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

2014





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.

ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
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TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.



***Auditor's Report
on the Statutory consolidated accounting reports of
OAO Gazprom and its subsidiaries prepared in accordance
with the legislation of Russian Federation***

To the Shareholders and Board of Directors of 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 2014, 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 2014 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 2014 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

28 April 2015



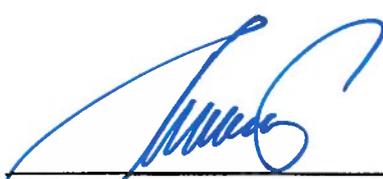
M.E. Timchenko

OAO GAZPROM
CONSOLIDATED BALANCE SHEET
as of 31 December 2014
(in million Roubles)

Note	ASSETS	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
	I. NON-CURRENT ASSETS			
	Intangible assets, including:	875,418	914,204	889,763
5	goodwill on subsidiaries	856,397	907,085	885,672
	Results of research and development	8,012	6,711	5,728
6	Intangible exploration assets	168,113	104,561	56,659
6	Tangible exploration assets	72,892	40,360	41,481
	Fixed assets, including:	10,466,318	9,170,286	8,533,550
7	Objects of fixed assets, including:	8,608,333	7,511,539	7,120,971
	buildings, constructions, machinery and equipment	8,394,473	7,354,415	6,972,686
8	Construction in progress	1,857,985	1,658,747	1,412,579
9, 20	Financial investments, including:	1,276,472	991,949	905,275
	investments in subsidiaries	127,459	115,306	59,982
	investments in associates	769,069	566,722	540,289
	investments in other companies	160,820	168,938	160,434
	loans issued to companies beyond 12 months	188,863	110,944	113,715
	other financial investments	30,261	30,039	30,855
16	Deferred tax assets	96,841	82,871	108,041
	Other non-current assets	<u>170,870</u>	<u>201,044</u>	<u>196,971</u>
	TOTAL Section I	13,134,936	11,511,986	10,737,468
	II. CURRENT ASSETS			
10	Inventories, including:	755,370	638,398	498,273
	raw materials and other inventories	175,979	151,799	131,015
	work in progress	24,432	15,541	12,558
	finished goods and goods for resale	549,632	460,465	342,497
	goods dispatched	5,327	10,593	12,203
	Value added tax on purchased goods	289,490	341,870	404,572
11	Accounts receivable, including:	1,389,596	1,339,174	1,269,286
	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	65,929	62,389	84,614
	buyers and customers	19,278	16,967	14,569
	advances paid	1,646	12,291	25,112
	other accounts receivable	45,005	33,131	44,933
	Accounts receivable (payment expected within 12 months of the reporting date), including:	1,323,667	1,276,785	1,184,672
	buyers and customers	698,885	739,138	592,944
	advances paid	188,661	217,200	328,351
	other accounts receivable	436,121	320,447	263,377
	Financial investments (less cash equivalents), including:	277,844	204,659	165,693
	loans issued to companies due within 12 months	122,255	105,496	97,194
12	other financial investments	155,589	99,163	68,499
13	Cash and cash equivalents, including:	1,048,298	699,612	438,746
	cash on hand	852	570	475
	rouble bank accounts	623,063	442,138	203,106
	non-rouble bank accounts	347,978	134,131	114,850
	other monetary assets and cash equivalents	76,405	122,773	120,315
	Other current assets	<u>9,658</u>	<u>13,524</u>	<u>14,550</u>
	TOTAL Section II	<u>3,770,256</u>	<u>3,237,237</u>	<u>2,791,120</u>
	TOTAL ASSETS	16,905,192	14,749,223	13,528,588

ОАО GAZPROM
CONSOLIDATED BALANCE SHEET
as of 31 December 2014
(in million Roubles)

Note	EQUITY AND LIABILITIES	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
14	III. EQUITY AND RESERVES			
	Charter capital	118,368	118,368	118,368
	Treasury shares	(126,786)	(126,786)	(126,961)
	Revaluation of non-current assets	5,494,423	4,773,210	4,736,497
	Additional capital (less revaluation)	747,666	210,031	66,163
	Legal reserves	33,862	32,955	30,483
	Retained earnings	5,718,511	6,030,110	5,370,909
2, 7	Social government fund	<u>574</u>	<u>632</u>	<u>741</u>
	TOTAL Section III	11,986,618	11,038,520	10,196,200
	Minority interest	296,629	291,268	264,596
	IV. NON-CURRENT LIABILITIES			
15	Borrowings, including:	2,237,812	1,480,903	1,178,381
	bank borrowings due for repayment beyond 12 months of the reporting date	613,002	353,479	306,514
	loans due for repayment beyond 12 months of the reporting date	1,624,810	1,127,424	871,867
16	Deferred tax liabilities	440,325	371,200	265,424
25	Estimated liabilities	103,000	122,409	125,781
	Other liabilities	<u>8,940</u>	<u>32,894</u>	<u>4,712</u>
	TOTAL Section IV	<u>2,790,077</u>	<u>2,007,406</u>	<u>1,574,298</u>
	V. CURRENT LIABILITIES			
15	Borrowings, including:	464,991	330,479	325,447
	bank borrowings due for repayment within 12 months of the reporting date	50,212	35,338	57,749
	loans due for repayment within 12 months of the reporting date	2,847	3,111	11,788
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	411,932	292,030	255,910
	Accounts payable, including:	1,127,728	954,146	941,881
	suppliers and contractors	695,857	592,530	609,608
	salaries payable	23,345	17,926	14,186
	payable to state non-budget funds	5,810	5,252	4,208
	payable to budget	162,667	151,807	119,654
	advances received	147,861	131,224	129,241
	other accounts payable	87,429	51,616	63,205
	dividends payable	4,759	3,791	1,779
	Income of future periods	1,679	2,551	2,362
25	Estimated liabilities	<u>237,470</u>	<u>124,853</u>	<u>223,804</u>
	TOTAL Section V	<u>1,831,868</u>	<u>1,412,029</u>	<u>1,493,494</u>
	TOTAL EQUITY AND LIABILITIES	16,905,192	14,749,223	13,528,588


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

28 April 2015

OA0 GAZPROM
CONSOLIDATED STATEMENT OF FINANCIAL RESULTS
for the year ended 31 December 2014
(in million Roubles)

Note	For 2014	For 2013
17	5,660,975	5,247,300
18	(4,041,383)	(3,603,634)
	1,619,592	1,643,666
18	(419)	(422)
18	(275,431)	(213,570)
	1,343,742	1,429,674
	8,854	4,750
	70,452	34,170
	(104,836)	(88,756)
19	6,358,978	5,656,376
19	(7,678,120)	(5,950,244)
9	66,683	93,481
	65,753	1,179,451
16	(126,314)	(207,478)
	(119,067)	(197,644)
	(7,247)	(9,834)
	173,667	99,654
16	(64,166)	(90,939)
16	8,207	(36,526)
	(8,184)	(5,630)
	(124,704)	838,878
	(12,145)	(27,503)
	(136,849)	811,375
FOR REFERENCE:		
7	734,419	21,413
	537,740	51,596
	1,135,310	884,384
22	(5.96)	35.36


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

28 April 2015

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for the year ended 31 December 2014
(in million Roubles)

Note	Share capital	Treasury shares	Additional capital	Legal reserves	Retained earnings	Social government fund	Total
Equity as of 31 December 2012	118,368	(126,961)	4,802,660	30,483	5,370,909	741	10,196,200
For 2013							
Change of capital – total, including:							
net profit	-	175	186,288	558	655,408	(109)	842,320
7 revaluation of property differences resulting from the translation of foreign investments	-	-	21,413	-	811,375	-	811,375
change in the Group structure and change of interest in subsidiaries	-	-	51,565	-	-	-	51,565
dividends	-	-	112,803	558	(15,737)	-	97,624
social assets transferred to state authorities	-	-	-	-	(137,464)	-	(137,464)
other	-	175	507	-	(2,766)	-	(2,084)
Change of additional capital	-	-	(5,707)	-	5,707	-	-
Change of legal reserves	-	-	-	1,914	(1,914)	-	-
Equity as of 31 December 2013	118,368	(126,786)	4,983,241	32,955	6,030,110	632	11,038,520
For 2014							
Change of capital – total, including:							
net loss	-	-	1,267,760	16	(319,620)	(58)	948,098
7 revaluation of property differences resulting from the translation of foreign investments	-	-	734,419	-	(136,849)	-	(136,849)
change in the Group structure and change of interest in subsidiaries	-	-	537,695	-	-	-	537,695
dividends	-	-	(4,685)	16	(11,238)	-	(15,907)
social assets transferred to state authorities	-	-	-	-	(165,247)	-	(165,247)
other	-	-	331	-	(6,286)	(58)	(5,955)
Change of additional capital	-	-	(8,912)	-	8,912	-	-
Change of legal reserves	-	-	-	891	(891)	-	-
Equity as of 31 December 2014	118,368	(126,786)	6,242,089	33,862	5,718,511	574	11,986,618


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

28 April 2015

OAO GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014
(in million Roubles)

Note	For 2014	For 2013
Cash flows from operating activities		
Total cash received, including:	6,838,094	6,161,981
sales of products, goods, works and services	6,411,331	5,876,391
resale of financial investments	13,366	-
other receipts, including:	413,397	285,590
indirect taxes	227,329	189,089
advances received from buyers (customers)	65,464	30,692
Total cash paid, including:	(4,889,377)	(4,496,017)
payment for purchased raw materials, works and services	(2,213,033)	(2,020,241)
wages and salaries	(378,371)	(337,960)
interests on borrowings	(103,569)	(84,194)
profit tax	(208,587)	(196,530)
other payments, including:	(1,985,817)	(1,857,092)
settlements with customs	(803,923)	(744,933)
settlements with budget (less profit tax)	(809,470)	(730,642)
advances paid	(74,351)	(78,724)
Net cash provided by operating activities	1,948,717	1,665,964
Cash flows from investing activities		
Total cash received, including:	299,152	255,192
sales of non-current assets (less financial investments)	10,897	12,976
sales of other entities' shares (equity interests)	14,910	3,875
return of loans issued, sales of debt securities (assignment of cash from third parties)	33,421	52,625
dividends, interest from debt financial investments and receipts from participation in other entities	107,236	120,441
other receipts	132,688	65,275
Total cash paid, including:	(1,771,495)	(1,632,098)
purchase, construction, modernization, reconstruction and preparation for use of non-current assets, including:	(1,184,903)	(1,168,176)
purchase of exploration assets	(81,176)	(62,997)
23, 24 purchase of other entities' shares (equity interests)	(155,272)	(154,247)
purchase of debt securities (assignment of cash from third parties), loans issued	(139,498)	(62,196)
other payments, including:	(291,822)	(247,479)
indirect taxes	(163,275)	(169,489)
Net cash used for investing activities	(1,472,343)	(1,376,906)
Cash flows from financing activities		
Total cash received, including:	379,973	568,734
loans and borrowings, issue of bonds, promissory notes and other debt securities	379,632	567,434
other receipts	341	1,300
Total cash paid, including:	(644,759)	(618,326)
dividends and other distributions to owners (participants)	(213,435)	(171,482)
redemption (buyback) of promissory notes and other debt securities, loan repayment	(414,546)	(426,066)
other payments	(16,778)	(20,778)
Net cash used for financing activities	(264,786)	(49,592)
Net cash for the reporting period	211,588	239,466
Cash and cash equivalents at the beginning of the reporting period	699,520	438,674
Cash and cash equivalents at the end of the reporting period	1,048,292	699,520
Impact of changes in exchange rates	137,184	21,380


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

28 April 2015

OA O GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS FOR 2014
(in million Roubles)

1. GENERAL INFORMATION

OA O 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 444,950 and 422,767 people in 2014 and 2013, 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, estimated liabilities carried based on current valuation of the amount that will result in decrease of economic benefits 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 OA O Gazprom and its principal subsidiaries and associates.

Accounting policy for the year 2014 of OA O Gazprom and its subsidiaries is approved by Order No. 559 dated 26 December 2013.

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.

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.

