Open Joint Stock Company Gazprom

U.S.$30,000,000,000

Programme for the Issuance of Loan Participation Notes

issued by, but with limited recourse to,
Gaz Capital S.A., for the sole purpose of financing a loan to

Open Joint Stock Company Gazprom

Under the Programme for the Issuance of Loan Participation Notes described in this Base Prospectus (the "Programme"), Gaz Capital S.A. (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the "Notes") on the terms set out herein, as completed by a final terms document (each, "Final Terms") or a series prospectus (each, "Series Prospectus") setting out the specific terms of each issue. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$30,000,000,000 (or the equivalent in other currencies). This Base Prospectus supersedes any previous base prospectus, offering circular or supplement thereto relating to the Programme. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This Base Prospectus does not affect any Notes issued prior to the date hereof.

Notes will be issued in Series (as defined in "Overview of the Programme") and the sole purpose of issuing each Series will be to finance loans (each a "Loan") to Open Joint Stock Company Gazprom (the "Borrower," "Gazprom" or the "Company") as borrower, on the terms of an amended and restated facility agreement between the Issuer and the Borrower dated December 7, 2005 (the "Facility Agreement"), as amended and supplemented by a loan supplement to be entered into in respect of each Loan on each Issue Date (each a "Loan Supplement" and, together with the Facility Agreement, each a "Loan Agreement") between the Issuer and the Borrower. Subject as provided in the Trust Deed (as defined herein) the Issuer will charge by way of first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed (a) its right to principal, interest and other amounts as lender under the relevant Loan Agreement and (b) amounts received pursuant to the relevant Loan in an account of the Issuer (as described herein), in each case other than the Reserved Rights (as defined in the Trust Deed) and certain amounts relating to the Reserved Rights to the Trustee for the benefit of itself and the Noteholders (as defined herein) and will assign its administrative rights under the relevant Loan Agreement to the Trustee (the "Assigned Rights").

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of a Series of Notes, the obligation of the Issuer to make any such payment constitutes an obligation only to account to holders of the Notes ("Noteholders"), on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of such Series of Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the corresponding Loan Agreement. The Issuer will have no other financial obligations under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely on the covenant to pay under the relevant Loan Agreement and the credit and financial standing of the Borrower in respect of the financial servicing of the Notes.**

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 9.

The Notes and the corresponding Loans (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). Depending on the terms of the particular Series of Notes, the Notes may be offered and sold (i) within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) that are also qualified purchasers (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940. as amended (the "Investment Company Act")) in reliance on the exemption from registration provided by Rule 144A (the "Rule 144A Notes"); and (ii) to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act (the "Regulation S Notes"). The Issuer has not been nor will be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions, see "Subscription and Sale" and "Transfer Restrictions."

This Base Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange ("Irish Stock Exchange") for the Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the Official List (the "Official List") and trading on its regulated market (the "Main Securities Market"). Reference in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market. The language of this Base Prospectus is English. Unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms or Series Prospectus in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Irish Stock Exchange (or any other stock exchange). The Central Bank has only approved this document in relation to Notes which are to be listed on the Irish Stock Exchange or another Main Securities Market in the European Economic Area, and the Central Bank has neither reviewed nor approved this document in relation to any unlisted Notes.

References to Final Terms in this Base Prospectus constitute final terms as per Article 5(4) of the Prospectus Directive except when specified in the Facility Agreement, where references to Final Terms should be read as, in relation to a Loan, final terms issued specifying the relevant issue details of such Loan, substantially in the form of Schedule C of the Dealer Agreement.

Regulation S Notes will initially be represented by interests in a global unrestricted Note in registered form (each a "Regulation S Global Note"), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), and registered in the name of a nominee, on its issue date as set out in the relevant Final Terms or Series Prospectus (the "Issue Date"). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Rule 144A Notes will initially be represented by a global restricted Note in registered form (each a "Rule 144A Global Note" and together with any Regulation S Global Notes, the "Global Notes"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Clearing and Settlement." Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms or Series Prospectus. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation") will be disclosed in the Final Terms or Series Prospectus. Please also refer to "Risk Factors—Ratings of the Notes'.

Arrangers and Permanent Dealers

Deutsche Bank **UBS Investment Bank**

Permanent Dealers

Commerzbank
IFC METROPOL
BofA Merrill Lynch
National Reserve Bank
JSCB Rosbank
UniCredit Bank
Credit Suisse
J.P. Morgan
Morgan Stanley
Renaissance Capital
The Royal Bank of Scotland

The date of this Base Prospectus is February 5, 2013

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, Gazprom and Gazprom and its subsidiaries taken as a whole (the "Group") which, according to the particular nature of the Issuer, Gazprom, the Group, the Notes and the Loans, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, Gazprom and the Group. The Issuer (whose registered office appears below) and Gazprom (whose registered office appears on page 3 of this Base Prospectus) accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and Gazprom (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

This Base Prospectus does not constitute an offer to sell Notes, or an invitation by or on behalf of the Issuer, Gazprom, the Dealers or the Arrangers (each as defined under "Overview of the Programme") to subscribe for or purchase any Notes.

The distribution of this Base Prospectus and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, Gazprom, any of the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered or sold in the United States or to U.S. persons. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Base Prospectus is set out under "Subscription and Sale."

No person is authorized to provide any information or make any representation not contained in this Base Prospectus and any information or representation not contained in this Base Prospectus (including any information or representations contained within it) must not be relied upon as having been authorized by or on behalf of the Issuer, Gazprom, the Trustee, any of the Dealers or the Arrangers. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, at any time or in any circumstances, imply that the information contained in it is correct as at any time subsequent to its date. The websites of Gazprom and the members of the Gazprom Group and the information posted thereon do not form any part of the contents of this Base Prospectus.

Neither the delivery of this Base Prospectus nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Gazprom or the Group since the date of this Base Prospectus.

None of the Issuer, Gazprom, the Trustee, the Dealers or the Arrangers or any of the respective representatives makes any representation or warranty, express or implied, to any offeree or purchaser of the Notes offered hereby, regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with their own advisors as to the legal, tax, business, financial and related aspects of any purchase of the Notes. To the fullest extent permitted by law, none of the Dealers or the Arrangers accepts any responsibility for the contents of this Base Prospectus or for any other statement made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer, Gazprom or the issue and offering of the Notes. The Arrangers and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained by such prospective purchaser. Gazprom, the Issuer, the Trustee, the Arrangers and the Dealers are not responsible for compliance with these legal requirements. The appropriate characterization of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether or the extent to which any Notes

constitute a legal investment for prospective investors whose investment authority is subject to legal restrictions. Such prospective investors should consult their legal advisors regarding such matters. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, Gazprom, the Arrangers or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertake to review the financial condition or affairs of the Issuer or Gazprom during the life of the arrangements contemplated by this Base Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

The Arrangers, the Dealers and their respective affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange non-public market financing for, and enter into derivatives transactions with, Gazprom and its affiliates. The Arrangers and Dealers are acting exclusively for Gazprom and the Issuer and no one else in connection with the Programme and the Notes and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to this offering.

In addition, in the ordinary course of their business activities, the Arrangers, Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, Gazprom or their respective affiliates. Certain of the Arrangers, the Dealers or their affiliates that have a lending relationship with the Issuer, Gazprom or their respective affiliates routinely hedge their credit exposure to the Issuer, Gazprom or their respective affiliates consistent with their customary risk management policies. Typically, such Arrangers, Dealers or their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's, Gazprom's or their respective affiliates' securities, including potentially any Notes offered hereby. Any such short positions could adversely affect future trading prices of any Notes offered hereby. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer is a *société anonyme* incorporated for an unlimited duration under the laws of the Grand Duchy of Luxembourg ("Luxembourg"). The Issuer is not a subsidiary of Gazprom. The registered office of the Issuer is located at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg and the Issuer is registered with the *Registre de Commerce et des Sociétés à Luxembourg* (the Register of Commerce and Companies in Luxembourg) under number B-95071. For further information about the Issuer, see "Gaz Capital S.A."

This Base Prospectus has been filed with and approved by the Central Bank as required by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations").

Any investment in any Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

In connection with the issue of any Series of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms or Series Prospectus may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, this is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DEALERS OR THE ARRANGERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS BASE PROSPECTUS, AND NOTHING CONTAINED IN THIS BASE PROSPECTUS IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE.

EACH PERSON RECEIVING THIS BASE PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE DEALERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR ITS INVESTMENT DECISION. EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER, GAZPROM AND THE GROUP AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE, AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

INFORMATION CONTAINED IN THIS BASE PROSPECTUS IS NOT AN OFFER, OR AN INVITATION TO MAKE OFFERS, SELL, PURCHASE, EXCHANGE OR TRANSFER ANY SECURITIES IN THE RUSSIAN FEDERATION, AND DOES NOT CONSTITUTE AN ADVERTISEMENT OF OFFERING OF ANY SECURITIES IN THE RUSSIAN FEDERATION. THE SECURITIES REFERENCED TO IN THIS BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED IN THE RUSSIAN FEDERATION OR ADMITTED TO PUBLIC PLACEMENT AND/OR PUBLIC CIRCULATION IN THE RUSSIAN FEDERATION AND ARE NOT INTENDED FOR "PLACEMENT" OR "CIRCULATION" IN THE RUSSIAN FEDERATION EXCEPT AS PERMITTED BY RUSSIAN LAWS.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

Each of Gazprom and the Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, Gazprom or the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

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OVERVIEW OF THE PROGRAMME

The following overview contains basic information about the Notes and Loans and should be read in conjunction with, and is qualified in its entirety by, the information set forth under "Facility Agreement" and "Terms and Conditions of the Notes" appearing elsewhere in this Base Prospectus.

Summary of Loans under the Programme

Each transaction will be structured as a Loan to Gazprom by the Issuer. The Issuer will issue Notes to Noteholders for the sole purpose of funding such Loan (and such Loan will in effect provide 100% collateralization on the relevant Issue Date) for such Notes. Each Series will be constituted by a supplemental trust deed which is supplemental to an amended and restated principal trust deed dated December 7, 2005 as amended by the Deed of Amendment dated July 17, 2012 (together, the "Trust Deed"), each entered into between the Issuer and Deutsche Bank Trust Company Americas (the "Trustee"). Pursuant to the Trust Deed, the Issuer will: (i) charge as security certain of its rights and interests under such Loan to the Trustee for the benefit of the Noteholders of the corresponding Series of Notes; and (ii) assign its rights under the relevant Loan Agreement to the Trustee as security (other than certain Reserved Rights, as defined in the Trust Deed) (together, the "Security Interests") for its payment obligations in respect of such Series of Notes. As a consequence of the assignment of the rights under the relevant Loan Agreement, the Trustee shall assume the rights of the Issuer (other than certain Reserved Rights, as defined in the Trust Deed) as set out in the relevant provisions of the Trust Deed. If and when the charge of certain of the Issuer's rights and interests under any Loan is enforced, the Trustee will assume the rights of the Issuer under such Loan as set out in the relevant provisions of the Trust Deed, and the Trustee will assume certain rights and obligations towards the Noteholders, as more fully set out in the Trust Deed.

Each Series of Notes will be issued on a limited recourse basis and the Issuer will not have any obligations to the Noteholders of such Series of Notes save for to account to the Noteholders of the relevant Series for amounts equivalent to the amounts of payments of principal and interest received by the Issuer under the corresponding Loan if and to the extent received by it from Gazprom. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered pursuant to the corresponding Loan, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts. The Issuer will have no other financial obligations under the relevant Series of Notes and no assets of the Issuer (including the Issuer's rights with respect to any Loan relating to any other Series of Notes) will be available to such Noteholders.

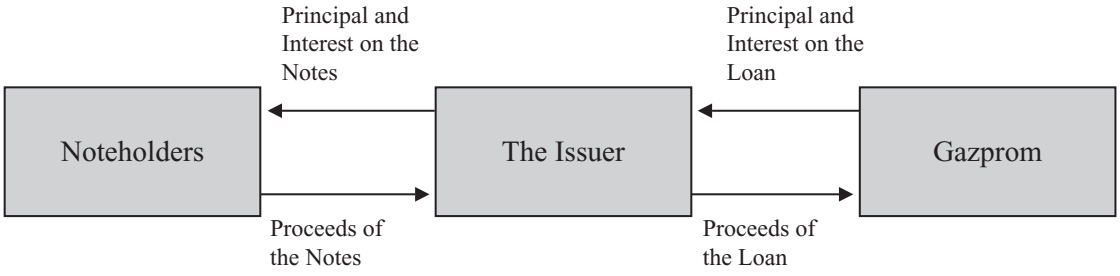
The Issuer will agree in the Trust Deed not to agree to any amendments to or modification or waiver of, and not to authorize any breach of, the relevant Loan Agreement unless the Trustee has given its prior written consent. The Issuer will agree to act at all times in accordance with any instructions of the Trustee with respect to the relevant Loan Agreement, except as provided in the Trust Deed and except in respect of Reserved Rights (as defined in the Trust Deed). The Issuer will notify the relevant Noteholders of any amendments, modifications, waivers or authorizations made with the Trustee's consent in accordance with the Terms and Conditions of the relevant Notes, which amendments, modifications, waivers or authorizations will be binding on the Noteholders. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the performance of each Loan.

Payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes, except as required by law. If any deduction or withholding is required by law, the Issuer must, except in certain limited circumstances, pay additional amounts to the extent it receives corresponding amounts from Gazprom pursuant to the relevant Loan Agreement. In addition, payments under each Loan Agreement will be made without deduction or withholding for or on account of taxes, except as required by law. If any deduction or withholding is required by law with respect to payments under the Notes or the corresponding Loan Agreement, Gazprom must, except in certain limited circumstances, increase the amounts payable under such Loan Agreement by an amount equivalent to the required tax payment.

Gazprom may prepay each Loan at its principal amount, together with accrued and unpaid interest and additional amounts, if any, if Gazprom is required to increase the amount payable or to pay additional amounts on account of the taxes in respect of which it is required to pay additional amounts under the relevant Loan Agreement or if it is required to pay additional amounts on account of certain costs incurred by the Issuer. As set forth in each Loan Agreement, the Issuer may, at its own discretion, require Gazprom

to prepay the relevant Loan if it becomes unlawful for the relevant Loan or the corresponding Notes to remain outstanding. Each Loan has characteristics that demonstrate a capacity to produce funds to service any payments due and payable on the corresponding Notes.

