	1,685,930,145	565,181,012	1,316,088,708	13,755,792,675
Accumulated depreciation	<u>6,160,939,355</u>	<u>857,575,298</u>	<u>1,250,999,561</u>	<u>243,257,178</u>	<u>461,698,892</u>	<u>8,974,470,284</u>
<b>Net book value</b>	<b>2,864,245,617</b>	<b>305,832,540</b>	<b>434,930,584</b>	<b>321,923,834</b>	<b>854,389,816</b>	<b>4,781,322,391</b>
<b>As at 31 December 2012</b>						
Historical (replacement) cost	9,610,565,765	1,209,239,843	1,925,066,293	608,918,155	1,588,430,564	14,942,220,620
Accumulated depreciation	<u>6,403,894,547</u>	<u>889,352,557</u>	<u>1,327,395,919</u>	<u>258,510,715</u>	<u>515,797,432</u>	<u>9,394,951,170</u>
<b>Net book value</b>	<b>3,206,671,218</b>	<b>319,887,286</b>	<b>597,670,374</b>	<b>350,407,440</b>	<b>1,072,633,132</b>	<b>5,547,269,450</b>

Net book value of fixed assets leased out to subsidiaries amounted to 5,350,122,236; 4,579,118,766 and 3,787,704,605 as at 31 December 2012, 2011 and 2010, respectively.

As at 31 December 2012, 2011 and 2010 the property, plant and equipment included property items that had been constructed and put into operation but were still to be registered in the State Register, amounting to 1,254,062,154; 549,003,359 and 239,944,913, respectively (net of accumulated depreciation in the amount of 18,839,204; 5,406,165 and 2,328,049, respectively). As at 31 December 2012 the following production infrastructure assets represent the most significant real property assets, title to which is undergoing registration: gas trunk pipeline Bovanenkovo - Ukhta 526.7 km - 860.5 km 1st line; gas trunk pipeline Bovanenkovo - Ukhta 186.7 km - 526.7 km 1st line; gas trunk pipeline Bovanenkovo - Ukhta 2.9 km - 28.0km/ 0km - 111.7 km 1st line; gas trunk pipeline Bovanenkovo - Ukhta 860.5 km - 1,074.0 km 1st line; gas trunk pipeline Sakhalin - Khabarovsk - Vladivostok, area of 1,136.0 km – 1,574.7 km.

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**6. INVESTMENTS**

**Long-term investments**

*Investments in subsidiaries and associates*

Information on investments in subsidiary and associates is provided in Note 18.

"Investments in Subsidiaries" (balance sheet line 1171) are presented net of impairment provision of 2,731,050; 2,338,448 and 2,280,841 as at 31 December 2012, 2011 and 2010, respectively.

"Investments in Associates" (balance sheet line 1172) are presented net of impairment provision of 715,473; 715,599 and 715,312 as at 31 December 2012, 2011 and 2010, respectively.

*Investments in other entities*

"Investments in Other Entities" (balance sheet line 1173) are presented net of impairment provision of 3,880 as at 31 December 2012, 2011 and 2010, respectively.

*Loans provided to companies for a period over 12 months*

"Loans Provided to Companies for a Period over 12 Months" (balance sheet line 1174) include long-term loans of 32,222,356; 22,287,895 and 23,757,537 as at 31 December 2012, 2011 and 2010, respectively. Loans provided for a period from one to three years, among them, amounted to 14,443,914; 11,152,480 and 5,887,557 as at 31 December 2012, 2011 and 2010, respectively.

*Other long-term investments*

Other long-term investments included within long-Term "Financial Investments" (balance sheet line 1170) are presented net of impairment provision of 7,883,873; 8,065,717 and 8,639,241 as at 31 December 2012, 2011 and 2010, respectively. The provision relates to investments in joint activities.

	31 December		
	2012	2011	2010
Joint activity	113,998,960	111,318,165	95,250,729
including:			
development of oil and gas fields on the Barents and Pechora Seas shelf (operator – OOO Gazprom Neft Shelf)	89,886,111	89,881,731	74,055,505
development of oil and gas fields on continental shelf of the Socialist Republic of Vietnam (operator - ZAO Gazprom Zarubezhneftegas)	19,358,803	16,552,975	14,700,444
development of a satellite communication system OAO Gazprom Space Systems	3,252,323	3,252,323	3,180,363
Long-term deposits	472,859	8,060,702	9,270,404
Other	371,126	371,126	371,126
including:			
South Pars (oil and gas field located in Iran)	370,126	370,126	370,126
<b>Total</b>	<b>114,842,945</b>	<b>119,749,993</b>	<b>104,892,259</b>

Long-term investments include securities of other entities, mainly investments in the shares of subsidiaries and associated companies and other entities amounting to 1,157,464,664; 1,171,921,245 and 998,127,084 as at 31 December 2012, 2011 and 2010, respectively, including securities of foreign issuers of 490,343,041; 483,017,870 and 397,450,816 as at 31 December 2012, 2011 and 2010, respectively.

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## 6. INVESTMENTS (continued)

Additional information is provided in table forms 3.1 "Movement of financial investments" and 3.2 "Other use of financial investments" of the Notes to the Balance Sheet and Statement of Financial Results.

## 7. OTHER NON-CURRENT ASSETS

As at 31 December 2012, 2011 and 2010 other non-current assets included costs associated with implementation of international projects of 16,161,814; 16,761,450 and 12,017,802, respectively.

## 8. ACCOUNTS RECEIVABLE

### Trade receivables

	As at 31 December		
	2012	2011	2010
Accounts receivable for gas sold:	407,656,947	389,933,654	286,151,432
in Russia	185,432,389	143,532,676	119,423,389
outside Russia (net of doubtful debt provision of 102,233,46; 74,478,690 and 52,414,144 as at 31 December 2012, 2011 and 2010 respectively), including:	222,224,558	246,400,978	166,728,043
far abroad countries (net of doubtful debt provision of 5,714,741; 889,854 and 2,163,521 as at 31 December 2012, 2011 and 2010 respectively)	183,156,730	168,940,589	132,029,782
Accounts receivable for leased property (net of doubtful debt provision of 579,426, 326,725 and 581,138 as at 31 December 2012, 2011 and 2010 respectively)	62,852,572	87,471,937	87,455,343
Accounts receivable for services related to organisation of gas transportation (net of doubtful debt provision of 118,990; 117,812 and 120,167 as at 31 December 2012, 2011 and 2010, respectively)	9,732,506	7,129,523	6,585,497
Accounts receivable for gas condensate and refinery products sale (net of impairment provision in amount of 94 as at 31 December 2012, 2011 and 2010, respectively)	36,198,644	30,496,964	19,745,534
Other trade receivables (net of doubtful debt provision of 12,971 as at 31 December 2010. No doubtful debt provision was formed as at 31 December 2011 and 2012)	9,171,678	1,496,687	776,847
<b>Total</b>	<b>525,612,347</b>	<b>516,528,765</b>	<b>400,714,653</b>



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**8. ACCOUNTS RECEIVABLE (continued)**

The increase in accounts receivable for gas sold in the Russia was primarily due to increased accounts receivable from OOO Gazprom Mezhhregiongaz. As at 31 December 2012, 2011 and 2010 accounts receivable from OOO Gazprom Mezhhregiongaz for supplied gas amounted to 170,115,377; 117,702,965 and 98,298,407, respectively.

The accounts receivable recorded in the balance sheet line "Trade Accounts Receivable (Payments Expected within 12 Months After the Reporting Date)" (line 1232) are presented net of a bad debt provision of 102,931,974; 74,923,321 and 53,128,514 as at 31 December 2012, 2011 and 2010, respectively. The doubtful debt provisions were calculated net of a deferred excise in the amount of 133,973; 143,032 and 373,742 as at 31 December 2012, 2011 and 2010, respectively. Deferred excise reduces the balance sheet line "Other Settlements" (line 1528).

The balance sheet line "Accounts Receivable from Buyers and Customers (Payments Expected within 12 Months After the Reporting Date)" (line 1236) includes the non-current portion of the receivable from OAO Gazprom Neft Salavat amounting to 4,024,795 that was restructured in 2012 in accordance with the debt restructuring agreement dated 01.02.2012 and the receivable from ZAO Gazprom Neft Orenburg amounting to 5,153,710 under the sale contract of 02.07.2012.

**Advances receivable**

The balance sheet line "Advances Issued" (line 1233) within accounts receivable payments for which are expected beyond 12 months after the reporting date, includes the advance paid to NAK Naftogaz Ukraine for gas transportation services in the amount of 19,016,264; 28,937,793 and 38,859,322 as at 31 December 2012, 2011 and 2010, respectively. Short-term part of the advance in the amount of 9,921,530 as at 31 December 2012, 2011 and 2010, respectively, is recognized in the balance sheet line "Advances Issued" (line 1238) within accounts receivable payments for which are expected within 12 months after the reporting date. This line also includes short-term advances paid to NAK Naftogaz Ukraine for gas transportation services in the amount of 85,854,695 as at 31 December 2012.

**Other accounts receivable**

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

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivables from Other Debtors (Payments Expected Beyond 12 Months After the Reporting Date)" (line 1234) in the amount of 527,793,239; 472,301,366 and 648,225,919 as at 31 December 2012, 2011 and 2010, respectively.

A long-term portion of accounts receivable from subsidiaries relates to amounts received for investment project financing and is presented in the balance sheet line "Accounts Receivables from Other Debtors (Payments Expected Beyond 12 Months After the Reporting Date)" (line 1239) in the amount of 661,846,016; 1,114,240,916 and 516,782,663 as at 31 December 2012, 2011 and 2010, respectively.

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**8. ACCOUNTS RECEIVABLE (continued)**

"Accounts Receivable From Other Debtors (Payments Expected within 12 Months After the Reporting Date" (balance sheet line 1239) include accounts receivable from OOO Gazprom Energoholding (former OOO Gazoenergeticheskaya Kompania) related to the contract of guarantee of 21,508,289 as at 31 December 2012, 2011 and 2010. The Company issued a guarantee to secure the loans obtained by OOO Gazoenergeticheskaya kompaniya from Gazprombank (open joint stock company) to finance the purchase of shares of energy companies.

Additional information is provided in table forms 5.1 "Movement of Accounts Receivable" and 5.2 "Past Due Accounts Receivable" of the Notes to the Balance Sheet and Statement of Financial Results.

**9. CASH AND CASH EQUIVALENTS**

**The structure of cash and cash equivalents**

	As at 31 December		
	2012	2011	2010
Cash on hand	25,855	21,428	7,891
Cash on settlement accounts	67,817,882	130,129,385	86,670,344
Cash on foreign currency accounts	48,766,336	53,673,528	117,222,131
Cash on special bank accounts	4,056,493	3,953,791	3,811,380
Total cash	120,666,566	187,778,132	207,711,746
Short-term bank deposits (maturing in less than three months)	-	51	51
Total cash equivalents	-	51	51
<b>Total</b>	<b>120,666,566</b>	<b>187,778,183</b>	<b>207,711,797</b>

The balance sheet line "Other Cash and Cash Equivalents" (line 1259) includes cash balances of 3,658,108; 3,876,028 and 3,668,529 as at 31 December 2012, 2011 and 2010, respectively, which are restricted as to withdrawal under the terms of certain loans (see Note 11).

Cash flows from operating activities recognized in line "Other Receipts" (line 4119) of the cash flow statement include cash received from participants of the consolidated group of taxpayers (CGT) (established in 2012) for the purpose of CGT income tax settlements in the amount of 48,316,017 for 2012; advances received from buyers (customers) in the amount of 17,757,668 and 35,324,311 for 2012 and 2011 respectively; proceeds from the payment of short-term loans provided to other companies in the amount of 19,602,694 and 23,907,390 for 2012 and 2011 respectively; proceeds from refunded customs fee amounts that were paid in access, amounting to 23,939,224 and 2,208,863 for 2012 and 2011 respectively; proceeds from refunded profit tax amounting to 36,832,883 and 786,219 for 2012 and 2011 respectively; net based indirect taxes related to operating activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers amounting to 55,497,243 and 34,216,262 for 2012 and 2011 respectively.

Cash flows from operating activities recognized in line "Other Payments" (line 4129) of the cash flow statement include contributions to subsidiaries' property amounting to 66,493,100 and 64,156,368 for 2012 and 2011, respectively; short-term loans provided to other entities amounting to 20,597,580 and 33,833,902 for 2012 and 2011, respectively; cash used pay customs duties amounting to 458,409,675 and 410,674,408 for 2012 and 2011, respectively; advances made to suppliers (contractors) amounting to 89,006,365 and 1,691,008 for 2012 and 2011, respectively; cash refunds to gas buyers due to adjusted gas prices for deliveries made in 2010 and 2011, amounting to 40,222,578 in 2012 and 2,538,736 in 2011.

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**9. CASH AND CASH EQUIVALENTS (continued)**

Cash flows from investment activities recognized in line "Other Payments" (line 4229) of the cash flow statement include cash used to make settlements related to capital construction in the amount of 913,162,545 and 1,147,592,610 for 2012 and 2011, respectively; net based indirect taxes related to investment activities that are presented within payments to suppliers and contractors and proceeds from buyers and customers amounting to 5,660,414 and 8,513,398 for 2012 and 2011, respectively.

The line "Income Tax" (line 4124) includes the income tax amount that is attributable to the whole CGT and that the Company paid being the CGT responsible participant. The corporate income tax amount accrued for CGT and paid by the Company as the CGT responsible participant amounted to 251,637,790.

**10. EQUITY AND RESERVES**

**Charter capital**

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RR 5 each) and did not change in 2012.

In accordance with the decision of the general shareholders' meeting, final dividends on the Company 2011 results were accrued in the amount of RR 8.97 per one common share. Dividends paid amounted to 212,156,122. Final dividends on the Company 2010 and 2009 results were accrued in the amount of RR 3.85 and RR 2.39 per one common share, dividends paid amounted to 90,983,996 and 56,472,955, respectively.

**Reserve capital**

In 2012, 2011 and 2010 the Company did not make any contributions to the reserve fund from net profit as the target limit of the fund was reached (7.3% of the charter capital).

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**11. BORROWINGS AND LOANS**

**Bank loans**

Lender	Loan currency	Maturity	31 December		
			2012	2011	2010
Royal Bank of Scotland AG	US dollars	2013	54,857,526	58,150,852	55,045,726
Bank of Tokyo-Mitsubishi UFJ Ltd. <sup>1</sup>	US dollars	2012-2016	22,887,493	25,780,218	-
BNP Paribas SA <sup>1</sup>	Euro	2013-2022	16,450,652	15,934,701	7,108,095
Citibank N.A. <sup>1</sup>	US dollars	2012-2021	8,562,705	10,261,872	10,268,911
Deutsche Bank AG	US dollars	2012-2014	4,353,111	6,923,689	11,410,440
Credit Suisse International <sup>1,2</sup>	US dollars	2017	-	16,886,139	15,988,859
Royal Bank of Scotland AG <sup>1</sup>	US dollars	2012	-	3,794,998	10,774,235
Deutsche Bank AG	US dollars	2011	-	-	2,906,970
J.P. Morgan Chase Bank <sup>2</sup>	US dollars	2011	-	-	1,528,434
Citibank N.A. <sup>1,2</sup>	US dollars	2012	-	-	1,247,932
Loans of other banks	US dollars	Various	1,179,801	1,347,547	1,374,261
<b>Total, including</b>			<b>108,291,288</b>	<b>139,080,016</b>	<b>117,653,863</b>
due within one year, including current portion of long-term loans			65,767,153	11,047,364	19,712,099

Total amount of loans received in 2012 was 32,761,751; total amount of loans and interest repaid in 2012 was 67,043,575 (in 2011, the total amount of loans received was 40,130,075 and the total amount of loans repaid was 30,768,141; in 2010, the total amount of loans received was 18,061,849 and the total amount of loans repaid was 147,037,528).

In 2010 - 2012 the Company used credit facilities that were opened in 2009 by Gazprombank (Open Joint Stock Company), OAO Sberbank of Russia, OAO Bank VTB and the Central branch of AB Rossia in the amounts of 25,000,000; 17,000,000; 5,000,000 and USD 100,000 thousand, respectively, due in 2012.

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

In 2012 a credit facility of 60,000,000 was opened by Gazprombank (Open Joint Stock Company) to be repaid in 2017.

Under credit facility agreement No.P2-0001/2012 dated 26 June 2012, in August - September 2012 the Company received a short-term loan of 31,725,000 from Gazprombank (Open Joint Stock Company) to be repaid in September 2012.

In the reporting year, total interest accrued for the use of credit facility provided by Gazprombank (Open Joint Stock Company) at 5.42%, 5.50%, 6.28% was 20,080 (in 2011 it totalled 592 at the rate of 3.43%).

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

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

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

In October 2012, the Company repaid the loan of Credit Suisse International ahead of contracted schedule.

In 2010 - 2012 interest rates on long-term bank loans denominated in foreign currency ranged from 5.0% to 9.63%. In addition, the LIBOR rates were used in 2010-2012.

<sup>1</sup> Loans received from bank syndicates, named lender is the bank-agent

<sup>2</sup> These loans were repaid ahead of contracted schedule

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**11. BORROWINGS AND LOANS (continued)**

In 2010 LIBOR rates were used for short-term foreign currency loans; no short-term foreign currency loans were received in 2011-2012.

In 2010 the fixed interest rate on long-term loans denominated in Russian roubles was 8.0%. In 2011-2012 no long-term loans denominated in Russian roubles were received.

In 2012 the fixed interest rate on short-term loans denominated in Russian roubles varied from 5.42% to 6.28%; in 2011 the fixed interest rate on short-term loans denominated in Russian roubles was 3.43%; and in 2010 no short-term loans were received in Russian roubles.

**Loans**

Lenders	Currency	Maturity	31 December		
			2012	2011	2010
Gazprom Sakhalin Holdings B.V.	US dollars	2013	277,699,400	153,650,974	64,440,169
Gaz Capital S.A.	US dollars	2019	69,532,602	73,706,934	69,771,148
Rosingaz Ltd.	RR	2013	61,657,038	57,952,178	-
Gaz Capital S.A.	Euro	2017	57,249,565	-	-
Gaz Capital S.A.	Euro	2018	51,088,231	52,919,449	51,219,912
Gaz Capital S.A.	US dollars	2013	48,795,436	51,724,830	48,962,839
Gaz Capital S.A.	Euro	2015	41,607,268	43,099,514	41,715,349
Gaz Capital S.A.	US Dollars	2016	41,279,082	43,757,238	41,420,699
Gaz Capital S.A.	US dollars	2022	40,298,483	42,717,769	40,436,736
Gaz Capital S.A.	US dollars	2014	39,251,336	41,607,758	39,385,996
Gaz Capital S.A.	US dollars	2037	39,003,482	41,345,024	39,137,292
Gaz Capital S.A.	US dollars	2034	36,997,366	39,218,472	37,124,293
Gaz Capital S.A.	Euro	2015	36,714,505	38,030,540	36,809,168
Gaz Capital S.A.	US dollars	2018	34,014,765	36,056,813	34,131,460
Gaz Capital S.A.	Euro	2014	32,719,456	33,892,267	32,803,799
Gaz Capital S.A.	US dollars	2022	31,049,252	-	-
Gaz Capital S.A.	US dollars	2016	30,531,397	32,364,325	-
Gaz Capital S.A.	US dollars	2015	30,510,174	32,341,827	30,614,845
Gaz Capital S.A.	Euro	2014	28,416,599	29,435,035	28,490,415
White Night Finance B.V.	US dollars	2014	24,333,595	25,794,442	24,417,076
Gaz Capital S.A.	Euro	2017	20,920,944	21,668,991	20,975,289
Gaz Capital S.A.	Euro	2017	20,294,171	21,021,514	20,346,889
Gaz Capital S.A.	US dollars	2021	18,703,509	19,440,005	-
Gaz Capital S.A.	US dollars	2013	15,617,263	16,554,832	15,670,841
White Night Finance B.V.	US dollars	2014	15,274,937	16,191,955	15,327,341
Gazprom International S.A.	US dollars	2012-2020	12,508,993	18,837,878	22,747,073
Gaz Capital S.A.	US dollars	2013	12,347,353	13,088,616	12,389,713
Gazprom Finance B.V.	Roubles	2013	12,294,308	-	-
RosUkrEnerg AG	US dollars	2013	2,248,071	-	-

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**11. BORROWINGS AND LOANS (continued)**

Lenders	Currency	Maturity	31 December		
			2012	2011	2010
Gaz Capital S.A.	Euro	2012	-	41,787,524	40,445,495
Gazprom ESP S.A.	US dollars	2012	-	15,924,218	-
OOO Gazprom Capital <sup>1</sup>	RR	2014	-	15,156,165	-
RosUkrEnergo AG	US dollars	2012	-	10,778,254	-
Gaz Capital S.A.	US dollars	2012	-	8,469,546	8,017,291
Gazstream SA	US dollars	2012	-	1,250,675	2,367,784
Gaz Capital S.A.	Swiss francs	2011	-	-	17,208,860
Gazprom Germany GmbH <sup>1</sup>	US dollars	2012	-	-	13,596,009
A9 series Russian bonds	RR	2014	5,136,700	5,134,700	5,133,700
A11 series Russian bonds	RR	2014	5,011,300	5,007,550	5,005,650
A13 series Russian bonds	RR	2012	-	10,014,400	10,010,800
A8 series Russian bonds	RR	2011	-	-	5,061,350
<b>Total, including</b>			<b>1,193,106,581</b>	<b>1,109,942,212</b>	<b>875,185,281</b>
due within one year, including current portion of long-term loans			460,880,963	396,027,626	110,179,027

Total amount of loans received in 2012 was 261,283,047; total amount of loans and interest repaid in 2012 was 190,184,450 (in 2011, total amount of loans received was 231,870,752 and total amount of loans repaid was 102,568,018; in 2010 total amount of loans received was 109,474,330 and total amount of loans repaid was 119,018,861).