OA O GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS FOR 2014
(in million Roubles)

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

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.

In the fourth quarter of 2014 there was a decline of the official exchange rates of Russian Rouble to US dollar and euro. As at 31 December 2014 the rates of exchange were: RR 56.2584 to USD 1 (as at 31 December 2013 – RR 32.7292; 31 December 2012 – RR 30.3727) and RR 68.3427 to EUR 1 (as at 31 December 2013 – 44.9699; 31 December 2012 – RR 40.2286).

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.

Intangible and tangible exploration assets

Exploration costs accounted within tangible exploration assets include:

1. 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);
2. 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; a standalone delivery (report) that summarizes results of performed surveys.

Minerals prospecting and exploration licences are amortized on a straight-line basis during the period of the validity of the licenses.

Combined licences with rights on minerals prospecting, exploration and extraction are not amortised till the commercial practicability of minerals extraction is proved.

OAo GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS FOR 2014
(in million Roubles)

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

Tangible exploration assets (machinery and equipment, installations, facilities, vehicles) are depreciated on a straight-line basis during the whole period of their useful lives. 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.

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.

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 2014) net of depreciation accumulated for the period of their use.

As of 31 December 2014 the Group revalued land, property, plant and equipment, inventory and other fixed assets at current replacement cost, defined by an independent appraiser. The result of revaluation is reflected in the Consolidated Balance Sheet as of 31 December 2014.

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.

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

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, public amenities and other similar assets. (such assets acquired after 1 January 2006 are depreciated in accordance with the general procedure)

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.

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.

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

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;
- indirect taxes within receipts from customers and buyers and payments made to suppliers and contractors;
- other settlements that relate rather to the activity of counterparties than to the activity of the Group itself.

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.

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.

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

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.

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 2014 accounting policies

There were no significant changes in the 2014 accounting policies.

Changes in the 2015 accounting policies

There were no significant changes in the 2015 accounting policies.

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

Changes in the comparative periods

Columns "As of 31 December 2013" and "As of 31 December 2012" of the Consolidated Balance Sheet as of 31 December 2014 were formed by the way of adjusting closing balances of the Consolidated Balance Sheet as of 31 December 2013 and 2012 due to the following:

1. Enactment of the Methodology for planning and accounting for costs of natural resources development (hereinafter the Methodology) approved by OAO "Gazprom", No.13 dated 20 January 2015:
 - The time to recognise commercial viability of production has been updated. In this connection expenses for acquisition of licenses for prospecting, exploration and production of mineral reserves and one-time subsoil use payments related to licensed areas where production has been determined commercially viable, have been transferred from intangible exploration assets (balance sheet line "Intangible Exploration Assets" to other non-current assets (line "Other Non-Current Assets" and "Other Current Assets") of the Consolidated Balance Sheet. This adjustment resulted in a corresponding adjustment of deferred tax liabilities.
 - Further, in connection with the updated time for recognising production's commercial viability, all expenses relating to the licensed area stopped being recognised as prospecting expenses after commercial viability of production at the licensed area was supported by documentary evidence. As a result adjustments have been made to line "Tangible Exploration Assets" and line "Construction in progress" for assets of licensed areas with determined commercial viability of production.
 - An update was made to the nature of expenses related to drilling of prospecting wells for the purposes of creating underground storage facilities, as a result of which they were reclassified from other non-current assets (line Other Non-Current Assets) to capital investments in progress (line "Construction in Progress").
2. Transfer of loans from current liabilities (line "Accounts Payable") to non-current liabilities (line "Other Liabilities") due to their updated maturity.
3. Adjustment of line "Estimated liabilities" due to separation of non-current part of estimated liabilities.

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

Adjustments to the amounts as at 31 December 2013 and 2012 in the Consolidated Balance Sheet as at 31 December 2014

Item	As of 31 December 2013			As of 31 December 2012		
	Amount before adjustment	Adjustment	Amount after adjustment	Amount before adjustment	Adjustment	Amount after adjustment
I. NON-CURRENT ASSETS						
Intangible exploration assets	106,479	(1,918)	104,561	59,841	(3,182)	56,659
Tangible exploration assets	77,893	(37,533)	40,360	51,449	(9,968)	41,481
Fixed assets, including:	9,131,301	38,985	9,170,286	8,522,501	11,049	8,533,550
Objects of fixed assets, including:	7,511,539	-	7,511,539	7,120,971	-	7,120,971
buildings, constructions, machinery and equipment	7,354,415	-	7,354,415	6,972,686	-	6,972,686
Construction in progress	1,619,762	38,985	1,658,747	1,401,530	11,049	1,412,579
Deferred taxes assets	75,272	7,599	82,871	106,668	1,373	108,041
Other non-current assets	<u>201,513</u>	<u>(469)</u>	<u>201,044</u>	<u>196,971</u>	-	<u>196,971</u>
TOTAL Section I	11,505,322	6,664	11,511,986	10,738,196	(728)	10,737,468
II. CURRENT ASSETS						
Other current assets	<u>13,421</u>	<u>103</u>	<u>13,524</u>	<u>14,446</u>	<u>104</u>	<u>14,550</u>
TOTAL Section II	3,237,134	103	3,237,237	2,791,016	104	2,791,120
TOTAL ASSETS	14,742,456	6,767	14,749,223	13,529,212	(624)	13,528,588
III. EQUITY AND RESRVES						
Retained earnings	<u>6,030,775</u>	<u>(665)</u>	<u>6,030,110</u>	<u>5,371,407</u>	<u>(498)</u>	<u>5,370,909</u>
TOTAL Section III	11,039,185	(665)	11,038,520	10,196,698	(498)	10,196,200
IV. NON-CURRENT LIABILITIES						
Deferred tax liabilities	363,768	7,432	371,200	265,550	(126)	265,424
Estimated liabilities	119,861	2,548	122,409	124,027	1,754	125,781
Other liabilities	<u>30,168</u>	<u>2,726</u>	<u>32,894</u>	<u>4,712</u>	-	<u>4,712</u>
TOTAL Section IV	1,994,700	12,706	2,007,406	1,572,670	1,628	1,574,298
V. CURRENT LIABILITIES						
Accounts payable, including:	956,872	(2,726)	954,146	941,881	-	941,881
other accounts payable	54,342	(2,726)	51,616	63,205	-	63,205
Estimated liabilities	<u>127,401</u>	<u>(2,548)</u>	<u>124,853</u>	<u>225,558</u>	<u>(1,754)</u>	<u>223,804</u>
TOTAL Section V	1,417,303	(5,274)	1,412,029	1,495,248	(1,754)	1,493,494
TOTAL EQUITY AND LIABILITIES	14,742,456	6,767	14,749,223	13,529,212	(624)	13,528,588

Adjustments to the Consolidated Statement of Financial Results

Item	Amount before adjustment for 2013	Adjustment	Amount after adjustment for 2013
Cost of sales	(3,603,425)	(209)	(3,603,634)
Gross profit	1,643,875	(209)	1,643,666
Profit from sales	1,429,883	(209)	1,429,674
Profit before profit tax	1,179,660	(209)	1,179,451
Change in deferred tax liabilities	(90,981)	42	(90,939)
Net profit of the reporting period before minority interest	839,045	(167)	838,878
Minority interest	(27,503)	-	(27,503)
Net profit of the reporting period	811,542	(167)	811,375

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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. Prices are determined based on principle “cost plus normal profit”.

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
For 2014									
Total segment revenues	701,406	924,788	3,234,238	44,264	667,634	1,629,180	426,810	210,785	7,839,105
Inter-segment sales	682,338	789,452	237,040	41,461	417,274	10,565	-	-	2,178,130
External sales	19,068	135,336	2,997,198	2,803	250,360	1,618,615	426,810	210,785	5,660,975
Segment result	68,013	18,560	1,011,471	6,550	48,226	177,421	34,198	(17,045)	1,347,394
Depreciation	141,594	380,105	14,597	18,969	88,542	38,425	48,541	18,775	749,548
Capitalized (loss)/profit of associates	(22,277)	4,560	10,936	(2,725)	67,480	1,111	(24)	7,622	66,683
For 2013									
Total segment revenues	662,593	910,595	3,123,217	37,640	678,457	1,361,434	376,162	232,740	7,382,838
Inter-segment sales	653,921	783,653	247,053	35,679	404,531	10,701	-	-	2,135,538
External sales	8,672	126,942	2,876,164	1,961	273,926	1,350,733	376,162	232,740	5,247,300
Segment result	81,207	31,996	1,031,918	5,172	94,554	145,221	32,763	10,113	1,432,944
Depreciation	132,068	365,686	14,228	15,206	74,673	33,706	31,895	15,723	683,185
Capitalized profit of associates	852	7,755	12,442	374	68,631	2,116	-	1,311	93,481

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

	For 2014	For 2013
Segment result	1,347,394	1,432,944
Income from investments in other companies	8,854	4,750
Interest income	70,452	34,170
Interest expense	(104,836)	(88,756)
19 Other income	6,358,978	5,656,376
19 Other expense	(7,678,120)	(5,950,244)
Difference in depreciation	(3,652)	(3,270)
9 Capitalized profit of associates	<u>66,683</u>	<u>93,481</u>
Profit before profit tax	<u>65,753</u>	<u>1,179,451</u>

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.

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

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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
As of 31 December 2014									
Segment assets	2,395,101	6,093,326	1,477,043	281,390	1,580,028	1,335,281	731,241	845,413	14,738,823
Investments in associated undertakings	13,177	149,883	77,194	7,258	361,459	20,918	414	138,766	769,069
Capital expenditure	182,307	434,433	23,709	15,530	173,393	135,051	72,738	47,701	1,084,862
As of 31 December 2013									
Segment assets	2,194,752	5,265,289	1,405,879	242,631	1,204,678	1,001,352	715,677	754,932	12,785,190
Investments in associated undertakings	31,032	93,325	76,484	6,209	252,691	12,628	448	93,905	566,722
Capital expenditure	218,517	380,543	36,085	23,524	189,069	109,362	71,458	102,513	1,131,071
As of 31 December 2012									
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	243,754	563,822	47,166	18,247	85,161	128,529	52,002	61,470	1,200,151

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

Note	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Segment assets for reportable segments	13,893,410	12,030,258	11,144,857
Other segments' assets	<u>845,413</u>	<u>754,932</u>	<u>655,676</u>
Total segment assets	14,738,823	12,785,190	11,800,533
Goodwill	856,397	907,085	885,672
Loans issued to companies beyond 12 months	188,863	110,944	113,715
Other long-term financial investments	30,261	30,039	30,855
Deferred tax assets	96,841	82,871	108,041
Value added tax on purchased goods	289,490	341,870	404,572
Loans issued to companies due within 12 months	122,255	105,496	97,194
Other short-term financial investments	155,589	99,163	68,499
Cash and cash equivalents	1,048,298	699,612	438,746
Decommissioning costs	70,587	57,414	52,111
Inter-segment assets	(760,190)	(673,902)	(647,567)
Other	<u>67,978</u>	<u>203,441</u>	<u>176,217</u>
Total assets per the balance sheet	16,905,192	14,749,223	13,528,588

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
As of 31 December 2014									
Segment liabilities	146,755	351,338	663,454	18,352	304,269	237,753	76,541	129,657	1,928,119
As of 31 December 2013									
Segment liabilities	155,578	290,775	511,433	9,599	218,783	281,666	46,491	124,989	1,639,314
As of 31 December 2012									
Segment liabilities	135,554	427,157	585,171	9,844	154,023	241,356	29,469	146,500	1,729,074

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4. SEGMENT INFORMATION (continued)

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

Note	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Segment liabilities for reportable segments	1,798,462	1,514,325	1,582,574
Other segments' liabilities	<u>129,657</u>	<u>124,989</u>	<u>146,500</u>
Total segments liabilities	1,928,119	1,639,314	1,729,074
15 Long-term loans and borrowings	2,237,812	1,480,903	1,178,381
Deferred tax liabilities	440,325	371,200	265,424
15 Short-term loans and borrowings and current portion of long-term loans and borrowings	464,991	330,479	325,447
Dividends payable	4,759	3,791	1,779
Income of future periods	1,679	2,551	2,362
25 Contingent liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	98,069	116,483	121,930
Inter-segment liabilities	(760,190)	(673,902)	(647,567)
Other	<u>206,381</u>	<u>148,616</u>	<u>90,962</u>
Total liabilities per the balance sheet	4,621,945	3,419,435	3,067,792