Set forth below is a diagram of the structure for the Notes and the Loans:



Notes to be issued under the Programme and the corresponding Loans

Issuer	Gaz Capital S.A., a "*société anonyme*" incorporated in Luxembourg with limited liability (the "Issuer") with its registered office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under the number B-95071.
Gazprom (as the Borrower)	Open Joint Stock Company Gazprom (the "Borrower" or "Gazprom") with its registered office and business headquarters at 16 Nametkina Street, 117997 Moscow, Russia.
Description	Programme for the Issuance of Loan Participation Notes with limited recourse pursuant to which the Issuer may issue loan participation notes (the "Notes").
Programme Size	Up to U.S.$30,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. Gazprom may increase the amount of the Programme in accordance with the Dealer Agreement (as defined herein). For the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Arrangers	Deutsche Bank AG, London Branch and UBS Limited.
Dealers	Deutsche Bank AG, London Branch, UBS Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc, Merrill Lynch International, METROPOL Investment Financial Company Ltd., Morgan Stanley & Co. International plc, National Reserve Bank, Renaissance Securities (Cyprus) Limited, Joint Stock Commercial Bank Rosbank, The Royal Bank of Scotland plc and UniCredit Bank AG. Pursuant to the terms of the Dealer Agreement, the Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Series of Notes or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Series of Notes.
Trustee	Deutsche Bank Trust Company Americas.
Principal Paying Agent	Deutsche Bank AG, London Branch, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another principal paying agent is appointed in respect of that Series. References in this Base Prospectus to "Principal Paying Agent" are to Deutsche Bank AG, London Branch or such other alternative principal paying agent, as the case may be.
Registrars	Deutsche Bank Luxembourg S.A., and/or, in relation to Notes sold pursuant to Rule 144A, Deutsche Bank Trust Company Americas, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that an alternative registrar is appointed in respect of that Series. References in this

	Base Prospectus to "Registrar" are to Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas or such alternative registrar, as the case may be.
Paying Agents	Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A., and/or, in relation to Notes sold pursuant to Rule 144A, Deutsche Bank Trust Company Americas, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another paying agent is appointed in respect of that Series. References in this Base Prospectus to "Paying Agents" are to Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas or such alternative paying agent, as the case may be.
Transfer Agents	Deutsche Bank AG, London Branch, and Deutsche Bank Luxembourg S.A., and/or, in relation to Notes sold pursuant to Rule 144A, Deutsche Bank Trust Company Americas, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another transfer agent is appointed in respect of that Series. References in this Base Prospectus to "Transfer Agents" are to Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas or such alternative transfer agent, as the case may be.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Series will be completed in a final terms document (each, "Final Terms") which shall complete the Terms and Conditions of the Notes or a series prospectus (each, a "Series Prospectus"), which shall either complete or restate the Terms and Conditions of the Notes as the case may be.
Issue Price of Notes	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Status of the Notes	Each Series of Notes will constitute limited recourse secured obligations of the Issuer to apply the proceeds from the issue of the Notes solely for financing the corresponding Loan and to account to the Noteholders for amounts equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to such Loan, all as more fully described in "Terms and Conditions of the Notes—1. Status."
Ranking of the Loans	None of the Loans will be secured by any collateral. Each Loan will rank equal in right of payment with other outstanding and unsecured indebtedness of Gazprom but will effectively rank below all of our secured debt and the debt and other liabilities of Gazprom's subsidiaries.
Security	Each Series of Notes will be secured by way of first fixed charge on: • all principal, interest and other amounts payable by Gazprom to the Issuer under the relevant Loan Agreement and the right to receive all sums payable by Gazprom under

	any claim, award or judgment relating to such Loan Agreement; and • all of the Issuer's rights, title and interest in and to all sums of money held from time to time in an account specified in the relevant Final Terms or Series Prospectus, as the case may be, together with the debts represented thereby (including interest from time to time earned thereon) pursuant to the Trust Deed, in each case, other than certain Reserved Rights and any amounts in respect thereof.
Assignment of Rights	The Issuer with full title guarantee will assign absolutely its rights under the relevant Loan Agreement (save for those rights charged or excluded above) to the Trustee upon the closing of the offering of the corresponding Series of Notes.
Form of the Notes	The Notes will be issued in registered form. Each Series of Notes will be represented by a global unrestricted Note (each a "Regulation S Global Note") and, in the case of Rule 144A Notes, a global restricted Note (each a "Rule 144A Global Note" and together with any Regulation S Global Notes, the "Global Notes"), in each case without interest coupons. Global Notes will be exchangeable for Notes in definitive form in the limited circumstances specified in the Global Notes.
Clearing Systems	DTC (in the case of Rule 144A Notes), Clearstream, Luxembourg and Euroclear and, in relation to any Series, such other clearing system as may be agreed between the Issuer, the Borrower, the Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Series, the Regulation S Global Notes shall be deposited with Deutsche Bank AG, London Branch as a common depositary for Euroclear and Clearstream, Luxembourg and the Rule 144A Global Notes, if any, will be deposited with Deutsche Bank Trust Company Americas as custodian for DTC. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Borrower, the Paying Agent, the Trustee and the relevant Dealer(s). Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Borrower and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, Gazprom and the relevant Dealers.
Specified Denomination	Notes will be in such denominations as may be specified in the relevant Final Terms or Series Prospectus, as the case may be, subject to (i) the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") will have a

	minimum denomination of £200,000 (or their equivalent in other currencies). Notes resold pursuant to Rule 144A shall be in denominations of U.S.$200,000 (or its equivalent rounded upwards as agreed between the Issuer, Gazprom and the relevant Dealer(s)) or higher integral multiples of U.S.$1,000.
Rate of Interest	The Notes may be issued on a fixed rate or floating rate basis.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms or Series Prospectus.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series and corresponding Loan as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Series Prospectus) as adjusted for any applicable margin.
Interest Periods and Interest Rates . .	The length of the interest periods for the Notes and the applicable interest rate may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms, or Series Prospectus, as the case may be.
Redemption	The relevant Final Terms, or Series Prospectus, as the case may be, will specify the basis for calculating the redemption amounts payable and whether there will be any put or call options. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £200,000 (or its equivalent in other currencies).
Issuer's Restrictions and Covenants . .	So long as any Note remains outstanding, the Issuer will not, without the consent of the Trustee, among other things, incur any other indebtedness for borrowed moneys (other than issuing loan participation notes for the purposes of making loans to Gazprom), or enter into other transactions or engage in any business (other than transactions contemplated by this Base Prospectus), declare any dividends or have any subsidiaries. See "Terms and Conditions of the Notes—4. Restrictive Covenants."
Withholding Tax and Increased Costs .	If any payments to be made by the Issuer under any Notes become subject to any withholding tax imposed by the Russian Federation or the country of incorporation of the Issuer or any taxing authority thereof, the Issuer will be required (subject to certain customary exemptions (including the ICMA Standard EU Tax exemption Tax Language) and subject to receiving funds from Gazprom in respect thereof) to pay an additional amount to compensate Noteholders for any amounts so withheld.

	If any payments to be made by Gazprom under a Loan Agreement become subject to any withholding tax imposed by the Russian Federation or the country of incorporation of the Issuer (or following the enforcement of the security created in the Trust Deed, the then jurisdiction of the Trustee) or any taxing authority thereof, or certain other circumstances result in the Issuer incurring any increased costs associated with the corresponding Loan, Gazprom will be required to pay an additional amount necessary to compensate the Issuer for the tax withheld or the increased cost to the Issuer.
Early Redemption	If Gazprom is required to pay additional amounts under a Loan Agreement as described above, it will have the right to prepay the corresponding Loan, upon not less than 10 days' notice to the Issuer, in whole (but not in part) at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of repayment on the next Interest Payment Date (in the case of a Floating Rate Loan) or at any time (in the case of a Fixed Rate Loan). If it becomes unlawful for the Issuer to fund a Loan or allow such Loan to remain outstanding under the relevant Loan Agreement or allow the corresponding Notes to remain outstanding, as more fully described in the Facility Agreement, the Issuer may require such Loan to be repaid in full, upon giving notice to Gazprom and the Trustee, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of repayment. In such circumstances, the Issuer will be required to redeem the Notes corresponding to such Loan, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of such repayment.
Relevant Events	In the case of certain events in relation to an Issuer (as defined in the "Terms and Conditions of the Notes"), the Trustee may, subject as provided in the Trust Deed, enforce the security created in the Trust Deed in favor of the Noteholders.
Certain Restrictions and Covenants . .	The Issuer will have the benefit of certain covenants made by Gazprom, including a negative pledge and restrictions on mergers and disposals, all as fully described in the relevant Loan Agreement.
Events of Default	In the case of an Event of Default (as defined in the relevant Loan Agreement), the Trustee may, subject as provided in the Trust Deed, require the Issuer to declare all amounts payable under the relevant Loan Agreement by Gazprom to be due and payable.
Use of Proceeds of the Notes and the Loans	The Issuer will lend the gross proceeds of the offering of each Series of Notes to Gazprom. We intend to use the proceeds, less any commission or expenses payable by us in connection with the relevant Series and the corresponding Loan, from such offering for general corporate purposes.
Further Issues	The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series.

Listing and Admission to Trading . . .	Application will be made, where specified in the relevant Final Terms or Series Prospectus, as the case may be, for a Series of Notes to be listed on the Official List of the Irish Stock Exchange and to admit them to trading on its regulated market or such other stock exchange as shall be specified in the relevant Final Terms or Series Prospectus, as the case may be, or the Series of Notes will remain unlisted.
Rating	A Series of Notes issued under the Programme may be rated or unrated. If a Series of Notes is rated, such rating will be specified in the relevant Final Terms or Series Prospectus. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms or Series Prospectus. See "Risk Factors—Ratings of the Notes". Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or Gazprom could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analyzed independently from any other rating.
Governing Law	The Notes will be governed by English law. The provisions of articles 86 to 94-8 of the Luxembourg law of August 10, 1915, as amended, on commercial companies are excluded.
Selling Restrictions	United Kingdom, United States, Russian Federation and any other jurisdiction relevant to any Series. See "Subscription and Sale."

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus prior to making any decision to invest in any Notes. Each of the risks highlighted below could have a material adverse effect on our businesses, operations and financial condition which, in turn, could have a material adverse effect on our ability to service our payment obligations under the Loan and thus on debt service on the Notes. In addition, the trading price of the Notes could decline due to any of these risks, and you could lose some or all of your investment.

You should note that the risks described below are not the only risks we face. We have described only the risks we consider to be material. However, there may be additional risks that we currently consider not to be material or of which we are not currently aware, and any of these risks could have the effects set forth above.

Risks Relating to Our Business

The prices of the natural gas we sell in Europe and most FSU countries under long-term contracts are linked to international prices for oil products. A decline in international prices for crude oil and oil products have affected, and in future periods could adversely affect, the amount of revenue generated by our natural gas, crude oil and refined product sales in Europe, the FSU and other markets where we sell under such terms.

We sell a substantial portion of our natural gas in Europe, which is our primary source of foreign currency revenues and cash flows. Such sales are generally pursuant to long-term contracts with prices linked to international prices for oil products. Most of our FSU export customers purchase natural gas on similar terms. Our long-term contracts with customers in Europe and some of our customers in the FSU countries mainly provide for a price formula linked to changes in the average price for oil products for a period of approximately six to nine months. Prices for oil products fluctuate widely in response to changes in many factors over which we have no control. The factors which influence our gas, oil and refined products prices include, but are not limited to:

- global and regional supply and demand for gas, crude oil and refined products and expectations regarding future supply thereof and demand therefor;
- the impact of recessionary economic conditions on our customers, including reductions in demand for gas and oil products;
- global and regional socioeconomic and political conditions, particularly in the Middle East and other oil producing regions;
- the ability of members of the Organization of Petroleum Exporting Countries ("OPEC") and other crude oil producing nations to influence global production levels and prices;
- other actions taken by certain major gas, crude oil and refined products supplying or consuming countries or companies;
- prices and availability of alternative fuels and alternative sources of energy;
- new technologies, including technologies for gas production from unconventional sources, (e.g., shale gas);
- volumes and prices of liquefied natural gas ("LNG") supplied, in particular, to Europe and Other Countries;
- Russian and foreign governmental regulations, relations and actions, including export restrictions and taxes;
- domestic and international security, including potential terrorist activities; and
- weather conditions as well as natural and technological disasters.

Prices for oil products declined significantly in late 2008 and early 2009. As international crude oil prices deteriorated, the natural gas prices we realized under our long-term contracts with European or other customers declined as well, resulting in a reduction in our export revenues in 2009. While our operational and financial results in 2010 and 2011 recovered, any future decline may adversely affect our business, results of operations, cash flows, financial condition and our ability to finance planned capital expenditures, any of which may adversely affect the value of the Notes.

The global prices for crude oil and refined products also affect our sales of crude oil and refined products and revenues. In addition, lower prices may reduce the amount of crude oil that we can produce economically or reduce the economic viability of crude oil development or processing projects planned or in development. We may reduce our planned capital expenditures if international crude oil or refined product prices fall below the price assumptions used in our estimates.

We also purchase natural gas from central Asia primarily for further supply to the FSU countries, Europe and Other Countries. In the nine-month periods ended September 30, 2012 and 2011, we purchased 26.8 bcm and 26.2 bcm of gas, respectively. The pricing mechanism in our contracts with the central Asian countries conforms to the pricing mechanism in our long-term contracts with European consumers. However, there can be no assurance that a possible change in the terms and conditions of our purchases from central Asia will not cause a decline in our margin of central Asian gas sales to the FSU countries, Europe and Other Countries, which could have an adverse effect on our financial position and financial results.

We have renegotiated the pricing under our long-term contracts with a number of our European natural gas customers to reflect the recent changes in natural gas market conditions in Europe. The renegotiated pricing of our natural gas sold to such customers has been revised in consideration of current market prices and, to a certain extent, linked to trading floor quotations for the price of natural gas. The failure to successfully renegotiate the pricing under certain of our long-term contracts or the lack of a recovery in natural gas market spot prices have affected, and in future periods could adversely affect, the amount of revenue generated by our natural gas sales in Europe, the FSU and other markets where we sell under such terms.

The global economic crisis resulted in a significant decrease in natural gas consumption in Europe in 2009. This decrease in consumption coincided with a significant increase in gas liquefaction and regasification capacities and in LNG supply, which increased the imbalance between demand and supply in the European natural gas market. This drove spot prices for natural gas down, and the resulting unprecedented gap between the spot price and the prices determined by our long-term contracts led to a decline in sales under our long-term contracts. While demand for gas in Europe recovered in 2010, the availability of large volumes of cheaper gas in the market prevented us from increasing our sales under long-term contracts in 2010.

In response to the market conditions in Europe characterized by a substantial gap between trading floor quotations and prices under our long-term contracts in 2009 and 2010, beginning in 2010, we linked a portion of pricing to trading floor quotations under some of our long-term contracts with European customers, while maintaining the link to oil product prices as the basis of our pricing mechanism in such long-term contracts. We consider these measures as temporary and intend to revert to previous pricing principles as soon as this pricing gap no longer exists. However, no assurance can be given that these measures will be reversed or not be enhanced, and if they are not reversed, our operating results could be adversely affected.

Furthermore, in 2010 and 2011, some of our customers brought claims against our exporting subsidiary, OOO Gazprom export ("Gazprom Export"), and certain other related parties involved in gas sales in Europe, seeking to review the contractual price of natural gas supplied under our long-term contracts, and the terms of settlement of our disputes with certain of these claimants have resulted in price revisions. From 2010 through 2012, we revised pricing with many of our customers including by introducing an alternative pricing mechanism. In the nine months ended September 30, 2012, our results of operations were negatively affected by retroactive gas price adjustments relating to volumes of gas delivered in 2010 and 2011 for which a discount was agreed in 2012. Currently, we are engaged in pricing negotiations with RWE Transgas, as well as ongoing arbitration proceedings. In addition, in January 2013, some of our customers requested revisions of our contract prices for periods starting from 2013, and we are currently in negotiations with these customers. See "Gazprom—Distribution—Europe and Other Countries" and "Gazprom—Litigation and Investigations." No assurance can be given that the ongoing negotiations with the remaining claimant, or with other customers which can potentially claim revision of our long-term prices, will be successful and that possible court decisions will be in our favor. Any similar occurrences, including potential retroactive gas price adjustments, in the future may adversely affect our business, results of operations, cash flows and financial condition.