As at 31 December 2012, 2011 and 2010, the long-term loan from Gazprom International S.A. amounting to 12,508,993; 18,837,878 and 22,747,073, respectively, are secured by export revenues from gas sales to Western Europe.

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

In 2008, the Company raised a loan from Gaz Capital S.A. related to the issue of loan participation notes of 11,722,800 due in 2013. The loan has a variable interest rate and is linked to Brent oil quotes. In 2012, 2011 and 2010, the interest rate was 6.81%.

In November 2011, the Company raised a loan of 15,000,000 due in November 2014 at 7.60% from OOO Gazprom Capital. In November 2012, the Company repaid this loan ahead of contracted schedule.

In July 2012, the Company raised two loans from Gaz Capital S.A.: a loan related to the issue of bonds of 32,404,100 due in 2022 at 4.95% and a loan of 55,560,755 due in 2017 at 3.76%.

In August 2012 the Company raised a loan of 12,000,000 from Gazprom Finance B.V., repayable in 2013, and at the interest rate varying from 6.0% to 6.90%.

In December 2012, the Company raised a loan of 2,265,510 repayable in 2013 at 2.00% from RosUkrEnergo A.G.

<sup>1</sup> These loans were repaid ahead of time stipulated in the contract

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**11. BORROWINGS AND LOANS (continued)**

In 2012 the Company raised a loan of 134,968,278 from Gazprom Sakhalin Holding B.V., repayable in 2013, and at the interest rate varying from 1.50% to 2.25%.

Interest rates on foreign currency long-term borrowings received from Gaz Capital S.A., Gazprom International S.A. and Gazstream SA as a result of Loan Participation Notes ranged from 3.76% to 9.25% in 2012 and from 4.56% to 9.25% in 2010 - 2011.

Interest rates on other foreign currency long-term loans ranged from 1.50% to 10.50% in 2011 - 2012, and from 3.20% to 10.50% in 2010.

Interest rates on foreign currency short-term loans ranged from 1.33% to 3.60% in 2012, from 1.50% to 3.60% in 2011, and in 2010 the interest rate was 2.25%.

Interest rates on rouble long-term loans, including bonds, ranged from 7.0% to 13.75% in 2011 - 2012, and from 6.77% to 13.75% in 2010.

Interest rates on rouble short-term loans ranged from 4.50% to 6.90% in 2012, from 4.50% to 5.0% in 2011, and in 2010 no short-term rouble loans were raised.

The amounts of loans (credits) that were not needed, and consequently, were not drawn down by the Company were 8,458,883; 24,045,591 and 10,288,453 as at 31 December 2012, 2011 and 2010, respectively.

**12. TAXATION**

**Income tax**

Theoretical income tax determined based on accounting profit and statutory rates (20%, 9%, 0%) amounted to 130,286,185 and 214,103,689 in 2012 and 2011, respectively. According to the tax returns, the income tax was 214,588,602 and 241,497,924 in 2012 and 2011, respectively.

According to the amended tax returns submitted in 2012, the income tax amounted to a negative amount of 9,548,348 (the decrease of the current income tax for 2011 is primarily explained by the application of a special depreciation coefficient). According to the amended tax returns submitted in 2011, the income tax amounted to a negative amount of 36,698,162.

Permanent differences which increase the taxable profit amounted to 382,290,404 and 345,660,967 (net of doubtful debt provision) in 2012 and 2011, respectively. Permanent differences which decrease the taxable profit amounted to 42,305,089 and 97,090,321 (net of doubtful debt provision) in 2012 and 2011, respectively. Permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by 339,985,315 and 248,570,646 in 2012 and 2011, respectively. This resulted in the income tax amount (calculated per tax accounts) exceeding the theoretical income tax amount by 68,406,024 and 50,272,601 in 2012 and 2011, respectively.

Incurred deductible temporary differences amounted to 154,214,273 and 31,006,818 in 2012 and 2011 respectively; deductible temporary differences redeemed in 2012 and 2011 totaled 39,010,377 and 7,139,138, respectively. In 2012 newly originated deductible temporary differences exceeded redeemed deductible temporary differences by 115,203,896 as a result of which the deferred tax asset increased by 23,040,779. In 2011 newly originated deductible temporary differences exceeded redeemed deductible temporary differences by 23,867,680 as a result of which the deferred tax asset increased by 4,773,536.

Deductible temporary differences have primarily arisen from the recognition for accounting purposes of estimated liabilities that are not recognized in tax accounts as a result of which the deferred tax asset increased by 22,893,632 and 91,067 in 2012 and 2011, respectively.

In addition, net profit for 2012 was reduced by written off deferred tax assets of 6,630, such reduction being recorded in the line "Other" (line 2460) in the statement of financial result. In 2011, the deferred tax assets decreasing the net profit amounted to 148,468.



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**12. TAXATION (continued)**

Incurred taxable temporary differences amounted to 176,988,282 (including 136,504,196 related to the current period) in 2012 and to 542,490,208 in 2011; taxable temporary differences settled in 2011 totaled 93,403,554 (including 93,403,554 related to the current period) and 231,348,009. In 2012 newly originated taxable temporary differences exceeded redeemed taxable temporary differences by 83,584,728 as a result of which the deferred tax liability increased by 16,692,734 (including: 8,595,917 related to the current period). In 2011 newly originated taxable temporary differences exceeded redeemed taxable temporary differences by 311,142,199 as a result of which the deferred tax liability increased by 64,350,064.

Taxable temporary differences have primarily arisen from different methods of depreciation used for statutory accounting and tax accounting purposes, resulting in a deferred tax liability increase of 20,062,765 (including 11,965,948 related to the current period) in 2012.

In addition, net profit for 2012 was increased by written off deferred tax liabilities of 57,230; such an increase being recorded in the line "Other" (line 2460) in the statement of financial results. In 2011, net profit was increased by written off deferred tax liabilities in the amount of 2,122,820.

CGT was established in Gazprom Group from 1 January 2012, OA O Gazprom is the responsible participant of CGT. The contract on creation of the CGT Group consisting of 56 participants was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No.2 on 20 March 2012. In December 2012 an amendment to the contract on creation of Gazprom Group CGT was registered with the Interregional Inspectorate of the Russian Federal Tax Service dealing with major taxpayers No.2. In accordance with the amendment the number of CGT participants will be increased to 65 from 1 January 2013.

The income tax of CGT for 2012 amounted to 251,385,923.

**Other taxes**

VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) and restored amounts of previously recovered VAT with respect to payment, partial payment issued against forthcoming purchases of goods (works, services, property rights) totalled 381,802,997 and 373,676,684 for 2012 and 2011, respectively.

**13. ACCOUNTS PAYABLE**

As at 31 December 2012, 2011 and 2010, the balance sheet line "Advances Received" (line 1527) within accounts payable (payment expected within 12 months of the reporting date) includes the advances of 77,656,913; 76,624,542 and 55,255,606, respectively, received by the Company from gas customers under commission agreements between OA O Gazprom and OOO Gazprom Export in accordance with the terms of gas supply contracts.

Trade accounts payable mainly include accounts payable to related parties (Note 18).

Additional information is provided in table forms 5.3 "Movement of Accounts Payable" and 5.4 "Past Due Accounts Payable" of the Notes to the Balance Sheet and Statement of Financial Results.



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**14. SALE OF GOODS, WORK AND SERVICES**

	<b>2012</b>	<b>2011</b>
Revenue from gas sales:		
in Russia	900,135,560	884,266,555
outside Russia, including	1,898,751,159	1,941,053,821
to far abroad countries	<u>1,379,544,003</u>	<u>1,366,620,616</u>
	2,798,886,719	2,825,320,376
Revenue from leasing out assets	485,425,895	380,539,248
Revenue from sale of gas condensate and refined products	201,213,288	170,527,018
Revenue from sale of gas transportation services	168,156,090	153,926,911
Other	<u>5,468,765</u>	<u>4,027,878</u>
<b>Total</b>	<b>3,659,150,757</b>	<b>3,534,341,431</b>

Revenue from gas sales outside Russia includes revenue from export gas sales through an agent as well. Revenue from sales of gas outside Russia in 2012 were reduced by 48,519,082 as an adjustment for gas supplies made in 2012, prices of which were revised in 2012.

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

	<b>2012</b>	<b>2011</b>
ООО Gazprom Mezhrregiongaz	791,508,927	770,553,031
NAK Naftogaz Ukraine	285,715,464	341,898,918

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

	<b>2012</b>	<b>2011</b>
Purchase cost of gas, including gas sold		
in Russia	402,171,674	302,655,935
outside Russia, including	532,166,354	526,861,684
to far abroad countries	<u>448,896,407</u>	<u>461,496,576</u>
	934,338,028	829,517,619
Gas transportation costs, including		
in Russia	396,847,386	375,651,706
outside Russia, including:	492,194,278	450,709,059
to far abroad countries	<u>375,797,863</u>	<u>341,210,267</u>
	889,041,664	826,360,765
Cost of assets leasing	488,865,619	394,823,176
Cost of purchased gas condensate, oil products and their refinery and transportation	124,760,033	93,443,013
Cost of gas transportation services	159,266,627	135,195,931
Cost of other sales	<u>7,538,630</u>	<u>5,536,605</u>
<b>Total</b>	<b>2,603,810,601</b>	<b>2,284,877,109</b>

The increase in gas purchase costs mainly resulted from the increase in Inter-Group prices for the Company subsidiaries.

Total costs of used energy resources were 397,230 and 326,112 in 2012 and 2011, respectively. The Company used the following types of energy resources: electric power, heat and gas.

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**16. OTHER INCOME AND EXPENSES**

	2012		2011	
	Income	Expenses	Income	Expenses
Sale of foreign currency	2,858,043,152	2,858,191,940	2,886,517,265	2,886,556,597
Exchange differences on foreign currency transactions	335,220,307	292,978,112	267,653,506	310,846,382
Income/ expense from the sale of other assets	16,127,525	15,457,366	18	-
Prior year profit (loss)	15,448,076	49,798,480	7,863,470	4,185,170
Movement of investments	4,623,543	4,562,461	17,479,719	15,269,061
Investments impairment provision accrual/release	224,301	434,933	979,054	463,424
Market value revaluation of investments	179,351	31,733,728	91,994,001	836,283
Bad debt provision accrual/release	52,258	28,069,149	1,634,919	24,671,863
Expenses of recognizing estimated liabilities related to gas price adjustments (Note 19)	-	113,918,582	-	-
Contributions to subsidiaries' property	-	66,493,100	-	64,156,368
Costs of mineral resources development	-	13,459,156	-	9,631,952
Charity expenses	-	7,909,724	-	6,178,817
Other	10,531,930	40,939,437	9,088,905	30,220,130
<b>Total</b>	<b>3,240,450,443</b>	<b>3,523,946,168</b>	<b>3,283,210,857</b>	<b>3,353,016,047</b>

The line "Income/ Expenses From the Sale of Other Asset" separately includes income and expenses from transactions with financial instruments of forward-type transactions (FIFT). In 2012, the financial result of FIFT transactions in the amount of 670,141 was recognized as at the transaction date (there were no such transactions in 2011). The Company calculated the financial result from exercising the foreign currency forward contracts as the difference between the USD/RR exchange rate of the Russian Central Bank as at the exercise date of the forward contract and the forward rate set out by the parties to the forward contract for purchase and sale of foreign currency.

In 2012 the line "Prior Year Profit (Loss)" includes the negative effect of gas prices revision of 43,384,643. These adjustments relate to gas supplies of 2010 and 2011 price adjustments for which were agreed in 2012.

The line "Contributions to Subsidiaries' Property" includes contributions made into the property of subsidiaries under decisions adopted by the participant (the Company) in 2004-2012. As at 31 December 2012, 2011 and 2010, contributions in the subsidiaries' property that were to be made under the adopted decisions amounted to 29,771,802; 15,491,679 and 8,942,915, respectively.

In 2012, due to a decrease in the share quotation of investees the Company recognised expenses of 31,733,728 from the market revaluation of investments as at 31 December 2012, including an expense of 31,491,712 from the market revaluation of its investment in the shares of OAO Gazprom Neft. In 2011, the Company recognised an income of 91,994,001 from the market revaluation of investments as at 31 December 2011, including an income of 91,616,133 from the market revaluation of its investment in the shares of OAO Gazprom Neft.

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

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

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**16. OTHER INCOME AND EXPENSES (continued)**

The line "Other Expenses" includes pension contributions of 728,760 and 284,839 transferred to OAO Gazprom's joint account in NPF Gazfund in 2011 and 2012, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

**17. EARNINGS PER SHARE**

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares totalled 23,673,513 thousand during the years ended 31 December 2012, 2011 and 2010.

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

**18. RELATED PARTIES**

**Major 100% subsidiaries of OAO Gazprom:**

000 Aviapredpriyatiye Gazprom Avia	000 Gazprom Transgaz Saint Petersburg
000 Gazprom VNIIGAZ	000 Gazprom Transgaz Saratov
000 Gazprom Dobycha Astrakhan	000 Gazprom Transgaz Surgut
000 Gazprom Dobycha Krasnoyarsk	000 Gazprom Transgaz Toms
000 Gazprom Geologorazvedka	000 Gazprom Transgaz Ufa
000 Gazprom Dobycha Kuznetsk	000 Gazprom Transgaz Ukhta
000 Gazprom Dobycha Nadym	000 Gazprom Transgaz Chaikovsky
000 Gazprom Dobycha Noyabrsk	000 Gazprom Transgaz Yugorsk
000 Gazprom Dobycha Orenburg	000 Gazprom Export
000 Gazprom Dobycha Urengoy	000 Gazprom Energoholding
000 Gazprom Dobycha Shelf	000 Gazpromtrans
000 Gazprom Dobycha Yamburg	000 Gazflot
000 Gazprom Investproject	000 Georesource
000 Gazprom Investholding	000 Novourengoysky GHC
000 Gazprom Inform	000 Surgutstroygaz
000 Gazprom Komplektatsia	000 Temryukmortrans
000 Gazprom Mezhtregiongaz	000 TyumenNIIgiproga
000 Gazprom Neft Shelf	Gazprom (U.K.) Limited
000 Gazprom Pererabotka	Gazprom EP International B.V.
000 Gazprom Podzemremont Orenburg	Gazprom Sakhalin Holdings B.V.
000 Gazprom Podzemremont Urengoy	Gazprom Finance B.V.
000 Gazprom PHG	000 Gazprom Capital
000 Gazprom Svyaz	000 Gazprom Transgas Stavropol
000 Gazprom Liquefied Gas	ZAO Yamalgazinvest
000 Gazprom Transgaz Krasnodar	IchUP Gazprom Transgaz Zapad
000 Gazprom Transgaz Volgograd	000 Gaz Oil
000 Gazprom Transgaz Ekaterinburg	000 Gazprom Transgaz Makhachkala
000 Gazprom Transgaz Kazan	000 Gazprom Transgaz Nizhny Novgorod
000 Gazprom Transgaz Samara	OAO Beltransgaz
000 Gazprom Transgaz Moskva	000 Kovyktaneftgaz
000 Gazprom Dobycha Irkutsk	000 Gazprom Invest Vostok
000 Gazprom Invest Zapad	ZAO Gazprom Invest Yug

All the above subsidiary companies, excluding Gazprom Finance B.V., Gazprom EP International B.V. and Gazprom Sakhalin Holdings B.V., which are registered in the Netherlands, Gazprom (UK) Ltd., which is registered in Great Britain, and IchUP Gazprom Transgaz Zapad and OAO Beltransgaz, which are registered in the Republic of Belarus, are registered in Russia. These companies are mainly engaged in pro-

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ducing, transporting and selling natural gas.

**18. RELATED PARTIES (continued)**

In September and December 2012, the Company contributed 10,000,000 to the charter capital of OOO Gazprom Energoholding. As at 31 December 2012, no increase in the charter capital of OOO Gazprom Energoholding was registered, therefore the Company recorded settlements related to the contribution to the charter capital of OOO Gazprom Energoholding within "Other Debtors" (Payments Expected within 12 Months After the Reporting Date) (balance sheet line 1239) and did not recognise any increase in its investment into the equity.

**Other major subsidiaries of ОАО Gazprom:**

Company name	Share in the charter capital, %	Nature of operations	Location
Shtockman Development AG	75.0%	Gas field development	Switzerland
OAO Gazmash	99.99%	Manufacture of household fuel using equipment	Russia
OAO Tsentr-gaz	99.99%	Construction	Russia
OAO Vostokgazprom	99.98%	Production, processing and sale of gas and gas condensate	Russia
OAO Gazpromtrubinvest	99.87%	Manufacturing and sale of pipes	Russia
OAO Lazurnaya	99.69%	Design and construction	Russia
ZAO Kaunasskaya Heat-Electric Generating Plant	99.5%	Generation and sales of electricity	Lithuania
OOO Gazprom Torgservice	99.0%	Trading	Russia
OAO Gazprom Neft	90.0%	Oil production, processing and refinery.	Russia
OAO Daltransgaz	87.99%	Transportation of gas	Russia
ZAO ArmRosgazprom	80.0%	Transportation and sale of gas	Armenia
OAO Zapsibgazprom	76.69%	Construction	Russia
ZAO Gazprom YuRGM Development	75.0%	Sale of hydrocarbons	Russia
ZAO Gazprom YuRGM Trading	75.0%	Gas production, storage and transportation	Russia
OAO Severneftegazprom	40.0%	Production, processing and sale of gas and gas condensate	Russia
OOO Gazpromviet	51.0%	Exploration, oil and gas transportation and processing	Russia
OAO Chechengazprom	99.99%	Gas delivery, transportation and sale in the territory of the Chechen Republic	Russia
South Stream Serbia A.G.	51.0%	Design, construction and operation of the South Stream pipeline	Serbia

In February 2012 the Company bought 765 additional registered shares of Shtockman Development A.G. with the total value of 2,493,120, as a result of which OAO Gazprom's interest has not increased. In July 2012 the Company bought from Statoil Netherlands B.V. a 24% interest in the share capital of Shtockman Development A.G. for 790. With the 51 % equity interest acquired by the Company earlier for 19,854,317, OAO Gazprom's equity interest in Shtockman Development A.G. as at 31 December 2012 was 75 % valued at 22,348,227 and it was recorded within "Investments in Subsidiaries" (line 1171) of the balance sheet.

In December 2012, the Company sold an equity interest in OOO GazpromPurInvest to the Metropol Group of Companies for 2,699,998 (99.9%). Income and expenses from the sale of interest is recorded within other income and expenses.

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**18. RELATED COMPANIES (continued)**

In December 2012 the Company purchased from OAO Rosneftegaz an interest of 100% minus 1 share in OAO Chechengazprom for 281,000.

**Major associates of OAO Gazprom:**

Company name	% of interest	Type of activity	Location
Nord Stream AG	51.0%	Design, construction and operation of the North Stream pipeline section	Switzerland
AO Moldovagaz	50.0%	Transportation and sale of gas	Moldova
Blue Stream Pipeline Company B.V.	50.0%	Transportation of gas	Netherlands
AO YugoRosGaz	50.0%	Transportation and sale of gas	Serbia
RosUkrEnergo AG	50.0%	Transportation and sale of gas	Switzerland
TOO KazRosGaz	50.0%	Transportation and sale of gas	Kazakhstan
OAO Belgazprombank	49.66%	Banking	Republic of Belarus
AO EuRoPol Gas	48.0%	Transportation and sale of gas	Poland
AO Turusgaz	45.0%	Sale of gas	Turkey
Gazprombank (Open Joint Stock Company)	35.54%	Banking	Russia
ZAO Rosshelf	39.51%	Gas production	Russia
AO Lietuvos Dujos	37.06%	Transportation and sale of gas	Lithuania
AO Latvijas Gaze	34.0%	Transportation and sale of gas	Latvia
ZAO Stella Vitae	30.0%	Transportation and sale of gas	Lithuania
AO Gazum	25.0%	Sale of gas	Finland
South Stream AG	50.0 %	Design, construction and operation of the South Stream pipeline section	Switzerland
South Stream Austria GmbH	50.0 %	Design, construction and operation of the South Stream pipeline section	Austria
South Stream Greece S.A.	50.0%	Design, construction and operation of the South Stream pipeline section	Greece
South Stream Hungary 3rt	50.0%	Design, construction and operation of the South Stream pipeline section	Hungary
South Stream Bulgaria	50.0%	Design, construction and operation of the South Stream pipeline section	Bulgaria
South Stream Slovenia	50.0%	Design, construction and operation of the South Stream pipeline section	Slovenia
ZAO Leader	25.71%	Trust management of NSPF pension reserves, management of insurance companies and mutual funds	Russia

In February 2012 the Company bought 375,000 shares of OAO Gazprombank for 7,500,000; as at 31 December 2012 the investment in OAO Gazprombank was 35.54% of 15,979,903.

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**18. RELATED COMPANIES (continued)**

In April 2012, the Company acquired a 25.71% equity interest in ZAO Leader for 1,928,960. The Company recorded this contribution in the balance sheet line "Investments in Associates" (line 1172).