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:

	Production of gas	Transpor- tation	Distribu- tion of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
For 2014									
Cash flows from operating activities									
Total cash received	9,493	133,742	3,711,121	2,772	320,746	1,733,177	405,812	224,960	6,541,823
Unallocated cash flows									296,271
Total cash paid	(536,704)	(382,313)	(1,335,913)	(13,271)	(708,851)	(907,406)	(288,567)	(266,748)	(4,439,773)
Unallocated cash flows									(449,604)
Cash flows from investing activities									
Total cash received	137	1,908	271	62	16,570	14,384	4,311	16,438	54,081
Unallocated cash flows									245,071
Total cash paid	(189,378)	(499,987)	(38,440)	(4,704)	(200,640)	(150,082)	(53,979)	(72,798)	(1,210,008)
Unallocated cash flows									(561,487)
Cash flows from financial activities									
Total cash received	-	-	-	-	-	-	-	291	291
Unallocated cash flows									379,682
Total cash paid	(2,239)	(6,035)	(2,242)	(68)	(260)	(1,894)	(229)	(868)	(13,835)
Unallocated cash flows									(630,924)
For 2013									
Cash flows from operating activities									
Total cash received	7,883	129,556	3,446,632	1,909	298,996	1,534,319	346,479	171,843	5,937,617
Unallocated cash flows									224,364
Total cash paid	(443,992)	(466,447)	(1,334,655)	(13,551)	(669,570)	(829,004)	(251,000)	(135,992)	(4,144,211)
Unallocated cash flows									(351,806)
Cash flows from investing activities									
Total cash received	99	1,633	495	71	13,131	693	552	5,896	22,570
Unallocated cash flows									232,622
Total cash paid	(268,874)	(432,933)	(50,039)	(15,568)	(154,503)	(106,451)	(58,097)	(88,767)	(1,175,232)
Unallocated cash flows									(456,866)
Cash flows from financial activities									
Total cash received	-	-	-	-	-	-	-	-	-
Unallocated cash flows									568,734
Total cash paid	(2,644)	(7,601)	(3,377)	(67)	(87)	(2,552)	(257)	(1,083)	(17,668)
Unallocated cash flows									(600,658)

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5. GOODWILL ON SUBSIDIARIES

Note	Gross book value	Accumulated amortization	Net book value
As of 31 December 2013			
	539,720	(196,937)	342,783
	146,316	(14,632)	131,684
	120,121	(25,129)	94,992
	87,263	(24,167)	63,096
23	70,882	(5,319)	65,563
	69,957	(873)	69,084
	46,612	(14,984)	31,628
	37,416	(16,435)	20,981
	35,518	(7,104)	28,414
	17,000	(923)	16,077
	6,990	(1,630)	5,360
	6,815	(710)	6,105
	6,314	(1,101)	5,213
	<u>33,394</u>	<u>(7,289)</u>	<u>26,105</u>
Total	1,224,318	(317,233)	907,085
Additions for 2014			
23	3,689	-	3,689
	57	-	57
	<u>13,481</u>	<u>(20)</u>	<u>13,461</u>
Total	17,227	(20)	17,207
Disposals for 2014			
	(114)	5	(109)
	(16)	-	(16)
	<u>(6,316)</u>	<u>764</u>	<u>(5,552)</u>
Total	(6,446)	769	(5,677)
2	Amortization charge		
		(26,986)	
		(7,316)	
		(6,067)	
		(4,363)	
23		(3,544)	
		(3,500)	
		(2,331)	
		(1,869)	
		(1,776)	
		(952)	
		(348)	
		(341)	
		(213)	
		<u>(2,612)</u>	
Total		(62,218)	
As of 31 December 2014			
	539,720	(223,923)	315,797
	146,316	(21,948)	124,368
	123,794	(31,196)	92,598
	87,263	(28,530)	58,733
23	70,882	(8,863)	62,019
	70,014	(4,373)	65,641

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5. GOODWILL ON SUBSIDIARIES (continued)

	Gross book value	Accumulated amortization	Net book value
OAo Mosenergo	46,612	(17,315)	29,297
OOO Gazprom neft shelf	37,302	(18,299)	19,003
OAo TGC-1	35,518	(8,880)	26,638
OAo Gazprom gazoraspredelenie Sever*	23,314	(3,189)	20,125
OAo Daltransgaz	6,990	(1,978)	5,012
OAo Yuzhuralneftegaz	6,815	(1,051)	5,764
Others	40,559	(9,157)	31,402
Total	1,235,099	(378,702)	856,397

*In May 2014 OAo Sibirskie gazovie seti was reorganized in the form of a merger with OAo Gazprom gazoraspredelenie Sever. As a result of this reorganization the Group's share in OAo Gazprom gazoraspredelenie Sever has increased from 91% to 96%.

6. EXPLORATION ASSETS

	As of 31 December 2013	Changes for 2014				As of 31 December 2014
		additions	disposals	intra- group	depreciation charge	
Total Intangible exploration assets, including:	104,561	73,248	(9,696)	-	-	168,113
Licences on minerals prospecting, estimation, exploration and extraction	92,504	7,425	(1,381)	45,266	-	143,814
Expenditure on obtaining rights on subsurface use, expenditure on geological knowledge	12,057	65,823	(8,315)	(45,266)	-	24,299
Total Tangible exploration assets, including:	40,360	43,186	(10,654)	-	-	72,892
Wells	2,348	346	(18)	1,171	-	3,847
Exploration expenses classified as tangible exploration assets	38,012	42,840	(10,636)	(1,171)	-	69,045
	As of 31 December 2012	Changes for 2013				As of 31 December 2013
		additions	disposals	intra- group	depreciation charge	
Total Intangible exploration assets, including:	56,659	51,353	(3,451)	-	-	104,561
Licences on minerals prospecting, estimation, exploration and extraction	52,079	2,427	(2,433)	40,431	-	92,504
Expenditure on obtaining rights on subsurface use, expenditure on geological Knowledge	4,580	48,926	(1,018)	(40,431)	-	12,057
Total Tangible exploration assets, including:	41,481	1,138	(2,259)	-	-	40,360
Wells	2,196	23	(262)	391	-	2,348
Exploration expenses classified as tangible exploration assets	39,285	1,115	(1,997)	(391)	-	38,012

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7. FIXED ASSETS

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 31 December 2012						
	9,701,580	1,688,677	2,667,113	1,618,022	2,136,862	17,812,254
	(6,457,541)	(1,125,194)	(1,770,340)	(566,489)	(771,719)	(10,691,283)
	3,244,039	563,483	896,773	1,051,533	1,365,143	7,120,971
For 2013						
	94,656	147,794	275,592	144,850	409,207	1,072,099
	(70)	(450)	(2,078)	(5,260)	(5,890)	(13,748)
	(644)	(7,007)	(16,077)	(7,937)	(12,230)	(43,895)
	574	6,557	13,999	2,677	6,340	30,147
4	(268,159)	(85,771)	(166,951)	(52,893)	(112,680)	(686,454)
	595	341	1,844	9,675	6,216	18,671
	(1,100)	57,350	8,494	20,568	16,307	101,619
	1,695	(57,009)	(6,650)	(10,893)	(10,091)	(82,948)
As of 31 December 2013						
	9,794,022	1,891,789	2,965,778	1,779,721	2,579,956	19,011,266
	(6,722,961)	(1,266,392)	(1,960,598)	(631,816)	(917,960)	(11,499,727)
	3,071,061	625,397	1,005,180	1,147,905	1,661,996	7,511,539
For 2014						
	291,728	176,469	309,512	120,134	252,457	1,150,300
	(147)	(17,812)	(2,840)	(9,315)	(4,594)	(34,708)
	(3,345)	(23,442)	(26,248)	(11,812)	(15,510)	(80,357)
	3,198	5,630	23,408	2,497	10,916	45,649
4	(267,156)	(95,810)	(189,225)	(55,704)	(145,287)	(753,182)
	400,990	45,822	69,183	100,039	118,350	734,384
	1,410,152	201,125	350,119	183,461	210,140	2,354,997
	(1,009,162)	(155,303)	(280,936)	(83,422)	(91,790)	(1,620,613)
As of 31 December 2014						
	11,497,053	2,247,608	3,626,071	2,073,151	3,032,276	22,476,159
	(8,000,577)	(1,513,542)	(2,434,261)	(770,092)	(1,149,354)	(13,867,826)
	3,496,476	734,066	1,191,810	1,303,059	1,882,922	8,608,333

In 2014 and 2013 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 58 in 2014 (in 2013 – RR 109).

8. CONSTRUCTION IN PROGRESS

	Construction in progress	Equipment for installation	Total
As of 31 December 2012	1,210,370	202,209	1,412,579
For 2013			
Capital expenditures	991,417	170,274	1,161,691
Transfer of equipment for installation	180,133	(180,133)	-
Transfer to Fixed assets	(894,052)	-	(894,052)
Other disposals (incl. write-off)	(18,326)	(3,145)	(21,471)
As of 31 December 2013	1,469,542	189,205	1,658,747

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8. CONSTRUCTION IN PROGRESS (continued)

	Construction in progress	Equipment for installation	Total
For 2014			
Capital expenditures	1,028,832	203,807	1,232,639
Transfer of equipment for installation	123,497	(123,497)	-
Transfer to Fixed assets	(1,012,892)	-	(1,012,892)
Other disposals (incl. write-off)	<u>(17,094)</u>	<u>(3,415)</u>	<u>(20,509)</u>
As of 31 December 2014	1,591,885	266,100	1,857,985

Construction in progress mostly consists of construction of transport infrastructure, including the implementation of projects on construction of the gas pipeline Bovanenkovo – Ukhta, expansion of a unified system of gas pipelines for gas supply to the gas pipeline "South Stream", construction of gas chemical complex (Novourengoysky GCC), as well as development of Bovanenkovskoye field.

In Additions for 2014 reflected acquisition of South Stream Transport B.V. with cost of construction in progress in the amount of RR 127,778.

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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 9,003, RR 6,993 and RR 6,063 as of 31 December 2014, 2013 and 2012, respectively. The impairment provision primarily relates to non-core investments.

Investments in associates

Note		Carrying value			Capitalized profit (loss)	
		As of 31 December 2014	As of 31 December 2013	As of 31 December 2012	For 2014	For 2013
21,25	Sakhalin Energy Investment Company Ltd.	138,475	52,925	73,919	59,145	43,085
21	OAo Tomskneft VNK and its subsidiaries	91,148	88,560	85,414	8,297	8,359
21	Gazprombank (Joint-stock Company) (OAo Gazprombank)*	78,175	73,946	76,067	6,583	76
21	OAo NGK Slavneft and its subsidiaries	73,301	84,274	78,093	(5,072)	9,537
21,25	Nord Stream AG	52,944	43,851	35,870	3,422	7,433
21	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries**	39,139	-	-	4,876	-
21	STG EuRoPol GAZ S.A.	27,857	18,802	17,347	188	(240)
21	OOO Yamal razvitie	26,358	10	-	-	-
21,25	Blue Stream Pipeline Company B.V.	25,872	14,228	13,353	133	415
21	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries**	25,107	40,809	38,260	2,320	4,809
21	TOO KazRosGaz	19,215	9,819	12,819	6,268	4,659
21	Wintershall AG	17,640	11,528	12,198	186	1,492
21	ZAO Achimgaz	16,844	9,956	5,933	6,888	4,023
21	AO Latvijas Gaze	15,182	9,968	8,957	594	470
21	Salym Petroleum Development N.V.	9,161	13,899	15,445	(457)	5,006
21	AO Gazum	6,915	4,515	4,089	229	369
21	ZAO Nortgaz	4,730	2,258	1,128	4,322	1,130
	Shtokman Development AG	-	23,216	21,783	(27,888)	(248)
24	South Stream Transport B.V. and its subsidiaries***	-	7,081	1,869	(4,237)	-
	AO Amber Grid****	-	5,703	-	60	25
21	AO Lietuvos dujos****	-	2,994	8,267	491	281
	Others	<u>101,006</u>	<u>48,380</u>	<u>29,478</u>	<u>335</u>	<u>2,800</u>
	Total	769,069	566,722	540,289	66,683	93,481

* In December 2014 OAo Gazprombank was renamed into Gazprombank (Joint-stock Company).