State regulated tariffs for electric and heat energy may not accurately reflect increasing costs in generating electricity and power, and the wholesale prices for electric and heat energy we charge are largely dependent on the economic conditions in Russia.

We supply electricity and power to the Federal Wholesale Market of Electricity and Power (the "WMEP") established in 2008 in accordance with Government Resolution No. 1172 dated December 27, 2010, as amended, that sets forth the rules regulating operations in the WMEP. The prices under certain of our contracts for supply of electricity and power to the WMEP are regulated by the FTS. We provide the FTS with our expense figures to be used in setting the regulated tariff for the next period. However, if the prices for the goods and services necessary to generate electricity and power increase at a faster rate than the tariffs, our profits may be reduced. The increase of the regulated prices for electricity, as provided in the forecast developed by the Ministry of Economic Development of the Russian Federation, is expected to amount to 12.0-13.5%, 10.5-12.5% and 11.0-13.0% (average for the year, as compared to the previous year) in 2013, 2014 and 2015, respectively.

In marketing heat energy, we often encounter an insufficient federal legal framework with regard to heat supply that could result in the regulated tariffs for supplies to the end consumers being lower than our cost of production, consequently reducing our profits. The increase of the regulated prices for heat energy, as provided in the forecast developed by the Ministry of Economic Development of the Russian Federation, is estimated at 10.5-12.2%, 10.9-11.0% and 10.8-11.0% (average for the year, as compared to the previous year) in 2013, 2014 and 2015, respectively.

The wholesale prices are being closely monitored by authorized organizations with supervisory powers to prevent a significant increase in the price of electricity charged to the end consumers. If the rate of the price increase set by the FTS is exceeded, no assurance can be given that special pricing mechanisms, including state regulated pricing, would not be introduced. Such developments could have an adverse effect on our results in the electric and heat energy generation and sales operating segment.

As we sell nearly all of the electric and heat energy we generate in Russia, our prices are heavily dependent on domestic demand, which changes in close correlation with other macroeconomic indicators, such as GDP growth rates and industrial production in Russia.

We are required to supply a significant portion of natural gas to customers in Russia at prices that are regulated by the Government.

We are, and are likely to remain for the foreseeable future, a natural monopoly with respect to activities in natural gas transportation through trunk pipelines in Russia. Wholesale prices of natural gas that we and our affiliates produce and sell to consumers in the Russian Federation are regulated by governmental authorities and are currently significantly lower than the prices we charge to western European off-takers, even after netting back customs duties and transit costs. Moreover, domestic wholesale natural gas prices for household consumers have been, and continue to be, lower than wholesale natural gas prices for industrial and commercial end users resulting in subsidizing households in the Russian Federation.

Government Resolution No. 1205 "On Improving State Regulation of Gas Prices" dated December 31, 2010 ("Resolution No. 1205") provides for (i) a phased increase of regulated wholesale gas prices during a transitional period from 2011 through 2014 in order to achieve parity in terms of profitability as between domestic sales and exports and (ii) the transitioning to a market pricing mechanism for all domestic gas consumers except households. See "Gazprom—Distribution—Europe and Other Countries—Russia—Domestic market conditions." However, no assurance can be given that natural gas prices in Russia will continue to increase in line with expected growth rates, or continue to increase at all, or that the government of the Russian Federation (the "Government") will not revoke its plans for natural gas price increases and the transition to non-regulated prices. If the natural gas prices we charge to Russian customers do not increase as currently proposed, our future results of operations, cash flows and financial condition could be adversely affected.

Negative economic developments and conditions in the markets in which we operate can adversely affect our business and results of operations.

Our results of operations are significantly influenced by the general economic condition in the countries in which we operate. The economic conditions in these markets have in various ways been adversely affected by weakening economic performance, the turmoil in the global financial markets and

subsequently by the worsening of the European sovereign debt crisis. Following a recovery from the global financial crisis, several countries of the Eurozone have recently entered a recession. In particular, some or all of the countries in these markets have experienced declining economic growth, reduced industrial production, increasing rates of unemployment as well as decreasing asset values, which have not fully recovered to pre-crisis levels, and may further deteriorate as a result of the current economic instability and possible global recession. Adverse economic developments of the kind described above have affected and may continue to affect our business in a number of ways, including, without limitation, due to the deterioration of the financial condition of our customers. An economic slowdown in our key markets caused a reduction in demand for our natural gas and other products, and a decrease in our production in 2009 as compared with 2008. While demand and production recovered during 2010 and 2011, the continuing uncertainty in respect of change in demand in the future may have a material adverse effect on our business, financial condition and results of operations. Our long-term supply contracts with customers in Europe generally have "take-or-pay" provisions that provide for minimum annual volumes of natural gas. Customers that have failed to purchase the minimum amount stipulated in the contract are required to pay for a major portion of such amount. However, no assurance can be given that our customers will be able to fulfill these obligations.

Delayed, non-collectible and non-cash payments by our customers could adversely affect us.

The failure of a number of FSU customers to pay us for supplies of natural gas has from time to time resulted in substantial debts to us. As of September 30, 2012, accounts receivable due from customers in the FSU countries for sales of natural gas were approximately RR228 billion. See "Gazprom—Distribution—The FSU—Debt settlement." Our cash flows could be further affected by the inability or limited ability of our customers, particularly those in Russia and the FSU countries, to pay for our natural gas. In light of current economic conditions, many lenders have reduced or ceased providing funding to borrowers, particularly in the emerging markets, which may affect our customers' ability to obtain cost-effective working capital debt financing in order to satisfy their obligations under their contracts with us. There can be no assurance that amounts owed to us by our customers will be paid in full or, if paid in full, that payment will be in cash. In addition, no assurance can be given that amounts owed to us by our customers will not be written off pursuant to intergovernmental agreements that may be entered into in the future, which could have an adverse effect on our financial position. As was the case with many Russian companies, we had to make use of and to accept various forms of non-cash settlement, including negotiable promissory notes, bonds, equity interests in natural gas companies and goods and services as payment for gas supplies. Non-cash settlement of transactions had in the past, and may have in the future, an adverse effect on our ability to fund those operational or capital expenditures that we are required to make in cash and to make tax and other mandatory payments when due.

We bear a substantial tax burden.

We are subject to a broad range of taxes imposed at federal, regional and local levels, and we are one of the largest sources of tax revenue for the federal budget, as well as for the regional and local budgets in those regions and locations and localities in which we operate. Addressing social and economic issues by federal, regional and local authorities increases the risk of raising tax rates, which may result in an increase to our substantial tax burden.

Beginning on January 1, 2012, the mineral extraction tax rate for us and our majority-owned subsidiaries increased by more than 115%. Moreover, in November 2012, the State Duma passed amendments to the Tax Code envisaging a 22.2% increase to the mineral extraction tax rate in 2013, as compared to 2012, and an additional 12.5% annual increase in each of 2014 and 2015. In addition, the amendments also provide for a gradual elimination of regional and local tax breaks and an increase of the maximum tax rate in respect of corporate property tax imposed on infrastructure property, including power lines and trunk pipelines, over a six year transition period. The corporate property tax rate is set at 0.4% in 2013 and is expected to rise by 0.3 percentage points each year to the generally established corporate property tax rate of 2.2% in 2019.

The imposition of additional tax liabilities may have a material adverse effect on our business, results of operations, financial condition or prospects. The increase of the property tax rate may also adversely affect our investment activity in Russia because a significant portion of the additional tax burden will be imposed on our new gas transportation facilities. Our additional tax liabilities resulting from the corporate property tax changes could amount to at least RR260 billion between 2013 and 2018.

On October 1, 2011, a new tax regime for the Russian oil industry took effect (the "60-66 Amendments"). The 60-66 Amendments reduced the marginal export duty on crude oil and unified export duties for light and dark oil products at 66% of the export duty on crude oil, except for the gasoline export duty which was increased to 90% of the export duty on crude oil. Specifically, the 60-66 Amendments increased the export duty on fuel oil from 46.7% to 66% while decreasing the export duty on diesel and jet oil from 67% to 66%. The 60-66 Amendments are believed to be the first step of a tax reform aimed at improving the profitability of upstream operations while incentivizing Russian oil companies to invest in upgrading their refineries. The Government receives substantial revenues from export duties on crude oil and refined products, and we have no control over changes to the Government's tax code policies. The Government may institute further changes in export duties to incentivize Russian oil companies in ways that it believes will promote macroeconomic goals, while at the same time significantly altering the profitability dynamics of our oil and oil refining business operations, which could have a material adverse effect on the business, financial condition, results of operations and prospects of Gazprom Neft, our oil-producing subsidiary, as well as the value of the Notes.

The Government has exercised, and can be expected to continue to exercise, a strong influence over our operations.

The Russian Federation currently controls more than 50% of Gazprom's shares. See "Shareholding Structure of Gazprom." Nominees of the Russian Federation, including Mr. Miller, the Deputy Chairman of Gazprom's Board of Directors and Chairman of Gazprom's Management Committee, currently hold six of the 11 seats on Gazprom's Board of Directors. State authorities regulate the prices we charge for gas in the domestic market, the tariffs we charge for the transportation of third parties' gas through the GTS and other matters affecting our business. Through its share ownership, representation on Gazprom's Board of Directors and role as the main regulator, the Government has a strong influence over our operations. The Government has previously required Russian companies, including us, to take certain actions, such as the undertaking of projects and the supply of goods and services to customers that may not be in the best interests of such companies or their investors.

Recently, the President of the Russian Federation adopted Decree No. 1285 "On Protection Measures for the Interests of the Russian Federation In Foreign Economic Activity" dated September 11, 2012 ("Decree No. 1285"). Decree No. 1285 requires that certain companies, including Gazprom and its subsidiaries, obtain permission from an authorized governmental agency before engaging in certain activities, such as providing information relating to their business activities to foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states, amending certain contracts or business policies and disposing of certain assets, with foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states. See "Overview of the Russian Gas Industry, Classification of Reserves, and Certain Regulatory Matters—Russian Regulation—Russian Regulation—Foreign Investments." Such permission will be refused if activities specified in Decree No. 1285 could harm the economic interests of the Russian Federation. The precise implications of Decree No. 1285 remain to be determined, but its application could have an adverse effect on our ability to dispose of our foreign assets, amend contracts with foreign parties or cooperate fully with foreign state agencies.

We may not be successful in our efforts to integrate recent or future acquisitions and we may be unable to finance acquisitions we believe could be beneficial to our existing operations on terms desirable to us or at all.

We have acquired, and may continue to acquire in the future, businesses and legal entities that are engaged in activities that are different from our gas business. For example, we acquired control over OGK-2, OGK-6 and TGK-1 in the period from 2008 to 2009. The integration of newly-acquired businesses may be difficult for a variety of reasons, such as differing culture or management styles, poor records or internal controls and difficulty in establishing immediate control over cash flows. As a result, the need to integrate recently acquired assets or any potential future acquisitions poses risks to our existing operations, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business; and
- additional cash expenditures or debt service costs.

Acquisitions of businesses and assets also create the need to attract and retain a greater number of qualified management and other personnel, for which there is significant competition in Russia. Any failure to successfully integrate past or future acquisitions could adversely affect our business, financial condition and results of operations. Moreover, even if we were successful in integrating newly acquired assets and acquiring additional assets, expected synergies and cost savings may not materialize, resulting in lower than expected profit margins.

We also may be unable to generate and raise sufficient funds to finance future acquisitions that may be beneficial to our future operations or to do so at a reasonable cost. See "—Debt financing for our anticipated capital expenditures may not be available on desirable terms or at all." Lack of sufficient funds in the future may require us to delay or abandon some of our anticipated acquisitions.

State authorities may reorganize our business to increase competition in the gas sector.

We are a natural monopoly in the transportation of natural gas. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Regulating the activities of natural monopolies." In certain countries, monopolies are subject to scrutiny by governments and restrictions. For instance, the EU implements a policy aimed at the liberalization of the EU energy markets that provides for the vertical disintegration of energy companies. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Regulation Abroad—Gas Directives." If similar policies were to be implemented in other countries where we operate, our operations could be negatively affected.

In addition, in September 2011, the EU commenced inspections at the premises of our affiliates in central and eastern Europe. These inspections moved to a formal antitrust investigation in September 2012 and remain ongoing. We have been notified by the European Commission that the investigation relates to alleged violations of antimonopoly laws of several European countries, in particular, allegations of segmenting the European gas market, imposing unfair prices on customers and obstructing competition. Conducting inspections or initiating a formal investigation does not imply any recognition of an antitrust offense or an accusation of the same, but there can be no assurances that the outcome of this investigation, or similar investigations that may take place in the future, will be favorable to us. As of the date of this Base Prospectus, it is not possible to assess the potential negative impact of the investigation on our operations in Europe, including on the prices we charge to our European customers, or on our financial position as a whole. See "Gazprom—Litigation and Investigations."

Furthermore, in 2008, the Government completed the reform of the power industry in Russia, which resulted in the reorganization of another natural monopoly, RAO Unified Energy Systems ("RAO UES").

Although Government officials and senior members of our management have stated that the reorganization or division of Gazprom is not currently planned, and moreover Federal Law "On Gas Supply in the Russian Federation" No. 69-FZ dated March 31, 1999, as amended (the "Gas Supply Law"), provides that the transfer of ownership of the UGSS may only be effected by federal law, there are no assurances that we are protected against the risks of a state-led reorganization into several smaller and less powerful production and transportation companies, or that certain of our operations may be re-allocated to other entities.

Our licenses may be suspended, amended, or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations.

In accordance with Russian law, many of our business operations are subject to licensing or obtaining of various permits and authorizations. We have been able to obtain and extend licenses, permits and authorizations necessary to carry out our operations, however no assurance can be given that we will be able do so in the future. If we fail to obtain or extend significant licenses, permits or authorizations, our operations, financial position or the value of our assets could be adversely affected.

The licensing regime in Russia for the exploration, development and production of natural gas, gas condensate and crude oil is governed primarily by Federal Law "On Subsoil" No. 2395-1 dated February 21, 1992, as amended (the "Subsoil Resources Law"), the Gas Supply Law and numerous regulations issued thereunder. We currently conduct our operations under multiple exploration and production licenses. Production licenses for our major natural gas and oil production fields extend to at least 2014, with some extending for a much longer period. See Appendix A, "Certain Exploration and Production Information of the Gazprom Group—Licenses." In accordance with current legislation, we

plan to extend our licenses that have a fixed term to the end of the economic life of the fields to which such licenses relate. Although historically we have been able to obtain such extensions, we may fail to do so in the future.

Most of our licenses also provide that they may be terminated if we fail to comply with material license requirements, do not make timely payments of levies and taxes for the use of the subsoil, systematically fail to provide information or fail to fulfill any license requirements in respect of production volumes or timing requirements relating to subsoil use. The Group has from time to time requested and received appropriate amendments to certain licenses, but has not had any material licenses revoked or suspended. There can be no assurances that the decisions of the Government regulators in the future will always be favorable to us. Decreases in demand as a result of the current economic slowdown among our principal customers could increase the likelihood that we will not be able to achieve the production targets required by our licenses. If we fail to fulfill the specific terms of any of our licenses or if we operate in the license areas in a manner that violates Russian law, Government regulators may impose fines on us or suspend, amend or terminate our licenses. Any suspension, amendment, or termination of our licenses could have an adverse effect on our operations, financial position or the value of our assets.