**Other major related parties**

Wintershall Erdgas Handelshaus GmbH & Co. CG	W & G Beteiligungs-GmbH & Co. KG
Wintershall Erdgas Handelshaus ZugAG	(previously WINGAS GmbH & Co. KG)
GWH - Gashandel GmbH	GAZPROM GASENERGOSET
(previously GWH - Gas und Varenhandels GmbH)	GAZPROM NEFTEKHIM SALAVAT
AO Overgaz Inc.	(previously OAO Salavatnefteorgsintez)
ZAO Panrusgaz	Rosingaz Ltd.
AO Promgaz S.P.A.	Gazprom Schweiz AG
Gazprom Marketing and Trading Ltd.	(previously ZMB (Schweiz) AG)
PremiumGaz S.P.A.	Sakhalin Energy Investment Company Ltd.
	Gazprom Germania GmbH

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

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

**Related party transactions**

**OAO Gazprom transactions with major wholly owned subsidiaries**

	2012	2011
Sale (net of VAT, excise, custom duties and similar payments):		
gas	1,005,008,091	1,040,888,241
property lease	475,962,031	372,211,944
services related to organisation of gas transportation	7,221,502	15,957,080
gas condensate and oil refinery products	7,171,409	6,365,645
Acquisition:		
gas transportation and storage services	861,856,146	787,728,128
gas	476,422,455	337,193,241
of liquid hydrocarbons	67,902,729	56,314,572
liquid hydrocarbons processing services	30,753,050	23,598,831

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

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**18. RELATED COMPANIES (continued)**

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

	31 December		
	2012	2011	2010
Accounts receivable	1,393,308,902	1,857,526,555	1,373,317,381
Accounts payable	321,163,206	313,669,708	249,239,609

As at 31 December 2012 the doubtful debt provision of 94 was formed with respect to accounts receivable from major subsidiaries of OAO Gazprom (as at 31 December 2011 and 2010: 243).

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

	31 December		
	2012	2011	2010
Loans due beyond 12 months of the reporting date	26,845,604	13,403,063	11,158,304
Loans due within 12 months of the reporting date	7,414,723	1,789,580	3,573,000

Interest on loans that the Company granted to its major wholly owned subsidiaries was 1,413,334; 789,172 and 751,827 in 2012, 2011 and 2010, respectively. The Company granted loans to its major wholly owned subsidiaries at the interest rate in the range from 3.19% to 11.90%; from 3.19% to 20.0% and from 1.89% to 9.25% in 2012, 2011 and 2010, respectively.

Debt of the Company on loans that it received from its major wholly owned subsidiaries was as follows:

	31 December		
	2012	2011	2010
Loans due beyond 12 months of the reporting date	-	15,000,000	-
Loans due within 12 months of the reporting date	289,993,709	153,807,138	64,440,169

As at 31 December 2012, 2011 and 2010 loans due within 12 months are represented by the loan due to subsidiary Gazprom Sakhalin Holdings B.V. in the amount of 277,699,401; 153,650,973 and 64,440,169, respectively.

Interest on loans that the Company received from its major wholly owned subsidiaries was 5,145,193; 1,558,351 and 442,889 in 2012, 2011 and 2010, respectively, including interest on the loan that the Company received from Gazprom Sakhalin Holdings B.V. of 3,879,543; 1,402,187 and 442,889 in 2012, 2011 and 2010, respectively.

The Company received loans from its major wholly owned subsidiaries at the interest rate ranged from 1.50% to 7.60% in 2012 – 2011, and at 2.25% in 2010.

In 2012 the Company allocated cash of 61,727,331 for the increase of charter capitals of major subsidiaries (in 2011: 22,800,000), including 40,000,000 for the increase of OOO Gazprom Pererabotka charter capital (in 2011: 10,000,000).

Guarantees issued by the Company on behalf of its major wholly owned subsidiaries totalled 155,940,091; 132,639,627 and 97,530,450 as at 31 December 2012, 2011 and 2010, respectively.

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**18. RELATED COMPANIES (continued)**

**Transactions with other major subsidiaries**

	<b>2012</b>	<b>2011</b>
Sale (net of VAT, excise, custom duties and similar payments):		
services related to organisation of gas transportation	37,763,127	35,316,134
gas	12,453,913	8,891,927
Acquisition:		
gas	111,717,066	99,694,033
liquid hydrocarbons	-	3,134,850

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

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

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Accounts receivable	9,823,591	8,575,618	16,651,710
Accounts payable	18,306,871	18,397,430	19,572,730

As at 31 December 2012, 2011 and 2010 the doubtful debt provision of 79,817; 53,211 and 170,223 respectively, was formed for accounts receivable from major subsidiaries of the Company.

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

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Loans due within 12 months of the reporting date	5,679,275	8,829,275	-

Loans due within 12 months of the reporting date are represented by the debt of its subsidiary OOO Daltransgaz amounting to 5,679,275.

Interest on loans that the Company granted to its other major subsidiaries was 646,227; 381,204 and 876,913 in 2012, 2011 and 2010, respectively.

The Company granted loans to its other major subsidiaries at the interest rate in the range from 4.73% to 6.02%; from 4.73% to 6.02% and from 6.98% to 8.00% in 2012, 2011 and 2010, respectively.

Guarantees issued by the Company on behalf of its other major subsidiaries totalled 18,191,580; 18,528,271 and 17,659,895 as at 31 December 2012, 2011 and 2010, respectively.



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**18. RELATED COMPANIES (continued)**

**Transactions with major associates**

	<b>2012</b>	<b>2011</b>
Sale (net of VAT, excise, custom duties and similar payments):		
gas	89,333,407	87,356,079
Acquisition:		
gas transportation and storage services, including	43,790,199	24,477,855
through the commissioner OOO Gazprom Export	40,748,182	21,646,791
gas	-	122,541,234

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

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

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Accounts receivable	110,261,440	87,855,820	162,197,441
Accounts payable	13,479,316	14,532,389	22,014,744

As at 31 December 2012, 2011 and 2010 the doubtful debt provision of 96,518,724; 73,600,707 and 50,261,860 respectively, was formed with respect to accounts receivable from major associated companies.

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

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Loans due beyond 12 months of the reporting date	-	-	2,509,525
Loans due within 12 months of the reporting date	-	2,592,795	6,170,964

Interest on the loans that the Company provided to its major associate – Nord Stream AG was 45,359; 343,477 and 812,867 for 2012, 2011 and 2010, respectively.

Deposits placed by the Company in Gazprombank (open joint stock company) totalled 510,135; 9,361,661 and 10,203,828 as at 31 December 2012, 2011 and 2010, respectively.

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Deposits due beyond 12 months of the reporting date	472,859	8,060,702	9,270,404
Deposits due within 12 months of the reporting date	37,276	1,300,959	933,424

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**18. RELATED COMPANIES (continued)**

The Company's debt on credit and loans and received from its major associates was as follows:

	31 December		
	2012	2011	2010
Credits due within 12 months of the reporting date	-	-	-
Loans due within 12 months of the reporting date	2 248 071	10 778 254	-

Interest on loans that the Company received from its other major associates was 286,706; 406,718 and 236,712 in 2012, 2011 and 2010, respectively.

Guarantees issued by the Company on behalf of its other major associates totalled 42,642,803; 113,841,396 and 63,728,311 as at 31 December 2012, 2011 and 2010, respectively.

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

Line code	Narrative	For reporting period	including major subsidiaries and associates	For similar period of prior year	including major subsidiaries and associates
<b>Cash flows from operating activities</b>					
4110	<b>Receipts - total including</b>	4,265,121,606	1,725,659,423	3,823,511,721	1,589,357,107
4111	from sale of goods, products, work and services	4,047,083,416	1,645,842,730	3,708,218,082	1,547,880,377
4112	rent payments, license payments, royalties, commission and other payments	-	-	-	-
4113	resale of financial investments	-	-	-	-
4119	other receipts	218,038,190	79,816,693	115,293,639	41,476,730
4120	<b>Receipts - total including</b>	(3,347,815,363)	(1,769,426,962)	(2,733,839,663)	(1,472,531,820)
4121	to suppliers for raw materials, works, services	(2,197,163,756)	(1,653,662,181)	(1,826,844,333)	(1,374,693,130)
4122	wages and salaries	(21,942,037)	-	(18,519,177)	-
4123	interest on borrowings	(70,676,793)	(4,767,693)	(63,108,748)	(1,462,539)
4124	income tax	(284,026,110)	-	(235,892,250)	-
4129	other payments	(774,006,667)	(110,997,088)	(589,475,155)	(96,376,151)

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**18. RELATED COMPANIES (continued)**

<b>Line code</b>	<b>Narrative</b>	<b>For reporting period</b>	<b>including major subsidiaries and associates</b>	<b>For similar period of prior year</b>	<b>including major subsidiaries and associates</b>
4100	<b>Net cash flows from operating activities</b>	917,306,243	(43,767,539)	1,089,672,058	116,825,287
<b>Cash flows from investing activities</b>					
4210	<b>Receipts - total including</b>	140,978,687	131,082,926	87,473,280	78,028,118
4211	from sale of non-current assets (except financial investments)	1,089,703	480,982	353,425	72,571,
4212	from sale of shares of other entities (ownership interest)	2,699,998	-	7,632,789	3,576,000
4213	from return of loans issued, sale of debt securities (sale of rights of claiming cash to third parties)	5,023,653	2,429,081	13,857,998	11,124,673
4214	dividends, interests from long-term financial investments and receipts from participation in other entities	122,889,265	119,319,839	63,169,766	61,568,063
4219	other receipts	9,276,068	8,853,024	2,459,302	1,686,811
4220	<b>Receipts - total Including</b>	(1,028,162,752)	(951,416,551)	(1,311,796,854)	(1,215,025,522)
4221	acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	(911,546)	(59,609)	(2,225,825)	(473,715)
4222	acquisition of other entities shares	(78,935,666)	(77,063,751)	(110,245,235)	(108,852,319)
4223	acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	(14,819,986)	(14,791,417)	(6,620,924)	(6,582,716)

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**EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS**  
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 (in thousand Russian Roubles, unless otherwise stated)

**18. RELATED COMPANIES (continued)**

Line code	Narrative	For reporting period	including major subsidiaries and associates	For similar period of prior year	including major subsidiaries and associates
4224	borrowing costs included in the cost of investment asset	-	-	-	-
4225	construction/purchase of exploration assets	(9,084,192)	(8,102,478)	(15,281,293)	(7,991,152)
4229	other payments	(924,411,362)	(851,399,296)	(1,177,423,577)	(1,091,125,620)
<b>4200</b>	<b>Net cash flows from investing activities</b>	<b>(887,184,065)</b>	<b>(820,333,625)</b>	<b>(1,224,323,574)</b>	<b>(1,136,997,404)</b>
<b>Cash flows from financing activities</b>					
4310	<b>Receipts - total including</b>	262,319,798	154,683,620	265,700,827	109,460,664
4311	borrowings and bank loans	262,319,798	154,683,620	265,700,827	109,460,664
4312	contributions of owners (participants)	-	-	-	-
4313	issue of shares, increase in participation interest	-	-	-	-
4314	issue of bonds, promissory notes and other debt securities	-	-	-	-
4319	other receipts	-	-	-	-
4320	<b>Receipts - total including</b>	(353,117,544)	(31,903,908)	(148,360,690)	(7,385,051)
4321	to owners (participants) due to the fact of share buy-back or cessation of membership	-	-	-	-
4322	dividend payments or other distribution to owners	(198,329,393)	-	(84,502,821)	-
4323	redemption (buy-back) of promissory notes and other debt securities, loan repayment	(154,788,151)	(31,903,908)	(63,857,869)	(7,385,051)
4329	other payments	-	-	-	-
4300	<b>Net cash flows from financing activities</b>	(90,797,746)	122,779,712	117,340,137	102,075,613
4400	<b>Net cash flows for the reporting period</b>	(60,675,568)	(741,321,452)	(17,311,379)	(918,096,504)

**JSC GAZPROM  
EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS  
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**18. RELATED COMPANIES (continued)**

**Transactions with other major related parties**

	<b>2012</b>	<b>2011</b>
Sale (net of VAT, excise, custom duties and similar payments):		
gas	322,466,010	329,111,898
gas condensate and oil refinery products	139,195,915	105,808,940
services related to organisation of gas transportation	34,447,020	31,229,535
Acquisition:		
gas	286,259,876	208,176,862
gas transportation and storage services, including	3,045,333	5,347,505
through the commissioner OOO Gazprom Export	3,045,333	5,347,505

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

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

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Accounts receivable	83,707,735	77,586,530	60,406,547
Accounts payable	26,349,517	17,546,740	25,724,306

In 2012, 2011 and 2010 no doubtful debt provision was formed for accounts receivable from other major related parties of the Company.

The Company's accounts payable related to loans received from other major related parties were as follows:

	<b>31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Loans due beyond 12 months of the reporting date	-	-	13,596,009
Loans due within 12 months of the reporting date	61,657,038	57,952,178	-

Interest on loans that the Company received from its other major related parties was 3,704,860; 876,955 and 36,851 in 2012, 2011 and 2010, respectively. Interest on loans that the Company received from its other major related parties varied from 4.50% to 7.85% in 2012 and from 3.20% to 5.0% in 2011, and in 2010 it was 3.20%.

Guarantees issued by the Company on behalf of its other major related parties totalled 94,144,621; 103,219,967 and 100,259,858 as at 31 December 2012, 2011 and 2010, respectively.

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**EXPLANATORY NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS**  
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**18. RELATED COMPANIES (continued)**

**Information on cash flows related to transactions with other major related parties:**

	<b>2012</b>	<b>2011</b>
Cash inflow, including:		
from operating activities	611,455,801	518,074,105
from financing activities	-	57,300,000
from investing activities	784	688
Cash outflow, including:		
for operating activities	285,781,734	236,902,385
for financing activities	-	12,416,256
for investing activities	-	-

Line "Cash Inflows from Operating Activities" primarily includes proceeds from sale of goods, products, works and services.

Line "Cash Outflows Used for Operating Activities" includes payments to the suppliers (contractors) for raw materials, works and services.

**Remuneration to key management personnel**

Short-term compensation of key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom), including salary, bonuses and remuneration for serving in the management bodies of the Company, amounted to 1,562,887; 1,339,256 and 1,243,354 for the years ended 31 December 2012, 2011 and 2010, respectively/ Such amounts include personal income taxes and insurance payments (prior to 1 January 2010 - unified social tax). Government officials, who are directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors shall be approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of directors) is determined by the terms of the annual employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

The Company provided medical insurance and liability insurance for key management personnel. Voluntary medical insurance amounted to 856; 1,049 and 699 and liability insurance was 894; 1,008 and 1,365 as at 2012, 2011 and 2010, respectively.

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**19. ESTIMATED AND CONTINGENT LIABILITIES**

**Estimated liabilities**

Information about estimated liabilities is disclosed in Table 7 of the Notes to the Balance Sheet and Statement of Financial Results.

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

The specifics of the subsoil use management process are as follows: the fixed assets items used in this process are owned by the Company but leased out to subsidiaries and used by them in compliance with the terms and conditions of their license agreements.

According to Articles 22.8 of Federal Law No.2395-1 of 21 February 1992 "On Subsoil" and subsoil use license agreements, the user of mineral resources is obliged to bring the land plots and other natural sites disturbed by subsoil use to the condition appropriate for further use as well as liquidate mine workings and wells that are not subject to further use.

Consequently, the Company who owns fixed assets that have been leased out to the user of mineral resources, do not have any liabilities of dismantling fixed assets that are not subject for further use or restoring the environment disturbed by the subsoil use.

*Pension liabilities*

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

*Estimated liabilities related to gas price adjustments*

The Company has recognized estimated liabilities related to gas price adjustments caused by foreign customer claims based on contract conditions. These adjustments relate to gas supplies made in 2010, 2011 and 2012. The estimated liability of 113,918,582 recognized as at 31 December 2012 does not include any potential adjustment of customs duties accrued earlier.

**Contingencies**

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

Guarantees issued on behalf of the following entities:	31 December		
	2012	2011	2010
OOO Novourengosky GNC	127,859,111	103,942,605	62,867,143
Sakhalin Energy Investment Company Ltd.	94,144,621	103,219,967	100,259,858
Nord Stream AG	40,518,687	105,616,166	50,005,302
GAZPROM Space Systems	30,868,285	22,433,668	13,923,904
GAZPROM Severneftegazprom	16,967,763	16,967,763	16,433,390
OOO Gazprom Investproject	14,916,381	11,888,002	21,490,067
Gazprom Lybia B.V.	8,868,828	9,401,261	8,899,255
OOO Gazprom Neft Shelf	7,159,993	10,403,088	9,502,486
OOO Gazprom Export	5,944,866	6,158,079	2,627,755
EM Interfinance Ltd.	5,385,257	5,868,767	5,693,648
Blackrock Capital Investments Ltd.	4,572,764	4,984,730	4,823,583
VIS Manufacturing Firm	2,506,706	-	16,030,000
Blue Stream Pipeline Company B.V.	2,124,116	8,225,230	13,723,009
ZAO Kaunasskaya Heat-Electric Generating Plant	1,223,817	1,267,182	1,226,505

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**19. ESTIMATED AND CONTINGENT LIABILITIES (continued)**

	31 December		
	2012	2011	2010
ZAO Achimgaz	700,205	387,384	4,330,488
AO Gaztransit	360,995	573,751	724,559
GAO Gazprom Automatisat	-	4,000,000	2,342,487
Dereve Capital International Ltd	-	1,957,645	4,217,122
Mortgage Lending Assistance Fund Gazpromipoteka	-	1,144,763	1,196,292
OOO Severny Evropeysky Trubny Project	-	-	40,251,384
OOO Trading House Truboprovod	-	-	12,658,886
OOO Investgazavtomatika	-	-	2,448,906
Other	121,667	646,069	1,332,601
<b>Total</b>	<b>364,244,062</b>	<b>419,086,120</b>	<b>397,008,630</b>

In June 2008, the Company issued a number of guarantees to Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. within the Company's share (50%) in the liabilities of Sakhalin Energy Investment Company Ltd. regarding the loans received. The guarantees were issued for the period of loans received by Sakhalin Energy Investment Company Ltd., but not later than 15 December 2021. Total liabilities guaranteed amounted to 94,144,621; 103,219,967 and 100,259,858 as at 31 December 2012, 2011 and 2010, respectively.

In March 2010, the Company provided a guarantee to Societe Generale Bank for Nord Stream AG guaranteeing the completion of works under Stage 1 of Nord Stream pipeline construction project. According to the terms of this guarantee, the Company is obliged to repay debt to the creditors of Stage 1 of the project within its share (51%) if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of construction and tests of the first pipeline. As at 31 December 2011, the guaranteed liabilities were 72,205,368. In October 2012 financing of Stage 1 of the Nord Stream construction project was completed.

In 2011, Nord Stream AG started implementing Stage 2 of the project and construction of the second Nord Stream pipeline. In March 2011, the Company provided a guarantee to Societe Generale Bank for Nord Stream AG guaranteeing the completion of works under Stage 2 of Nord Stream pipeline construction project. According to the terms of this guarantee, the Company is obliged to repay debt to the creditors of Stage 2 of the project within its share (51%) if Nord Stream AG fails to pay its debt. The guarantee expires upon completion of construction and tests of the second pipeline. As at 31 December 2012 and 2011, the guaranteed liabilities were 40,518,687 and 33,410,798, respectively.

In July 2005, Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Company, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of financing this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Company guaranteed the above loans until July 2013. As at 31 December 2012, 2011 and 2010, the guarantees were 2,124,116; 8,225,230 and 13,723,009, respectively.

In December 2004 and June 2005, the Company guaranteed loans raised by OOO Gazprom Neft Shelf (former OOO Sevmorneftegaz) from ING Bank N.V. for the financing of fixed assets construction for a period until June 2016 and November 2015, respectively. In January 2007, the Company issued additional guarantees for the liabilities of OOO Gazprom Neft Shelf to Blueward Shipping Company Ltd. and Nostalgic Moon Shipping Company Ltd. under shipping agreements. The guarantee will be valid for 25 years after the vessels are transferred to OOO Gazprom Neft Shelf. As at 31 December 2012, 2011 and 2010, guarantees totalled 7,159,993; 10,403,088 and 9,502,486, respectively. Due to early repayment by OOO Gazprom Neft Shelf of the loans received from ING Bank N.V. the guarantee contract was terminated.



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**19. ESTIMATED AND CONTINGENT LIABILITIES (continued)**

In 2006, the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands, for companies (Devere Capital International Limited, Blackrock Capital Investments Limited, EM Interfinance Limited) registered in Ireland with respect to the bonds issued by them and due in December 2012, June 2018, and December 2015, respectively. The bonds were issued for the purposes of financing the construction of a transit gas pipeline in the territory of Poland to be carried out by AO EuroPol Gaz. Consequently, as at 31 December 2012, 2011 and 2010, guarantees totalled 9,958,021; 12,811,142 and 14,734,353, respectively. In December 2012, Devere Capital International Limited repaid the loan and, therefore, the guarantee agreement was no longer effective.

In March 2011, the Company issued a guarantee valid until March 2016 to Bank of Tokyo-Mitsubishi UFJ Ltd. as a security of the loan granted to OOO Novourengovsky GCC. As at 31 December 2012 and 2011 the guarantee was 9,680,100 and 10,562,323, respectively.

In July 2011, the Company issued a guarantee valid until July 2016 to Sumitomo Mitsui Finance Dublin Ltd as a security of the loan granted to OOO Novourengovsky GCC. As at 31 December 2012 and 2011 the guarantee was 10,309,810 and 11,232,967, respectively.

In December 2011, the Company issued a guarantee valid until December 2018 to OOO Regional'naya Finansovaya Compania as a security of the loan granted to OOO Novourengovsky GCC. As at 31 December 2012 and 2011 the guarantee was 10,000,000.

In December 2011, the Company issued a guarantee valid until 2016 to Bank of America Securities Ltd. as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012 and 2011 the guarantee was 8,802,796 and 9,694,259, respectively.

In July 2012 the Company issued a guarantee valid until April 2015 to OAO Sberbank of Russia as a security of the loan granted to OOO VIS Manufacturing Firm. As at 31 December 2012, the guarantee was 2,506,706.