** In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 31 December 2014 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associated undertakings.

*** In December 2014 the Group became the owner of 100% interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project, by acquiring shares of EDF International S.A.S., Wintershall Holding GmbH and ENI International B.V. (see Note 24).

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

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 27,652 (including impairment provision for investment in Shtokman Development AG in the amount of RR 27,378), RR 292 and RR 322 as of 31 December 2014, 2013 and 2012, respectively.

Investments in other companies

As of 31 December 2014, 2013 and 2012 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 133,787, RR 135,910 and RR 110,370, 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 5,321, RR 13,537 and RR 24,790 as of 31 December 2014, 2013 and 2012, respectively.

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9. FINANCIAL INVESTMENTS (continued)

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 1,793, RR 1,627 and RR 1,850 as of 31 December 2014, 2013 and 2012, 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 OOO Yamal razvitie, denominated in RR maturing in 2021, in the amount of RR 48,253, RR 2,200 and RR nil as of 31 December 2014, 2013 and 2012, respectively.

The line "Loans issued to companies beyond 12 months" of the Consolidated Balance Sheet includes the loan to OAO Gazprom teploenego, denominated in RR maturing in 2026, in the amount of RR 47,108, RR 36,937 and RR 32,840 as of 31 December 2014, 2013 and 2012, 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 not earlier than in 2016 in the amount of RR 26,161, RR 17,214 and RR 15,399 as of 31 December 2014, 2013 and 2012, respectively.

In 2014 and 2013 the average interest rate on this loan was 2.1%.

Other financial investments

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Joint activity, including:	25,340	24,691	24,419
development of a satellite communication system (operator – OAO Gazprom kosmicheskiye sistemy)	3,252	3,252	3,252
Other, including:	4,921	5,348	6,436
long-term deposits	3,035	3,209	2,063
third party promissory notes	1,282	1,438	2,288
South Pars project (oil and gas field in Iran)	<u>370</u>	<u>370</u>	<u>370</u>
Total	<u>30,261</u>	<u>30,039</u>	<u>30,855</u>

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 7,918, RR 7,918 and RR 7,915 as of 31 December 2014, 2013 and 2012, respectively.

10. INVENTORY

Raw materials and other inventories

In the Consolidated Balance Sheet values of raw materials and other inventories in amount of RR 175,979, RR 151,799 and RR 131,015 are disclosed net of impairment allowance in amount of RR 4,252, RR 3,560 and RR 3,401 as of 31 December 2014, 2013 and 2012, respectively.

Finished goods and goods for resale

In the Consolidated Balance Sheet values of finished goods and goods for resale in amount of RR 549,632, RR 460,465 and RR 342,497 are disclosed net of impairment allowance in amount of RR 1,623, RR 616 and RR 398 as of 31 December 2014, 2013 and 2012, respectively.

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Gas in pipelines and storages	472,643	384,087	263,460
Oil, gas condensate and refined products	54,259	53,793	54,706
Goods for resale	<u>22,730</u>	<u>22,585</u>	<u>24,331</u>
Total	<u>549,632</u>	<u>460,465</u>	<u>342,497</u>

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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 1,140, RR 1,191 and RR 1,187 as of 31 December 2014, 2013 and 2012, 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 nil, RR 9,095 and RR 19,016 as of 31 December 2014, 2013 and 2012, respectively.

The Other receivables line in the Consolidated Balance Sheet includes receivables, issued for capital construction purposes in amount of RR 16,291, RR 13,151 and RR 20,612 as of 31 December 2014, 2013 and 2012, 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 2014, 2013 and 2012 include the following:

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Receivables from Europe and other countries gas, crude oil, gas condensate and refined products customers	362,611	339,313	285,379
Receivables from Domestic gas, crude oil, gas condensate and refined products customers	146,295	141,103	131,128
Receivables from FSU (excluding Russian Federation) gas, crude oil, gas condensate and refined products customers	25,914	111,807	33,560
Receivables from electric and heat energy sales customers	66,177	54,781	43,154
Other trade debtors	<u>97,888</u>	<u>92,134</u>	<u>99,723</u>
Total	<u>698,885</u>	<u>739,138</u>	<u>592,944</u>

As of 31 December 2014, 2013 and 2012 accounts receivable from buyers and customers are stated net of impairment provision of RR 616,655, RR 322,418 and RR 255,025, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 101, RR 119 and RR 134 as of 31 December 2014, 2013 and 2012, respectively.

As of 31 December 2014, 2013 and 2012 advances paid in the Consolidated Balance Sheet include advances issued for capital construction purposes in amount of RR 135,632, RR 122,999 and RR 158,208, respectively.

The advances paid include current advances issued to NJSC Naftogas of Ukraine for gas transportation services in the amount of RR nil, RR 38,370, RR 85,854 as of 31 December 2014, 2013, 2012, respectively, and current portion of the long-term advance issued to NJSC Naftogas of Ukraine in the amount of RR 9,095, RR 9,922 and RR 9,922 as of 31 December 2014, 2013 and 2012, respectively.

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11. ACCOUNTS RECEIVABLE (continued)

As of 31 December 2014, 2013 and 2012 other accounts receivable of the Consolidated Balance Sheet include the following:

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Overpayment of taxes to the budget	217,560	118,624	100,022
Settlements on custom duties	85,432	57,502	67,654
Settlements on claims	4,291	3,404	1,694
Other	<u>128,838</u>	<u>140,917</u>	<u>94,007</u>
Total	436,121	320,447	263,377

Other accounts receivable are stated net of the impairment provision amounting to RR 38,447, RR 32,693 and RR 27,149 as of 31 December 2014, 2013 and 2012, respectively.

12. OTHER FINANCIAL INVESTMENTS

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Short-term deposits	140,200	72,788	49,107
Shares, bonds and participatory interests	9,581	22,355	15,931
Third party promissory notes	1,191	2,246	2,274
Other	<u>4,617</u>	<u>1,774</u>	<u>1,187</u>
Total	155,589	99,163	68,499

As of 31 December 2014, 2013 and 2012 other financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 559, RR 269 and RR 629, respectively.

13. CASH AND CASH EQUIVALENTS

Other monetary assets in the Consolidated Balance Sheet include cash balances on bank accounts in amount of RR nil and RR nil and RR 3,658 as of 31 December 2014, 2013 and 2012, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

14. EQUITY

OA0 Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2014 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 723 million, 723 million and 724 million as of 31 December 2014, 2013 and 2012.

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 2013 results of OA0 Gazprom, final dividends were paid in 2014 in the amount of 7.20 Roubles per ordinary share. Based on the 2012 results dividends were paid in 2013 in the amount of 5.99 Roubles per ordinary share.

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15. BORROWINGS

Bank borrowings

Lender	Currency	Final maturity	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
«Mizuho Bank Ltd.» ¹	US dollar	2019	121,037	-	-
ZAO «Mizuho Corporate Bank (Moscow)» ¹	US dollar	2016	39,396	28,606	26,563
«Commerzbank International S.A.» ³	US dollar	2018	39,381	23,026	-
«The Royal Bank of Scotland AG» ¹	US dollar	2015	26,939	16,339	15,483
«UniCredit Bank AG»	Euro	2015	26,696	-	-
«Deutsche Bank AG»	US dollar	2016	22,901	13,327	12,387
«Alfa-Bank» (Joint-stock Company) ⁴	US dollar	2016	22,513	-	-
«BNP Paribas SA» ¹	Euro	2022	22,352	16,550	16,451
«Bank of Tokyo-Mitsubishi UFJ Ltd.» ¹	US dollar	2016	21,232	18,528	22,887
OAO «Sberbank of Russia»	Rouble	2017	19,802	-	-
«Sumitomo Mitsui Finance Dublin Limited»	US dollar	2016	18,056	10,504	9,749
«Banc of America Securities Limited»	US dollar	2018	17,005	9,894	-
«Bank of Tokyo-Mitsubishi UFJ Ltd.»	US dollar	2015	16,970	9,874	9,171
«Bank of Tokyo-Mitsubishi UFJ Ltd.»	US dollar	2016	16,896	9,830	9,122
«Credit Agricole CIB»	Euro	2015	16,431	10,813	9,673
OAO «Sberbank of Russia»	Euro	2017	15,416	10,145	-
«UniCredit Bank AG» ^{1,2}	US dollar	2018	14,421	11,220	13,683
«HSBC Bank plc»	Euro	2022	14,108	10,443	-
«Citibank International plc» ¹	US dollar	2021	13,436	9,020	8,563
«UniCredit Bank AG» ^{1,2}	Euro	2018	12,631	11,116	13,067
OAO «Sberbank of Russia»	Rouble	2016	12,400	7,400	-
«Banc of America Securities Limited»	Euro	2017	12,372	8,143	7,285
«UniCredit Bank AG»	US dollar	2018	11,253	6,548	-
«Gazprombank» (Joint-stock Company)	US dollar	2016	11,252	-	-
«Banc of America Securities Limited»	US dollar	2016	10,132	5,895	5,471
OAO «Rosselkhozbank»	Rouble	2019	10,010	-	-
OAO «Sberbank of Russia»	Rouble	2019	10,010	-	-
«Gazprombank» (Joint-stock Company)	Rouble	2018	10,000	10,000	10,000
«Gazprombank» (Joint-stock Company)	Rouble	2017	10,000	10,000	10,000
«Gazprombank» (Joint-stock Company)	US dollar	2015	9,620	-	-
OAO «VTB Bank»	US dollar	2016	9,307	-	-
GK «Vnesheconombank»	Rouble	2025	8,979	14,698	14,808
«BNP Paribas SA» ¹	Euro	2023	8,826	6,536	6,497
OAO «Sberbank of Russia»	US dollar	2018	8,449	4,915	-
OAO «Sberbank of Russia»	Rouble	2016	8,300	-	-
OAO «VTB Bank»	Rouble	2018	8,250	3,750	-
OAO «Sberbank of Russia»	Rouble	2015	5,504	-	-
«Sberbank Serbia a.d.»	US dollar	2019	5,071	-	-
OAO «Bank ROSSIYA»	Rouble	2016	5,000	5,000	-
OAO «Bank ROSSIYA»	Rouble	2017	5,000	-	-
«Banc of America Securities Limited»	Euro	2016	4,445	2,925	2,617
«Sberbank Serbia a.d.»	US dollar	2017	4,231	-	-
OAO «Sberbank of Russia»	Rouble	2018	3,759	3,759	-
Gazprombank (Joint-stock Company)	US dollar	2015	3,584	2,085	-
«UniCredit Bank AG» ^{1,2}	Rouble	2018	2,352	3,145	4,134
«Natixis SA» ¹	US dollar	2014	-	23,933	36,232
OAO «VTB Bank»	US dollar	2014	-	22,974	-
«Deutsche Bank AG»	US dollar	2014	-	9,899	9,186
«Deutsche Bank AG»	US dollar	2014	-	6,566	6,093
OAO «Sberbank of Russia»	Rouble	2014	-	6,216	-
OAO «VTB Bank»	US dollar	2014	-	5,420	-
OAO «Bank ROSSIYA»	US dollar	2014	-	3,960	-
«Gazprombank» (Joint-stock Company)	US dollar	2014	-	3,273	-
«Deutsche Bank AG»	US dollar	2014	-	2,346	4,353

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15. BORROWINGS (continued)

Lender	Currency	Final maturity	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
OAO «VTB Bank»	Rouble	2014	-	708	4,010
«The Royal Bank of Scotland AG»	US dollar	2013	-	-	54,858
«Credit Agricole CIB» ¹	US dollar	2013	-	-	7,607
OAO «TransKreditBank»	Rouble	2013	-	-	7,055
OAO «Nordea Bank»	US dollar	2013	-	-	3,796
OAO «Sberbank of Russia»	Rouble	2013	-	-	3,503
«WestLB AG» ¹	US dollar	2013	-	-	3,214
OAO «Nordea Bank»	US dollar	2013	-	-	3,038
OAO «Sberbank of Russia»	Rouble	2013	-	-	2,501
«The Royal Bank of Scotland AG» ¹	US dollar	2013	-	-	1,838
Other	Various	Various	<u>85,720</u>	<u>85,282</u>	<u>109,720</u>
Total, including			801,445	484,611	484,615
due within one year, including current portion of long-term borrowings			188,443	131,132	178,101

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

²Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

³ In October 2014 Commerzbank International S.A. was appointed as successor Agent by Commerzbank AG under facilities agreement.