We must make capital expenditures in order to replace diminishing production in our operating fields and maintain and develop our gas transportation system, and certain expenditures may be delayed if the demand for and price of natural gas decreases.

Over the next several years, we must make capital expenditures in order to develop our natural gas, gas condensate and crude oil production capabilities in line with demand, maintain our natural gas transportation system and offset declines in our main producing fields, particularly our Urengoyskoye and Yamburgskoye fields. In order to achieve such goals, we plan to further develop satellite fields in western Siberia and fields in new gas producing regions (such as the Yamal Peninsula, the shelf of the Arctic seas, eastern Siberia and the Far East), and increase Gazprom Neft's oil production levels, which may require increased exploration and development activity. The development of fields in these regions will require significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather conditions. In addition, our current gas transportation projects, including the construction of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines for gas transportation from the Yamal Peninsula have required, and will continue to require, significant investment. Considerable sums of money are required to maintain and develop the GTS, which we own and operate and which is responsible for the transportation, storage and delivery of substantially all natural gas supplies in Russia (except for supplies to the Norilsk, Yakutsk and Sakhalin regions). See "Gazprom—Investment Program." The GTS has an extensive network of pipelines and compressor installations that has been largely developed over more than 40 years. Most of the pipeline is over 10 years old, and some portions of the pipeline are over 30 and 40 years old, necessitating continuous inspection and reconstruction. See "Gazprom—Transport—GTS." A significant part of the pipeline is protected by electrochemical processes of limited duration and effectiveness. In addition, large segments of the network are located in regions with harsh climates, where construction, maintenance and refurbishment are difficult and costly. There can be no assurance that we will be able to finance, at a reasonable cost, the capital requirements necessary for our Investment Program, which, in part, is designed to maintain our production and the operation of the GTS. See "Gazprom—Investment Program."

If the demand for and price of natural gas fall below our expectations, we may have to adjust the timeframe of and our projected investments in these projects, the implementation of which would lead to excessive gas production and transportation capacities. It is possible, however, that we will be unsuccessful in meeting our long-term production targets due to decreases in our capital expenditures or otherwise. In such circumstance, our ability to meet our contractual export commitments and domestic supply obligations could be adversely affected. Decreases in the Investment Program may increase the risk that certain of our licenses will be suspended, amended or terminated. See "—Our licenses may be suspended, amended or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations."

Debt financing for our anticipated capital expenditures may not be available on desirable terms or at all.

We expect to fund our capital expenditures through internal sources and external financing. There can be no assurance, however, that we will be able to generate and raise sufficient funds to meet such capital requirements in the future or to do so at a reasonable cost. We depend on regular access to debt markets

to meet a significant portion of our financing requirements. In 2009, our cash flow generated from our natural gas, crude oil and refined product sales decreased because of the dramatic fall in crude oil prices, the consequential decline in natural gas prices and the decreased demand for all such products as a result of the global financial crisis. Additionally, in late 2008 through early 2009 the global bank and capital markets experienced a significant disruption that was characterized by severe reductions in liquidity, greater volatility, general widening of spreads, and, in some cases, lack of price transparency in money and capital markets interest rates. As a result, many lenders reduced or ceased providing funding to borrowers, particularly in the emerging markets, and there was a general increase in the cost of borrowing for corporate borrowers, including Gazprom. These increased economic risks resulted in the decision made by Moody's Investor Services to downgrade our credit rating in the second quarter of 2009 from A3 to Baa1 (stable outlook), citing a high correlation of our financial profile with that of the Russian Federation. Our credit ratings by Standard & Poor's and Fitch each remain at BBB, with a stable outlook. In 2011 and 2012, the global bank and capital markets showed periods of increased volatility primarily due to continued global macroeconomic challenges. The prospects of future macroeconomic stability remain uncertain, particularly in light of the worsening European sovereign debt crisis that has resulted in increasing volatility in capital markets. A deterioration of money and capital markets, market disruption or downgrades in our credit rating may adversely impact our ability to borrow in the bank or capital markets and may further increase the cost of such borrowing. Lack of sufficient funds in the future may require us to delay or abandon some of our anticipated projects.

We face numerous operational risks in our gas and crude oil exploration, production, transportation and other core activities, which may result in losses and additional expenditures and which may not be covered by insurance.

We conduct our exploration activities in various geographical regions, including western and eastern Siberia, the Far East and the Barents Sea, which are characterized by their remoteness from population centers, challenging environmental conditions and high costs. For these reasons, the cost of drilling, completing and operating wells is often uncertain. As a result, we may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. In addition, our overall drilling activity or drilling activity in particular project areas may be unsuccessful in that we may not find commercially productive reservoirs. We operate highly sophisticated and often customized equipment, and any supply shortages or delivery delays as well as insufficient quality of such equipment could cause disruptions in our operations and delays in the implementation of our projects.

Our core operations may be adversely affected by many factors, including the breakdown or failure of equipment or processes, labor disputes, natural disasters, political disputes and terrorist attacks or sabotage to our extensive pipeline network and other equipment. Although there have been no significant delays or curtailments of the supply of natural gas to our customers due to these factors recently, no assurance can be given that such delays or curtailments will not occur in the future due to the stress and corrosion of pipelines, defective construction of compressor stations or insufficient maintenance or refurbishment of the network.

Our insurance covers Gazprom's and its main subsidiaries' operational risks, but we do not have full insurance coverage for all of our activities. See "Gazprom—Insurance." Therefore, in a number of cases, we would have to cover financial losses from the above-mentioned or other factors out of our own cash flow.

We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers and structural changes in our markets can intensify this competition.

We face varying degrees of competition in each of our major natural gas export markets from providers of alternative fuels, such as crude oil, oil products and coal. No assurance can be given that we will be able to compete effectively with such providers of alternative fuels or with those who produce natural gas from unconventional sources including shale gas.

Currently, according to Federal Law "On gas export" No. 117-FZ dated July 18, 2006 (the "Gas Export Law"), as the owner of the UGSS, we have the exclusive right to export natural gas or LNG produced in Russia, except for gas and LNG produced under production sharing agreements that were entered into before the Gas Export Law came into effect.

We encounter competition in Europe from other natural gas suppliers (especially from Algeria, Norway, the Netherlands and Qatar), which could affect the prices and volumes of our sales of natural gas to Europe. A significant decline in global prices for liquid hydrocarbons and the economic slowdown in Europe resulted in downward pressure on our natural gas prices and on demand. The eventual emergence of new large suppliers of natural gas in Europe and/or potential emergence of LNG exports from North American producers could also result in an oversupply and lower prices. In 2009, decline in demand for natural gas and increase in supply of LNG in the European market resulted in an oversupply of natural gas and significant decrease of the price in the spot market, which resulted in enhanced competition with our pipeline gas in 2010.

In Russia, we face competition from other crude oil and natural gas suppliers, in particular from Russian independent natural gas suppliers (the largest being Novatek, Itera Holdings, TNK-BP Holding and Rosneft). The market share of independent suppliers in Russia increased from 21% in 2009 to 23% in 2011 and may continue to increase.

In addition, as a result of liberalization in recent years, the western European gas market has undergone significant structural change. Directive 2003/55/EC adopted in the EU in June 2003 (the "second Gas Directive") and Directive 2009/73/EC adopted in the EU in July 2009 (the "third Gas Directive") have brought about significant liberalization of the EU gas market by introducing greater competition into the market in order to reduce gas prices for the end-user. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Regulation Abroad—Gas Directives." The third Gas Directive provides for the vertical disintegration of gas producers and suppliers from operators of gas transportation networks. Other than Article 11, which relates to certification requirements for third countries, the third Gas Directive has been applied by EU-member states since March 3, 2011. Article 11 of the third Gas Directive will apply from March 3, 2013.

The third Gas Directive sets forth three alternatives for the vertical disintegration of existing energy producers and suppliers from operators of relevant transportation networks. These alternatives establish various degrees of restriction on the participation of energy producers in ownership and management of the transportation networks, from certain restrictions in managing the networks imposed by a national regulator up to a mandatory disposition of assets or requirement to transfer control over assets to an independent operator.

The requirements relating to vertical disintegration apply not only to European undertakings but also to foreign vertically integrated concerns operating in the EU, including Gazprom Group. If an EU state chooses to implement the strictest alternative of disintegration, we may be forced to dispose of our gas transportation assets in Europe. A number of disagreements have arisen between Gazprom and Lithuania as a result of the implementation of the third Gas Directive in Lithuania. See "Gazprom—Litigation and Investigations."

The third Gas Directive's precise effect on our operations is yet to be determined. However, there can be no assurance that we will not be required to dispose of our gas transportation assets in Europe if the strictest alternative of disintegration is adopted in the relevant EU states in order to implement initiatives of the European Commission to maintain and further increase competition in the European gas market. The liberalization of the gas market in Europe may result in a declining role for long-term contracts. In the absence of a special permission granted in accordance with the EU laws, it may not be possible for us to own and control gas transportation assets in Europe. Our ability to implement gas transportation projects in Europe may also be affected by the provisions of the third Gas Directive, which could have a material adverse effect on our operating results in Europe.

Russia has signed the Energy Charter Treaty, an international treaty for establishing and improving the legal framework for corporate international cooperation in energy matters, but the State Duma has not yet ratified the Energy Charter Treaty. We believe that ratification of the Energy Charter Treaty would result in greater access by third parties to our pipelines, including for the transportation of natural gas from central Asia to European markets. Accordingly, ratification of the Energy Charter Treaty in its current form by the State Duma could also lead to substantially increased competition and affect our long-term supply contracts with European customers. However, high ranking Russian state officials have claimed in recent years that the Energy Charter Treaty in its current form is not in the best interests of Russia. In August 2009, a formal notice was sent to the depository of the Energy Charter Treaty informing that Russia does not intend to accede to the Energy Charter Treaty.

Certain European countries have intensified their efforts to diversify their energy sources. In July 2009, Austria, Bulgaria, Hungary, Romania and Turkey entered into an intergovernmental agreement

providing a legal framework for the Nabucco pipeline, which is intended to supply European countries with natural gas supplies from the Caspian Sea and Middle East. The stated intention of the agreement is to reduce European reliance on Russian gas. While the Nabucco project remains in the preliminary stages and we do not currently consider the Nabucco pipeline as a competitor to our South Stream project because the expected gap between gas demand and production in Europe in the long term creates room for several new gas transportation projects, there can be no assurance that the Nabucco pipeline or any similar project will not compete with our gas supplies in the future if the domestic production and demand, or other factors in the European gas market, change differently from our expectations. In that case, our future results of operations, cash flows and financial condition could be adversely affected.

We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas.

Although our strategy includes seeking to diversify our export routes, we are currently dependent on pipelines in Ukraine and Belarus to deliver a significant portion of the natural gas we sell to customers in Europe, and we may not be able to prevent eventual disruptions in our transit of natural gas through Ukraine and Belarus. At the same time, Ukraine and Belarus are dependent on us to meet their domestic requirements for natural gas. Although this interdependence is taken into account in negotiations over gas deliveries and gas transit, we currently have no control over the pipeline systems in Ukraine.

In the past, the FSU countries purchased our natural gas at fixed prices that represented a significant discount to the prices we realized under our European contracts. Since the late 1990s, we have been working to gradually align the terms in our export contacts with the FSU countries to the terms in our export contracts with European customers. However, our customers in the FSU countries have occasionally objected to the extension of our contracts on such new terms or even failed to fully pay for gas supplies. There have been instances in which our gas deliveries intended for our European customers were diverted as a result of our disputes with the FSU transit countries. For instance, in January 2009, in connection with a price dispute, Ukraine closed all major export pipelines going through Ukraine. This resulted in significant supply disruptions to several of our European customers for approximately two weeks, during which period we lost approximately U.S.$100 million per day in revenues. During this period, our customers had to consume gas stored in underground gas storage facilities ("UGSFs"). In order to replenish the gas withdrawn from UGSFs, we supplied extra volumes of gas thus recovering a substantial part of our losses incurred as a consequence of the dispute. We also had a price dispute with Belarus in June 2010 that led to a temporary suspension of our gas supplies to Belarus, although deliveries to our European customers were not disrupted during that time. See "Gazprom—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Natural gas transit through Ukraine and Belarus." We have settled these disputes with Ukraine and Belarus and currently supply natural gas to Ukraine pursuant to the terms of our existing supply contract. In the course of negotiations, the National Joint Stock Company Naftogaz of Ukraine ("Naftogaz") and Gazprom have confirmed their mutual intention to honor their respective obligations in terms of supply and transportation of gas until other terms and conditions have been agreed upon by the parties. In May and August 2011, Naftogaz sent us several requests to revise the price and volume of our supplies in 2012, and in May and June 2012 various representatives of Naftogaz publicly stated that Naftogaz was going to purchase lower volumes of natural gas than stipulated by our contract with Naftogaz. In January 2013, pursuant to the take-or-pay provision in our supply contract, we issued an U.S.$7.09 billion invoice to Naftogaz for the failure to purchase the contracted for volume of gas calculated at the factual annual weighted average price for 2012. See "Gazprom—Distribution—The FSU." Any disputes with Ukraine or Belarus could potentially lead to a disruption of our exports to Europe through pipelines crossing these countries.

In addition to disruptions that may be caused by commercial disputes, our transit of natural gas through pipelines in Ukraine may also be disrupted if Ukraine is unable to properly maintain their pipelines due to a lack of financial resources as a result of the global financial crisis. Possible political unrest in Ukraine may also lead to a disruption.

To reduce transit risks, we expanded our gas export capacity and diversified our gas export routes by completing the Yamal-Europe pipeline, the Blue Stream pipeline and the Nord Stream pipeline, and we continue to invest further in other export-oriented projects, such as the South Stream project and the development of our capacity to produce and sell LNG. We are also currently expanding our access to underground storage facilities in Europe.

A major disruption in the Transneft system and continuing increases in Transneft's fees could have a material adverse effect on our business, financial condition and results of operations.

The trunk pipelines for transportation of crude oil and petroleum products in Russia are controlled by OAO AK Transneft ("Transneft"), a state-controlled monopoly. Transneft has generally avoided serious disruptions in the transport of crude oil and, to date, we have not suffered significant losses arising from the failure of the pipeline system. Much of the Transneft-operated pipeline system is relatively old and located in regions with harsh climates. As a result, the Transneft-operated system may experience outages or capacity constraints during required maintenance periods and it is likely we may experience delays in or be prevented from transporting crude oil. These delays, outages or capacity constraints could materially adversely affect our business, financial condition and results of operations.

We, along with all other Russian oil producers, must pay transportation fees to Transneft in order to transport crude oil through the Transneft network. The FTS is responsible for setting Transneft's fees, which have risen in recent years and may continue to rise. Failure to pay these fees could result in the termination or temporary suspension of Gazprom Neft's access to the Transneft network, which would adversely affect Gazprom Neft's operating results and financial condition. In addition, increases in the fees for the use of Transneft's network raise our costs for the transportation of crude oil and petroleum products, adversely affecting our operating results and financial condition.