In August 2012 the Company issued a guarantee valid until April 2016 to Deutsche Bank AG as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012, the guarantee was 14,271,334.

In August 2012 the Company issued a guarantee valid until June 2015 to Royal Bank of Scotland PLC as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012, the guarantee was 16,960,620.

In September 2012, the Company issued a guarantee valid until September 2015 to Credit Agricole Corporate and Investment Bank as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012, the guarantee was 10,452,745.

In October 2012, the Company issued a guarantee valid until July 2017 to OOO Regional'naya Finansovaya Compania as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012, the guarantee was 10,000,000.

In November 2012, the Company issued a guarantee valid until October 2017 to Bank of America Securities Ltd. as a security of the loan granted to OOO Novourengovsky GHC. As at 31 December 2012 the guarantee amounted to 8,674,548.

Based on the Company's estimates, there are no third party liabilities secured by OAO Gazprom's guarantee with significant risk of non-fulfilment as at 31 December 2012 and 2011. Therefore, the Company did not record estimated liabilities for the issued guarantees as at 31 December 2012 and 2011.

**Legal proceedings**

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

**Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. As at 31 December 2012, management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

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**19. ESTIMATED AND CONTINGENT LIABILITIES (continued)**

The Russian transfer pricing legislation was amended effective from 1 January 2012. The new rules are more detailed. The new law grants taxpayers the right to justify their compliance with the arm's length principle at prices used in controlled transactions by preparing the tax control documentation.

The Company's management believe that the prices applied by the Company are at the market level and the Company has been implementing internal control procedures to ensure compliance with transfer pricing law.

Since currently there is no practice for application of the new rules, the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may have a material effect on the Company's financial results and operations.

**20. BUSINESS RISKS**

The Company manages its risk in the framework of its integrated corporate system. Risk management is a permanent cyclic process of making and executing management decisions that includes identification, assessment and measurement of risks, responding to risks, efficiency control and planning of risk management and monitoring. This process is integrated in the general process of management aimed at optimizing the size of risks in line with the Company interests and covers all areas at its practical activities.

Information about risks associated with assets and liabilities is presented in relevant sections of the present notes to the balance sheet and statement of financial results of the Company.

On its official website the Company should place information about the Company's position in the industry, including development trends in the corresponding market segment, the Company's level of adaptation to market conditions, main priority areas at the Company's activity, including its development prospects, as well as key information on risk factors associated with the Company's operation.

**21. INFORMATION ON PRODUCTION INNOVATIONS AND UPGRADE**

Information on intangible assets that the Company developed or acquired, on movement of property, plant and equipment as well as expenses incurred by the Company in the production innovation and upgrade process, if material, should be disclosed in the corresponding sections of the present notes to the balance sheet and statement of financial results of the Company.

**22. EVENTS AFTER THE REPORTING PERIOD**

In February 2013 the long-term loan from Gazprom International S.A. amounting to 12,434,149 and secured by export revenues from gas sales to Western Europe, due in 2020, was repaid ahead of time. The cash of 3,622,529 was released in this connection (as at 31 December 2012 this cash in the amount of 3,658,108 was recorded in the balance sheet line "Other Cash and Cash Equivalents" (line 1259) as not subject to any other use but for the purposes stipulated under the loan conditions).

26 March 2013

Chief Executive Officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief Accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)



**STATUTORY CONSOLIDATED ACCOUNTING REPORTS  
OF ОАО ГАЗПРОМ AND ITS SUBSIDIARIES FOR 2012**

## **AUDITOR'S REPORT ON THE STATUTORY CONSOLIDATED ACCOUNTING REPORTS**

**To the Shareholders and Board of Directors of OAO Gazprom:**

### **Client**

OAO Gazprom.

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

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

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

### **Auditor**

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

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

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

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

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

**Auditor's Report  
on the Statutory consolidated accounting reports of OAO Gazprom and its subsidiaries**

**To the Shareholders and Board of Directors of OAO Gazprom:**

We have audited the accompanying Statutory consolidated accounting reports of OAO Gazprom and its subsidiaries (the Group), which comprise the Consolidated balance sheet as of 31 December 2012, and the Consolidated statement of financial results, the Consolidated statement of changes in shareholders' equity and the Consolidated statement of cash flow for the year ended 31 December 2012 and Notes to the consolidated accounting reports (hereinafter all the reports together are referred to as the "Statutory consolidated accounting reports"). The reports were prepared by the management of OAO Gazprom in accordance with the reporting rules established in the Methodology recommendations on preparing consolidated accounting reports, approved by the Order of the Russian Ministry of Finance dated 30 December 1996 No. 112 (Methodology recommendations).

**Management's Responsibility for the Statutory consolidated accounting reports**

Management is responsible for the preparation and fair presentation of these Statutory consolidated accounting reports in accordance with the reporting rules established in the Methodology recommendations, and for such internal control as management determines is necessary to enable the preparation of the Statutory consolidated accounting reports that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

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

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

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

### **Opinion**

In our opinion, the Statutory consolidated accounting reports of the Group for the year ended 31 December 2012 have been prepared in all material respects in accordance with the reporting rules established in the Methodology recommendations.

### **Basis of preparation of the Statutory consolidated accounting reports**

Without modifying our opinion on the fairness of the Statutory consolidated accounting reports we draw attention to Note 2 which describes the basis of preparation of the Statutory consolidated accounting reports. The Statutory consolidated accounting reports have been prepared in accordance with the reporting rules established in the Methodology recommendations. Therefore these reports may not be applicable for other purposes.

**Director of ZAO PricewaterhouseCoopers Audit**

**M.E. Timchenko**

**29 April 2013**

**ОАО ГАЗПРОМ CONSOLIDATED BALANCE SHEET**  
**as of 31 December 2012**  
**(in million Roubles)**

Note	ASSETS	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets, including:	889,763	859,874	743,502
5	goodwill on subsidiaries	885,672	855,290	740,554
	Results of research and development	5,728	5,968	5,540
6	Intangible exploration assets	69,403	52,703	41,923
6	Tangible exploration assets	37,182	29,673	21,164
	Fixed assets, including:	8,528,751	7,868,817	6,402,484
7	Objects of fixed assets, including:	7,120,971	6,160,585	5,038,624
	buildings, constructions, machinery and equipment	6,972,686	6,029,193	4,975,381
8	Construction in progress	1,407,780	1,708,232	1,363,860
9, 20	Financial investments, including:	905,275	980,888	1,043,982
	investments in subsidiaries	59,982	51,359	40,660
	investments in associates	540,289	608,117	668,599
	investments in other companies	160,434	180,174	185,530
	loans issued to companies beyond 12 months	113,715	107,197	110,401
	other financial investments	30,855	34,041	38,792
16	Deferred tax assets	106,668	69,727	59,090
	Other non-current assets	<u>193,700</u>	<u>174,417</u>	<u>220,467</u>
	<b>TOTAL Section I</b>	<b>10,736,470</b>	<b>10,042,067</b>	<b>8,538,152</b>



**GAZPROM CONSOLIDATED BALANCE SHEET**  
**as of 31 December 2012**  
**(in million Roubles)**

Note	ASSETS	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>II. CURRENT ASSETS</b>				
10	Inventories, including:	498,273	447,625	373,569
	raw materials and other inventories	131,015	126,381	127,490
	work in progress	12,558	8,601	5,505
	finished goods and goods for resale	342,497	300,436	234,861
	goods dispatched	12,203	12,207	5,713
	Value added tax on purchased goods	394,310	303,287	158,533
	Accounts receivable, including:	1,281,274	1,236,449	1,048,338
11	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	84,614	116,205	106,307
	buyers and customers	14,569	10,178	9,337
	advances paid	25,112	31,818	43,121
	other accounts receivable	44,933	74,209	53,849
11	Accounts receivable (payment expected within 12 months of the reporting date), including:	1,196,660	1,120,244	942,031
	buyers and customers	592,944	551,635	417,718
	advances paid	340,339	288,764	280,181
	other accounts receivable	263,377	279,845	244,132
	Financial investments (less cash equivalents), including:	165,693	142,936	154,312
	loans issued to companies due within 12 months	97,194	90,994	76,524
12	other financial investments	68,499	51,942	77,788
13	Cash and cash equivalents, including:	438,746	517,955	445,323
	cash on hand	475	533	259
	rouble bank accounts	203,106	274,313	162,018
	non-rouble bank accounts	114,850	127,615	177,085
	other monetary assets and cash equivalents	120,315	115,494	105,961
	Other current assets	14,446	9,783	13,099
	<b>TOTAL Section II</b>	<b>2,792,742</b>	<b>2,658,035</b>	<b>2,193,174</b>
	<b>TOTAL ASSETS</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

**OAO GAZPROM CONSOLIDATED BALANCE SHEET**  
**as of 31 December 2012**  
**(in million Roubles)**

Note	EQUITY AND LIABILITIES	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
14	<b>III. EQUITY AND RESERVES</b>			
	Charter capital	118,368	118,368	118,368
	Treasury shares	(126,961)	(127,472)	(126,853)
	Revaluation of non-current assets	4,736,497	4,718,645	4,105,181
	Additional capital (less revaluation)	66,163	113,990	100,364
	Legal reserves	30,483	27,840	25,630
	Retained earnings	5,371,407	4,774,147	3,851,458
2, 7	Social government fund	741	730	862
	<b>TOTAL Section III</b>	<b>10,196,698</b>	<b>9,626,248</b>	<b>8,075,010</b>
	<b>Minority interest</b>	<b>264,596</b>	<b>250,689</b>	<b>234,273</b>
	<b>IV. NON-CURRENT LIABILITIES</b>			
15	Borrowings, including:	1,178,381	1,173,207	1,125,609
	bank borrowings due for repayment beyond 12 months of the reporting date	306,514	384,752	314,417
	loans due for repayment beyond 12 months of the reporting date	871,867	788,455	811,192
16	Deferred tax liabilities	265,550	227,350	173,723
27	Estimated liabilities	124,027	114,227	104,372
	Other liabilities	4,712	6,401	4,383
	<b>TOTAL Section IV</b>	<b>1,572,670</b>	<b>1,521,185</b>	<b>1,408,087</b>

**OAO GAZPROM CONSOLIDATED BALANCE SHEET**  
**as of 31 December 2012**  
**(in million Roubles)**

Note	EQUITY AND LIABILITIES	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>V. CURRENT LIABILITIES</b>				
15	Borrowings, including:	325,447	366,037	190,005
	bank borrowings due for repayment within 12 months of the reporting date	57,749	36,968	48,666
	loans due for repayment within 12 months of the reporting date	11,788	27,028	13,938
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	255,910	302,041	127,401
	Accounts payable, including:	941,881	834,961	747,741
	suppliers and contractors	609,608	530,284	440,953
	salaries payable	14,186	10,947	9,795
	payable to state non-budget funds	4,208	2,304	1,335
	payable to budget	119,654	135,230	116,804
	advances received	129,241	106,271	150,849
	other accounts payable	63,205	48,037	25,602
	dividends payable	1,779	1,888	2,403
	Income of future periods	2,362	3,512	3,277
27	Estimated liabilities	<u>225,558</u>	<u>97,470</u>	<u>72,933</u>
	<b>TOTAL Section V</b>	<b><u>1,495,248</u></b>	<b><u>1,301,980</u></b>	<b><u>1,013,956</u></b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

\_\_\_\_\_  
A.B. Miller  
Chairman of the Management Committee

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E.A. Vasilieva  
Chief Accountant

29 April 2013

**OAO GAZPROM**  
**CONSOLIDATED STATEMENT OF FINANCIAL RESULTS**  
**for the year ended 31 December 2012**  
**(in million Roubles)**

Note		For 2012	For 2011
17	Sales	5,002,902	4,735,822
18	Cost of sales	(3,428,321)	(2,907,666)
	<b>Gross profit</b>	<b>1,574,581</b>	<b>1,828,156</b>
18	Commercial expenses	(486)	(440)
18	Administrative expenses	(217,491)	(202,956)
	<b>Profit from sales</b>	<b>1,356,604</b>	<b>1,624,760</b>
	Income from investments in other companies	7,994	7,574
	Interest income	27,805	19,868
	Interest expense	(88,524)	(79,926)
19	Other income	5,553,537	4,922,216
19	Other expenses	(5,954,755)	(5,228,859)
9	Capitalized profit of associates	151,705	92,769
	<b>Profit before profit tax</b>	<b>1,054,366</b>	<b>1,358,402</b>
16	Profit tax, including:	(284,756)	(287,294)
	current profit tax	(297,718)	(330,256)
	previous years profit tax	12,962	42,962
	including: permanent tax liabilities	72,714	61,944
16	Change in deferred tax liabilities	(35,683)	(55,202)
16	Change in deferred tax assets	36,761	10,649
	Other	(107)	1,173
	<b>Net profit of the reporting period before minority interest</b>	<b>770,581</b>	<b>1,027,728</b>
	Minority interest	(24,859)	(32,357)
	<b>Net profit of the reporting period</b>	<b>745,722</b>	<b>995,371</b>
	FOR REFERENCE:		
7	Results of fixed assets revaluation not included into net profit of the reporting period	24,128	597,972
	Results of other transactions not included into net profit of the reporting period	(29,140)	18,542
	Comprehensive income of the reporting period attributable to the owners of OAO Gazprom	740,710	1,611,885
22	Basic earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)	32.49	43.37

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilieva  
Chief Accountant

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
**for the year ended 31 December 2012**  
**(in million Roubles)**

Note	Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
<b>Equity as of 31 December 2010</b>	<b>118,368</b>	<b>(126,853)</b>	<b>4,205,545</b>	<b>25,630</b>	<b>3,851,458</b>	<b>862</b>	<b>8,075,010</b>
<b>For 2011</b>							
Change of capital – total, including:	-	(619)	633,541	(352)	918,800	(132)	1,551,238
net profit	-	-	-	-	995,371	-	995,371
7 revaluation of property	-	-	597,972	-	-	-	597,972
differences resulting from the translation of foreign investments	-	-	18,542	-	-	-	18,542
change in the Group structure and change of interest in subsidiaries	-	-	16,735	(352)	13,454	-	29,837
dividends	-	-	-	-	(88,757)	-	(88,757)
7 social assets transferred to State authorities	-	-	-	-	-	(132)	(132)
other	-	(619)	292	-	(1,268)	-	(1,595)
Change of additional capital	-	-	(6,451)	-	6,451	-	-
Change of legal reserves	-	-	-	2,562	(2,562)	-	-
<b>Equity as of 31 December 2011</b>	<b>118,368</b>	<b>(127,472)</b>	<b>4,832,635</b>	<b>27,840</b>	<b>4,774,147</b>	<b>730</b>	<b>9,626,248</b>
<b>For 2012</b>							
Change of capital – total, including:	-	511	9,512	4	560,412	11	570,450
net profit	-	-	-	-	745,722	-	745,722
7 revaluation of property	-	-	24,117	-	-	11	24,128
differences resulting from the translation of foreign investments	-	-	(29,140)	-	-	-	(29,140)
change in the Group structure and change of interest in subsidiaries	-	-	14,265	4	21,861	-	36,130
dividends	-	-	-	-	(205,866)	-	(205,866)
other	-	511	270	-	(1,305)	-	(524)
Change of additional capital	-	-	(39,487)	-	39,487	-	-
Change of legal reserves	-	-	-	2,639	(2,639)	-	-
<b>Equity as of 31 December 2012</b>	<b>118,368</b>	<b>(126,961)</b>	<b>4,802,660</b>	<b>30,483</b>	<b>5,371,407</b>	<b>741</b>	<b>10,196,698</b>

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilieva  
Chief Accountant

**GAZPROM  
CONSOLIDATED STATEMENT OF CASH FLOW  
for the year ended 31 December 2012  
(in million Roubles)**

Note	For 2012	For 2011
<b>Cash flows from operating activities</b>		
Total cash received, including:	5,782,761	5,192,896
sales of products, goods, works and services	5,602,138	5,076,942
other receipts, including:	180,623	115,954
indirect taxes	75,736	29,702
advances received from buyers (customers)	42,694	31,621
Total cash paid, including:	(4,432,416)	(3,788,102)
payment for purchased raw materials, works and services	(2,072,673)	(1,713,236)
wages and salaries	(292,454)	(263,981)
interests on borrowings	(89,719)	(82,284)
profit tax	(283,619)	(332,569)
other payments, including:	(1,693,951)	(1,396,032)
settlements with customs	(684,179)	(675,806)
settlements with budget (less profit tax)	(633,021)	(450,198)
advances paid	(125,566)	(93,351)
<b>Net cash provided by operating activities</b>	<b>1,350,345</b>	<b>1,404,794</b>
<b>Cash flows from investing activities</b>		
Total cash received, including:	328,781	349,746
sales of non-current assets (less financial investments)	6,064	4,546
sales of other entities' shares (equity interests)	4,519	18,977
return of loans issued, sales of debt securities (assignments of cash from third parties)	126,916	144,241
dividends, interest from debt financial investments and receipts from participation in other entities	152,300	67,304
other receipts	38,982	114,678
Total cash paid, including:	(1,487,457)	(1,700,373)
purchase, construction, modernization, reconstruction and preparation for use of non-current assets, including:	(1,125,971)	(1,239,578)
purchase of exploration assets	(18,527)	(17,282)
23, 24 purchase of other entities' shares	(89,196)	(154,608)
purchase of debt securities (assignment of cash from third parties), loans issued	(76,088)	(89,668)
other payments, including:	(196,202)	(216,519)
indirect taxes	(160,507)	(189,655)
<b>Net cash used for investing activities</b>	<b>(1,158,676)</b>	<b>(1,350,627)</b>

**GAZPROM**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**for the year ended 31 December 2012**  
**(in million Roubles)**

Note	For 2012	For 2011
<b>Cash flows from financing activities</b>		
Total cash received, including:	404,786	415,619
loans and borrowings, issue of bonds, promissory notes and other debt securities	404,780	415,590
other receipts	6	29
Total cash paid, including:	(664,934)	(393,919)
dividends and other distributions to owners (participants)	(227,201)	(108,170)
redemption (buyback) of promissory notes and other debt securities, loan repayment	(421,108)	(269,867)
other payments	(16,625)	(15,882)
<b>Net cash (used for) provided by financing activities</b>	<b>(260,148)</b>	<b>21,700</b>
<b>Net cash for the reporting year</b>	<b>(68,479)</b>	<b>75,867</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>517,887</b>	<b>445,270</b>
13 <b>Cash and cash equivalents at the end of the reporting period</b>	<b>438,674</b>	<b>517,887</b>
Impact of changes in exchange rates	(10,734)	(3,250)

A.B. Miller  
Chairman of the Management Committee

E.A. Vasilieva  
Chief Accountant

29 April 2013

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

**1. GENERAL INFORMATION**

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

The Group is involved in the following principal activities:

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

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

On average, the Group employed 406,577 and 400,280 people in 2012 and 2011, respectively.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

**Accounting principles**

The statutory consolidated accounting reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 6 December 2011 No. 402-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, other statutory accounting and reporting regulatory acts included in accounting and reporting regulatory system of organizations in the Russian Federation and the Methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112.

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

**Basis of consolidation**

In accordance with the Methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112, the Consolidated Balance Sheet, Consolidated Statement of Financial Results, Consolidated Statement of Changes in Shareholder's Equity, Consolidated Statement of Cash Flow and the Notes to the consolidated accounting reports (together, the "statutory consolidated accounting reports") comprise a consolidation of the statutory accounting reports of GAZPROM and its principal subsidiaries and associates.

Accounting policy for the year 2012 of GAZPROM and its subsidiaries is approved by Order No. 408 dated 30 December 2011.

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



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

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

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

**Assets and liabilities denominated in foreign currency**

Business transactions denominated in foreign currencies have been recorded using the official Rouble exchange rate determined by Central Bank of Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments) denominated in foreign currency were recorded using the official Rouble exchange rate as at reporting date. The rate of exchange as of 31 December 2012 was RR 30.3727 to USD 1 (as of 31 December 2011 – RR 32.1961, as of 31 December 2010 – RR 30.4769) and RR 40.2286 to EUR 1 (as of 31 December 2011 - RR 41.6714, as of 31 December 2010 – RR 40.3331).

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

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

**Current and non-current assets and liabilities**

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

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

**Goodwill of subsidiaries**

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

**Results of research and development**

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

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

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

**Intangible and tangible exploration assets**

Exploration costs accounted within tangible exploration assets include:

- expenditure on drilling and infrastructure development of prospecting, exploration and advance development wells (drilled at the exploration stage before the commercial practicability of minerals extraction is proved) broken down by fields (areas);
- acquisition and set-up costs of property, constructions, plant, equipment, vehicles used for prospecting, valuation of minerals fields and minerals exploration.

Tangible exploration assets include wells, property, plant, equipment, constructions, sets, vehicles, metalwork, special gear and tools.

Exploration costs accounted within intangible exploration assets include expenditure on acquisition of the rights to use subsurface resources.

Intangible exploration assets include geological exploration and mining licences.

Intangible exploration assets are not amortized in the course of prospecting, valuation of minerals fields and minerals exploration.

Equipment acquisition costs are depreciated on a straight-line basis during the period of their useful life. Depreciation charges are attributed to cost of geological exploration of an associated field. The Group determines useful lives of exploration assets similarly to determination of fixed assets useful lives. The cost of a self-developed exploration asset includes depreciation charge of the exploration asset used to develop this exploration asset.

In case the commercial practicability of minerals extraction in a particular area of the field is proved the exploration assets are tested for impairment and transferred to fixed assets, intangible assets or other non-current assets, which are intended for mining and extraction of minerals.