⁴ In January 2015 OAO Alfa-Bank was renamed into Alfa-Bank (Joint-stock Company).

Long-term foreign currency denominated borrowings had fixed interest rates ranging from 3.05% to 10.0% and from 3.25% to 10.0% in 2014 and 2013, respectively. Also in 2014-2013 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 8.0% to 21.0% and from 7.4% to 11.4% in 2014 and 2013, respectively.

Interest rates on short-term foreign currency denominated borrowings ranged from 5.0% to 11.5% and 1.7% to 12.0%, in 2014 and 2013, respectively. Also in 2014 and 2013 short-term foreign currency denominated borrowings had variable interest rates linked to EURIBOR and LIBOR respectively.

Short-term borrowings denominated in Russian Roubles had fixed interest rates ranging from 8.75% to 25.0% and from 7.25% to 12.55% in 2014 and 2013, respectively.

OAO GAZPROM
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15. BORROWINGS (continued)

Loans

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Loan participation notes issued in April 2009 ⁵	US dollar	2019	128,793	74,927	69,533
Loan participation notes issued in July 2012 ⁵	Euro	2017	98,554	64,849	57,250
Loan participation notes issued in October 2007 ⁵	Euro	2018	86,790	57,108	51,088
Loan participation notes issued in September 2012 ⁹	US dollar	2022	85,424	49,697	46,118
Loan participation notes issued in November 2013 ⁹	US dollar	2023	84,851	49,364	-
Loan participation notes issued in November 2006 ⁵	US dollar	2016	76,460	44,482	41,279
Loan participation notes issued in March 2007 ⁵	US dollar	2022	74,644	43,425	40,298
Loan participation notes issued in August 2007 ⁵	US dollar	2037	72,245	42,030	39,003
Loan participation notes issued in May 2005 ⁵	Euro	2015	70,685	46,511	41,607
Loan participation notes issued in March 2013 ⁵	Euro	2020	70,164	46,164	-
Loan participation notes issued in April 2004 ⁵	US dollar	2034	68,528	39,868	36,997
Loan participation notes issued in April 2008 ⁵	US dollar	2018	63,004	36,654	34,015
Loan participation notes issued in July 2013 ⁵	Euro	2018	62,506	41,129	-
Loan participation notes issued in July 2009 ⁵	Euro	2015	62,372	41,041	36,715
Loan participation notes issued in July 2012 ⁵	US dollar	2022	57,512	33,458	31,049
Loan participation notes issued in November 2011 ⁵	US dollar	2016	56,552	32,900	30,531
Loan participation notes issued in November 2010 ⁵	US dollar	2015	56,513	32,877	30,510
Loan participation notes issued in February 2014 ⁵	Euro	2021	52,819	-	-
Loan participation notes issued in April 2013 ⁹	Euro	2018	52,277	34,398	-
Loan participation notes issued in February 2013 ⁵	US dollar	2028	51,642	30,044	-
Loan participation notes issued in February 2013 ⁵	US dollar	2020	45,705	26,589	-
Loan participation notes issued in September 2013 ⁵	GBP	2020	41,334	27,198	-
Loan participation notes issued in November 2014 ⁵	US dollar	2015	39,621	-	-

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15. BORROWINGS (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Loan participation notes issued in November 2006 ⁵	Euro	2017	35,542	23,387	20,921
Loan participation notes issued in March 2013 ⁵	Euro	2025	35,340	23,254	-
Loan participation notes issued in November 2011 ⁵	US dollar	2021	34,644	20,155	18,704
Loan participation notes issued in March 2007 ⁵	Euro	2017	34,477	22,686	20,294
Loan participation notes issued in October 2013 ⁵	CHF	2019	28,637	18,444	-
Russian bonds series 06 issued in February 2013 ¹¹	Rouble	2016	15,407	15,404	-
Russian bonds issued in November 2013 ¹²	Rouble	2043	15,134	15,102	-
Russian bonds issued in November 2013 ¹²	Rouble	2043	15,134	15,102	-
Russian bonds issued in October 2014 ¹²	Rouble	2044	13,821	-	-
OAO «Tomskneft VNK»	Rouble	2018	13,170	9,908	-
Russian bonds issued in February 2011 ⁹	Rouble	2021	10,361	10,358	10,356
Russian bonds issued in February 2011 ⁹	Rouble	2021	10,345	10,342	10,340
Russian bonds issued in February 2011 ⁹	Rouble	2016	10,345	10,342	10,340
Russian bonds issued in February 2012 ⁹	Rouble	2022	10,335	10,332	10,330
Russian bonds series 05 issued in February 2013 ¹¹	Rouble	2017	10,273	10,271	-
Russian bonds issued in April 2009 ⁹	Rouble	2019	10,175	10,173	10,171
Russian bonds issued in December 2012 ⁹	Rouble	2022	10,068	10,065	10,063
Russian bonds series 04 issued in February 2013 ¹¹	Rouble	2018	5,136	5,126	-
Russian bonds series 02 issued in March 2006 ⁸	Rouble	2016	108	108	446
«White Nights Finance B.V.»	US dollar	2014	-	42,682	39,609
Loan participation notes issued in July 2009 ⁵	US dollar	2014	-	42,297	39,251
Loan participation notes issued in October 2006 ⁵	Euro	2014	-	36,575	32,719
Loan participation notes issued in June 2007 ⁵	Euro	2014	-	31,766	28,417
Russian bonds series A9 issued in February 2007 ¹²	Rouble	2014	-	5,138	5,137
Russian bonds series 03 issued in December 2009 ⁸	Rouble	2014	-	5,038	5,037
Russian bonds series A11 issued in June 2009 ¹²	Rouble	2014	-	5,013	5,011
«Eurofert Trading Limited llc» ⁷	Rouble	2014	-	3,600	5,000
Russian bonds issued in July 2009 ¹⁰	Rouble	2014	-	126	2,894
Loan participation notes issued in June 2007 ⁵	US dollar	2013	-	-	48,795
Russian bonds issued in April 2010 ⁹	Rouble	2013	-	-	20,326
Loan participation notes issued in July 2008 ⁵	US dollar	2013	-	-	15,617

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15. BORROWINGS (continued)

Borrowing / Creditors	Currency	Final maturity	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Structured export notes issued in July 2004 ⁶	US dollar	2013	-	-	12,509
Loan participation notes issued in April 2008 ⁵	US dollar	2013	-	-	12,347
«Eurofert Trading Limited llc» ⁷	Rouble	2013	-	-	8,600
Russian bonds issued in July 2009 ⁹	Rouble	2013	-	-	141
Other loans	Various	Various	<u>23,911</u>	<u>19,264</u>	<u>29,845</u>
Total, including			1,901,358	1,326,771	1,019,213
due within one year, including current portion of long-term borrowings			276,548	199,347	147,346

⁵Issuer of these bonds is Gaz Capital S.A.

⁶Issuer of these notes is Gazprom International S.A.

⁷Issuers of these notes are OAO WGC-2

⁸Issuer of these bonds is OAO Mosenergo.

⁹Issuer of these bonds is OAO Gazprom neft.

¹⁰Issuer of these bonds is OAO TGC-1.

¹¹Issuer of these bonds is OOO Gazprom Capital.

¹²Issuer of these bonds is OAO Gazprom

As of 31 December 2014, 2013 and 2012 long-term loans (including current portion of long-term loans) of RR nil, RR nil and RR 12,509, respectively, were secured by cash from gas sales contracts to Western Europe.

As at 31 December 2014, 2013 and 2012 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of 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. As of 31 December 2014, 2013 and 2012 carrying amount of these fixed assets is RR 17,058, RR 19,247 and RR 21,481, respectively. 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 2.85% to 9.25% and from 2.85% to 10.5% in 2014 and 2013, respectively. Fixed interest rates on long-term loans denominated in Russian Roubles ranged from 0.30% to 8.90% and from 7.23% to 13.75% in 2014 and 2013, respectively.

In 2014 and 2013 fixed interest rates on short-term loans denominated in Russian Roubles ranged from 0.3% to 10.0% and from 0.3% to 8.25%, respectively.

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16. TAXATION

Profit tax

In 2014 and 2013 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 8,605 and RR 235,331, respectively. According to the tax returns the profit tax in 2014 and 2013 included within the line Current Profit Tax amounted to RR 119,067 and RR 197,644, respectively.

According to updated tax returns submitted in 2014 the profit tax amounted to RR 7,247. According to updated tax returns submitted in 2013 the profit tax amounted to RR 9,834.

In 2014 permanent differences which increase the taxable profit exceeded permanent differences which decrease the taxable profit by RR 1,239,820 (in 2013 by RR 622,291). 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, excess of provision for doubtful accounts for accounting purposes as compared to provision for doubtful accounts for tax purposes, non-production costs, social expenses, charitable donations, and expenses exceeding prescribed limits.

In 2014 and 2013 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 355,912 and RR 238,699, respectively.

Deductible temporary differences incurred in 2014 principally arise from accrual of contingent liabilities for gas price adjustment and other contingent liabilities, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, the fact that expenses for geological and geophysical exploration are deductible for tax purposes later than for accounting purposes, and elimination in accounting records of unrealised income from intergroup transactions.

Deductible temporary differences settled in 2014 and 2013 totaled RR 274,808 and RR 418,038, respectively. Settlement of these differences in 2014 is principally due to decrease of the current tax base related to contingent liabilities and geological and geophysical exploration expenses recognized for accounting purposes in prior periods, decrease of the current tax base by the amount of depreciation charge, accrued on fixed assets, useful life of which for tax purposes is longer than for accounting purposes, during prior tax periods, and recognition of the profit that was formerly excluded as unrealised income from intergroup transactions for accounting purposes in the current period.

In 2014 and 2013 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 646,286 and RR 702,829, respectively. Taxable temporary differences in 2014 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 special depreciation premium of 30% to fixed assets that were put into operation after January 1, 2013 but prior to submission of documents for their state registration, one-time recognition of one-off payments for mineral resources use for tax purposes, and storage costs included in the cost of finished goods for accounting purposes.

Taxable temporary differences settled in 2014 and 2013 totaled RR 248,879 and RR 316,667, respectively. Settlement of these differences in 2014 is principally due to increase of the current tax base 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, as well as by the amount of costs of storage included in the cost of finished goods recognized in prior period for accounting purposes.

Starting from 1 January 2012 the Gazprom Group established a CGT, the liable partner of which is OAO 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. In 2013 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 2 dated 26 November 2013 to the agreement on establishment of CGT of the Gazprom Group which increased the number of participants up to 69 starting from 1 January 2014. In 2014 the Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 2 registered an amendment No. 3 dated 26 November 2014 to the agreement on establishment which decreased the number of participants to 65 starting from 1 January 2015.

The income tax of CGT for 2014 and 2013 amounted to 89,883 and 153,134, respectively.