As an energy company we may incur material costs to comply with, or as a result of, environmental, health, and safety laws and regulations.

Our operations, which are often potentially hazardous, are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work in relation thereto. Environmental laws regulate, among other things, the composition of emissions into the atmosphere, wastewater discharges and discharges to the sea, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. As we are a production company, environmental liability risks are inherent in our operations. We have an established environmental policy and monitor our operations in an effort to meet applicable environmental standards. We have made provisions in our consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for environmental liabilities where it is probable that an obligation exists and the cost related to such obligation could be reasonably estimated. Such provisions have been made in accordance with what we believe is a reasonable and prudent policy that takes into account payments made in prior years, among other factors. Currently, Russian federal, regional and local authorities occasionally enforce existing laws and regulations more strictly than they have done previously and are imposing stricter environmental standards, or higher levels of fines and penalties for violations. The State Duma is currently considering a draft federal law that provides for certain enhancements in environmental regulation, in particular, in standardization, control and registration. The draft federal law proposes introducing advanced environment protection technology as well as economic incentives, including increased payments for environmental damage or pollution, certain tax benefits and other measures. Accordingly, we have strengthened our corporate policy with respect to environmental regulations, but we are unable to estimate at this time the future financial impact of our environmental obligations. See "Gazprom—Health, Safety and Environment."

We are aligning our existing comprehensive system of labor and industrial safety to ensure that it complies with the requirements of the OHSAS18001 standard and preparing our core subsidiaries for certification. The purpose of implementing the OHSAS18001 standard is to ensure labor and industrial safety while maintaining the reliability of our operations.

There are numerous uncertainties inherent in estimating our reserves of natural gas, gas condensate and crude oil.

DeGolyer and MacNaughton has evaluated our reserves of natural gas, gas condensate and crude oil according to Petroleum Resources Management Systems Standards ("PRMS Standards") as of December 31, 2011. See the letter from DeGolyer and MacNaughton attached to this Base Prospectus as Appendix B. An evaluation of proved and probable natural gas reserves naturally involves multiple uncertainties. The reserves data included in this Base Prospectus represent only estimates and should not be construed as exact quantities. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the audit date, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas, gas condensate or crude oil may also affect our proved and probable

reserves estimates, as well as estimates of our future net revenues and present worth, because the reserves are evaluated, and the future net revenues and present worth are estimated, based on prices and costs as of the audit date. For the foregoing reasons, potential investors should not place undue reliance on the forward-looking statements in this Base Prospectus with respect to our estimated reserves.

In addition, certain evaluations were prepared in accordance with the Russian reserves system, which differs in certain material respects from PRMS Standards and reserves standards applied by the SEC ("SEC Standards"), in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves." PRMS Standards also differ in certain material respects from SEC Standards. The amount of estimated proved natural gas, gas condensate and crude oil reserves reported under SEC Standards could potentially be lower than those reported under PRMS Standards. An eventual decrease in the amount of natural gas, gas condensate and crude oil reserves reported by us could, if material, affect certain financial data reported by us in our consolidated financial statements in future periods.

Violations of existing international or U.S. sanctions could subject us to penalties or prevent certain of our transactions that could have an adverse effect on us.

We believe we are in compliance with international sanctions imposed in accordance with resolutions of the UN Security Council, Russian law, U.S. law and laws of jurisdictions where we operate.

International and U.S. sanctions have been imposed on companies engaging in certain types of transactions with specified countries, including Iran and Cuba, or companies in those countries.

We were involved, in partnership with Total S.A. ("Total") and Petronas, in a project to develop the South Pars field, located in the Iranian segment of the Persian Gulf. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Iran." In May 1998, the U.S. Department of State issued a determination that the investment made by our partners and us in Iran's South Pars field were exempt from sanctions under Section 9(c) of the Iran Sanctions Act of 1996 (the "Sanctions Act"). The waiver applies to our activities in the South Pars field only, and not to any other activities that we may conduct. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 and The Iran Threat Reduction and Syria Human Rights Act of 2012 further expanded existing sanctions against companies operating in, or engaged in business with, Iran.

In March 2006, we entered into a 25-year agreement with the Armenian government. In 2009, pursuant to the agreement, ArmRosGazprom, our subsidiary in which we hold an 80% interest, completed the construction and refurbishment of the approximately 197 km long second section of the Iran-Armenia pipeline. ArmRosGazprom owns this section of the pipeline. In 2009, the Armenian government, the owner of the approximately 40 km long first section of the pipeline, leased the first section of the pipeline to ArmRosGazprom. Currently, ArmRosGazprom transports Iranian gas through the pipeline under a contract between the Iranian and Armenian state-owned companies and, through a thermal power plant, Razdan-5, produces electricity that it supplies to the Armenian state-owned company.

In 2009, Gazprom Neft entered into a memorandum of understanding with Naftiran Intertrade Co. Limited, providing for potential joint exploration of certain fields in Iran pursuant to a service contract. We believe that the memorandum is, in substance, only a letter of intent, which is not binding upon either of the parties and does not provide for any active or inactive business operations in Iran. As of the date of this Base Prospectus, Gazprom Neft has not performed any work in relation to implementation of any projects contemplated by the memorandum and, as of the date of this Base Prospectus, Gazprom Neft has no plans to take any further action in relation to the memorandum.

In October 2010, Gazprom Neft entered into a framework agreement with Petronas relating to the assignment of its 30% participation interest in a production sharing agreement in respect of four deep-water blocks on the shelf of Cuba to Gazprom Neft. In July 2011, the agreement became fully effective. In August 2012, the parties completed drilling the first exploration well and are now assessing the results. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region."

In September 2011, Gazprom entered into separate memoranda of understanding with the Democratic People's Republic of Korea (North Korea) and KOGAS to explore the development of a

pipeline through the territory of the Democratic People's Republic of Korea to the Republic of Korea (South Korea). To date, no binding agreement has been reached and no investment has been made.

We believe that we are not currently involved in any transactions relating to Iran, Cuba, North Korea or other countries that could result in sanctions against us or for which we have not received a waiver of such sanctions. However, no assurance can be given that sanctions may not be imposed in the future, and we cannot predict future interpretations of the provisions of the Sanctions Act or the implementation policy of the U.S. government with respect to the current or future U.S. sanctions programs. Additionally, recent developments in U.S., European Union and United Nations Iranian sanctions programs have increased the risks of doing business related to Iran.

If we are deemed to have violated existing international or U.S. sanctions, penalties could include a prohibition or limitation on our ability to obtain goods and services on the international market or to access the U.S. or international capital markets, and could have a material adverse impact on our business, operating results, cash flows, financial condition, prospects, our ability to make interest payments with respect to the Notes, or the value of the Notes.

Our efforts to develop our business outside of the Russian Federation may not yield the expected results.

One of the key pillars of our business strategy is to expand the geographic reach of our business outside of the Russian Federation. We are currently implementing hydrocarbon exploration and production projects in South America, South East Asia, Africa and the Middle East. We are also considering enhancing our presence in the Asia-Pacific region. As of September 30, 2012, we had 14 registered representative offices abroad, including in Algeria, Brazil, India, Iran, Qatar and China. We are also implementing a number of priority market development strategies in our traditional and new overseas markets. We factor in local business peculiarities and specific risks at the prospective project validation stage. In addition, our foreign representative offices interact with governmental authorities, companies and other organizations in the relevant countries and regions. Despite our efforts, the development of our business outside of the Russian Federation may not yield the expected results owing to economic, political or other factors relating to our overseas operations.

Risks Relating to the Russian Federation

We are a Russian company and substantially all of our fixed assets are located in, and a significant portion of our revenues are derived from, Russia. There are certain risks associated with an investment in Russia.

Emerging markets such as Russia are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt our business, as well as cause the price of the Notes to suffer.

Generally, investing in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, emerging markets. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity and debt markets of all emerging market countries as investors move their money to more stable, developed markets. The Russian MICEX and RTS stock indices fell sharply during the global financial crisis beginning in 2008. Such volatility caused market regulators to temporarily suspend trading on the MICEX and RTS stock exchanges multiple times. A temporary recovery of the Russian stock market indices from the second half of 2009 until April 2011 was followed by a strong downward trend that continues in the Russian stock market. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. See also "—Economic Risks—Economic instability in Russia could adversely affect our business." Financial turmoil in any emerging market country could adversely affect our business, as well as result in a decrease in the price of the Notes.

Political Risks

Political and governmental instability or conflict could adversely affect the value of investments in Russia, including the Notes.

Russia has changed from a one-party state with a centrally-planned economy to a federal republic with democratic institutions and a market-oriented economy in just over two decades. However, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. The course of political, economic and other reforms has in some respects been uneven, and the composition of the Government, including the prime minister and the other heads of federal ministries, has at times been unstable. Such political instability increased after the State Duma elections in December 2011 and the Presidential elections in March 2012. The country recently experienced public protests in Moscow calling for political reform.

Future changes in the Government, the State Duma or the presidency, major policy shifts or eventual lack of consensus between the president, the Government, Russia's parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the value of investments in Russia generally and the Notes in particular, and our prospects could be harmed if there is further governmental instability or if the course of reform policies does not continue.

Emerging markets such as Russia are also subject to heightened volatility based on economic, military and political conflicts. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in significant overall price declines in the Russian stock exchanges. The emergence or escalation of any tensions in Russia or neighboring regions could negatively affect the economy of Russia and other countries that may be involved. Such tensions or conflicts may lead to reduced liquidity, trading volatility and significant reductions in the price of listed Russian securities, with a resulting negative effect on the liquidity, stability and trading price of the Notes and our ability to raise debt or equity capital in the international capital markets.

Conflicts between federal and regional authorities and other domestic political conflicts could create an uncertain operating environment that may hinder our long-term planning ability and could adversely affect the value of investments in Russia.

Russia is currently a federation of various sub-federal political units. Some of these political units exercise considerable autonomy over their internal affairs pursuant to agreements with the federal authorities. In practice, the division of authority between federal and regional authorities, in certain instances, remains uncertain and contested. This uncertainty could hinder our long-term planning efforts and may create uncertainties in our operating environment, any of which may prevent us from effectively and efficiently carrying out our business strategy.

For example, to achieve consistency in the regulation of natural gas supplies throughout Russia, the federal authorities have assumed responsibility for the development and implementation of state policy with respect to the supply of natural gas and the industrial and environmental safety of such supplies in Russia. However, regional and local authorities have a significant degree of autonomy in exercising their rights over the use of land and natural resources (including natural gas). Accordingly, the relationship between the relevant federal, regional and local authorities as well as between us and such authorities can have a significant impact on the conditions under which we can operate in any particular region. See also "—Risks Relating to the Russian Legal System and Russian Legislation—The Russian legal system and Russian legislation are at a developmental stage and this may create an uncertain environment for investment and for business activity."

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict. The conflict in Chechnya, for example, brought normal economic activity within Chechnya to a halt for a period of time and disrupted the economies of neighboring regions. Violence and attacks relating to this conflict also spread to other parts of Russia and resulted in terrorist attacks in Moscow. In the future, such tensions, military conflict or terrorist activities could have significant political consequences, including the imposition of a state of emergency in some or all of Russia or heightened security measures, which could disrupt normal economic activity in Russia and materially adversely affect our business and the value of the Notes.

Economic Risks

Economic instability in Russia could adversely affect our business.

The Russian economy has been subject to abrupt downturns. In 2004, for example, several Russian banks experienced a sharp reduction in liquidity, and the licenses of certain of them were withdrawn.

As Russia produces and exports large quantities of crude oil, natural gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market, which reached record high levels in the first half of 2008 but experienced significant decreases during the global financial crisis beginning in the second half of 2008. Russian banks, and the Russian economy generally, have also been adversely affected by the global financial crisis. During the crisis, the Russian economy has been characterized by extreme volatility in debt and equity markets, reductions in foreign investment and sharp decreases in gross domestic product. The Russian economy has not fully recovered from the economic crisis.

There can be no assurance that the measures adopted by the Government to mitigate the effect of the financial and economic crisis will result in a sustainable recovery of the Russian economy. Current macroeconomic challenges, low or negative economic growth in the United States, Japan and Europe and market volatility may prolong the economic crisis. In recent months, global markets have shown increased volatility due to continued macroeconomic challenges. The Russian economy remains vulnerable to further external shocks. Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavored by international investors—so-called "contagion effects." Russia has been adversely affected by contagion effects in the past, and it is possible that the market for Russian investments, including the Notes, will be similarly affected in the future by negative economic or financial developments in countries whose economies or credit ratings are similar to those of Russia.

There can be no assurance that recent economic volatility, or a future economic crisis, will not negatively affect investors' confidence in the Russian markets, economy or ability to raise capital in the international debt markets, any of which, in turn, could have a material adverse effect on the Russian economy. In addition, further declines in the price of crude oil, natural gas or other commodities could further disrupt the Russian economy and adversely affect our operating results and financial condition.

We face inflation and foreign exchange rate risks that could adversely affect our results of operations.

For the nine months ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009, 63%, 64%, 60%, 59% and 63% of our gross sales (including customs duties, net of value added tax ("VAT")), respectively, were mainly denominated in U.S. dollars or euros, while most of our costs were denominated in rubles. The relative movement of inflation and exchange rates therefore significantly affects our results of operations. In particular, our operating margins are generally adversely affected by appreciation of the ruble against the U.S. dollar or euro, because this will generally cause our costs to increase relative to our sales revenues. The pressure on operating margins arising from ruble appreciation in real terms is intensified by the relatively high inflation rate in Russia, which can further increase our costs. In addition, the relatively high rate of inflation in Russia reduces the value of our ruble-denominated cash assets, including ruble deposits, domestic debt instruments and accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Factors Affecting our Results of Operations—Impact of inflation and changes in exchange rates on export sales and operating margins."

During the financial crisis in late 2008 and early 2009, the Government used significant amounts of its international currency reserves to support the ruble, but expressed that it may be unwilling to continue such support in the future. Even though the ruble's decline in real terms against the U.S. dollar or euro normally has a positive effect on our profit margin as it reduces our costs in real terms in relation to our sales revenue, it does however increase the ruble equivalent of our debt denominated in foreign currencies and the ruble equivalent of the cost of such debt which could lead to difficulty in refinancing this debt.

We are required to repatriate our export sales revenues, which could adversely affect our business. In addition, if we are required to convert any portion of our export sales into rubles in the future, it may also adversely affect our business.

We are subject to the requirement of mandatory repatriation of our export sales revenues. This may adversely affect our business, results of operations and our ability to repay any Loan and thus the Issuer's ability to repay the corresponding portion of the Notes.

Currently, the CBR does not require any portion of our proceeds from export sales to be converted into rubles. In the past, however, we have been required to convert into rubles a percentage of our proceeds from export sales, and at times this percentage has been as high as 75%. There can be no assurance that the CBR will not require us to convert into rubles a percentage of our export sales in the future.

Russia's physical infrastructure is in poor condition, which could disrupt normal business activity.

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately maintained and developed due to insufficient funding. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected. Road conditions throughout areas of Russia are poor, with many roads not meeting minimum requirements for usability and safety. Breakdowns and failures of any part of Russia's physical infrastructure may disrupt our normal business activity.