The Group tests exploration assets for impairment as of 31 December of the reporting year and in case the commercial practicability of minerals extraction in a particular area of a field is proved. For the purpose of exploration assets impairment test these assets are distributed between areas of minerals fields. The exploration assets impairment charge is attributed to general expenses.

**Fixed assets**

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

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

In the consolidated accounting reports fixed assets are recorded at replacement cost (as of 31 December 2012) net of depreciation accumulated for the period of their use.

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

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

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

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

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

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

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

The following assets are not depreciated:

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

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

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

**Investments in non-current assets**

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

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

**Financial investments**

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

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

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

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

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

**Inventories and costs**

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

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

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

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

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

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

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

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

**Accounts receivable**

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

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

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

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

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

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

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

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

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

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

In the context of recent revision of composition of Consolidated Statement of Cash Flow, initiated by Russian accounting rule «Cash flow statement» (RAR 23/2011), adopted by the Order of the Ministry of Finance dated 2 February 2011 No.11n, indirect taxes within settlements with suppliers and contractors and settlements with debtors are netted.

**Loans and borrowings received**

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

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

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

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

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

**Commitments and contingencies**

The Group recognizes the following contingent liabilities in accounting:

- bonus payments at the year end;
- vacations;
- retirement benefits payable as a lump sum;
- fixed assets liquidation and environmental restoration in the context of subsurface use;
- other contingent liabilities.

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

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

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

The Group recognized contingent liabilities for gas price adjustment arising from the claims of European customers based on the contracts terms. The effect of gas price adjustment including corresponding impacts on profit tax are recorded when they become probable and a reliable estimate of the amounts can be made.

Contingent liabilities are attributed to general expenses and to other expenses in the Consolidated Statement of Financial Results.

Contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use are recognized within fixed assets value. Increase or decrease of the amount of contingent liability due to change of its value is attributed to other income and other expenses.

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

**Deferred taxes**

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

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

**Revenue and other income recognition**

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

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

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

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

*Expenses recognition*

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

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

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

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

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

*Changes in the 2012 accounting policies*

In the context of changes in the existing accounting regulation the Group has modified the accounting policy for FY 2012 as follows:

In view of adoption of the Russian accounting rule «On accounting of natural resources development expenses» (RAR 24/2011), approved by Order of the Russian Ministry of Finance dated 6 October 2011, No. 125n the Group's accounting policy for 2012 was amended in respect of accounting and representation of natural resources development expenses. Natural resources development expenses, incurred by the Group with the aim of prospecting, valuation and exploration of minerals fields (exploration expenses) until the commercial practicability of minerals extraction in a particular area which is being prospected, valued and explored is proved and documented, are accounted for as tangible and intangible exploration assets.

*Changes in the financial reporting forms*

In accordance with the Order of the Russian Ministry of Finance dated 5 October 2011 No 124n "On amending financial reporting forms" approved by the Order of the Russian Ministry of Finance dated 2 July 2010 No 66n, since financial reports for 2012 lines "Intangible exploration assets" and "Tangible exploration assets" are added to the Consolidated Balance Sheet. Since 2012 the Group represented natural resources development expenses within other non-current and current assets.

*Changes in the accounting of natural resources development expenses*

Since 2012 expenditure on acquisition of minerals prospecting, exploration and extraction licences in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are presented within intangible exploration assets and are represented in the line "Intangible exploration assets" of the Consolidated Balance Sheet and are not amortized, before 1 January 2012 these expenses were represented in the line Other non-current assets and were amortized on a straight-line basis during the period of the validity of the licenses).

Since 2012 expenditure on one-off payments for the use of subsurface resources in accordance with the minerals prospecting, exploration and extraction licences in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are represented in the line "Intangible exploration assets" of the Consolidated Balance Sheet and are not amortized. Before 1 January 2012 these expenses were represented in the line Other non-current assets and were amortized on a straight-line basis during the period of the licenses validity (the portion of expenditure subject to write off within 12 months after the reporting date was represented in line Other current assets).

Since 2012 expenditure on drilling and infrastructure development of prospecting and exploration wells drilled at the exploration stage in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has not yet been proved are represented in the line Tangible exploration assets of the Consolidated Balance Sheet, before 1 January 2012 these expenses were represented in lines Construction in progress and Other non-current assets of the Consolidated Balance Sheet.

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

Since 2012 expenditure on geological exploration and other expenditure on development of natural resources not classified as exploration assets in accordance with RAR 24/2011 were written off (before 1 January 2012 these expenses were classified as assets related to development of natural resources and were represented within other non-current and other current assets during a year starting from the moment of initial recognition).

Since 2012 expenditure on completed and suspended prospecting and exploration wells in the areas of minerals fields in respect of which the commercial practicability of minerals extraction has been proved are represented within construction in progress in the line "Construction in progress" of the Consolidated Balance Sheet until the construction is completed. Before 1 January 2012 these expenses were represented within other non-current assets of the Consolidated Balance Sheet.

*Changes in the accounting of contingent liabilities*

Since 2012 the Group recognized contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use.

*Changes due to adoption of Consolidated Group of Taxpayers (CGT)*

Since 2012 deferred tax asset which arose from the Group members' losses (in respect of the activity, related to CGT), recognized before participating CGT is written off from retained earnings in a lump sum.

The indicated changes in the accounting policy and consolidated accounting reporting forms lead to necessary adjustments of comparative periods in the consolidated accounting reports for 2012, which are disclosed in subsection "Changes in the comparative periods" in the Notes to the consolidated accounting reports.

*Changes in the comparative periods*

Columns "As of 31 December 2011" and "As of 31 December 2010" of the Consolidated Balance Sheet as of 31 December 2012 were formed by the way of adjusting closing balances of the Consolidated Balance Sheet as of 31 December 2011 and 2010 for:

- change of accounting policy for 2012 in respect of expenses for the development of natural resources;
- change of accounting policy for 2012 in respect of recognition of contingent liabilities for fixed assets liquidation and environmental restoration.

*Adjustments to the amounts as at 31 December 2011 and 2010  
in the Consolidated Balance Sheet as at 31 December 2012*

Item	As of 31 December 2011			As of 31 December 2010		
	Amount before adjustment	Adjustment	Amount after adjustment	Amount before adjustment	Adjustment	Amount after adjustment
<b>I. NON-CURRENT ASSETS</b>						
Intangible assets	859,870	4	859,874	743,495	7	743,502
Intangible exploration assets	-	52,703	52,703	-	41,923	41,923
Tangible exploration assets	-	29,673	29,673	-	21,164	21,164
Fixed assets, including:	7,760,805	108,012	7,868,817	6,296,572	105,912	6,402,484
Objects of fixed assets, including:	6,114,279	46,306	6,160,585	4,991,540	47,084	5,038,624
buildings, constructions, machinery and equipment	5,982,883	46,310	6,029,193	4,928,293	47,088	4,975,381
Construction in progress	1,646,526	61,706	1,708,232	1,305,032	58,828	1,363,860



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

Item	As of 31 December 2011			As of 31 December 2010		
	Amount before adjustment	Adjustment	Amount after adjustment	Amount before adjustment	Adjustment	Amount after adjustment
Deferred tax assets	58,016	11,711	69,727	48,386	10,704	59,090
Other non-current assets	318,753	(144,336)	174,417	344,613	(124,146)	220,467
<b>TOTAL Section I</b>	<b>9,984,300</b>	<b>57,767</b>	<b>10,042,067</b>	<b>8,482,588</b>	<b>55,564</b>	<b>8,538,152</b>
<b>II. CURRENT ASSETS</b>						
Accounts receivable, including:	1,235,449	1,000	1,236,449	1,047,183	1,155	1,048,338
Accounts receivable (payment expected beyond 12 months of the reporting date), including:	115,505	700	116,205	105,152	1,155	106,307
advances paid	31,118	700	31,818	41,966	1,155	43,121
Accounts receivable (payment expected within 12 months of the reporting date), including:	1,119,944	300	1,120,244	942,031	-	942,031
advances paid	288,464	300	288,764	280,181	-	280,181
Other current assets	18,066	(8,283)	9,783	24,676	(11,577)	13,099
<b>TOTAL Section II</b>	<b>2,665,318</b>	<b>(7,283)</b>	<b>2,658,035</b>	<b>2,203,596</b>	<b>(10,422)</b>	<b>2,193,174</b>
<b>TOTAL ASSETS</b>	<b>12,649,618</b>	<b>50,484</b>	<b>12,700,102</b>	<b>10,686,184</b>	<b>45,142</b>	<b>10,731,326</b>
<b>III. EQUITY AND RESERVES</b>						
Revaluation of non-current assets	4,720,075	(1,430)	4,718,645	4,106,611	(1,430)	4,105,181
Retained earnings	4,832,022	(57,875)	4,774,147	3,903,804	(52,346)	3,851,458
<b>TOTAL Section III</b>	<b>9,685,553</b>	<b>(59,305)</b>	<b>9,626,248</b>	<b>8,128,786</b>	<b>(53,776)</b>	<b>8,075,010</b>
<b>Minority interest</b>	<b>252,735</b>	<b>(2,046)</b>	<b>250,689</b>	<b>236,471</b>	<b>(2,198)</b>	<b>234,273</b>
<b>IV. NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	226,670	680	227,350	173,352	371	173,723
Estimated liabilities	3,337	110,890	114,227	3,745	100,627	104,372
<b>TOTAL Section IV</b>	<b>1,409,615</b>	<b>111,570</b>	<b>1,521,185</b>	<b>1,307,089</b>	<b>100,998</b>	<b>1,408,087</b>
<b>V. CURRENT LIABILITIES</b>						
Income of future periods	3,543	(31)	3,512	3,311	(34)	3,277
Estimated liabilities	97,174	296	97,470	72,781	152	72,933
<b>TOTAL Section V</b>	<b>1,301,715</b>	<b>265</b>	<b>1,301,980</b>	<b>1,013,838</b>	<b>118</b>	<b>1,013,956</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,649,618</b>	<b>50,484</b>	<b>12,700,102</b>	<b>10,686,184</b>	<b>45,142</b>	<b>10,731,326</b>

*Adjustments to the Consolidated Statement of Financial Results*

To ensure comparability of the data for 2012 to comparative amounts for 2011 in the Consolidated Statement of Financial Results amounts for 2011 were adjusted for:

- write off of geological exploration expenses and other natural resources development expenses, which are not recognized as exploration assets;
- recognition of contingent liabilities for fixed assets liquidation and environmental restoration in the context of subsurface use;
- write off of deferred tax asset which arose from the Group members' losses (in respect of the activity, related to members of CGT), recognized before participating CGT.

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

Item	Amount before adjustment for 2011	Adjustment	Amount after adjustment for 2011
Cost of sales	(2,907,021)	(645)	(2,907,666)
<b>Gross profit</b>	<b>1,828,801</b>	<b>(645)</b>	<b>1,828,156</b>
Administrative expenses	(206,072)	3,116	(202,956)
<b>Profit from sales</b>	<b>1,622,289</b>	<b>2,471</b>	<b>1,624,760</b>
Interest expense	(79,663)	(263)	(79,926)
Other expenses	(5,220,578)	(8,281)	(5,228,859)
<b>Profit before profit tax, including</b>	<b>1,364,475</b>	<b>(6,073)</b>	<b>1,358,402</b>
permanent tax liabilities	61,425	519	61,944
Change in deferred tax liabilities	(54,893)	(309)	(55,202)
Change in deferred tax assets	9,644	1,005	10,649
<b>Net profit of the reporting period before minority interest</b>	<b>1,033,105</b>	<b>(5,377)</b>	<b>1,027,728</b>
<b>Minority interest</b>	<b>(32,205)</b>	<b>(152)</b>	<b>(32,357)</b>
<b>Net profit of the reporting period</b>	<b>1,000,900</b>	<b>(5,529)</b>	<b>995,371</b>

*Adjustments to the Consolidated Statement of Cash Flow*

To ensure comparability of the data for 2012 to comparative amounts for 2011 in the Consolidated Statement of Cash Flow amounts for 2011 were adjusted for the changes of presentation of cash inflows and outflows, including:

- indirect taxes within cash inflow from contractors and suppliers and cash outflow to contractors and suppliers are netted;
- payments to suppliers and contractors related to development and acquisition of exploration assets are represented within Cash flows from investment.

Item	Amount before adjustment for 2011	Adjustment	Amount after adjustment for 2011
<b>Cash flows from operating activities</b>			
Total cash received	5,604,075	(411,179)	5,192,896
Total cash paid	(4,215,678)	427,576	(3,788,102)
<b>Net cash provided by operating activities</b>	<b>1,388,397</b>	<b>16,397</b>	<b>1,404,794</b>
<b>Cash flows from investing activities</b>			
Total cash received	355,012	(5,266)	349,746
Total cash paid	(1,689,242)	(11,131)	(1,700,373)
<b>Net cash used for investing activities</b>	<b>(1,334,230)</b>	<b>(16,397)</b>	<b>(1,350,627)</b>
<b>Cash flows from financial activities</b>			
Total cash received	523,844	(108,225)	415,619
Total cash paid	(502,144)	108,225	(393,919)
<b>Net cash provided by financial activities</b>	<b>21,700</b>	<b>-</b>	<b>21,700</b>

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

The inter-segment sales mainly consist of:

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

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

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

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**4. SEGMENT INFORMATION (continued)**

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>For 2012</b>									
<b>Total segment revenues</b>	553,945	823,320	3,021,485	33,598	726,707	1,201,934	340,769	231,764	6,933,522
Inter-segment sales	544,819	732,434	235,430	32,286	375,724	9,927	-	-	1,930,620
External sales	9,126	90,886	2,786,055	1,312	350,983	1,192,007	340,769	231,764	5,002,902
<b>Segment result</b>	56,931	34,200	990,793	5,666	144,390	100,447	24,613	3,226	1,360,266
Depreciation	111,285	328,720	10,504	13,427	58,225	29,070	21,468	13,035	585,734
Capitalized profit (loss) of associates	1,032	(814)	35,551	(165)	98,287	2,382	-	15,432	151,705
<b>For 2011</b>									
<b>Total segment revenues</b>	388,537	756,873	3,030,459	29,658	630,002	979,993	342,873	228,672	6,387,067
Inter-segment sales	381,481	677,634	238,290	28,583	318,302	6,955	-	-	1,651,245
External sales	7,056	79,239	2,792,169	1,075	311,700	973,038	342,873	228,672	4,735,822
<b>Segment result</b>	51,873	49,557	1,216,948	4,613	99,125	167,960	25,539	12,239	1,627,854
Depreciation	87,655	267,038	7,756	9,854	51,478	19,256	19,142	10,536	472,715
Capitalized profit (loss) of associates	957	(8,756)	21,554	-	64,766	1,860	-	12,388	92,769

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

	<b>For 2012</b>	<b>For 2011</b>
<b>Segment result</b>	<b>1,360,266</b>	<b>1,627,854</b>
Income from investments in other companies	7,994	7,574
Interest income	27,805	19,868
Interest expense	(88,524)	(79,926)
Other income	5,553,537	4,922,216
Other expense	(5,954,755)	(5,228,859)
Difference in depreciation	(3,662)	(3,094)
Capitalized profit (loss) of associates	151,705	92,769
<b>Profit before profit tax</b>	<b>1,054,366</b>	<b>1,358,402</b>

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

Inter-segment operations represent the balance of intercompany transactions.

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**4. SEGMENT INFORMATION (continued)**

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

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>As of 31 December 2012</b>									
Segment assets	1,996,958	5,262,632	1,245,007	220,928	1,019,330	887,233	512,769	655,676	11,800,533
Investments in associated undertakings	27,698	67,550	85,731	4,025	259,407	8,414	448	87,016	540,289
Capital expenditure	232,705	563,822	47,166	18,247	85,161	128,529	52,002	61,470	1,189,102
<b>As of 31 December 2011</b>									
Segment assets	1,906,130	4,955,286	1,242,506	206,467	946,078	937,702	490,906	543,129	11,228,204
Investments in associated undertakings	27,914	66,655	107,502	-	291,252	47,250	48	67,496	608,117
Capital expenditure	246,635	740,910	48,802	19,978	72,440	111,267	67,181	29,700	1,336,913
<b>As of 31 December 2010</b>									
Segment assets	1,644,887	4,007,043	1,062,591	169,574	874,528	668,621	388,434	642,017	9,457,695
Investments in associated undertakings	23,600	142,837	98,225	-	321,070	30,927	48	51,892	668,599
Capital expenditure	215,236	407,571	37,578	17,355	83,097	70,726	44,115	20,452	896,130

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

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Segment assets for reportable segments	11,144,857	10,685,075	8,815,678
Other segments' assets	655,676	543,129	642,017
<b>Total segment assets</b>	<b>11,800,533</b>	<b>11,228,204</b>	<b>9,457,695</b>
Goodwill	885,672	855,290	740,554
Loans issued to companies beyond 12 months	113,715	107,197	110,401
Other long-term financial investments	30,855	34,041	38,792
Deferred tax assets	106,668	69,727	59,090
Value added tax on purchased goods	394,310	303,287	158,533
Loans issued to companies due within 12 months	97,194	90,994	76,524
Other short-term financial investments	68,499	51,942	77,788
Cash and cash equivalents	438,746	517,955	445,323
Decommissioning costs	52,111	51,452	51,767
Inter-segment assets	(647,567)	(801,796)	(659,640)
Other	188,476	191,809	174,499

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**4. SEGMENT INFORMATION (continued)**

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Total assets per the balance sheet</b>	<b>13,529,212</b>	<b>12,700,102</b>	<b>10,731,326</b>

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

	Production of gas	Transportation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
<b>As of 31 December 2012</b>									
Segment liabilities	135,554	427,157	585,171	9,844	154,023	241,356	29,469	146,500	1,729,074
<b>As of 31 December 2011</b>									
Segment liabilities	115,136	422,037	468,773	7,940	260,749	166,963	35,559	137,010	1,614,167
<b>As of 31 December 2010</b>									
Segment liabilities	86,041	315,515	436,840	7,473	209,274	148,443	32,059	149,663	1,385,308

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

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Segment liabilities for reportable segments	1,582,574	1,477,157	1,235,645
Other segments' liabilities	146,500	137,010	149,663
<b>Total segments liabilities</b>	<b>1,729,074</b>	<b>1,614,167</b>	<b>1,385,308</b>
Long-term loans and borrowings	1,178,381	1,173,207	1,125,609
Deferred tax liabilities	265,550	227,350	173,723
Short-term loans and borrowings and current portion of long-term loans and borrowings	325,447	366,037	190,005
Dividends payable	1,779	1,888	2,403
Income of future periods	2,362	3,512	3,277
Contingent liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	121,930	110,890	100,627
Inter-segment liabilities	(647,567)	(801,796)	(659,640)
Other	90,962	127,910	100,731
<b>Total liabilities per the balance sheet</b>	<b>3,067,918</b>	<b>2,823,165</b>	<b>2,422,043</b>

**ОАО ГАЗПРОМ**  
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#### 4. SEGMENT INFORMATION (continued)

Information on sales by geographical segments is presented in Note 17. Information on assets by geographical segments is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

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

[illegible]

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**5. GOODWILL ON SUBSIDIARIES**

Note		Gross book value	Accumulated amortization	Net book value
<b>As of 31 December 2011</b>				
	GAZPROM NEFT	539,720	(142,965)	396,755
24	GAZPROM TRANS-GAZ BELARUS	146,316	-	146,316
26	SIBIR ENERGY LTD.	113,059	(13,338)	99,721
25	GAZPROM WGC-2	87,263	(15,441)	71,822
	GAZPROM MOSENERGO	46,612	(10,322)	36,290
	GAZPROM NEFT SHELF	37,416	(12,694)	24,722
	GAZPROM TGC-1	35,518	(3,552)	31,966
26	GAZPROMNEFT – MNPZ	10,686	(1,224)	9,462
	DALTRANS-GAZ	6,990	(930)	6,060
	YUZHUR-NEFTGAS	6,815	(28)	6,787
	GAZOVIE MAGISTRALY TUMENY	6,285	(471)	5,814
	Others	23,576	(4,001)	19,575
	<b>Total</b>	<b>1,060,256</b>	<b>(204,966)</b>	<b>855,290</b>
<b>Additions for 2012</b>				
23	GAZPROM NEFTEKHIM SALAVAT	68,724		
	GAZPROM SIBIRSKIE GAZOVIE SETI	17,000		
	GAZPROMNEFT – MNPZ	5,212		
	SIBIR ENERGY LTD.	366		
	Others	1,838		
	<b>Total</b>	<b>93,140</b>		
<b>Disposals for 2012</b>				
	SIBIR ENERGY LTD.	(9,451)	1,338	(8,113)
	Others	(41)	41	-
	<b>Total</b>	<b>(9,492)</b>	<b>(1,379)</b>	<b>(8,113)</b>
2	<b>Amortization charge</b>			
	GAZPROM NEFT		(26,986)	
	GAZPROM TRANS-GAZ BELARUS		(7,316)	
	SIBIR ENERGY LTD.		(5,348)	
	GAZPROM WGC-2		(4,363)	
	GAZPROM MOSENERGO		(2,331)	
	GAZPROM NEFT SHELF		(1,871)	
	GAZPROM NEFTEKHIM SALAVAT		(1,829)	