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17. SALES

	For 2014	For 2013
Gas sales (net of VAT, excise and other similar mandatory payments)		
Russian Federation	798,082	773,993
Former Soviet Union countries (excluding Russian Federation)	416,980	423,508
Europe and other countries	<u>1,801,204</u>	<u>1,687,335</u>
Net sales of gas	3,016,266	2,884,836
Sales of refined products (net of VAT and other similar mandatory payments)		
Russian Federation	952,537	820,507
Former Soviet Union countries (excluding Russian Federation)	79,874	80,557
Europe and other countries	<u>586,204</u>	<u>449,669</u>
Net sales of refined products	1,618,615	1,350,733
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	92,729	95,804
Former Soviet Union countries (excluding Russian Federation)	16,013	50,115
Europe and other countries	<u>141,618</u>	<u>128,007</u>
Net sales of oil and gas condensate	250,360	273,926
Sales of electric and heat energy (net of VAT)		
Russian Federation	408,946	362,988
Former Soviet Union countries (excluding Russian Federation)	2,481	2,191
Europe and other countries	<u>15,383</u>	<u>10,983</u>
Net sales of electric and heat energy	426,810	376,162
Sales of gas transportation services (net of VAT)		
Russian Federation	133,641	125,502
Former Soviet Union countries (excluding Russian Federation)	1,687	1,434
Europe and other countries	<u>8</u>	<u>6</u>
Net sales of gas transportation services	135,336	126,942
Other sales (net of VAT)		
Russian Federation	189,521	201,585
Former Soviet Union countries (excluding Russian Federation)	4,757	4,992
Europe and other countries	<u>19,310</u>	<u>28,124</u>
Total other sales	213,588	234,701
Net sales	5,660,975	5,247,300

Net sales of gas increased by 5% in the year ended December 31, 2014 compared to the year ended December 31, 2013. The overall increase of net sales of gas was primarily driven by increase of average prices of gas for customers in Europe and other countries in the year ended December 31, 2014 compared to the prior year.

The increase of net sales of refined products in the year ended December 31, 2014 compared to the year ended December 31, 2013 is mainly due to increase in prices as well as an increase in volumes sold by Gazprom neft group to customers in the Russian Federation, Europe and other countries.

Increase in electric and heat energy sales in the year ended December 31, 2014 compared to the same period of the prior year was mainly due to consolidation of OAO MIPC since September 2013.

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18. COST OF SALES, COMMERCIAL AND ADMINISTRATIVE EXPENSES	For 2014	For 2013
Depreciation and amortization	759,363	688,749
Taxes included in cost of sales	722,354	654,842
Staff costs and social expenses	484,170	432,147
Purchased gas	468,506	438,214
Transit costs for gas, oil and refined products	399,716	359,641
Purchased oil	351,565	365,227
Cost of goods for resale	334,561	198,712
Materials	267,368	234,328
Repairs and maintenance	171,766	201,051
Energy	83,891	86,057
Rent, lease payments	45,650	42,969
Insurance	36,943	34,332
Other	291,760	248,692
Changes in inventories of finished goods, work in progress and other effects	<u>(100,380)</u>	<u>(167,335)</u>
Total cost of goods, products, works and services sold, commercial and administrative expenses	<u>4,317,233</u>	<u>3,817,626</u>

The increase of purchased gas is primarily explained by increase of costs for gas purchased outside the Russian Federation.

Mineral Extraction Tax within the line "Taxes included in cost of sales" amounted to RR 516,045 and RR 467,606 in 2014 and 2013, respectively.

The cost of purchased oil decreased mainly due to decline in volumes of oil purchased from the third parties.

Other expenses primarily include transportation services, software services and maintenance, refining costs, advertisement, legal and consulting fees, cost of geologic and other services.

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19.	OTHER INCOME AND EXPENSES	For 2014		For 2013	
		Income	Expenses	Income	Expenses
	Sales and purchases of foreign currency	2,836,817	2,833,931	3,646,669	3,646,100
	Income/expense from trading activity without delivery	2,362,986	2,385,496	1,498,368	1,492,518
	Exchange differences	962,686	1,624,063	266,943	364,468
	Bad debts provision	-	300,649	-	64,006
25	Provisions for estimated liabilities	39,579	143,139	88,636	48,819
	Amortization of goodwill	-	62,218	-	58,518
	Social expenses	-	35,576	-	35,498
	Profit and losses of previous years identified in the reporting year	37,765	31,950	29,726	12,937
	Transactions with securities, including promissory notes	33,214	27,406	20,013	18,692
	Adjustment of investments (to fair value)	53	9,464	25,970	19,740
	Transfer of accounts receivable	7,287	7,850	5,727	5,362
	Income/expense related to sale and disposal of fixed assets	10,947	7,643	11,012	7,102
	Income/expense related to sale of other assets	8,732	6,427	25,176	28,550
	Fines and penalties for breach of contracts	7,657	4,782	6,691	4,214
	Services of credit organizations	-	3,032	-	4,553
	Income/expense related to gratuitous transfer of assets	499	2,917	790	1,695
	Investment impairment provision	-	2,117	-	1,178
	Accounts receivable written-off	-	727	-	1,001
	Other	50,756	188,733	30,655	135,293
	Total	6,358,978	7,678,120	5,656,376	5,950,244

The Group recognized estimated liability regarding possible gas price adjustment derived from foreign customers' claims based on the contract terms. The contingent liabilities as of 31 December 2014 and 31 December 2013 in the amount of RR 58,164 and RR 8,430 respectively do not include possible correction of customs duties accrued formerly. In 2013 the Group included in other income reversal of previously accrued estimated liabilities in the amount of RR 74,176 in respect of price adjustments, related to claims of European customers, based on the contract terms.

The line "Profit and losses of previous years identified in the reporting year" for 2014 year includes positive effect of corrections regarding gas price adjustment in the amount of RR 2,147. For 2013 year positive effect of corrections regarding gas price adjustment amounted to RR 217. These corrections refer to price adjustment of gas delivered in previous periods for which an adjustment was agreed in 2014 and 2013 respectively.

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 2014

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ООО Aviapredpriyatie Gazprom avia	100	Air transportation services	Russia
	ОАО Vostokgazprom	100	Gas production	Russia
	GAZPROM Schweiz AG	100	Gas distribution	Switzerland
	ZАО Gazprom Armenia**	100	Gas transportation and gas distribution	Armenia
	ООО Gazprom VNIIGAZ	100	Research and development	Russia
	ОАО Gazprom gazoraspredelenie	100	Gas network operation	Russia
	ОАО Gazprom gazoraspredelenie Sever***	96	Gas network operation	Russia
	ООО Gazprom geologorazvedka	100	Exploration, geophysics	Russia
	ООО Gazprom georesurs	100	Exploration, geophysics	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	Gazprom Gerosgaz Holdings B.V.	100	Investing	Netherlands
	Gazprom Global LNG Ltd.	100	Participation in LNG production and realization projects	United Kingdom
	ООО Gazprom dobycha Astrakhan	100	Production and refining of hydrocarbons	Russia
	ООО Gazprom dobycha Krasnodar	100	Gas production	Russia
	ООО Gazprom dobycha Nadym	100	Production of hydrocarbons	Russia
	ООО Gazprom dobycha Noyabrsk	100	Production of hydrocarbons	Russia
	ООО Gazprom dobycha Orenburg	100	Production, refining and transportation of hydrocarbons	Russia
	ООО Gazprom dobycha Urengoy	100	Production of hydrocarbons	Russia
	ООО Gazprom dobycha shelf Yuzhno- Sakhalinsk (ООО Gazprom dobycha shelf)****	100	Development of hydrocarbon fields	Russia
	ООО Gazprom dobycha Yamburg	100	Production of hydrocarbons	Russia
	ООО Gazprom invest	100	Construction	Russia
	ООО Gazprom invest Vostok	100	Construction	Russia
	ООО Gazprom invest RGK (ZАО Gazprom invest RGK)****	100	Information, consulting and transportation services	Russia
	ZАО Gazprom invest Yug	100	Construction	Russia
	ООО Gazprom investholding	100	Investing	Russia
	Gazprom International Germany GmbH	100	Investing	Germany
	ООО Gazprom inform	100	Informational and technical assistance	Russia
	ООО Gazprom komplektatsiya	100	Trading	Russia
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	ООО Gazprom mezhregiongaz	100	Gas distribution	Russia
	ОАО Gazprom neftekhim Salavat	100	Processing and distribution of refined products	Russia
	ОАО Gazprom нефт	96	Exploration, refining and sales of crude oil	Russia
	ZАО Gazprom нефт Orenburg	100	Exploration and sales of oil and petroleum gas	Russia
	Gazprom Neft Trading GmbH	100	Oil products trading	Austria
	ООО Gazprom нефт shelf	100	Development of oil and gas fields	Russia
	ООО Gazprom pererabotka	100	Refining of hydrocarbons	Russia
	ООО Gazprom podzemremont Orenburg	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	ООО Gazprom podzemremont Urengoy	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	ООО Gazprom PKhG	100	Gas storage	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 Sakhalin Holdings B.V.	100	Foreign investing	Netherlands
	ООО Gazprom torgservis	100	Trading	Russia
	ОАО Gazprom transgaz Belarus	100	Transportation and gas distribution	Belorussia
	ООО Gazprom transgaz Volgograd	100	Gas transportation	Russia
	ООО Gazprom transgaz Ekaterinburg	100	Gas transportation	Russia
	ООО Gazprom transgaz Kazan	100	Gas transportation	Russia
	ООО Gazprom transgaz Krasnodar	100	Gas transportation	Russia
	ООО Gazprom transgaz Makhachkala	100	Gas transportation	Russia
	ООО Gazprom transgaz Moskva	100	Gas transportation	Russia
	ООО Gazprom transgaz Nizhny Novgorod	100	Gas transportation	Russia
	ООО Gazprom transgaz Samara	100	Gas transportation	Russia
	ООО Gazprom transgaz St. Petersburg	100	Gas transportation	Russia
	ООО Gazprom transgaz Saratov	100	Gas transportation	Russia
	ООО Gazprom transgaz Stavropol	100	Gas transportation	Russia
	ООО Gazprom transgaz Surgut	100	Gas transportation	Russia
	ООО Gazprom transgaz Tomsk	100	Gas transportation	Russia
	ООО Gazprom transgaz Ufa	100	Gas transportation	Russia
	ООО Gazprom transgaz Ukhta	100	Gas transportation	Russia
	ООО Gazprom transgaz Tchaikovsky	100	Gas transportation	Russia
	ООО Gazprom transgaz Yugorsk	100	Gas transportation	Russia
	Gazprom Finance B.V.	100	Investing	Netherlands
	ООО Gazprom tsentremont	100	Agency on technical maintenance and repairs	Russia
	ООО Gazprom export	100	Foreign trade	Russia
	ООО Gazprom energo	100	Electric energy transmission	Russia
	ООО Gazprom energoholding	100	Investing, asset management	Russia
	Gazprom EP International B.V.	100	Investments, asset management	Netherlands
	ZАО Gazprom YRGM Development*****	100	Raw hydrocarbons distribution	Russia
	ZАО Gazprom YRGM Trading*****	100	Raw hydrocarbons distribution	Russia
	ООО Gazpromneft-Vostok	100	Oil and gas production	Russia
	ZАО Gazpromneft-Kuzbass	100	Oil products trading	Russia
	ОАО Gazpromneft-MNPZ*****	100	Processing and distribution of refined products	Russia
	ОАО Gazpromneft-Noyabrskneftegaz	100	Oil and gas production	Russia
	ОАО Gazpromneft-Omsk	100	Oil products trading	Russia
	ОАО Gazpromneft-Omskiy NPZ	100	Oil refining	Russia
	ZАО Gazpromneft-Severo-Zapad	100	Oil products trading	Russia
	ООО Gazpromneftfinans	100	Investing	Russia
	ООО Gazpromneft-Khantos	100	Oil and gas production	Russia
	ООО Gazpromneft-Centr	100	Oil products trading	Russia
	ООО Gazpromtrans	100	Forwarding services	Russia
	ОАО Gazpromtrubinvest	100	Production and sales of pipes	Russia
	ООО Gazprom flot (ООО Gazflot)****	100	Transportation, offshore field development	Russia
	ОАО Daltransgaz	100	Gas transportation	Russia
	ООО Zapolyarneft	100	Oil and gas production	Russia
	ОАО Krasnoyarskgazprom	75	Exploration, geophysics	Russia
23	ОАО MIPC	90	Generation, purchase and supply of heat energy	Russia
	ОАО Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	Naftna Industrija Srbije a.d.	56	Extraction and processing of oil, distribution of refined products	Serbia

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

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Novourengovskiy GCC	100	Construction of gas chemical complex	Russia
	OAo WGC-2	77	Production and sales of electric and heat energy	Russia
	ZAO Purgaz	51	Gas production	Russia
	OAo Regiongazholding	57	Construction and maintenance of gas facilities	Russia
	ZAO Rosshelf	57	Investments in oil and gas fields	Russia
24	South Stream Transport B.V.*****	100	Construction, gas transportation	Netherlands
	OAo Severneftegazprom*****	50	Exploration, processing and sales of gas and gas condensate	Russia
	Sibir Energy Ltd.	100	Exploration, processing and sales of hydrocarbons	United Kingdom
	OOO Sibmetakhim	100	Gas processing and sales of petrochemicals	Russia
	OAo Spetsgazavtotrans	51	Construction and transportation services	Russia
	OAo TGC-1	52	Production and sales of electric and heat energy	Russia
	OAo Teploset Sankt-Peterburga	75	Transportation and distribution of electric and heat energy	Russia
	OAo Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	OOO Faktoring-Finance	90	Investing	Russia
	OAo Tsentrgez	100	Construction	Russia
	OAo Tsentrenergogaz	66	Repair and maintenance of gas equipment	Russia
	OAo Yuzhuralneftegaz	88	Exploration and sales of oil and petroleum gas	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

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

** In January 2014 the Group acquired additional 20% interest in ZAO Gazprom Armenia for the amount of USD 155 mln as a settlement of accounts receivable for gas supply. As a result of the transaction, the Group's interest in ZAO Gazprom Armenia increased from 80% to 100%.