In order to enhance the prospects of infrastructure improvement, the Government may pursue plans to reorganize the nation's rail, electricity and telephone systems. These reorganizations may result in increased charges and tariffs and may not result in the anticipated capital investment that is needed to repair, maintain and improve these systems. Significant increases in charges and tariffs, or further deterioration of Russia's physical infrastructure, may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt business operations, any or all of which could have a material adverse effect on our business and the value of the Notes.

Social Risks

Social instability caused by weakening economic conditions and turmoil in the financial markets in Russia could increase support for renewed centralized authority, nationalism or violence and thus materially adversely affect our ability to conduct our business effectively.

Weakening economic conditions and turmoil in the financial markets in Russia may result in high unemployment or the failure of state and private enterprises to pay full salaries on time and the failure of salaries and benefits generally to keep pace with the increasing cost of living. These conditions led to a certain amount of labor and social unrest in the past, which may reoccur or worsen in the future. Such labor and social unrest may have widespread political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism, including restrictions on foreign involvement in the economy of Russia, and increased tension between the Government and its people. Any of these consequences could restrict our operations and lead to a loss of revenue, materially adversely affecting us.

Risks Relating to the Russian Legal System and Russian Legislation

The Russian legal system and Russian legislation are at a developmental stage and this may create an uncertain environment for investment and for business activity.

Russia is still developing the legal framework required by a market economy. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the Constitution of the Russian Federation, by the Civil Code of the Russian Federation (the "Civil Code"), by other federal laws and by decrees, orders and regulations issued by the President, the Government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. Several fundamental Russian laws have only become effective within the past five to 10 years. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system impact the enforceability of laws and can result in ambiguities, inconsistencies in legal interpretations and other anomalies. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure. Among the possible risks of the current Russian legal system are:

- inconsistencies among (1) federal laws, (2) decrees, orders and regulations issued by the president, the Government, federal ministries and regulatory authorities, and (3) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;

- gaps in the regulatory structure due to delay in legislation or absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities; and
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings.

All of these weaknesses could affect our ability to enforce our rights under contracts, or to defend ourselves against claims by others.

The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent us or investors from obtaining effective redress in court proceedings.

The independence of the judicial system and its immunity from economic and political influences in Russia is also developing. The court system is understaffed. Russia is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims are often used in furtherance of personal aims different from the formal substance of the claims. We may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to us and our investors.

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities could also use common defects in matters surrounding share issuances and registration as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Such state action, if directed at us, could have a material adverse effect on our business, and on the value of the Notes to be issued under the Programme.

There are also legal uncertainties relating to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalization. However, it is possible that these protections may not be enforced in the event of an attempted nationalization, or in the event our business is reorganized. Our failure to receive what we believe to be adequate compensation in the event of the nationalization of any of our entities, their assets or portions thereof, or their break-up into separate companies, could have a material adverse effect on our operations and revenues, and on the value of the Notes.

The rights of our shareholders, the public reporting requirements and the Russian accounting regulations to which we are subject differ significantly from comparable listed companies in other jurisdictions.

Our corporate affairs are governed by Russian laws, our Charter and internal regulations adopted pursuant to our Charter. The rights of shareholders and the responsibilities of members of Gazprom's Board of Directors and Management Committee under Russian law are different from, and may be subject to certain requirements not generally applicable to, corporations organized in the United States, the United Kingdom or other jurisdictions. See "Management of Gazprom—Description of Gazprom's Management."

We are subject to Russian law, which requires us to make certain periodic public disclosures. For instance, we are required to publish our annual unconsolidated financial statements in accordance with Russian accounting regulations, together with an independent auditor's report. In addition, since 1998, the Government has required us (along with a number of other Russian companies that are natural monopolies) to produce financial statements prepared in accordance with IFRS, which we have done since 1996. The Gazprom Group consists of a large number of companies with a wide geographical range of operations. A majority of the companies in the Gazprom Group are governed by Russian law, including Russian accounting regulations. Due to the foregoing factors, we believe that it may take us more time than many western European companies to prepare and publish our financial reports in accordance with IFRS.

In accordance with Russian legislation, we are obligated to file quarterly reports on the activities of Gazprom to the Federal Financial Markets Service within 45 days of the end of the relevant quarter. Such reports include certain information about us, our management, subsidiaries, affiliates, litigation, selected financial and business information but do not contain all of the information contained in our IFRS consolidated financial statements. We have regularly published such reports since the fourth quarter of 1998 and generally comply with the reporting requirements.

In addition, Russian law requires certain disclosures be made by open joint stock companies, such as the disclosure of annual reports, any material facts affecting the financial condition and the business of the relevant company, certain board of directors' resolutions and lists of affiliated companies. We developed and adopted a corporate governance code for Gazprom at our General Meeting of Shareholders in June 2002. Nonetheless, despite these requirements and initiatives, there is less publicly-available information about us than there is available for comparable listed companies in, for example, the United States or the United Kingdom.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries.

Russian legislation generally provides that shareholders in a Russian joint stock company or members in a Russian limited liability company are not liable for the obligations of the joint stock company or limited liability company and bear only the risk of loss of their investment. This may not be the case, however, when one company (the "effective parent") is capable of making decisions for another company (the "effective subsidiary"). Under certain circumstances, the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out such decisions. In addition, the effective parent is secondarily liable for the effective subsidiary's debts if the effective subsidiary becomes insolvent or bankrupt as a result of the action or inaction of an effective parent. Accordingly, in our position as the effective parent of the subsidiaries in which we own more than 50% of the charter capital, we could be liable for their debts. This liability could have an adverse effect on us.

Some transactions conducted by us involving interested parties as defined under Russian law require the approval of disinterested directors or disinterested shareholders and our failure to obtain such approvals could have an adverse effect on us.

Russian law requires a company that enters into transactions that are referred to as "interested party transactions" to comply with special approval procedures by disinterested directors and/or shareholders. If the approval procedures are not followed, a transaction could be declared invalid upon a claim by the company or any of its shareholders subject to certain conditions provided by law. See "Certain Transactions." The interested party could be held liable for damages.

Transactions between members of a consolidated corporate group may also, in certain circumstances, be considered to be interested party transactions, even when the companies involved are wholly owned by the parent company. Our Russian subsidiaries are subject to the same (or similar) legal requirements regarding the approval of interested party transactions. Our failure to follow the required approval procedures for interested party transactions could adversely affect the Group's business, financial condition and results of operations.

The Rules of the new Russian Insider Dealing Law are yet to be tested in practice.

The Insider Dealing Law became effective on January 27, 2011, save for the regulation of insider trading a part of which became effective on July 30, 2011 while another part will become effective on July 30, 2013. The Insider Dealing Law enumerates categories of persons that can be considered insiders, including, among others, professional market participants (including brokers and dealers) who transact on behalf of their clients and have received insider information from such clients. One of the main consequences for a person deemed an insider is that they must notify the Russian regulator of any transactions they conduct that relate to that client. Under the Insider Dealing Law, any person who illegally uses the inside information and publishes misleading information may be held liable for misuse of information and/or market manipulation. The Insider Dealing Law is a new law, certain of its provisions are vaguely drafted and it is not clear how the law will be applied in practice by state authorities and courts.

Russian tax laws, regulations and practice are not well developed and are subject to frequent changes, which could have an adverse effect on us.

We are subject to a broad range of Russian taxes and other compulsory payments and levies imposed at the federal, regional and local levels, including, but not limited to, excise duties, export duties, corporate income tax, VAT, mineral extraction tax, property tax, compulsory insurance payments and other taxes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Factors Affecting our Results of Operations—Our historically high tax burden."

Russian laws and regulations related to these taxes, such as the Russian Tax Code, have been in force for a short period of time as compared to tax laws and regulations of more developed market economies. Historically, the system of tax collection in Russia has been relatively ineffective, resulting in continual changes in the tax legislation, which sometimes occur at short notice and apply retrospectively, and in the interpretation and application of the existing laws and regulations by the various authorities. Furthermore, the tax environment in Russia has been complicated by the fact that representatives of the various authorities have often interpreted tax legislation inconsistently. Although Russia's tax climate and the quality of Russian tax legislation have generally improved with the introduction of the Russian Tax Code, there can be no assurance that the Russian Tax Code will not be changed in the future in a manner that will be adverse to the stability and predictability of the Russian tax system. The possibility exists that the Government may impose arbitrary or onerous taxes, levies, fines and penalties in the future, which could adversely affect our business.

Since Russian federal, regional and local tax laws and regulations have been subject to frequent changes and some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, the interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Differing interpretations of tax laws and regulations exist both among and within government bodies at the federal, regional and local levels, increasing the number of existing uncertainties and tax risks and leading to the inconsistent enforcement of these laws and regulations in practice. The Russian tax system is therefore impeded by the fact that at times it still relies heavily on the inconsistent judgments of local tax officials and fails to address many of the existing problems.

Furthermore, taxpayers, the Russian Ministry of Finance and the Russian tax authorities often interpret tax laws and regulations differently. Private clarifications to specific taxpayers' queries with respect to particular situations issued by the Russian Ministry of Finance are not binding on the Russian tax authorities. There can be no assurance, therefore, that the representatives of the local Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Russian Ministry of Finance. During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments made by them as a result of tax audits of Russian companies operating in various industries, including the oil and gas industry. In some instances, the Russian tax authorities have applied tax laws and regulations retroactively. It is therefore possible that our transactions and activities that have not been challenged in the past may be challenged in the future.

In practice, taxpayers often have to resort to court proceedings to defend their positions against the tax authorities. Court rulings on tax or other related matters taken by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Tax declarations together with related documentation are subject to review and investigation by a number of Russian authorities, which are empowered by Russian laws to impose fines and penalties on taxpayers. Generally, tax declarations together with the related documentation remain subject to inspection by the Russian tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. Tax audits can, however, go beyond this general three year term to cover the tax period for which an amended tax return (if any) has been filed. The fact that a particular year has been reviewed by the Russian tax authorities does not prevent any tax declarations and other documentation relating to that year from further review and investigation by the Russian tax authorities during the three-year limitation period (or the period extended by filing an amended tax return, as discussed above). In particular, a repeat tax audit may be conducted (i) by a higher-level tax authority as a measure of control over the activities of lower-level tax authorities, or (ii) in connection with the reorganization/liquidation of a taxpayer, or (iii) as a result of the filing by such taxpayer of an amended tax return decreasing the tax payable to the revenue. Therefore, previous tax audits may not preclude subsequent tax claims relating to the audited period.

Furthermore, the Russian Tax Code provides for possible extension of the three-year statute of limitations for liabilities for tax offences, if the taxpayer is deemed to obstruct the performance of the tax audit and this has become an insurmountable obstacle for the tax audit. As the terms "obstructed" and "insurmountable obstacle" are not specifically defined in Russian tax laws or any other branches of Russian law, the Russian tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced by them in the course of their tax audits with the obstruction committed by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year limitation period. Therefore, the statute of limitations is not entirely effective with respect to liability for tax offenses, i.e. tax penalties, in Russia. Such extended tax audit, if it is concluded that we had significant tax

underpayments relating to previous tax periods, may have a material adverse effect on our business, financial condition and results of operations.

In its decision No. 138-O of July 25, 2001, the Constitutional Court of the Russian Federation introduced the concept of "a taxpayer acting in bad faith" without clearly stipulating the criteria for its interpretation and application. Similarly, this concept is not defined in Russian tax law or other branches of Russian law. Based on the available practice the Russian tax authorities and courts often exercise significant discretion in interpreting this concept in a manner that is at times unfavorable to taxpayers.

On October 12, 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued ruling No. 53 which introduced a concept of the "unjustified tax benefit" defined mainly by reference to specific examples of such tax benefits (e.g., tax benefits obtained by taxpayers as a result of arrangements that lack reasonable business purpose) which may lead to the disallowance of their application. Based on the available court practice it is apparent that the Russian tax authorities actively seek to apply this concept when challenging tax positions taken by taxpayers. Although the intention of this ruling was to combat the abuse of tax law, based on court cases relating to ruling No. 53 that have been brought to courts and are available to date, it can be concluded that the tax authorities have started applying the "unjustified tax benefit" concept in a broader sense than may have been initially intended by the Supreme Arbitration Court of the Russian Federation. Importantly, we are aware of cases where this concept has been applied by the Russian tax authorities in order to disallow benefits granted by double tax treaties. To date, however, in many cases where this concept has been applied, the courts have ruled in favor of taxpayers, but there is no assurance that the courts will follow these precedents in the future.

Russian transfer pricing legislation that was effective before January 1, 2012 was broad in scope and vaguely drafted, generally leaving a wide scope for interpretation at the discretion of the Russian tax authorities and courts, and there was limited guidance as to how these rules should have been applied. Moreover, in the event that a transfer pricing adjustment was made by the Russian tax authorities, the transfer pricing rules did not provide for an offsetting adjustment to the related counterparty in the relevant transaction.

New Russian transfer pricing legislation became effective on January 1, 2012. The list of the "controlled" transactions under this new law includes transactions performed with related parties and certain types of cross-border transactions. This new law has considerably increased compliance burdens for taxpayers compared to the law which was in effect before 2012 due to, among other things, shifting the burden of proving market prices from the Russian tax authorities to the taxpayer. Although the new law is intended to be in line with international transfer pricing principals developed by the OECD, there are some peculiarities as to how the OECD transfer pricing principles are reflected in the local rules. Special transfer pricing rules continue to apply to transactions with securities and derivatives. It is currently difficult to evaluate what effect these new provisions may have on our Group. However, the new transfer pricing legislation could have a considerable impact on the Group's tax position.

Accordingly, due to uncertainties in the interpretation of Russian transfer pricing legislation which was in effect before 2012 and the recently introduced new transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge the Group's prices and make adjustments which could affect our tax position unless we are able to justify the use of market prices with respect to "controlled" transactions supported by the appropriate transfer pricing documentation. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's business, results of operations and financial condition.

A new concept of consolidated taxpayer was incorporated into the Russian Tax Code and became effective on January 1, 2012. The new rules introduce consolidated tax reporting that enables the consolidation of the financial results of Russian companies for corporate tax purposes which form one group (the "Tax Group"). The Tax Group's profits tax base should be based on income and expenses of its participants. The consolidated profits cannot be reduced by tax losses accumulated by the participants of the Tax Group prior to its establishment. Moreover, intragroup transactions are to be included in the consolidated tax base and are arguably not subject to transfer pricing control. There are several requirements which should be met for consolidated group creation, including thresholds established for the level of revenue and the amount of corporate income tax payable by the Tax Group. We have created the consolidated group of taxpayers consisting of 56 Russian entities of the Group with the responsible member being Gazprom. There is no assurance that the consolidated taxpayer regime will not be changed in future. If the application of the consolidated group of taxpayers regime is subsequently challenged by the tax authorities or minority shareholders of Gazprom or its consolidated tax subsidiaries this may result

in the increase of our tax burden and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Our Group operates in various jurisdictions and includes companies incorporated outside of Russia. Russian tax laws as currently in effect are not well developed as far as taxation of foreign companies in Russia or operations of Russian companies abroad are concerned. Recently there have been a few precedents where the Russian tax authorities sought to challenge a Russian tax status of foreign companies; some of their attempts were successful. It is possible that with the evolution of these rules or changes in the approach of the Russian tax authorities and/ or courts to their interpretation and application, we might become subject to additional taxation in Russia in respect of our operations outside Russia.