**GAZPROM**  
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**5. GOODWILL ON SUBSIDIARIES (continued)**

Note	Gross book value	Accumulated amortization	Net book value
GAZPROM			
GAZPROM TGC-1		(1,776)	
GAZPROM Gazpromneft – MNPZ		(577)	
GAZPROM Daltransgaz		(350)	
GAZPROM Yuzhuralneftegaz		(341)	
GAZPROM Gazovie Magistraly Tumeny		(314)	
GAZPROM OOO Sibirskie gazovie seti		(71)	
GAZPROM Others		(1,172)	
<b>Total</b>		<b>(54,645)</b>	
<b>As of 31 December 2012</b>			
GAZPROM Gazprom neft	539,720	(169,951)	369,769
GAZPROM Gazprom transgaz Belarus	146,316	(7,316)	139,000
GAZPROM Sibir Energy Ltd.	103,974	(17,348)	86,626
GAZPROM WGC-2	87,263	(19,804)	67,459
GAZPROM Gazprom neftekhim Salavat	68,724	(1,829)	66,895
GAZPROM Mosenergo	46,612	(12,653)	33,959
GAZPROM OOO Gazprom neft shelf	37,416	(14,565)	22,851
GAZPROM TGC-1	35,518	(5,328)	30,190
GAZPROM OOO Sibirskie gazovie seti	17,000	(71)	16,929
GAZPROM Gazpromneft – MNPZ	15,898	(1,801)	14,097
GAZPROM Daltransgaz	6,990	(1,280)	5,710
GAZPROM Yuzhuralneftegaz	6,815	(369)	6,446
GAZPROM Gazovie Magistraly Tumeny	6,285	(785)	5,500
GAZPROM Others	25,373	(5,132)	20,241
<b>Total</b>	<b>1,143,904</b>	<b>(258,232)</b>	<b>885,672</b>

**GAZPROM**  
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**6. EXPLORATION ASSETS**

	As of 31 December 2011	Changes for 2012				As of 31 December 2012
		additions	disposals	intra- group	depreciation charge	
<b>Total Intangible exploration assets,</b>	<b>52,703</b>	<b>18,448</b>	<b>(1,748)</b>	<b>-</b>	<b>-</b>	<b>69,403</b>
including:						
Licences on minerals prospecting, estimation, exploration and extraction	49,500	4,590	(1,318)	1,268	-	54,040
Expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	3,203	13,858	(430)	(1,268)	-	15,363
<b>Total Tangible exploration assets,</b>	<b>29,673</b>	<b>9,270</b>	<b>(1,761)</b>	<b>-</b>	<b>-</b>	<b>37,182</b>
including:						
Wells	1,999	-	-	197	-	2,196
Exploration expenses classified as tangible exploration assets	27,674	9,270	(1,761)	(197)	-	34,986
	As of 31 December 2010	Changes for 2011				As of 31 December 2011
		additions	disposals	intra- group	depreciation charge	
<b>Total Intangible exploration assets,</b>	<b>41,923</b>	<b>11,235</b>	<b>(455)</b>	<b>-</b>	<b>-</b>	<b>52,703</b>
including:						
Licences on minerals prospecting, estimation, exploration and extraction	40,531	1,378	-	7,591	-	49,500
Expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	1,392	9,857	(455)	(7,591)	-	3,203
<b>Total Tangible exploration assets,</b>	<b>21,164</b>	<b>11,729</b>	<b>(3,220)</b>	<b>-</b>	<b>-</b>	<b>29,673</b>
including:						
Wells	1,306	-	-	693	-	1,999
Exploration expenses classified as tangible exploration assets	19,858	11,729	(3,220)	(693)	-	27,674

**GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**7. FIXED ASSETS**

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
<b>As of 31 December 2010</b>						
Historical (replacement) cost	7,554,859	1,345,973	1,852,723	1,250,729	1,357,626	13,361,910
Accumulated depreciation	(5,128,021)	(890,387)	(1,340,618)	(413,451)	(550,809)	(8,323,286)
<b>Net book value</b>	<b>2,426,838</b>	<b>455,586</b>	<b>512,105</b>	<b>837,278</b>	<b>806,817</b>	<b>5,038,624</b>
<b>For 2011</b>						
Additions	314,651	96,409	225,151	98,864	295,432	1,030,507
Disposals	(168)	(609)	(11,691)	(12,014)	(6,780)	(31,262)
Historical (replacement) cost	(2,631)	(4,512)	(49,977)	(18,228)	(16,963)	(92,311)
Accumulated depreciation	2,463	3,903	38,286	6,214	10,183	61,049
4 Depreciation	(209,455)	(57,272)	(102,801)	(40,696)	(65,584)	(475,808)
Revaluation of fixed assets	373,852	39,475	41,558	80,142	63,497	598,524
Historical (replacement) cost	1,230,159	154,722	242,230	148,246	125,460	1,900,817
Accumulated depreciation	(856,307)	(115,247)	(200,672)	(68,104)	(61,963)	(1,302,293)
<b>As of 31 December 2011</b>						
Historical (replacement) cost	9,119,311	1,594,616	2,287,760	1,482,531	1,774,307	16,258,525
Accumulated depreciation	(6,213,593)	(1,061,027)	(1,623,438)	(518,957)	(680,925)	(10,097,940)
<b>Net book value</b>	<b>2,905,718</b>	<b>533,589</b>	<b>664,322</b>	<b>963,574</b>	<b>1,093,382</b>	<b>6,160,585</b>
<b>For 2012</b>						
Additions	588,667	103,684	361,070	137,882	354,032	1,545,335
Disposals	(88)	(115)	(2,886)	(8,155)	(5,390)	(16,634)
Historical (replacement) cost	(3,880)	(8,136)	(17,461)	(11,580)	(11,624)	(52,681)
Accumulated depreciation	3,792	8,021	14,575	3,425	6,234	36,047
4 Depreciation	(251,516)	(73,718)	(132,036)	(46,744)	(85,383)	(589,397)
Revaluation of fixed assets	1,258	43	6,303	4,976	8,502	21,082
Historical (replacement) cost	1,629	2,310	25,603	8,993	15,234	53,769
Accumulated depreciation	(371)	(2,267)	(19,300)	(4,017)	(6,732)	(32,687)
<b>As of 31 December 2012</b>						
Historical (replacement) cost	9,701,580	1,688,677	2,667,113	1,618,022	2,136,862	17,812,254
Accumulated depreciation	(6,457,541)	(1,125,194)	(1,770,340)	(566,489)	(771,719)	(10,691,283)
<b>Net book value</b>	<b>3,244,039</b>	<b>563,483</b>	<b>896,773</b>	<b>1,051,533</b>	<b>1,365,143</b>	<b>7,120,971</b>

In Additions for 2012 reflected acquisition of OAO "Gazprom neftekhim Salavat", including historical (replacement) cost in the amount of RR 43,887 and accumulated depreciation in amount of RR 18,726.

In 2012 and 2011 the Group entities continued to transfer social assets which were obtained in the course of privatization to local authorities (see Note 2). The transferred assets which were obtained in the course of privatization amounted to RR 0 in 2012 (in 2011 – RR 132).

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**8. CONSTRUCTION IN PROGRESS**

	Construction in progress	Equipment for installation	Total
<b>As of 31 December 2010</b>	<b>1,192,727</b>	<b>171,133</b>	<b>1,363,860</b>
<b>For 2011</b>			
Capital expenditures	1,137,125	206,940	1,344,065
Transfer of equipment for installation	152,741	(152,741)	-
Transfer to Fixed assets	(977,347)	-	(977,347)
Other disposals	(21,360)	(986)	(22,346)
<b>As of 31 December 2011</b>	<b>1,483,886</b>	<b>224,346</b>	<b>1,708,232</b>
<b>For 2012</b>			
Capital expenditures	1,042,519	189,238	1,231,757
Transfer of equipment for installation	205,880	(205,880)	-
Transfer to Fixed assets	(1,511,474)	-	(1,511,474)
Other disposals	(15,240)	(5,495)	(20,735)
<b>As of 31 December 2012</b>	<b>1,205,571</b>	<b>202,209</b>	<b>1,407,780</b>

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo – Ukhta, construction of gas chemical complex (Novourengoy), as well as development of Bovanenkovskoye field.

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**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**9. FINANCIAL INVESTMENTS**

**Long-term financial assets**

*Investments in subsidiaries*

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 6,063, RR 5,595 and RR 5,125 as of 31 December 2012, 2011 and 2010, respectively. The impairment provision primarily relates to non-core investments.

*Investments in associates*

Note	Carrying value			Capitalized profit (loss)	
	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010	For 2012	For 2011
21 OAO Tomskneft VNK and its subsidiaries	85,414	83,329	85,520	6,707	3,014
21 OAO NGK Slavneft and its subsidiaries	78,093	73,114	81,531	11,377	304
21 OAO Gazprombank	76,067	57,163	46,566	14,027	11,498
21, 27 Sakhalin Energy Investment Company Ltd.	73,919	113,706	138,928	70,777	57,016
21 W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)* and its subsidiaries	38,260	40,481	41,595	4,710	3,768
21, 27 Nord Stream AG	35,870	36,692	39,066	(2,593)	(9,135)
Shtokman Development AG	21,783	20,784	17,741	(369)	(94)
21, 27 STG EuRoPol GAZ S.A.	17,347	16,253	17,314	386	141
21 Salym Petroleum Development N.V.	15,445	12,776	9,871	8,718	2,905
21, 27 Blue Stream Pipeline Company B.V.	13,353	13,478	10,875	1,393	1,814
21 TOO KazRosGaz	12,819	35,663	27,034	8,485	7,896
Wintershall AG	12,198	11,740	11,003	3,416	889
21 AO Latvijas Gaze	8,957	7,603	7,151	449	536
21 AO Lietuvos dujos	8,267	8,542	8,352	324	420
ZAO Achimgaz	5,933	4,520	3,054	1,413	1,466
21 AO Gazum	4,089	4,123	4,040	425	708
21 ZAO Nortgaz	1,128	5,521	5,023	554	804
21 RosUkrEnergo AG **	-	-	-	17,017	6,863
21, 23 OAO Gazprom neftekhim Salavat***	-	39,381	19,940	(420)	1,149
21, 24 OAO Gazprom transgaz Belarus****	-	-	75,582	-	(1,576)
Others	31,347	23,248	18,413	4,909	2,383
<b>Total</b>	<b>540,289</b>	<b>608,117</b>	<b>668,599</b>	<b>151,705</b>	<b>92,769</b>

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

\*\* In June 2012 RosUkrEnergo AG declared dividends related to the results of its operations in 2011. The Group recognized its share of the profit in 2012 in the amount of accrued dividends. As of 31 December 2012 OAO Gazprom maintains a 50% interest in RosUkrEnergo AG with a carrying value of zero.

\*\*\* In May 2012 the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result the Group's share in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 10,318 increasing its interest to 97.84%. (see Note 23).

\*\*\*\* In December 2011 the Group accomplished acquisition of 50% interest in OAO Gazprom transgas Belarus. As a result the Group obtained control over OAO Gazprom transgas Belarus (see Note 24).

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 322, RR 236 and RR 73 as of 31 December 2012, 2011 and 2010, respectively.

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**9. FINANCIAL INVESTMENTS (continued)**

*Investments in other companies*

As of 31 December 2012, 2011 and 2010 the line "Investments in other companies" of the Consolidated Balance Sheet includes an investment in OAO NOVATEK in the amount of 9.99% of shares in charter capital with carrying value amounting to RR 110,370, RR 122,270 and RR 110,471, respectively.

The line "Investments in other companies" of the Consolidated Balance Sheet also includes investments in shares of energy companies, with carrying value amounting to RR 24,790, RR 33,021 and RR 55,529 as of 31 December 2012, 2011 and 2010, respectively.

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 1,850, RR 1,233 and RR 1,251 as of 31 December 2012, 2011 and 2010, respectively. The impairment provision primarily relates to non-core investments.

*Loans issued to companies due beyond 12 months*

The line "Loans issued to companies beyond 12 months" of the Consolidated Balance Sheet includes the loan to OAO Mezhhregionteplenergo, denominated in RR maturing in 2024, in the amount of RR 32,840, RR 34,224 and RR 26,537 as of 31 December 2012, 2011 and 2010, respectively.

Loans issued to companies beyond 12 months in the Consolidated Balance Sheet include a foreign currency loan to the associated undertaking W&G Beteiligungs GmbH & Co. KG maturing in 2015 in amount of RR 15,399, RR 15,952 and RR 15,439 as of 31 December 2012, 2011 and 2010, respectively.

In 2012 and 2011 the average interest rate on this loan was 2.6% and 3.4%, respectively.

*Other financial investments*

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Joint activity, including:	24,419	21,744	21,536
development of a satellite communication system (operator – OAO Gazprom kosmicheskiye sistemy)	3,252	3,252	3,180
Other, including:	6,436	12,297	17,256
long-term deposits	2,063	9,633	13,251
third party promissory notes	2,288	2,113	3,534
South Pars project (oil and gas field in Iran)	370	370	370
<b>Total</b>	<b>30,855</b>	<b>34,041</b>	<b>38,792</b>

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 7,915, RR 8,095 and RR 9,188 as of 31 December 2012, 2011 and 2010, respectively.

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**10. INVENTORY**

*Raw materials and other inventories*

In the Consolidated Balance Sheet values of raw materials and other inventories in amount of RR 131,015, RR 126,381 and RR 127,490 are disclosed net of impairment allowance in amount of RR 3,401, RR 3,962 and RR 2,353 as of 31 December 2012, 2011 and 2010, respectively.

*Finished goods and goods for resale*

In the Consolidated Balance Sheet values of finished goods and goods for resale in amount of RR 342,497, RR 300,436 and RR 234,861 are disclosed net of impairment allowance in amount of RR 398, RR 270 and RR 268 as of 31 December 2012, 2011 and 2010, respectively.

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Gas in pipelines and storages	263,460	235,323	184,981
Oil, gas condensate and refined products	54,706	37,449	25,317
Goods for resale	<u>24,331</u>	<u>27,664</u>	<u>24,563</u>
<b>Total</b>	<b>342,497</b>	<b>300,436</b>	<b>234,861</b>

**11. ACCOUNTS RECEIVABLE**

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

The Accounts Receivable line in the Consolidated Balance Sheet includes long-term receivables for gas in the amount of RR 1,187, RR 712 and RR 868 as of 31 December 2012, 2011 and 2010, respectively.

The Advances issued line in the Consolidated Balance Sheet includes an advance issued to NJSC Naftogas of Ukraine on account of gas transportation services in amount of RR 19,016, RR 28,938 and RR 38,859 as of 31 December 2012, 2011 and 2010, respectively.

The Other receivables line in the Consolidated Balance Sheet includes receivables, issued for capital construction purposes in amount of RR 20,612, RR 47,726 and RR 25,916 as of 31 December 2012, 2011 and 2010, respectively.

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

Accounts receivable from buyers and customers in the Consolidated Balance Sheet as of 31 December 2012, 2011 and 2010 include the following:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Receivables from Europe and other countries gas, crude oil, gas condensate and refined products customers	285,379	257,853	187,055
Receivables from Domestic gas, crude oil, gas condensate and refined products customers	131,128	107,805	110,046
Receivables from FSU gas, crude oil, gas condensate and refined products customers	33,560	74,369	33,285
Receivables from electric and heat energy sales customers	43,154	36,440	28,702
Other trade debtors	<u>99,723</u>	<u>75,168</u>	<u>58,630</u>
<b>Total</b>	<b>592,944</b>	<b>551,635</b>	<b>417,718</b>

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**11. ACCOUNTS RECEIVABLE (continued)**

As of 31 December 2012, 2011 and 2010 accounts receivable from buyers and customers are stated net of impairment provision of RR 255,025, RR 204,850 and RR 160,007, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 134, RR 143 and RR 374 as of 31 December 2012, 2011 and 2010, respectively.

As of 31 December 2012, 2011 and 2010 advances paid in the Consolidated Balance Sheet include advances issued for capital construction purposes in amount of RR 170,196, RR 209,532 and RR 122,789, respectively.

The advances paid include current portion of the long-term advance issued to NJSC Naftogas of Ukraine in the amount of RR 9,922 as of 31 December 2012, 2011 and 2010, respectively, and current advances issued to NJSC Naftogas of Ukraine for gas transportation services in the amount of RR 85,854 as of 31 December 2012.

As of 31 December 2012, 2011 and 2010 other accounts receivable of the Consolidated Balance Sheet include the following:

	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Overpayment of taxes to the budget	100,022	128,902	48,716
Settlements on claims	1,694	17,103	18,662
Other	<u>161,661</u>	<u>133,840</u>	<u>176,754</u>
<b>Total</b>	<b>263,377</b>	<b>279,845</b>	<b>244,132</b>

Other accounts receivable are stated net of the impairment provision amounting to RR 27,149, RR 11,278 and RR 8,523 as of 31 December 2012, 2011 and 2010, respectively.

**12. OTHER FINANCIAL INVESTMENTS**

	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Short-term deposits	49,107	25,194	69,801
Shares, bonds and participatory interests	15,931	21,527	2,689
Third party promissory notes	2,274	2,644	5,151
Other	<u>1,187</u>	<u>2,577</u>	<u>147</u>
<b>Total</b>	<b>68,499</b>	<b>51,942</b>	<b>77,788</b>

As of 31 December 2012, 2011 and 2010 other financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 629, RR 182 and RR 466, respectively.

**13. CASH AND CASH EQUIVALENTS**

Other monetary assets in the Consolidated Balance Sheet include cash balances on bank accounts in amount of RR 3,658 and RR 3,877 and RR 3,669 as of 31 December 2012, 2011 and 2010, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.



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**14. EQUITY**

OAO Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2012 and amounted to 23,674 million with nominal value of 5 Roubles each.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group totals 724 million, 726 million and 723 million as of 31 December 2012, 2011 and 2010, respectively.

Shares held by subsidiaries are not taken into account in calculation of earnings per share (see Note 22).

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

In accordance with the decision of the General shareholders meeting, based on the 2011 results of OAO Gazprom, final dividends were paid in 2012 in the amount of 8.97 Roubles per ordinary share. Based on the 2010 results dividends were paid in 2011 in the amount of 3.85 Roubles per ordinary share.

**15. BORROWINGS**

**Bank borrowings**

<b>Lender</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
The Royal Bank of Scotland AG	US dollar	2013	54,858	58,151	55,046
Natixis SA*	US dollar	2015	36,232	48,300	45,721
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2014 – 2016	26,563	28,011	-
Bank of Tokyo-Mitsubishi UFJ Ltd.*	US dollar	2012 – 2016	22,887	25,780	-
BNP Paribas SA*	Euro	2013 – 2022	16,451	15,935	7,108
The Royal Bank of Scotland AG*	US dollar	2015	15,483	-	-
GK Vnesheconombank	Rouble	2013 – 2025	14,808	11,779	6,621
UniCredit Bank AG*	US dollar	2011 – 2018	13,683	17,983	-
UniCredit Bank AG*	Euro	2011 – 2018	13,067	16,797	-
Deutsche Bank AG	US dollar	2016	12,387	-	-
OAO Gazprombank	Rouble	2018	10,000	10,000	-
OAO Gazprombank	Rouble	2017	10,000	-	-
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	9,749	10,337	-
Credit Agricole CIB*	Euro	2015	9,673	-	-
Deutsche Bank AG	US dollar	2014	9,186	9,737	9,217
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,171	9,719	9,198
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,122	9,672	-
Citibank International plc*	US dollar	2010 – 2021	8,563	10,262	10,269
Credit Agricole CIB*	US dollar	2013	7,607	8,064	7,633
Banc of America Securities Limited	Euro	2017	7,285	-	-
OAO TransKreditBank	Rouble	2014	7,055	4,535	-
BNP Paribas SA*	Euro	2023	6,496	2,530	2,211
Deutsche Bank AG	US dollar	2014	6,093	6,460	6,115

**GAZPROM**  
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**15. BORROWINGS (continued)**

<b>Lender</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Banc of America Securities Limited	US dollar	2016	5,471	5,800	-
Deutsche Bank AG	US dollar	2008 – 2014	4,353	6,923	11,410
UniCredit Bank AG*	Rouble	2011 – 2018	4,134	5,127	-
OAO «Bank VTB»	Rouble	2014	4,010	-	-
OAO Nordea Bank	US dollar	2014	3,796	-	-
OAO Sberbank Rossii	Rouble	2014	3,503	-	-
WestLB AG*	US dollar	2008 – 2013	3,214	10,224	25,744
OAO Nordea Bank	US dollar	2016	3,038	-	-
Banc of America Securities Limited	Euro	2016	2,617	2,712	-
OAO «Sberbank Rossii»	Rouble	2013	2,501	3,500	-
The Royal Bank of Scotland AG*	US dollar	2008 – 2013	1,838	4,546	5,521
Credit Suisse International	US dollar	2012	-	16,886	15,989
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	-	16,122	15,259
J.P. Morgan Chase bank	US dollar	2012	-	13,576	12,847
OAO «Bank VTB»	US dollar	2012	-	13,012	12,317
OAO Sberbank Rossii	US dollar	2012	-	7,535	16,643
The Royal Bank of Scotland AG*	US dollar	2007 – 2012	-	3,795	10,774
OAO Nordea bank	US dollar	2012	-	3,342	3,048
ZAO Raiffaizenbak	US dollar	2012	-	3,220	3,050
Banque Societe Generale*	US dollar	2011	-	-	33,051
OAO Russian National Commercial Bank	US dollar	2011	-	-	19,018
Banque Societe Generale*	Euro	2011	-	-	7,799
Deutsche Bank AG	US dollar	2008 – 2011	-	-	2,907
OAO TransKreditBank	Rouble	2011	-	-	1,970
J.P. Morgan Chase bank	US dollar	2008 – 2011	-	-	1,528
Other	Various	Various	<u>109,721</u>	<u>96,877</u>	<u>64,310</u>
<b>Total, including</b>			<b>484,615</b>	<b>517,249</b>	<b>422,324</b>
Due within one year, including current portion of long-term borrowings			178,101	132,497	107,907

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

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 5.38% to 9% and from 4.62% and 10.95% in 2012 and 2011, respectively. Also in 2012-2011 long-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

Long-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 6.7% to 11.4% and from 5.9% to 11.4% in 2012 and 2011, respectively.