*** In May 2014 OAo Sibirskie gazovie seti was reorganized in the form of a merger with OAo Gazprom gazoraspredelenie Sever. As a result of the transaction, the Group's interest in OAo Gazprom gazoraspredelenie Sever increased from 91% to 96%.

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

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

***** In August 2014 the Group acquired an additional 4% interest in the ordinary shares of OAo Gazpromneft-MNPZ increasing its interest to 100%.

***** In December 2014 the Group acquired additional 50% interest in South Stream Transport B.V. for cash consideration of EUR 883 million. As a result of the transaction, the Group's interest in South Stream Transport B.V. increased from 50% to 100%.

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

Principal associates as of 31 December 2014

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Exploration and production of gas and gas condensate	Russia
Bosphorus Gaz Corporation A.S.**	71	Gas distribution	Turkey
W&G Beteiligungs GmbH & Co. KG and its subsidiaries***	50	Gas distribution	Germany
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries***	50	Gas transportation	Germany
Wintershall AG	49	Production of oil and gas distribution	Germany
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	50	Gas distribution	Germany
Gaz Project Development Central Asia AG	50	Gas production	Switzerland
Gazprombank (Joint-stock Company) (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 Moldovagaz	50	Transportation and gas distribution	Moldova
Nord Stream AG**	51	Construction, gas transportation	Switzerland
ZAO Nortgaz	50	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
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 investees.

** Investments in companies continue to be accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

*** In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 31 December 2014 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associates.

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

***** OOO Yamal razvitie is a holder of 51% share in OOO SeverEnergiya. During the period from December 2013 to March 2014 as a result of series of transactions, OOO Yamal razvitie acquired 80% interest in Artic Russia B.V. for cash consideration of USD 3,920 million. Artic Russia B.V. owns 49% interest in OOO SeverEnergiya. As a result of these transactions, the Group's effective interest in OOO SeverEnergiya increased to 43.15%.

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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 or 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 2014 and 2013 the Group had following operations with major associates and other related parties:

	For 2014	For 2013
Revenue (net of VAT, excises and other similar mandatory payments):		
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	132,773	133,070
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries*	130,533	107,558
ZAO Panrusgaz	56,523	61,392
AO Moldovagaz	32,421	20,502
AO Gazum	29,987	29,030
Bosphorus Gaz Corporation A.S.	23,097	17,730
AO Latvijas Gaze	8,715	9,490
SGT EuRoPol GAZ S.A.	4,684	3,911
AO Lietuvos dujos**	4,152	7,608
AO Overgaz Inc.	3,932	3,310
Wintershall Erdgas Handelshaus Zug AG (WIEE)***	3,861	13,586
Russian-Serbian Trading Corporation a.d.	-	7,168
Gas transportation services		
TOO KazRosGas	1,682	1,421
Crude oil, gas condensate and refined products sales		
OAO NGK Slavneft and its subsidiaries	29,263	26,063
ZAO SOVEKS	5,631	5,535
OOO Gazpromneft – Aero Sheremetyevo****	3,022	12,263
Operator services sales		
ZAO Messoyakhaneftegaz	9,960	5,980
Gas refining services		
TOO KazRosGas	5,712	5,247
Purchases:		
Gas purchases		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	66,575	73,071
TOO KazRosGas	28,428	22,724
OOO SeverEnergiya and its subsidiaries	16,486	9,858
Sakhalin Energy Investment Company Ltd.	14,838	5,715
ZAO Nortgaz	8,515	2,222
Gas transportation services		
Nord Stream AG	55,471	37,058
SGT EuRoPol GAZ S.A.	13,143	9,757
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries*	11,306	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries*	7,949	13,586
Blue Stream Pipeline Company B.V.	2,903	3,189
Oil and refined products purchases		
OAO NGK Slavneft and its subsidiaries	83,225	84,091
OAO Tomskneft VNK and its subsidiaries	56,567	53,293
Salym Petroleum Development N.V.	32,956	34,918
Sakhalin Energy Investment Company Ltd.	19,243	13,396

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21. RELATED PARTIES (continued)

	For 2014	For 2013
Purchased services of gas and gas condensate extraction		
ZAO Achimgaz	20,513	12,757
Oil and oil product refining services		
OAo NGK Slavneft and its subsidiaries	12,838	11,853
Pension fund contributions:		
NPF Gazfund	13,464	11,890

* In May 2014 the shares in all gas transportation companies that belonged to W&G Beteiligungs-GmbH & Co. KG were transferred to WIGA Transport Beteiligungs-GmbH & Co. KG. As of 31 December 2014 WIGA Transport Beteiligungs-GmbH & Co. KG forms an independent subgroup of associates.

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

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

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

In Russia the Group sold gas to associates mainly using tariffs set by FTS. Export sales of gas are based on long-term contracts with prices linked to world energy commodity prices. The Group purchases oil and gas from associates in the ordinary course of business at prices close to average market 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 2014, 2013 and 2012:

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Accounts receivable:			
Payment expected within 12 months of the reporting date:			
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	20,739	20,501	14,406
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	17,448	8,452	11,420
OAo NGK Slavneft and its subsidiaries	10,701	4,512	1,701
AO Overgaz Inc.	9,246	8,011	10,000
AO Gazum	5,353	4,157	3,892
ZAO Panrusgaz	3,523	5,774	8,134
Gazprombank (Joint-stock company)	2,430	9,339	1,438
ZAO Nortgaz	1,952	-	-
ZAO Messoyakhaneftegaz	1,869	935	663
Bosphorus Gaz Corporation A.S.	1,349	2,731	725
AO Moldovagaz*	1,281	-	2,348
OOO Yamal razvitie	1,272	-	-
Salym Petroleum Development N.V.	1,112	674	185
Wintershall Erdgas Handelshaus Zug AG (WIEE)	1,081	1,290	2,451
TOO KazRosGaz	759	676	667
Sakhalin Energy Investment Company Ltd.	493	84	68
AO Latvijas Gaze	60	227	242
AO Lietuvos dujos	-	2,000	2,212
Russian-Serbian Trading Corporation a.d.	-	660	628
Payment expected beyond 12 months of the reporting date:			
Gazprombank (Joint-stock company)	4,119	330	-

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21. RELATED PARTIES (continued)

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Accounts payable:			
Short-term accounts payable:			
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	6,464	4,715	7,906
Nord Stream AG	6,098	4,179	2,892
ZAO Achimgaz	3,188	1,998	965
TOO KazRosGaz	2,925	2,992	2,783
STG EuRoPol GAZ S.A.	2,272	7,702	6,565
Salym Petroleum Development N.V.	1,994	3,839	3,569
OA O NGK Slavneft and its subsidiaries	1,926	2,466	1,502
Sakhalin Energy Investment Company Ltd.	1,440	657	867
ZAO Nortgaz	381	501	1,035
AO Latvijas Gaze	214	66	38
Gazprombank (Joint-stock company)	48	42	152
AO Lietuvos dujos**	-	3,188	-

* Accounts receivable are stated net of provision for doubtful debts amounting to RR 288,657, RR 158,106 and RR 131,087 as of 31 December 2014, 2013 and 2012, respectively.

** As of 31 December 2013 accounts payable include estimated liability relating to gas price adjustment in amount of RR 3,188.

Loans issued to major associates and promissory notes received from major associates as of 31 December 2014, 2013 and 2012 are presented as follows:

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Loans and promissory notes due for repayment beyond 12 months of the reporting date:			
OOO Yamal razvitie	48,253	2,200	-
W & G Beteiligungs-GmbH & Co. KG. and its subsidiaries	26,161	17,214	15,399
WIGA Transport Beteiligungs - GmbH & Co. KG and its subsidiaries	13,663	-	-
ZAO Messoyakhaneftegaz	10,672	2,838	1,718
Etzel Kavernenbetriebsgesellschaft mbH & Co. KG	5,293	3,811	3,361
Erdgasspeicher Peissen GmbH	3,745	2,060	1,380
Gas Project Development Central Asia AG	788	1,826	1,707
Gazprombank (Joint-stock company)	154	498	697
Bosphorus Gaz Corporation A.S.	-	-	823
Loans and promissory notes due for repayment within 12 months of the reporting date:			
Wintershall AG	2,567	-	-
Gazprombank (Joint-stock company)	885	1,094	190
OOO Yamal razvitie	-	26,348	26,348
ZAO Messoyakhaneftegaz	-	2,009	4,008

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21. RELATED PARTIES (continued)

Loans received from major associates as of 31 December 2014, 2013 and 2012 are presented as follows:

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Loans and borrowings due for repayment beyond 12 months of the reporting date:			
Gazprombank (Joint-stock company)	36,490	26,195	24,569
ОАО Tomskneft VNK and its subsidiaries	13,170	9,908	-
Loans and borrowings due for repayment within 12 months of the reporting date (including current portion of long-term liabilities):			
Gazprombank (Joint-stock company)	24,397	13,614	21,429
ОАО Tomskneft VNK and its subsidiaries	-	-	5,105
RosUkrEnergo AG	-	-	2,248
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	-	-	1,281

The Group received loans from its major associates in Russian Roubles at rates ranging from 9.8% to 25.0% in 2014. The similar figures for 2013 were 8.5% to 12.0%.

Besides, the Group received loans nominated in foreign currency at the rates ranging from 4.25% to 9.5 % in 2014. The similar figures for 2013 were 1.7% to 11.0%.

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21. RELATED PARTIES (continued)

Remuneration to key management personnel

Key management personnel's (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of OAO Gazprom and its subsidiaries, amounted to RR 4,393 and RR 2,992 for the years ended 31 December 2014 and 2013, 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 OAO Gazprom and its subsidiaries. Remuneration of members of the Board of Directors is approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) paid by OAO Gazprom and its subsidiaries is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

OAO Gazprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RR 1 and liability insurance amounted to RR 1 for 2014 (RR 1 and RR 1 for 2013 respectively).

22. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share have been calculated by dividing the net (loss)/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 2014 and 2013 amounted to RR 22,951 and 22,948 million shares.

Diluted (loss)/earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2014 and 2013.