It should also be noted that Russian tax legislation does not currently have a concept of tax residency for legal entities. However, the Government has been considering introducing the concept of tax residency for legal entities into domestic tax law, particularly for the purposes of avoidance of tax evasion. Recently, such plans were confirmed by the Government in the Main Directions of Russian Tax Policy for 2013 and the planned period 2014-2015. It has been proposed to determine the tax residency of legal entities based on a number of criteria similar to those used in double tax treaties concluded by the Russian Federation. No assurance can currently be given as to whether and when these suggestions will be enacted, their exact nature, their potential interpretation by the Russian tax authorities and the possible impact on the foreign entities of the Group. The Group may not rule out that as a result of the introduction of these changes certain foreign companies of the Group might be deemed to become Russian tax residents, subject to all applicable Russian taxes which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

Further, the Government in its Main Directions of the Russian Tax Policy for 2013 and planned period of 2014-2015 also expressed its intention to introduce the "controlled foreign companies" rule into the Russian Tax Code. It is currently unclear how and when these proposed policies will be enacted (if at all) and what effect these provisions may have on the Group. The imposition of additional tax liabilities as a result of the application of the "controlled foreign companies" rule to transactions carried out by the Group may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

These factors, plus the potential for state budget deficits, raise the risk of the imposition of additional taxes, levies, fines and penalties on us. The introduction of new taxes or levies or introduction of amendments to current taxation rules may have a substantial impact on the overall amount of our tax liabilities. There is no assurance that we would not be required to make substantially larger tax payments in the future, which may affect the financial results of our Group. In addition to creating a substantial tax burden, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing it and its subsidiaries to significant additional taxes, levies, fines and penalties and enforcement measures, and could adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the Notes and the Trading Market

The right of the Issuer to receive payments under the Loans (and therefore the Issuer's ability to make payments under the corresponding series of the Notes as they fall due) is effectively subordinated to any liabilities of our subsidiaries and we and many of our subsidiaries, as Russian companies, are subject to Russian bankruptcy laws and procedures. The ability of Noteholders to recover in full could be adversely affected if we, or any of these subsidiaries, declares bankruptcy, liquidates or reorganizes.

Certain of our operations are conducted through our subsidiaries and to a certain extent we depend on the earnings and cash flows of these subsidiaries to meet our debt obligations, including our obligations under each Loan. In addition, our subsidiaries' assets constitute a material part of our operating assets. Finally, our subsidiaries have material liabilities, including accounts payable and accrued charges, taxes payable, restructured tax liabilities, other long-term liabilities and provisions for liabilities and charges. Because our subsidiaries do not guarantee the payment obligations of our parent company, Gazprom, under each Loan or the Issuer's payment obligations under the Notes, neither the Issuer nor holders of Notes will have any direct claim on our subsidiaries' cash flows or assets. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, their creditors will generally be entitled to payment of their claims from the cash flows and assets of those subsidiaries before any cash flows or assets are made

available for distribution to us as a shareholder. This may adversely affect our ability to service our payment obligations under any Loan.

In addition, Noteholders' claims in the Specified Currency of the relevant Notes may be converted into Russian Roubles in any Russian bankruptcy proceedings and therefore, in addition to the general risks of less than full recovery associated with any bankruptcy (or similar) proceedings, Noteholders may be adversely affected by movements in the currency exchange rates between the Russian Rouble and the Specified Currency of the Notes.

If we wish to incur secured indebtedness, we may be required by the International Bank for Reconstruction and Development to equally and ratably pledge our assets, which may affect our ability to obtain secured financing.

The Russian Federation is subject to a negative pledge clause in its borrowings from the International Bank for Reconstruction and Development (the "IBRD") in accordance with Article 6.02 of the IBRD's General Terms for loan and guarantee agreements. The negative pledge clause prevents us, as an entity owned or controlled by, or operating for the account or benefit of, the Russian Federation, from pledging any of our assets to secure further borrowings unless the IBRD is equally and ratably secured. In this context, if we wish to incur our own secured indebtedness, there is a risk that we may be required by the IBRD to equally and ratably pledge our assets with regard to the Russian Federation's indebtedness.

The lack of a public market for the Notes could reduce the value of your investment.

There may not be an existing market for the Notes at the time they are issued. Each Series of Notes is expected to be listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange (or another stock exchange). However, there can be no assurance that a liquid market will develop for the Notes, that holders of the Notes will be able to sell their Notes, or that such holders will be able to sell their Notes for a price that reflects their value.

Payments we make under the Loans may become subject to Russian withholding tax.

In general, interest payments on borrowed funds made by a Russian legal entity to a non-Russian legal entity or organization having no registered presence or permanent establishment in Russia are subject to Russian withholding tax at the rate of 20%, which could be reduced or eliminated pursuant to the terms of an applicable double tax treaty subject to treaty clearance formalities to be satisfied by the foreign legal entity in a timely fashion.

In particular, the Convention between Grand Duchy of Luxembourg and the Russian Federation for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital signed on June 28, 1993 (the "Russia-Luxembourg double tax treaty") establishes that Russian withholding tax could be eliminated provided that certain criteria specified in the treaty are satisfied by the recipient of income.

The application of the tax benefits under the Russia-Luxembourg double tax treaty could be affected by the change in the interpretation by the Russian tax authorities of the concept of factual/beneficial owner of income. Specifically, on December 30, 2011 the Russian Ministry of Finance issued letter No. 03-08-13/1 (the "Letter") addressed to the Federal Tax Service, in which the Ministry of Finance asserted that in the context of a very specific eurobond structure, which is not the same as the structure of the transaction described in this Base Prospectus, a foreign issuer of eurobonds cannot benefit from the provisions of the Russia-Ireland double tax treaty in respect of interest paid by the Russian borrower because, in the view of the Ministry, such foreign issuers of eurobonds may not be considered as the beneficial owners of interest income. Conversely, the Letter says that holders of the notes could apply the provisions of the respective tax treaty (if any) concluded between Russia and the country of residency of each holder of the notes. We cannot preclude the possibility that the Russian tax authorities might apply the same approach to the payments made under the structure of the Programme as described in this Base Prospectus.

Notwithstanding anything to the contrary above, no withholding tax should arise in eurobond structures by virtue of the exemption envisaged by Federal Law No. 97-FZ dated June 29, 2012 "On introduction of amendments in part one and two of the Tax Code of the Russian Federation and article 26 of Federal law on banks and banking activity" (the "Law No. 97-FZ"). The Law No. 97-FZ provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that certain conditions are met. See "*Taxation—Russian Federation*."

The release from the obligation to withhold tax from interest and other payments described herein will apply retrospectively to income paid since 2007 and will continue to be available in respect of issued bonds (such as each and any Series of the Notes) that are issued before January 1, 2014.

We believe that it should be possible to satisfy conditions established by the Law No. 97-FZ and obtain a release from the obligation to withhold tax from payments of interest and certain other amounts, as the case may be, on each Loan to the Issuer.

Importantly, the Law No. 97-FZ does not provide an exemption to the foreign interest income recipients from Russian withholding tax, although currently there is no requirement in the Russian tax legislation for the foreign income recipients being the legal entities to self-assess and pay the tax to the Russian tax authorities. The Ministry of Finance acknowledged in its information letter published on its website that the release from obligation to act as a tax agent means, in effect, that tax at source within Russia should not arise in connection with eurobonds, since there is neither a mechanism nor obligation for a non-resident to independently calculate and pay such tax. There can be no assurance that such rules will not be introduced in the future or that the tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under the Law No. 97-FZ is available to the Trustee. There is a potential risk that Russian withholding tax in respect of payments of interest and some other amounts to the Trustee at the rate of 20% (or such other tax rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30% (or such other tax rate that may be effective at the time of payment) may be deducted by Gazprom upon making such payments to the Trustee. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty under such circumstances. In addition, while some Noteholders that are foreign persons not residing in Russia for tax purposes may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of the respective taxes under applicable double tax treaties entered into between their countries of tax residence and the Russian Federation, there is no assurance that any treaty relief will be available to them in practice under such circumstances.

If interest payments or any other amounts due under any Loan become subject to Russian withholding tax (as a result of which the Issuer will reduce the respective payments made under the corresponding Series of the Notes by the amount of such withholding tax) we will be obligated under the terms of the relevant Loan Agreement to increase the respective payments, as may be necessary to ensure that the net amount of payments received by the Issuer will not be less than the amount it would have received in absence of such withholding. It is unclear however whether provisions of the relevant Loan Agreement obliging us to gross up any payments under the Loans will be enforceable under Russian law as currently in effect. There is a risk that gross-up for withholding tax will not take place and that payments we made under the Loans will be reduced by the amount of Russian income tax or Russian personal income tax withheld by us at source. See "Taxation—Russian Federation".

If we are obligated to increase any payments on any or all Loans or to make additional payments on any or all Loans as described above, we may (without premium or penalty), subject to certain conditions, prepay the relevant Loan in full. In such case, all outstanding Notes of the corresponding Series will be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment. See "*Terms and Conditions of the Notes*" and "*Taxation—Russian Federation*."

Tax might be withheld upon disposal by individuals of the Notes in Russia, reducing their value.

Where proceeds from the sale or other disposal of the Notes (including accrued and paid interest on the Notes) are deemed to be received from a source within Russia by a Noteholder, who is an individual not qualifying as a Russian tax resident, a Russian personal income tax at a tax rate of 30% (or such other tax rate as could be effective at the time of such sale or other disposal) will apply to the gross amount of sales or other disposal proceeds realized upon such sale or other disposal of the Notes less any available duly documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes), provided that the documentation supporting cost deductions is available to the person obliging to calculate and withhold Russian personal income tax in a timely manner.

Although technically Russian personal income tax due could be reduced or eliminated based on provisions of an applicable double tax treaty entered into between Russia and the country of tax residency

of a particular Noteholder subject to timely compliance by that Noteholder with the treaty clearance formalities, in practice non-Russian resident Noteholders who are individuals may not be able to obtain the advance treaty relief in relation to sales or disposal proceeds and/or accrued interest income, as may be relevant, received from a source within Russia. Obtaining a refund of Russian personal income taxes that were excessively withheld in relation to this income can be extremely difficult, if not impossible.

The imposition or possibility of imposition of this withholding tax, as applicable, under such circumstances could adversely affect the value of the Notes. See "Taxation—Russian Federation."

An investment in the Notes is subject to ERISA restrictions.

A Series of Notes issued under the Programme may be regarded for purposes of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as equity interests in a separate entity whose sole asset is the Loan corresponding with that Series. Accordingly, the Notes should not be acquired by any "benefit plan investor" within the meaning of Section 3(42) of ERISA ("Benefit Plan Investor"). Each purchaser and/or holder of Notes and each transferee therefore will be deemed to have made representations that it is not a Benefit Plan Investor. Potential purchasers should read the sections entitled "Certain U.S. Employee Benefit Plan Considerations" and "Transfer Restrictions."

Ratings of the Notes

In general, European regulated investors are restricted under Regulation (EC) No 1060/2009 (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Where a Series of Notes is rated, the rating assigned to the Notes and details of the relevant rating agency will be specified in the applicable Final Terms or Series Prospectus. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms or Series Prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This Base Prospectus contains certain forward-looking statements in various locations, including, without limitation, under the headings "Overview," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Gazprom." We may from time to time make written or oral forward-looking statements in reports to our shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of our plans, objectives or goals, including those related to products or services;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Forward-looking statements that may be made by us from time to time (but that are not included in this Base Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as "believes," "anticipates," "expects," "estimates," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the prevailing global and domestic economic environment;
- inflation, interest rate and exchange rate fluctuations;
- the prices of natural gas and crude oil;
- our ability to finance our anticipated capital expenditures at least in part through the global capital markets, revenue from operations or otherwise;
- the effects of, and changes in, the policies of the Government;
- the inherent uncertainties in estimating our reserves of natural gas, gas condensate and crude oil;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices;
- our ability to increase market share for our products and control expenses;
- acquisitions or divestitures;
- technological changes;
- the effects of international political events on our businesses;
- our ability to manage operational risks in our gas and crude oil exploration, production and transportation activities and other business operations; and
- our success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise except as otherwise required by applicable law or under the Prospectus Directive and the relevant implementing measures in Ireland. We do not make any representation, warranty or prediction that the results or events anticipated by such forward-looking statements will be achieved or occur, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

ENFORCEABILITY OF JUDGMENTS

Gazprom is an open joint stock company incorporated under the laws of Russia, and most of our assets are currently located outside the United States and the United Kingdom. In addition, all of our directors and executive officers are residents of countries other than the United States and the United Kingdom. As a result, it may not be possible for you to:

- effect service of process within the United States or the United Kingdom upon us or any of our directors or executive officers named in this Base Prospectus; or
- enforce, in the U.S. or English courts, judgments obtained outside the U.S. or English courts against us or any of our directors and executive officers named in this Base Prospectus in any action, including actions under the civil liability provisions of the U.S. securities laws or any state or territory of the United States.

In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United States or the United Kingdom, liabilities predicated upon the U.S. securities laws or upon English laws.

A final judgment obtained in a court in the United Kingdom will be enforceable in Luxembourg subject to applicable exequatur proceedings, as provided for in Council Regulation (EC) 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters and the Council Regulation (EC) No.805/2004 of April 21, 2004 creating a European enforcement order for uncontested claims.

Judgments rendered by a court in any jurisdiction outside Russia will be recognized and enforced, without re-examination of the issues, by courts in Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered and/or a federal law is adopted in Russia that provides for the recognition and enforcement of foreign court judgments. No such treaty exists between the United States and Russia or the United Kingdom and Russia for the reciprocal enforcement of foreign court judgments and no relevant federal law on enforcement of foreign court judgments has been adopted in Russia. However, we are also aware of at least two instances in which Russian courts have recognized and enforced foreign court judgments (including a judgment of an English court), on the basis of the principle of reciprocity and (in case of enforcement of an English court judgment) the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant English court judgment in Russia. In the absence of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognize and enforce an English court judgment on these grounds.

Each Loan Agreement will be governed by English law and provide for disputes, controversies and causes of action brought by the Issuer against us to be settled by arbitration in accordance with the Rules of the LCIA (formerly the London Court of International Arbitration). Russia and Luxembourg are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). Consequently, a final conclusive decision obtained by arbitration under the Rules of the LCIA will be enforceable in Luxembourg subject to exequatur proceedings as provided in the New York Convention, and Russian courts should generally recognize and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom on the basis of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Russian laws. However, any arbitral award pursuant to arbitration proceedings in accordance with the Rules of the LCIA and the application of English law to the Loan Agreements may be limited, in particular, by mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. The Arbitrazh Procedure Code of the Russian Federation also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts which grounds are substantially similar to those provided by the New York Convention. The Arbitrazh Procedure Code and other Russian procedural laws could change, and other grounds for Russian courts to refuse recognition and enforcement of foreign arbitral awards could arise.

SUPPLEMENTAL BASE PROSPECTUS

Each of Gazprom and the Issuer will agree to comply with any undertakings given by it from time to time to the Irish Stock Exchange in connection with listed Notes and, without prejudice to the generality of the foregoing, Gazprom and the Issuer will each, so long as any of its Notes remains outstanding and admitted to trading on the Main Securities Market, in the event of any significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Irish Stock Exchange.