Interest rates on short-term foreign currency denominated borrowings ranged from 1.18% to 12.0% and 4.75% to 10%, in 2012 and 2011, respectively. Also in 2012-2011 short-term foreign currency denominated borrowings had variable interest rates generally linked to LIBOR.

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**15. BORROWINGS (continued)**

Short-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 5.8% to 11.4% and from 3.43% to 10% in 2012 and 2011, respectively.

**Loans**

<b>Borrowing / Creditors</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Loan participation notes issued in April 2009*	US dollar	2019	69,533	73,707	69,771
Loan participation notes issued in July 2012*	Euro	2017	57,250	-	-
Loan participation notes issued in October 2007*	Euro	2018	51,088	52,919	51,220
Loan participation notes issued in June 2007*	US dollar	2013	48,795	51,725	48,963
Loan participation notes issued in September 2012*****	US dollar	2022	46,118	-	-
Loan participation notes issued in May 2005*	Euro	2015	41,607	43,100	41,715
Loan participation notes issued in November 2006*	US dollar	2016	41,279	43,757	41,421
Loan participation notes issued in March 2007*	US dollar	2022	40,298	42,718	40,437
White Nights Finance B.V.	US dollar	2014	39,609	41,986	39,744
Loan participation notes issued in July 2009*	US dollar	2014	39,251	41,608	39,386
Loan participation notes issued in August 2007*	US dollar	2037	39,003	41,345	39,137
Loan participation notes issued in April 2004*	US dollar	2034	36,997	39,218	37,124
Loan participation notes issued in July 2009*	Euro	2015	36,715	38,031	36,809
Loan participation notes issued in April 2008*	US dollar	2018	34,015	36,057	34,131
Loan participation notes issued in October 2006*	Euro	2014	32,719	33,892	32,804
Loan participation notes issued in July 2012*	US dollar	2022	31,049	-	-
Loan participation notes issued in November 2011*	US dollar	2016	30,531	32,364	-
Loan participation notes issued in November 2010*	US dollar	2015	30,510	32,342	30,615
Loan participation notes issued in June 2007*	Euro	2014	28,417	29,435	28,490

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**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**15. BORROWINGS (continued)**

<b>Borrowing / Creditors</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Loan participation notes issued in November 2006*	Euro	2017	20,921	21,669	20,975
Russian bonds issued in April 2010*****	Rouble	2013	20,326	20,670	20,000
Loan participation notes issued in March 2007*	Euro	2017	20,294	21,022	20,347
Loan participation notes issued in November 2011*	US dollar	2021	18,704	19,440	-
Loan participation notes issued in July 2008*	US dollar	2013	15,617	16,555	15,671
Structured export notes issued in July 2004**	US dollar	2007 – 2020	12,509	18,838	22,747
Loan participation notes issued in April 2008*	US dollar	2013	12,347	13,089	12,390
Russian bonds issued in February 2011*****	Rouble	2021	10,356	10,127	-
Russian bonds issued in February 2011*****	Rouble	2016	10,340	10,121	-
Russian bonds issued in February 2011*****	Rouble	2021	10,340	10,121	-
Russian bonds issued in February 2012*****	Rouble	2022	10,330	-	-
Russian bonds issued in April 2009*****	Rouble	2019	10,171	10,368	11,173
Russian bonds issued in December 2012*****	Rouble	2022	10,063	-	-
Eurofert Trading Limited Ilc***	Rouble	2015	8,600	8,600	8,600
Russian bonds issued in February 2007	Rouble	2014	5,137	5,135	5,134
Russian bonds issued in December 2009****	Rouble	2014	5,037	5,041	5,039
Russian bonds issued in June 2009	Rouble	2014	5,011	5,008	5,006
Eurofert Trading Limited Ilc***	Rouble	2015	5,000	5,000	5,000
Russian bonds issued in July 2009*****	Rouble	2014	2,894	2,894	5,000
Russian bonds issued in March 2006****	Rouble	2016	446	4,911	4,910
Russian bonds issued in July 2009*****	Rouble	2016	141	8,230	8,000
Loan participation notes issued in December 2005*	Euro	2012	-	41,788	40,445
European commercial papers issued in October 2011*****	US dollar	2012	-	15,924	-
Russian bonds issued in November 2011*****	Rouble	2012	-	14,878	-
RosUkrEnergo AG	US dollar	2012	-	10,778	-
Russian bonds issued in June 2009	Rouble	2012	-	10,014	10,011
Loan participation notes issued in November 2007*	Japanese yen	2012	-	8,470	8,017

**GAZPROM**  
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**15. BORROWINGS (continued)**

<b>Borrowing / Creditors</b>	<b>Currency</b>	<b>Final Maturity</b>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>	<b>As of 31 December 2010</b>
Russian bonds issued in April 2007***	Rouble	2012	-	1,554	1,547
Gazstream SA	US dollar	2006 – 2012	-	1,251	2,368
Loan participation notes issued in April 2009*	CHF	2011	-	-	17,209
Russian bonds issued in November 2006	Rouble	2011	-	-	5,061
Russian bonds issued in September 2006****	Rouble	2011	-	-	4,801
Other loans	Various	Various	<u>29,845</u>	<u>26,295</u>	<u>22,072</u>
<b>Total, including:</b>			<b>1,019,213</b>	<b>1,021,995</b>	<b>893,290</b>
Due within one year, including current portion of long-term borrowings			147,346	233,540	82,098

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

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

\*\*\*Issuers of these notes are OAO WGC-2 and OAO WGC-6. In November 2011 OAO WGC-6 merged with OAO WGC-2 (see Note 25).

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

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

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

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

\*\*\*\*\*Issuer of these bonds is OOO Gazprom Capital.

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

As of 31 December 2012, 2011 and 2010 long-term loans (including current portion of long-term loans) of RR 12,509, RR 18,838 and RR 22,747, respectively, were secured by cash from gas sales contracts to Western Europe.

As at 31 December 2011 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoye oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OAO Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,210 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Fixed interest rates on long-term foreign currency denominated loans ranged from 2% to 10.5% and from 3.5% to 10.5% in 2012 and 2011, respectively. Fixed interest rates on long-term loans denominated in Russian Roubles ranged from 1% to 13.75% and from 6.7% to 16.99% in 2012 and 2011, respectively.

In 2012 and 2011 fixed interest rates on short-term loans denominated in Russian Roubles ranged from 0.3% to 14% and from 0.3% to 8%, respectively. Interest rate on short-term foreign currency denominated loans ranged from 1.33% to 3.6% in 2012. In 2011 interest rates on short-term foreign currency denominated loans had fixed interest rate 3.6%.

As of 31 December 2012, 2011 and 2010 long-term borrowings included loans received from Gaz Capital S.A. in connection with the issue in 2004 of the loan participation notes of USD 1,200 million at an interest rate of 8.625% due on 28 April 2034. The loan participation notes can be presented for payment in the amount of the principal debt and accumulated interest before the maturity date, i.e. on 28 April 2014 (put option exercise date).

**OA O GAZPROM**  
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**16. TAXATION**

**Profit tax**

In 2012 and 2011 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 210,964 and RR 269,904, respectively. According to the tax returns the profit tax in 2012 and 2011 included within the line Current Profit Tax amounted to RR 297,718 and RR 330,256, respectively.

According to updated tax returns submitted in 2012 the profit tax amounted to minus RR 12,962 (decrease of current profit tax in 2011 was mainly due to application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment). According to updated tax returns submitted in 2011 the profit tax amounted to minus RR 42,962.

In 2012 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RR 367,383 (in 2011 by RR 303,114). The permanent differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge for tax purposes, social expenses, charitable donations, expenses exceeding prescribed limits and other non-production costs.

In 2012 and 2011 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 395,971 and RR 173,360, respectively.

Deductible temporary differences incurred in 2012 principally arise from accrual of contingent liabilities for gas price adjustment and other contingent liabilities, elimination in accounting records of unrealised income from intergroup transactions, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, and the fact that expenses for geological and geophysical exploration are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2012 and 2011 totaled RR 208,831 and RR 119,981, respectively. Settlement of these differences in 2012 is principally due to recognition of the profit that was formerly excluded as unrealised income from intergroup transactions for accounting purposes in the current period, decrease of the current tax base related to geological and geophysical exploration expenses, as well as annual bonuses and other expenses recognized for accounting purposes in prior periods.

In 2012 and 2011 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 348,888 and RR 543,287, respectively. Taxable temporary differences in 2012 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, application of a specific rate 2 to standard depreciation rate of fixed assets, used in aggressive environment, storage costs included in the cost of finished goods for accounting purposes.

Taxable temporary differences settled in 2012 and 2011 totaled RR 174,160 and RR 294,747, respectively. Settlement of these differences in 2012 is principally due to increase of the current tax base by the amount of costs of storage included in the cost of finished goods recognized in prior period for accounting purposes, as well as by the amount of depreciation charge, accrued on fixed assets, useful life of which for accounting purposes is longer than for tax purposes, during prior tax periods.

Starting from 1 January 2012 the Gazprom Group established a CGT, the liable partner of which is OA O Gazprom. On 20 March 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered the agreement on establishment of CGT of the Group with 56 participants.

In December 2012 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment to the agreement on establishment of CGT of the Gazprom Group which increased the number of participants up to 65 starting from 1 January 2013.

Profit tax of the CGT for the year ended 31 December 2012 is RR 251,386.

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**17. SALES**

	<b>For 2012</b>	<b>For 2011</b>
Gas sales (net of VAT and other similar mandatory payments)		
Russian Federation	740,319	722,978
Former Soviet Union countries (excluding Russian Federation)	529,516	637,178
Europe and other countries	<u>1,525,346</u>	<u>1,439,069</u>
<b>Net sales of gas</b>	<b>2,795,181</b>	<b>2,799,225</b>
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	725,265	588,262
Former Soviet Union countries (excluding Russian Federation)	73,267	48,630
Europe and other countries	<u>393,475</u>	<u>336,146</u>
<b>Net sales of refined products</b>	<b>1,192,007</b>	<b>973,038</b>
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	116,149	117,710
Former Soviet Union countries (excluding Russian Federation)	30,186	36,345
Europe and other countries	<u>204,648</u>	<u>157,645</u>
<b>Net sales of oil and gas condensate</b>	<b>350,983</b>	<b>311,700</b>
Sales of electric and heat energy (net of VAT)		
Russian Federation	323,997	331,526
Former Soviet Union countries (excluding Russian Federation)	5,586	3,469
Europe and other countries	<u>11,186</u>	<u>7,878</u>
<b>Net sales of electric and heat energy</b>	<b>340,769</b>	<b>342,873</b>
Sales of gas transportation services (net of VAT)		
Russian Federation	88,827	77,326
Former Soviet Union countries (excluding Russian Federation)	2,059	1,913
Europe and other countries	<u>-</u>	<u>-</u>
<b>Net sales of gas transportation services</b>	<b>90,886</b>	<b>79,239</b>
Other sales (net of VAT)		
Russian Federation	216,452	211,220
Former Soviet Union countries (excluding Russian Federation)	5,058	7,490
Europe and other countries	<u>11,566</u>	<u>11,037</u>
<b>Total other sales</b>	<b>233,076</b>	<b>229,747</b>
<b>Net sales</b>	<b>5,002,902</b>	<b>4,735,822</b>

Net sales of gas decreased insignificantly in the year ended December 31, 2012 compared to the year ended December 31, 2011. The overall decrease of net sales of gas was primarily driven by decrease of volumes of gas sold to the customers in Russian Federation, FSU and European countries. However, average prices of gas increased for customers in Russian Federation, FSU and European countries in the year ended December 31, 2012 compared to the same period of the prior year. In addition, the net sales of gas revenue for gas sales to Europe and other countries include the negative effect of gas price adjustments related to gas delivered in 2012 in the amount of RR 48,782, these adjustments was agreed in 2012.

The increase of net sales of refined products in the year ended December 31, 2012 compared to the year ended December 31, 2011 is mainly driven by increase of prices and volumes sold by Gazprom neft group to customers in Russian Federation and inclusion of OAO Gazprom neftekhim Salavat sales, due to the fact that in 2012 the Group obtained control over the operating and financial activities of the company (see Note 23).

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**18. COST OF SALES, COMMERCIAL AND MANAGEMENT EXPENSES**

	<b>For 2012</b>	<b>For 2011</b>
Depreciation and amortization	593,379	477,900
Taxes included in cost of sales	573,685	415,028
Purchased gas	460,311	488,727
Purchased oil	429,010	326,814
Staff costs and social expenses	374,838	336,209
Transit costs for gas, oil and refined products	320,098	284,175
Repairs and maintenance	220,018	193,931
Cost of goods for resale	182,311	185,824
Materials	170,264	109,333
Energy	77,543	71,143
Rent, lease payments	41,439	40,193
Insurance	27,944	26,606
Other	239,383	225,941
Changes in inventories of finished goods, work in progress and other effects	(63,925)	(70,762)
<b>Total cost of goods, products, works and services sold, commercial and management expenses</b>	<b>3,646,298</b>	<b>3,111,062</b>

The decrease of purchased gas is primarily explained by decline of volume of gas purchased from third parties outside the Russian Federation.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RR 413,353 and RR 266,406 in 2012 and 2011, respectively.

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

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



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**19. OTHER INCOME AND EXPENSES**

	For 2012		For 2011	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	3,634,331	3,634,482	3,541,648	3,541,505
Income/expense from trading activity without delivery	1,323,991	1,321,170	874,469	871,678
Exchange differences	465,920	419,305	367,167	418,016
27 Provisions for estimated liabilities, including:	-	162,418	-	47,261
Bad debts provision	-	67,235	-	48,171
Amortization of goodwill	-	54,645	-	45,429
Social expenses	-	31,344	-	28,139
Income/expense related to sale of other assets	34,232	30,984	32,761	28,460
Profit and losses of previous years identified in the reporting period	22,564	59,782	16,822	17,905
Transactions with securities, including promissory notes	22,447	17,885	34,665	27,577
Transfer of accounts receivable	9,445	9,745	3,595	3,702
Income/expense related to sale and disposal of fixed assets	5,959	5,991	7,217	6,188
Fines and penalties for breach of contracts	4,146	2,668	5,472	1,883
Adjustment of investments (to fair value)	1,674	20,652	11,799	22,333
Income/expense related to gratuitous transfer of assets	375	3,582	276	4,357
Services of credit organizations	-	5,897	-	4,289
Accounts receivable written-off	-	631	-	969
Investment impairment provision	-	563	922	-
Other	28,453	105,776	25,403	110,997
<b>Total</b>	<b>5,553,537</b>	<b>5,954,755</b>	<b>4,922,216</b>	<b>5,228,859</b>

The Group recognized estimated liability regarding possible gas price adjustment derived from foreign customers' claims based on the contract terms. These adjustments relate to volumes of gas delivered in 2010, 2011 and 2012. The contingent liability as of 31.12.2012 in amount RR 115,255 mln doesn't include possible correction of customs duties accrued formerly.

The line "Profit and losses of previous years identified in the reporting period" includes negative effect of corrections regarding gas price revision in amount of RR 43,385 mln. These corrections refer to price adjustment of gas delivered in 2010 and 2011 for which a discount was agreed in 2012.

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

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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP**

**Principal subsidiaries as of 31 December 2012**

<b>Note</b>	<b>Company</b>	<b>Share in Charter Capital*, %</b>	<b>Type of activity</b>	<b>Location</b>
	ООО Авиапредприятие Газпром авиа	100	Air transportation services	Russia
	ЗАО АрмРосгазпром	80	Gas transportation and gas distribution	Armenia
	Vemex s.r.o.	50	Gas distribution	Czech Republic
	ОАО Востокгазпром	100	Gas production	Russia
	ОАО Газовые Магистраль Тумени	100	Gas network operation	Russia
	Газпром (Schweiz) AG	100	Gas distribution	Switzerland
	ООО Газпром ВНИИГАЗ	100	Research and development	Russia
	ОАО Газпром газораспределение	100	Gas network operation	Russia
	ООО Газпром геологоразведка	100	Exploration, geophysics	Russia
	ООО Газпром геосурсы (ООО Геосурсы)**	100	Exploration, geophysics	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	Газпром Геросгаз Holding B.V.	100	Investing	Netherlands
	Газпром Global LNG Ltd.	100	Participation in LNG production and realization projects	United Kingdom
	ООО Газпром добыча Астрахан	100	Production and refining of hydrocarbons	Russia
	ООО Газпром добыча Краснодар	100	Gas production	Russia
	ООО Газпром добыча Надым	100	Production of hydrocarbons	Russia
	ООО Газпром добыча Ноябрьск	100	Production of hydrocarbons	Russia
	ООО Газпром добыча Оренбург	100	Production, refining and transportation of hydrocarbons	Russia
	ООО Газпром добыча Уренгой	100	Production of hydrocarbons	Russia
	ООО Газпром добыча shelf	100	Development of hydrocarbons fields	Russia
	ООО Газпром добыча Ямбург	100	Production of hydrocarbons	Russia
	Газпром EP International B.V.	100	Investments, asset management	Netherlands
	ООО Газпром инвест (ООО Газпром инвест Запад)**	100	Construction	Russia
	ООО Газпром инвест Восток	100	Construction	Russia
	ЗАО Газпром инвест Юг	100	Construction	Russia
	ООО Газпром инвестholding	100	Investing	Russia
	ООО Газпром информ	100	Informational and technical assistance	Russia
	ООО Газпром комплектация	100	Trading	Russia

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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	Gazprom Libyen Verwaltungs GmbH	100	Investing	Germany
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	OOO Gazprom mezhregiongaz	100	Gas distribution	Russia
23	GAZPROM neftekhim Salavat***	98	Processing and distribution of refined products	Russia
	ZAO Gazprom nefte Orenburg	100	Exploration and sales of oil and petroleum gas	Russia
	Gazprom Neft Trading GmbH	100	Oil products trading	Austria
	OOO Gazprom nefte shelf	100	Development of oil and gas fields	Russia
	GAZPROM nefte	96	Exploration, refining and sales of crude oil	Russia
	OOO Gazprom pererabotka	100	Refining of hydrocarbons	Russia
	OOO Gazprom podzemremont Orenburg	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom podzemremont Urengoy	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom PKhG	100	Gas storage	Russia
	Gazprom Sakhalin Holding B.V.	100	Foreign investing	Netherlands
	OOO Gazprom toorgoservis	100	Trading	Russia
24	GAZPROM transgaz Belarus (GAZPROM Beltransgaz)**	100	Transportation and gas distribution	Belorussia
	OOO Gazprom transgaz Volgograd	100	Gas transportation	Russia
	OOO Gazprom transgaz Ekaterinburg	100	Gas transportation	Russia
	OOO Gazprom transgaz Kazan	100	Gas transportation	Russia
	OOO Gazprom transgaz Krasnodar	100	Gas transportation	Russia
	OOO Gazprom transgaz Makhachkala	100	Gas transportation	Russia
	OOO Gazprom transgaz Moskva	100	Gas transportation	Russia

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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Gazprom transgas Nizhny Novgorod	100	Gas transportation	Russia
	OOO Gazprom transgas Samara	100	Gas transportation	Russia
	OOO Gazprom transgas St. Petersburg	100	Gas transportation	Russia
	OOO Gazprom transgas Saratov	100	Gas transportation	Russia
	OOO Gazprom transgas Stavropol	100	Gas transportation	Russia
	OOO Gazprom transgas Surgut	100	Gas transportation	Russia
	OOO Gazprom transgas Tomsk	100	Gas transportation	Russia
	OOO Gazprom transgas Ufa	100	Gas transportation	Russia
	OOO Gazprom transgas Ukhta	100	Gas transportation	Russia
	OOO Gazprom transgas Tchaikovsky	100	Gas transportation	Russia
	OOO Gazprom transgas Yugorsk	100	Gas transportation	Russia
	Gazprom Finance B.V.	100	Investing	Netherlands
	OOO Gazprom tsentrremont	100	Agency on technical maintenance and repairs	Russia
	OOO Gazprom export	100	Foreign trade	Russia
	OOO Gazprom energo	100	Electric energy transmission	Russia
	OOO Gazprom energoholding	100	Investing, asset management	Russia
	ZAO Gazprom YRGM Development****	100	Raw hydrocarbons distribution	Russia
	ZAO Gazprom YRGM Trading****	100	Raw hydrocarbons distribution	Russia
	OOO Gazpromneft-Vostok	100	Oil and gas production	Russia
	ZAO Gazpromneft-Kuzbass	100	Oil products trading	Russia
	GAZPROMNEFT-MNPZ	96	Processing and distribution of refined products	Russia
	GAZPROMNEFT-Noyabrskneftegaz	100	Oil and gas production	Russia
	GAZPROMNEFT-Omsk	100	Oil products trading	Russia
	GAZPROMNEFT-Omskiy NPZ	100	Oil refining	Russia
	ZAO Gazpromneft-Severo-Zapad	100	Oil products trading	Russia
	OOO Gazpromneftfinans	100	Investing	Russia
	OOO Gazpromneft-Khantos	100	Oil and gas production	Russia
	OOO Gazpromneft-Centr	100	Oil products trading	Russia
	OOO Gazpromtrans	100	Forwarding services	Russia
	GAZPROMTRUBINVEST	100	Production and sales of pipes	Russia
	OOO Gazflot	100	Transportation, offshore field development	Russia

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

**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

<b>Note</b>	<b>Company</b>	<b>Share in Charter Capital*, %</b>	<b>Type of activity</b>	<b>Location</b>
	ОАО Daltransgaz	100	Gas transportation	Russia
	ООО Zapolyarneft	100	Oil and gas production	Russia
	ОАО Zapsibgazprom	77	Construction	Russia
	ЗАО Kaunasskaya power station	99	Electric power generation and distribution	Lithuania
	ОАО Krasnoyarskgazprom	75	Exploration, geophysics	Russia
	ОАО Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	Naftna Industrija Srbije	56	Extraction and processing of oil, distribution of refined products	Serbia
	ООО NK Sibneft-Yugra	100	Oil and gas production	Russia
	ООО Novourenogysky GCC	100	Construction of gas chemical complex	Russia
25	ОАО WGC-2	58	Production and sales of electric and heat energy	Russia
	ЗАО Purgaz	51	Gas production	Russia
	ОАО Regiongazholding	56	Construction and maintenance of gas facilities	Russia
	ЗАО Rosshelf	57	Investments in oil and gas fields	Russia
	ЗАО RSh-Centr	100	Information, consulting and transportation services	Russia
	ОАО Severneftegazprom****	50	Exploration, processing and sales of gas and gas condensate	Russia
	ООО Sibirskie gazovie seti	100	Gas network operation	Russia
26	Sibir Energy Ltd.	100	Exploration, processing and sales of hydrocarbons	United Kingdom
	ООО Sibmetahim	100	Gas processing and sales of petrochemicals	Russia
	ОАО Spetsgazavtotrans	51	Construction and transportation services	Russia
	ОАО TGC-1	52	Production and sales of electric and heat energy	Russia
	ОАО Teploset Sankt-Peterburga	75	Transportation and distribution of electric and heat energy	Russia
	ОАО Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia

**GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Faktoring-Finance	90	Investing	Russia
	GAZTSG	100	Construction	Russia
	GAZTRENERGOGAS	66	Repair and maintenance of gas equipment	Russia
	GAZ YUZHURALNEFTGAS	88	Exploration and sales of oil and petroleum gas	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

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

\*\* The indicated subsidiaries were renamed (former name is put in the brackets).