23. ACQUISITION OF OAO MOSCOW INTEGRATED POWER COMPANY (OAO MIPC)

In September 2013 the Group acquired 89.98% interest in the ordinary shares of OAO Moscow Integrated Power Company (OAO MIPC) and heat assets from the Moscow Government for cash consideration of RR 99,866 including VAT in the amount of RR 1,246 related to acquired heat assets. As a result of the acquisition, the Group obtained control over OAO MIPC. Considering treasury shares of OAO MIPC, the Group's effective interest is 98.77%. The primary business activity of OAO MIPC is generation, purchase and supply of heat energy in the form of heating and hot water to commercial and residential customers in the City of Moscow. As of 31 December 2014 the title on the assets acquired in the amount of RR 6,746 excluding VAT was not transferred to the Group.

As a result of these transactions goodwill in amount of RR 69,957 has arisen in respect of OAO MIPC acquisition.

24. ACQUISITION OF SOUTH STREAM TRANSPORT B.V.

In December 2014 the Group became the owner of 100% of the interest in South Stream Transport B.V., the company responsible for the offshore part of the South Stream project. Until 29 December 2014, South Stream Transport B.V. was a joint project held by the Group (50%), ENI International B.V. (20%), EDF International S.A.S. (15%) and Wintershall Holding GmbH (15%). On 29 December 2014, the Group acquired the remaining 50% of the shares of South Stream Transport B.V. from the minority shareholders for consideration of Euro 883 million paid in cash. South Stream Transport B.V. was established for the planning, construction, and subsequent operation of the offshore pipeline through the Black Sea and had no notable operating activities up to and as of the purchase date other than the management of construction.

On 1 December 2014 a decision was announced that the South Stream project would be cancelled and that an alternative pipeline through the Black Sea to Turkey would be pursued ("Turkish Stream"). On 1 December 2014 the Group and Turkish company Botas Petroleum Pipeline Corporation signed a Memorandum of Understanding on constructing Turkish Stream. Assets under construction related to the South Stream project are expected to be utilised for Turkish Stream.

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25. COMMITMENTS AND CONTINGENCIES

Estimated liabilities

	As of 31 December 2013	Accrued	Utilized	Recovered	As of 31 December 2014
Estimated liabilities on bonus payments at the year end	28,547	41,747	(34,671)	(1,093)	34,530
Estimated liabilities on vacations	23,940	47,473	(45,165)	(544)	25,704
Estimated liabilities on retirement benefits payable as a lump sum	15,027	11,170	(6,682)	(414)	19,101
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	116,483	38,097	(5,235)	(51,276)	98,069
Other estimated liabilities, including:	63,265	151,553	(48,981)	(2,771)	163,066
<i>estimated liabilities regarding gas price adjustment</i>	<u>8,430</u>	57,728	(5,779)	(2,215)	58,164
<i>guarantees issued</i>	<u>-</u>	<u>47,407</u>	<u>-</u>	<u>-</u>	<u>47,407</u>
Total, including:	247,262	290,040	(140,734)	(56,098)	340,470
with maturity up to 1 year	124,853	251,142	(133,709)	(4,816)	237,470

	As of 31 December 2012	Accrued	Utilized	Recovered	As of 31 December 2013
Estimated liabilities on bonus payments at the year end	24,306	33,096	(28,855)	-	28,547
Estimated liabilities on vacations	20,156	43,998	(40,214)	-	23,940
Estimated liabilities on retirement benefits payable as a lump sum	16,669	11,590	(13,232)	-	15,027
Estimated liabilities regarding fixed assets liquidation and environmental restoration in the context of subsurface use	121,930	21,118	(1,114)	(25,451)	116,483
Other estimated liabilities, including:	166,524	52,800	(81,816)	(74,243)	63,265
<i>estimated liabilities regarding gas price adjustment</i>	<u>115,255</u>	<u>7,763</u>	<u>(40,412)</u>	<u>(74,176)</u>	<u>8,430</u>
Total, including:	349,585	162,602	(165,231)	(99,694)	247,262
with maturity up to 1 year	223,804	139,229	(163,937)	(74,243)	124,853

Pension obligations

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

Guarantees issued

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

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Outstanding guarantees issued on behalf of:			
Sakhalin Energy Investment Company Ltd.	136,490	89,825	94,145
Ostchem Holding Limited	47,407	-	-
Blackrock Capital Investments Limited	7,675	4,804	4,573
OOO Production Company VIS	7,016	8,164	2,507
EM Interfinance Limited	3,065	3,668	5,385
Nord Stream AG	-	50,830	40,519
Blue Stream Pipeline Company B.V.	-	-	2,124
Other	<u>75,104</u>	<u>43,752</u>	<u>37,711</u>
Total	276,757	201,043	186,964

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25. COMMITMENTS AND CONTINGENCIES (continued)

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. The above guarantees amounted to RR 136,490, RR 89,825 and RR 94,145 as of 31 December 2014, 2013 and 2012, respectively.

In December 2014 the Group provided a guarantee to Gazprombank (Joint-stock company) on behalf of Ostchem Holding Limited under the credit facility for financing of operating activities. As of 31 December 2014 the above guarantee amounted to RR 47,407 and was fully provided by the Group.

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 10,740, RR 8,472 and RR 9,958 as of 31 December 2014, 2013 and 2012, respectively.

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 2014, 2013 and 2012 the above guarantee amounted to RR 7,016, RR 8,164 and RR 2,507, respectively.

In March 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 2014, 2013 and 2012 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR nil, RR 50,830 and RR 40,519, respectively. In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2012, outstanding amounts of these loans was RR 2,124, which was guaranteed by the Group, pursuant to its obligations. In July 2013 loans issued by Gazstream S.A. were redeemed.

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

Legal proceedings

On 16 June 2014, OAO Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NAK Naftogaz Ukraine to recover more than USD 4,500 million unpaid debt for gas supplies and related interest charged.

On 16 June 2014, NAK Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce against OAO Gazprom seeking a retroactive revision of the price, compensation of all overpaid amounts starting from 20 May 2011, which according to the claim amounted to not less than USD 6,000 million and cancellation of the contractual prohibition on reexport of natural gas.

On 1 July 2014 OAO Gazprom and NAK Naftogaz Ukraine filed its responses to the requests of arbitration. On 21 July 2014, both cases were consolidated; oral hearings will start not earlier than in February-March 2016.

On 13 October 2014 NAK Naftogaz Ukraine submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against OAO Gazprom, seeking (1) to acknowledge that rights and obligations of NAK Naftogaz Ukraine under Contract on volumes and terms of gas transportation contract through Ukraine in 2009-2019 years should be transferred to PAO Ukrtransgaz; (2) to acknowledge that certain provisions of Contract, that will be subsequently updated, are invalid and/or inoperative and should be supplemented with or substituted by provisions that will be updated in line with the energy and anti - monopoly legislation of Ukraine and EU; (3) to oblige OAO Gazprom to pay a compensation of USD 3,200 million (and related interest) to NAK Naftogaz Ukraine for the failure to provide gas for transit; (4) to acknowledge that the transit tariff stipulated in Contract should be revised in such a way as provided in

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25. COMMITMENTS AND CONTINGENCIES (continued)

further written statements of NAK Naftogaz Ukraine in line with key principles of the Swedish contractual law. The claim amounts to approximately USD 6,200 million. On 28 November 2014 OAO Gazprom filed its response to the request of arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. Verbal hearing of the case is expected late September 2016 and decision of the arbitration panel is expected by the end of January 2017.

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

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. As of 31 December 2014 interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

The Russian Law "On Transfer pricing" grants the right to a taxpayer to validate compliance with arm's length principle in respect of prices in controlled transactions through preparation of documentation for tax purposes.

The management of the Group believes that the Group sets market prices in its transactions and internal controls procedures were introduced to comply with tax legislative requirements on transfer pricing. Currently the new regulation practice has not been established yet, consequences of the trials with tax authorities cannot be estimated reliably, however they can have significant impact on financial results and activities of the Group.

The Controlled Foreign Company (CFC) rules introduce Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC undistributed profits should be subject to a 20% tax rate. The management is aware about new legislation and is analyzing the impact on the Group and required actions.

26. ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

The political and economic instability, the current impact and ongoing situation with sanctions, uncertainty and volatility of the financial and commodities markets and other risks have had and may continue to have effects on the Russian economy. During 2014 the official Russian Rouble to US dollar and Euro foreign exchange rates depreciated and fluctuated between 32.73 and 56.26 Russian Roubles and 44.97 and 68.34 Russian Roubles per US dollar and Euro, respectively. In addition during 2014 the key interest rate determined by the Central Bank of the Russian Federation increased to 17% and actual inflation increased to 11.4%.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014 Russia's credit rating was downgraded by Fitch Ratings in January 2015 from BBB to BBB-, whilst Standard & Poor's cut it from BBB- to BB+. At the same time as of date of issuance of these consolidated accounting reports the key interest rate determined by the Central Bank of the Russian Federation decreased from 17% to 14% and the official Russian Rouble to US dollar and Euro foreign exchange rates were 50.25 and 54.66, respectively.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

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27. 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.

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.

28. POST BALANCE SHEET EVENTS

Borrowings and loans

In January 2015 the Group obtained a long-term loan from Intesa Sanpaolo S.P.A. bank in the amount of EUR 350 million at an interest rate of EURIBOR + 2.75% due in 2016.

In January and February 2015 the Group obtained long-term loans from OAO Sberbank of Russia in the amount of RR 10,000 and RR 2,500, respectively, at an interest rate of 13.48% due in 2019.

In January and March 2015 the Group obtained loans from a consortium of banks in the amount of EUR 230 million and EUR 130 million at interest rates of EURIBOR + 1.3% and EURIBOR + 1.75%, respectively, due in 2016. Deutsche Bank AG was appointed as bank agent.

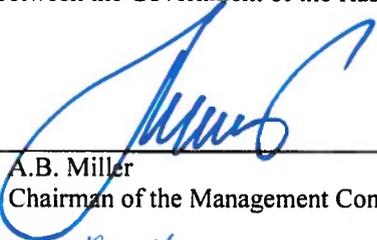
In March 2015 the Group obtained a long-term loan from OAO Sberbank of Russia in the amount of RR 12,500 at an interest rate of 13.58% due in 2019.

In March 2015 the Group signed an agreement to obtain a long-term loan from PAO Promsvyazbank in the amount of USD 350 million at an interest rate of 5.4% due in 2018.

In April 2015 the Group obtained a long-term loan from a consortium of banks in the amount of USD 500 million at an interest rate of LIBOR + 3.25% due in 2018. JP Morgan Europe Limited was appointed as bank agent.

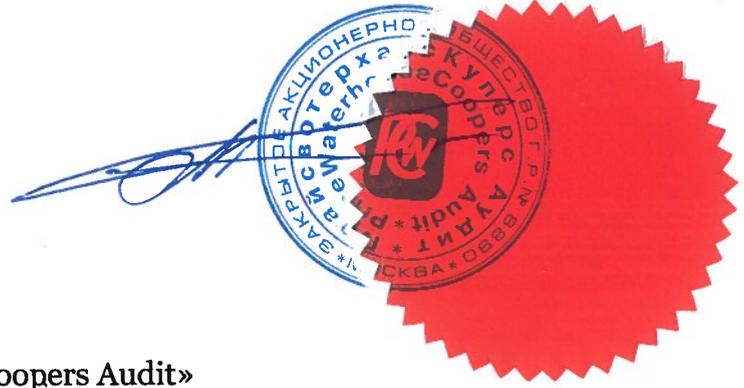
Investigation of the European Commission

In August 2012 the European Commission initiated an investigation into a potential breach of European Union antimonopoly law by OAO Gazprom. In April 2015 the European Commission adopted a Statement of Objections in the course of ongoing antitrust investigation of OAO Gazprom activity in the European Union. The adoption of the Statement of Objections by the European Commission is just one of the stages of the antitrust investigation and does not imply holding OAO Gazprom liable for any violation of the European Union antitrust legislation. OAO Gazprom considers the claims brought by the European Commission to be unsubstantiated and expects the situation to be resolved in accordance with the agreement reached earlier between the Government of the Russian Federation and the European Commission.


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

28 April 2015



Director, ZAO «PricewaterhouseCoopers Audit»

**M.E. Timchenko
28 April 2015**

52 (fifty two) pages are numbered, bound and sealed