\*\*\* In May 2012 the Group acquired an additional 18.48% interest in GAZPROM NEFTKHM SALAVAT. As a result the Group's share in GAZPROM NEFTKHM SALAVAT increased to 87.51% and the Group obtained control over GAZPROM NEFTKHM SALAVAT. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of GAZPROM NEFTKHM SALAVAT for cash consideration of RR 10,318 increasing its interest to 97.84%. (see Note 23).

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

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

**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

**Principal associates as of 31 December 2012**

<b>Company</b>	<b>Share in Charter Capital*, %</b>	<b>Type of activity</b>	<b>Location</b>
ZAO Achimgaz	50	Exploration and production of gas and gas condensate	Russia
Bosphorus Gaz Corporation A.S.**	71	Gas distribution	Turkey
Wintershall AG	49	Production of oil and gas distribution	Germany
W&G Beteiligungs GmbH & Co. KG and its subsidiaries	50	Transportation and sales of gas	Germany
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	50	Gas distribution	Germany
Gaz Project Development Central Asia AG	50	Gas production	Switzerland
OAO Gazprombank***	36	Banking	Russia
AO Gazum	25	Gas distribution	Finland
Blue Stream Pipeline Company B.V.	50	Construction, gas transportation	Netherlands
SGT EuRoPol GAZ S.A.	48	Transportation and gas distribution	Poland
TOO KazRosGaz	50	Gas processing and sales of gas and refined products	Kazakhstan
AO Latvijas Gaze	34	Transportation and gas distribution	Latvia
AO Lietuvos dujos	37	Transportation and gas distribution	Lithuania
AO Moldovagaz	50	Transportation and gas distribution	Moldova
Nord Stream AG	51	Construction, gas transportation	Switzerland
ZAO Nortgaz	51	Exploration and sale of gas and gas condensate	Russia
AO Overgaz Inc.	50	Gas distribution	Bulgaria
ZAO Panrusgas	40	Gas distribution	Hungary
AO Prometey Gaz	50	Gas distribution, construction	Greece
RosUkrEnergo AG	50	Gas distribution	Switzerland
Salym Petroleum Development N.V.	50	Oil production	Netherlands
Sakhalin Energy Investment Company Ltd.	50	Oil production, production of LNG	Bermuda Islands
OAO NGK Slavneft	50	Production of oil, sale of oil and refined products	Russia
OAO Tomskneft VNK	50	Oil production	Russia

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

**20. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)**

Company	Share in Charter Capital*, %	Type of activity	Location
AO Turusgas	45	Gas distribution	Turkey
Shtokman Development AG****	75	Gas exploration and production	Switzerland
OOO Yamal razvitie*****	50	Investment, asset management	Russia

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

\*\* In April 2012 the Group acquired an additional 20% interest in Bosphorus Gaz Corporation A.S. As a result the Group's share in Bosphorus Gaz Corporation A.S. increased to 71%. Investment in Bosphorus Gaz Corporation A.S. continues to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

\*\*\* In February 2012 OAO Gazprom purchased 375,000 out of 4,534,500 ordinary shares of OAO Gazprombank placed in the course of additional share issue, registered by the Central Bank of the Russian Federation in December 2011. The rest of the shares issued were purchased by other bank's shareholders, and GK Vnesheconombank. As a result of this transaction, the Group's share in OAO Gazprombank as of 31 December 2012 decreased from 42% to 36%.

\*\*\*\* In July 2012 Statoil ASA signed an agreement to transfer its 24% interest in Shtokman Development AG to OAO Gazprom in accordance to the agreements between the shareholders of Shtokman Development AG. As a result the Group's share in Shtokman Development AG increased up to 75%. Investment in Shtokman Development AG continues to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

\*\*\*\*\* The company owns 51% share in the charter capital of OOO SeverEnergiya.

**21. RELATED PARTIES**

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

**Associates and other major related parties**

In 2012 and 2011 the Group had following operations with major associates and other related parties:

	For 2012	For 2011
<b>Revenue (net of VAT, excises and other similar mandatory payments):</b>		
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	97,321	94,921
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	79,420	71,870
ZAO Panrusgaz	51,102	55,683
AO Gazum	30,537	30,535
AO Overgaz Inc	29,141	24,805
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	26,015	27,283
AO Moldovagaz	25,745	21,875
AO Lietuvos dujos	12,289	12,356
PremiumGas S.p.A.	10,111	9,115
AO Latvijas Gaze	9,920	7,805
Russian-Serbian Trading Corporation a.d.	7,365	605
Bosphorus Gaz Corporation A.S.	3,854	4,035
SGT EuRoPol GAZ S.A.	2,973	2,011
OAO Gazprom transgaz Belarus **	-	138,015
Promgaz S.p.A ***	-	13,333
GWH Gazhandel GmbH *****	-	4,900



**GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**21. RELATED PARTIES (continued)**

	For 2012	For 2011
Gas transportation services		
TOO KazRosGas	2,042	1,912
Crude oil, gas condensate and refined products sales		
OAo NGK Slavneft and its subsidiaries	34,057	41,946
OAo Gazprom neftekhim Salavat*****	10,036	19,698
OOO Gazpromneft – Aero Sheremetyevo	7,977	6,699
ZAO SOVEKS	5,025	2,750
Gas refining services		
TOO KazRosGas	5,079	5,064
<b>Purchases:</b>		
Gas purchases		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	62,966	37,006
TOO KazRosGas	39,930	25,073
Sakhalin Energy Investment Company Ltd.	4,604	4,750
ZAO Nortgaz	3,713	2,005
RosUkrEnergo AG	-	122,541
Gas transportation services		
Nord Stream AG	24,785	4,007
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	11,149	5,661
SGT EuRoPol GAZ S.A.	10,341	10,365
Blue Stream Pipeline Company B.V.	5,622	7,274
OAo Gazprom transgaz Belarus**	-	13,526
Oil and oil products purchases		
OAo NGK Slavneft and its subsidiaries	88,228	69,695
OAo Tomskneft VNK and its subsidiaries	52,097	46,267
Salym Petroleum Development N.V.	38,179	32,540
Oil and oil product refining services		
OAo NGK Slavneft and its subsidiaries	10,976	8,113
<b>Pension fund contributions:</b>		
NPF Gazfund	8,025	9,201

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

\*\* In December 2011 the Group acquired the remaining 50% shares in OAo Gazprom transgaz Belarus. As a result of this transaction OAo Gazprom transgaz Belarus became a subsidiary of the Group (see Note 24).

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

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

\*\*\*\*\* In the period from May 2012 to December 2012 the Group accomplished a series of transactions to acquire additional 28.81% of OAo Gazprom neftekhim Salavat ordinary shares for cash consideration of RR 28,776. As a result the Group increased its equity stake up to 97.84% and obtained control over operational and financial activity of OAo Gazprom neftekhim Salavat. (see Note 23).

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

**21. RELATED PARTIES (continued)**

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

The following balances of accounts receivable and accounts payable with major associates and other related parties were recorded on the Consolidated Balance Sheet of the Group as of 31 December 2012, 2011 and 2010:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Accounts receivable:</b>			
Payment expected within 12 months of the reporting date:			
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	14,406	16,325	7,253
AO Overgaz Inc.	10,000	7,410	5,820
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	11,420	7,908	7,870
ZAO Panrusgaz	8,134	8,117	8,087
AO Gazum	3,892	4,077	5,164
Wintershall Erdgas Handelshaus Zug AG (WIEE)	2,451	1,131	2,763
AO Moldovagaz*	2,348	19,902	18,231
AO Lietuvos dujos	2,212	2,319	2,103
GAZ NGK Slavneft and its subsidiaries	1,701	3,361	1,238
GAZprombank	1,438	615	1,567
TOO KazRosGaz	667	717	647
GAZprom neftekhim Salavat	-	8,532	10,829
Promgaz S.p.A	-	-	2,143
RosUkrEnergo AG	-	-	81,622
GAZprom transgaz Belarus	-	-	15,871
GAZ Sibur Holding and its subsidiaries**	-	-	283
<b>Accounts payable:</b>			
Short-term accounts payable:			
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	7,906	2,956	2,806
SGT EuRoPol GAZ S.A.	6,565	6,997	6,976
Salym Petroleum Development N.V.	3,569	514	2,635
Nord Stream AG	2,892	1,999	-
TOO KazRosGaz	2,783	3,267	4,336
GAZ NGK Slavneft and its subsidiaries	1,502	1,976	1,394
GAZprombank	152	134	708
Promgaz S.p.A	-	-	1,583

**GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**21. RELATED PARTIES (continued)**

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
RosUkrEnergo AG	-	-	8,447
GAZPROM Holding and its subsidiaries**	-	-	3,777
Other non-current liabilities			
GAZPROM Holding and its subsidiaries**	-	-	1,115

\* As of 31 December 2012, 2011 and 2010 accounts payable include penalty fees for gas in amount of RR 0, RR 15,514 and RR 15,514 respectively. Accounts receivable are stated net of provision for doubtful debts amounting to RR 131,087, RR 92,643 and RR 69,305 as of 31 December 2012, 2011 and 2010, respectively.

\*\* In September 2011 the Group ceased to have a significant influence on GAZPROM Holding.

Loans issued to major associates as of 31 December 2012, 2011 and 2010 are:

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Loans and promissory notes due for repayment beyond 12 months of the reporting date:</b>			
WINGAS GmbH & Co.KG	15,399	15,952	15,439
Gas Project Development Central Asia AG	1,707	1,707	1,602
Bosphorus Gaz Corporation A.S.	823	870	-
GAZPROMbank	697	831	1,250
Salym Petroleum Development N.V.	-	567	4,806
GAZPROM Holding and subsidiaries	-	-	5,195
<b>Loans and promissory notes due for repayment within 12 months of the reporting date:</b>			
OOO Yamal razvitie	26,348	26,348	28,123
GAZPROMbank	190	400	1,601
Salym Petroleum Development N.V.	-	2,878	2,127
Nord Stream AG	-	2,593	6,171
GAZPROM Holding and subsidiaries	-	-	198

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

**21. RELATED PARTIES (continued)**

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

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
<b>Loans and borrowings due for repayment beyond 12 months of the reporting date:</b>			
GAZprombank	24,569	16,229	3,770
<b>Loans and borrowings due for repayment within 12 months of the reporting date (including current portion of long-term liabilities):</b>			
GAZprombank	21,429	11,202	6,973
GAZ Tomskneft VNK and its subsidiaries	5,105	6,647	7,027
RosUkrEnergo AG	2,248	10,778	-
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	1,281	1,095	2,527

The Group received loans from its major associates in Russian Roubles at rates ranging from 2.6% to 10.35% in 2012. The similar figures for 2011 were 6.5% to 10.35%.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 0.71% to 9% in 2012. The similar figures for 2011 were 3.5% to 9.5%.

**Remuneration to key management personnel**

Key management personnel's (the members of the Board of Directors and Management Committee of GAZprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of GAZprom and its subsidiaries, amounted to RR 2,130 and RR 1,759 for the years ended 31 December 2012 and 2011, respectively.

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

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

GAZprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RR 1 and liability insurance amounted to RR 1 for 2012 and 2011, respectively.

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

**22. EARNINGS PER SHARE**

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the reporting year. The weighted average number of ordinary shares outstanding for 2012 and 2011 amounted to RR 22,950 and 22,949 million shares.

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2012 and 2011.

**23. ACQUISITION OF OAo GAZPROM NEFTEKHIM SALAVAT**

In December 2008 the Group acquired a 50% interest plus one ordinary share in OAo Gazprom neftekhim Salavat for cash consideration of RR 20,959. Since then the Group started to exercise significant influence and applied the equity method of accounting for its investment in OAo Gazprom neftekhim Salavat.

During the period from November 2011 to December 2011 as a result of series of transactions, the Group acquired an additional 19.03% interest in OAo Gazprom neftekhim Salavat for total cash consideration of RR 19,008. Despite having a 69.03% interest as of 31 December 2011, the Group still did not exercise control over OAo Gazprom neftekhim Salavat due to its corporate governance regulations.

In May 2012 the Group acquired an additional 18.48% interest in OAo Gazprom neftekhim Salavat. As a result the Group's share in OAo Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAo Gazprom neftekhim Salavat. During the period from September 2012 to December 2012 as a result of series of transactions, the Group acquired an additional 10.33% interest in the ordinary shares of OAo Gazprom neftekhim Salavat for cash consideration of RR 10,318 increasing its interest to 97.84%.

As a result of these transactions goodwill of OAo Gazprom neftekhim Salavat in amount of RR 68,724 arose.

**24. ACQUISITION OF OAo BELTRANSGAS**

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

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

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

In April 2013 OAo Beltransgas was renamed into OAo Gazprom transgas Belarus.

**25. MERGER OF OAo WGC-2 AND OAo WGC-6**

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

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

**26. INCREASE OF INTEREST IN SIBIR ENERGY LTD.**

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

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

**27. COMMITMENTS AND CONTINGENCIES**

**Estimated liabilities**

	<b>As of 31 December 2011</b>	<b>Accrued</b>	<b>Utilized</b>	<b>Recovered</b>	<b>As of 31 December 2012</b>
Estimated liabilities on bonus payments at the year end	21,745	27,889	(25,328)	-	24,306
Estimated liabilities on vacations	17,931	36,469	(34,244)	-	20,156
Estimated liabilities on retirement benefits payable as a lump sum	14,276	10,727	(8,334)	-	16,669
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	110,890	12,294	(1,254)	-	121,930
Other estimated liabilities, including:	46,855	157,212	(37,244)	(299)	166,524
<i>estimated liabilities regarding gas price adjustment</i>	<u>-</u>	<u>115,255</u>	<u>-</u>	<u>-</u>	<u>115,255</u>
<b>Total, including:</b>	<b>211,697</b>	<b>244,591</b>	<b>(106,404)</b>	<b>(299)</b>	<b>349,585</b>
with maturity up to 1 year	97,470	231,519	(103,132)	(299)	225,558
	<b>As of 31 December 2010</b>	<b>Accrued</b>	<b>Utilized</b>	<b>Recovered</b>	<b>As of 31 December 2011</b>
Estimated liabilities on bonus payments at the year end	19,520	20,459	(18,234)	-	21,745
Estimated liabilities on vacations	16,156	23,458	(21,683)	-	17,931
Estimated liabilities on retirement benefits payable as a lump sum	10,735	7,037	(3,496)	-	14,276
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	100,627	11,120	(857)	-	110,890
Other estimated liabilities, including:	<u>30,267</u>	<u>40,816</u>	<u>(24,197)</u>	<u>(31)</u>	<u>46,855</u>
<b>Total, including:</b>	<b>177,305</b>	<b>102,890</b>	<b>(68,467)</b>	<b>(31)</b>	<b>211,697</b>
with maturity up to 1 year	72,933	91,588	(67,020)	(31)	97,470

**GAZPROM**  
**NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS**  
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**27. COMMITMENTS AND CONTINGENCIES (continued)**

**Pension obligations**

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

**Guarantees issued**

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

	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Outstanding guarantees issued on behalf of:			
Sakhalin Energy Investment Company Ltd.	94,145	103,220	100,260
Nord Stream AG	40,519	105,616	50,005
EM Interfinance Limited	5,385	5,869	5,694
Blackrock Capital Investments Limited	4,573	4,985	4,824
OOO Production Company VIS	2,507	-	16,030
Blue Stream Pipeline Company B.V.	2,124	8,225	13,723
Devere Capital International Limited	-	1,958	4,217
GAZPROM Group E4	-	1,498	1,450
OOO Severnyy Europeyskiy Trubny Proekt	-	-	40,251
OOO Torgovy Dom Truboprovod	-	-	12,659
Other	37,711	32,193	24,773
<b>Total</b>	<b>186,964</b>	<b>263,564</b>	<b>273,886</b>

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. The above guarantees amounted to RR 94,145, RR 103,220 and RR 100,260 as of 31 December 2012, 2011 and 2010, respectively.

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2011 and 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 72,205 and RR 50,005, respectively. Construction of Nord Stream gas pipeline Phase 1 was completed in the fourth quarter 2012. As a result as of 31 December 2012 the obligation under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion was redeemed.

In May 2011 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2012 and 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 40,519 and RR 33,411, respectively.

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 9,958, RR 12,812 and RR 14,735 as of 31 December 2012, 2011 and 2010, 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 31 December 2010 the above guarantee amounted to RR 16,030. In September 2011 this credit facility was repaid.

In July 2012 the Group provided a guarantee to OAO Sberbank Rossii on behalf of OOO Production Company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 31 December 2012 the above guarantee amounted to RR 2,507.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2012, 2011 and 2010, outstanding amounts of these loans were RR 2,124, RR 8,225 and RR 13,723, respectively, which were guaranteed by the Group, pursuant to its obligations.

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 December 2011 and 2010 the above guarantee amounted to RR 1,498 and RR 1,450, respectively. As of 31 December 2012 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Severny Europeysky Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 40,251. In February 2011 this credit facility was repaid.

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

Other guarantees include mainly guarantees issued by the Group under equipment purchase or construction and installation works contracts.

**Legal proceedings**

In December 2010 RWE Transgas, A.S. filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contract prices for gas supplies. The matter is currently under consideration of arbitration court. Negotiations with RWE Transgas, A.S. on the contract prices are in progress.

In November 2011 Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG SA) filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. In November 2012 Group and PGNiG SA reached an agreement on gas price and terms of gas supplies to Poland. Appropriate price adjustment was recognized in the financial statements of the Group when it became probable and reliable estimation of the amount was made.

In August 2012 the European Commission initiated an investigation into a potential breach of European Union antimonopoly law by the Group. The Group is analyzing the information related to the investigation and no provision has been recorded.



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**27. COMMITMENTS AND CONTINGENCIES (continued)**

**Taxation**

The tax, currency and customs legislation in the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments.

Management believes that its interpretation of the relevant legislation as of 31 December 2012 and 2011 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may have an influence on the financial conditions and/or the overall operations of the Group.

**28. OPERATING RISKS**

Risk management of the Group is conducted within the framework of a unified corporate system and is defined as a continuous cycle of management decision making and implementation composed of risk identification, estimation and valuation, risk response, efficiency control, planning of risk management and monitoring activities. This process is built into general governance, focused on risk optimization as consistent with the Group interests and spreads to all its activities.

Risks related to assets and liabilities are disclosed in the respective sections of the Notes to the consolidated accounting reports of the Group.

The market position of the Group including trends of the corresponding market segment, adaptation to the market conditions, business priorities and perspectives as well as the Group's key business risk factors are disclosed on the website [www.gazprom.com](http://www.gazprom.com).

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**29. POST BALANCE SHEET EVENTS**

**Borrowings and loans**

In February 2013 the Group issued Loan Participation Notes in the amount of USD 800 million at an interest rate 3.85% due in 2020 and Loan Participation Notes in the amount of USD 900 million at an interest rate 4.95% due in 2028 under the USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In February 2013 the Group issued Russian bonds in the amount of RR 5,000 at an interest rate of 7.55% due in 2018, Russian bonds in the amount of RR 10,000 at an interest rate of 7.55% due in 2017 and Russian bonds in the amount of RR 15,000 at an interest rate of 7.5% due in 2016.

In March 2013 the Group issued Loan Participation Notes in the amount of EURO 1,000 million at an interest rate of 3.389% due in 2020 and Loan Participation Notes in the amount of EURO 500 million at an interest rate of 4.364% due in 2025 under the USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In April 2013 the Group issued Loan Participation Notes in the amount of EURO 750 million at an interest rate of 2.933% due in 2018.

**Investments**

In April 2013 pursuant to the Russian Government's Directive of 13 November 2010 the Group signed a purchase and sale agreement with OAO Rosneftegaz for acquisition of 72 gas distribution companies. The cash consideration paid amounted to RR 25,862.

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A.B. Miller  
 Chairman of the Management Committee

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E.A. Vasilieva  
 Chief Accountant

29 April 2013