Gazprom has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment by investors of any Notes and the corresponding Loan and whose inclusion in this Base Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Gazprom and the Issuer, and the rights attaching to such Notes and Loan, Gazprom shall prepare an amendment or supplement to this Base Prospectus or publish a replacement base prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

Gazprom and the Issuer may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the terms and conditions described herein, in which event a Series Prospectus or a supplemental prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Notes.

PRESENTATION OF CERTAIN INFORMATION

References

In this Base Prospectus, the terms "we," "us," "our," "Gazprom Group," and "Group" refer to Open Joint Stock Company Gazprom (also known as OAO Gazprom) and its consolidated subsidiaries, taken as a whole, unless the context otherwise requires. The term "Gazprom" refers to OAO Gazprom.

Unless the context otherwise requires, in this Base Prospectus the term "Gazprom Neft" refers to OAO Gazprom Neft (formerly OAO Sibneft) and its consolidated subsidiaries, taken as a whole.

The term "Russia" refers to the Russian Federation. The term "FSU" refers to the countries of Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The term "Europe" refers to western Europe and central and eastern Europe. The term "Europe and Other Countries" refers to countries other than Russia and the FSU countries. Definitions of certain other terms used in this Base Prospectus may be found under the heading "Glossary of Selected Terms."

We measure our gas condensate and crude oil in metric tons. This Base Prospectus contains conversions of certain volumes from tons into barrels solely for the convenience of the reader. The conversion of volumes from metric tons to barrels varies at each of our fields due to different geological conditions. In this document, however, we use a conversion rate for all conversions of tons to barrels of one ton of crude oil = 7.33 barrels of crude oil and one ton of gas condensate = 8.18 barrels of gas condensate. This Base Prospectus also contains conversions of cubic meters of natural gas and barrels of gas condensate and crude oil into barrels of oil equivalent solely for the convenience of the reader. In this Base Prospectus, we use a conversion rate for all conversions of one mcm of natural gas = 5.89 barrels of oil equivalent, one barrel of gas condensate = one barrel of oil equivalent and one barrel of crude oil = one barrel of oil equivalent.

Unless otherwise indicated, the proved and probable gas reserves of Gazprom and its subsidiaries are expressed in this Base Prospectus in terms of "separator" gas. See the DeGolyer and MacNaughton letter attached to this Base Prospectus as Appendix B. Generally, separator gas is gas that has not been treated and therefore includes an amount of gas that is not sold to customers.

Our reserves and production calculation methodology is consistent with IFRS consolidation principles. Thus, reserves and production information of our subsidiaries is included in full in our total reserves and production, disregarding our effective share in such subsidiaries. The information on hydrocarbon reserves and production of our associated companies is not consolidated in accordance with IFRS consolidation principles and are therefore excluded from our total reserves and production figures. However, material information on the ABC_1 hydrocarbon reserves of our associated companies is presented separately.

Reproduction of information

Information contained under the heading "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters" includes extracts from information and data publicly released by official and other sources, including Russian governmental agencies and bodies. Each of the Issuer and Gazprom accepts responsibility for accurately reproducing such information and data and, as far as Gazprom or the Issuer is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading, but neither the Issuer, nor Gazprom accepts responsibility in respect of such information and data or its accuracy.

Currencies

In this Base Prospectus, references to "Russian Roubles," "rubles" and "RR" are to the lawful currency for the time being of Russia; references to "U.S. dollars," "dollars" and "U.S.$" are to the lawful currency for the time being of the United States of America; references to "£" are to the lawful currency for the time being of the United Kingdom and references to "€" and "euro" are to the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended. References to "CHF" are to the lawful currency for the time being of Switzerland.

Exchange rates

The table below sets out, for the periods and dates indicated, certain information regarding the exchange rate between the ruble and the U.S. dollar, based on the official exchange rate quoted by the CBR. Fluctuations in the exchange rates between the ruble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

	High	Low	Average[1]	Period End
2013 (through February 5, 2013)	30.42	29.93	30.19	29.93
2012	34.04	28.95	31.07	30.37
2011	32.68	27.26	29.39	32.20
2010	31.78	28.93	30.38	30.48
2009	36.43	28.67	29.45	30.24
2008	29.38	23.13	24.98	29.38
2007	26.58	24.26	25.49	24.55

Source: The CBR.

Note:

(1) The average of the exchange rates on the last business day of each month for the relevant annual period, and on each business day for any other period.

This Base Prospectus contains conversions of certain amounts into dollars at specified rates solely for the convenience of the reader. The U.S. dollar amounts have been translated from the ruble amounts at the rate of RR30.92 = U.S.$1.00, which was the CBR rate on September 30, 2012. The CBR rate on February 5, 2013 was RR 29.93 = U.S.$1.00.

No representation is made that the U.S. dollar or ruble amounts referred to in this Base Prospectus could have been or could be converted into rubles or U.S. dollars, as the case may be, at the above exchange rates or at all.

OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with this entire Base Prospectus, including the more detailed information regarding our business and the financial statements and related notes included elsewhere in this Base Prospectus. Prospective purchasers of the Notes should also carefully consider the information set forth under the heading "Risk Factors." Certain statements in this Base Prospectus include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements."

Gazprom

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. For the year ended December 31, 2011, our sales net of VAT and customs duties were RR4,637,090 million (U.S.$149,971 million) and our operating profit was RR1,656,843 million (U.S.$53,585 million). For the nine months ended September 30, 2012 our sales net of VAT and customs duties were RR3,351,303 million (U.S.$108,386 million) and our operating profit was RR865,368 million (U.S.$27,987 million). As of December 31, 2011, we had total assets of RR10,900,696 million (U.S.$352,545 million) and total shareholders' equity (excluding non-controlling interest) of RR7,463,571 million (U.S.$241,383 million). As of September 30, 2012, we had total assets of RR11,619,410 million (U.S.$375,789 million) and total shareholders' equity (excluding non-controlling interest) of RR8,019,465 million (U.S.$259,362 million). The consequences of the global financial crisis negatively affected our financial position and operating results in production, transportation and other operations in 2009. However, our financial position and operating results have generally recovered in subsequent periods.

Reserves. We estimate our reserves using the Russian reserves system, which differs significantly from PRMS Standards, in particular, with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. As of December 31, 2011, our ABC_1 reserves amounted to 35.0 tcm (206.4 bboe) of natural gas, 1,395.5 million tons (11.4 bboe) of gas condensate and 1,767.3 million tons (13.0 bbls) of crude oil, for a total of 230.8 bboe. Over 65% of these ABC_1 hydrocarbon reserves are concentrated in western Siberia. Most of our reserves outside of western Siberia are located in the Barents Sea and southern Russia.

Independent petroleum engineering consulting firm DeGolyer and MacNaughton evaluated our reserves as of December 31, 2011. The evaluation was conducted in accordance with PRMS Standards and covered approximately 90% of our ABC_1 natural gas reserves, 83% of our ABC_1 gas condensate reserves and 89% of our ABC_1 crude oil reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves—Differences between PRMS Standards and SEC Standards." As of December 31, 2011, our proved reserves according to an evaluation by DeGolyer and MacNaughton (attached as Appendix B hereto) amounted to 19.2 tcm (113.2 bboe) of natural gas, 605.2 million tons (5.0 bboe) of gas condensate and 723.9 million tons (5.3 bbls) of crude oil, for a total of 123.4 bboe, and our probable reserves amounted to 3.6 tcm (21.4 bboe) of natural gas, 152.6 million tons (1.3 bboe) of gas condensate and 492.2 million tons (3.6 bbls) of crude oil, for a total of 26.2 bboe. We believe that the evaluated fields are likely to contain most of our reserves that would be deemed proved or probable upon a full evaluation of our reserves in accordance with PRMS Standards.

Exploration and production. In the year ended December 31, 2011, we produced 513.2 bcm (3,022.6 mmboe) of natural gas, 12.1 million tons (98.7 mmboe) of gas condensate and 32.3 million tons (236.6 mmbls) of crude oil, for a total of 3,357.9 mmboe, as compared with 508.6 bcm (2,995.6 mmboe) of natural gas, 11.3 million tons (92.4 mmboe) of gas condensate and 32.0 million tons (234.6 mmbls) of crude oil, for a total of 3,322.6 mmboe, in the year ended December 31, 2010. In the nine-month period ended September 30, 2012, we produced 355.0 bcm (2,091.0 mmboe) of natural gas, 9.2 million tons (75.3 mmboe) of gas condensate and 24.9 million tons (182.5 mmbls) of crude oil, for a total of 2,348.7 mmboe, as compared with 376.3 bcm (2,216.4 mmboe) of natural gas, 8.9 million tons (72.8 mmboe) of gas condensate and 24.0 million tons (175.92 mmbls) of crude oil, for a total of 2,465.1 mmboe, in the nine-month period ended September 30, 2011. Our production results in 2010, 2011 and 2012 were significantly affected by fluctuations of demand in our principal markets.

Our natural gas production represented approximately 77% and 78% of total natural gas production in Russia in 2011 and 2010, respectively. Our natural gas production in western Siberia accounts for over 90% of our natural gas production.

Gas transportation. We own and operate the world's largest gas transportation system, which collects, processes, transports, stores and delivers substantially all the natural gas sold in Russia. As of December 31, 2011, the total length of the system was 164,681 km (not including pipelines for the transportation of gas condensate) and included 211 compressor stations on the pipelines, with an aggregate capacity of 41,740 MW, and 25 UGSFs with an aggregate capacity of 66.7 bcm. We control and manage the transportation of gas in the GTS network from our central dispatch management center located in Moscow.

We transported 677.3 bcm and 655.5 bcm of natural gas in 2011 and 2010, respectively, and 478.1 bcm and 496.2 bcm of natural gas in the nine months ended September 30, 2012 and 2011, respectively. The increase in the volume of gas transported in 2011 as compared to 2010 was primarily driven by the increase in gas production in Russia and the increase in gas withdrawal from our UGSFs. The decrease in gas transportation volumes in the nine-month period ended September 30, 2012, compared to the same period in 2011, was primarily caused by the decrease in our gas deliveries outside of Russia as a result of weakened demand for gas and a general decline in gas consumption in Europe.

Processing, refining and petrochemical production. We refine a large amount of the natural and associated gas, gas condensate and crude oil that we produce. As of September 30, 2012, our total annual processing and refining capacity was approximately 53.0 bcm of natural gas and 75.0 million tons of unstable gas condensate and crude oil. In 2011, we refined 33.2 bcm of natural and associated gas and 53.5 million tons of unstable gas condensate and crude oil, as compared with 33.6 bcm of natural and associated gas and 50.2 million tons of unstable gas condensate and crude oil in 2010, respectively. In the nine months ended September 30, 2012, we refined 23.8 bcm of natural and associated gas and 42.7 million tons of unstable gas condensate and crude oil, as compared with 24.8 bcm of natural and associated gas and 40.5 million tons of unstable gas condensate and crude oil in the nine-month period ended September 30, 2011, respectively. We also produce a wide range of refined gas and petrochemical products.

Gas sales. We supply a major part of the natural gas consumed in Russia and a significant portion of the natural gas consumed in the FSU countries to which we export our natural gas. According to CEDIGAZ's statistical survey Natural Gas Year in the World 2012 (October 2012), we supplied approximately 27% of the natural gas consumed in Europe in 2011, which made us the largest supplier of natural gas to Europe in that year. For the year ended December 31, 2011, our sales of natural gas to our principal markets—Europe and Other Countries, the FSU and Russia—accounted for approximately 30%, 16% and 54% of our natural gas sales volume and approximately 51%, 23% and 26% of our natural gas net sales revenues, respectively. Most of our exports to Europe are transported by pipelines through Ukraine and Belarus. In the year ended December 31, 2011, our gas sales volume amounted to 519.0 bcm as compared with 495.6 bcm in the year ended December 31, 2010. This increase was a result of an increase in domestic gas consumption due to general economic growth in Russia and our efforts to improve the competitive position of Russian gas in the European gas market. For the nine months ended September 30, 2012, our sales of natural gas to our principal markets—Europe and Other Countries, the FSU and Russia—accounted for approximately 33%, 14% and 53% of our natural gas sales volume and approximately 54%, 20% and 26% of our natural gas net sales revenues, respectively. In the nine months ended September 30, 2012, our gas sales volume amounted to 342.3 bcm as compared with 371.8 bcm in the nine months ended September 30, 2011.

Electricity. In recent years, as a result of the reorganization of RAO UES, a former Russian energy natural monopoly, and subsequent acquisitions, we have consolidated electric power and heat generating assets, including OAO Mosenergo ("OAO Mosenergo" or "Mosenergo"), OGK-2, OGK-6 and TGK-1. See "Gazprom—Electric and heat energy generation and sales—Russia." Our aggregate electric power generating capacity amounted to 37.2 GW and heat generating capacity amounted to 54.0 thousand Gcal/h as of September 30, 2012. We generated 173.2 billion kWh and 175.1 billion kWh of electric power and 100.2 million Gcal and 106.9 million Gcal of heat for the years ended December 31, 2011 and 2010, respectively, and 122.1 billion kWh and 127.3 billion kWh of electric power and 67.6 million Gcal and 68.5 million Gcal of heat for the nine-month periods ended September 30, 2012 and 2011, respectively. See "Gazprom—Electric and heat energy generation and sales—Russia" and "Gazprom—Distribution—Europe and Other Countries—Europe."

Relationship with the Government. The Russian Federation currently controls more than 50% of our shares. As our controlling shareholder, the Russian Federation has a strong influence over the major decisions made at our shareholder meetings and, as the nominating party for a majority of the members of Gazprom's Board of Directors, is able to determine our strategy, make policy decisions in relation to the

main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Currently, the Government regulates the tariffs that we charge for gas transportation through our trunk pipelines to independent gas suppliers, the wholesale prices for gas that we and our affiliated companies produce and sell in the domestic market, as well as some other areas of our business. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—The GTS." In addition, we are the largest taxpayer to the federal budget.

Strategy

Our strategic goal is to continue to be a leader among global energy companies by diversifying our product markets, increasing the reliability of our supplies, enhancing the efficiency of our operations and using advanced technology and scientific achievements to improve our operations.

To achieve this goal, our development strategy prioritizes our investments in our industrial assets, in particular our gas production fields, that we believe will provide the most efficient and integrated development of gas production, transportation, processing and storage facilities. The slowdown of the Russian economy and the economies of our principal customers as a result of the recent global economic crisis led to a reduction in prices and demand for natural gas. In response to these changes in demand for our products, we reduced our natural gas production in the first half of 2009 and adjusted our initial plans to increase our capacity in production and transportation and related plans for short-term and medium-term capital expenditures. Demand from our principal markets and, consequently, the Group's production performance began to recover in the middle of 2009 and continued to grow in 2010 and 2011. Our strategy allows us to adapt our response to any changes in the demand for gas both at the domestic and international markets. See "Gazprom—Investment Program."

We believe that our long-term forecasts of demand in our major markets, the projected economic efficiency of our projects and planned increases of our capacities continue to be reasonable estimates and are based on a conservative approach. Therefore, we believe that our long-term strategic goals and projects are sustainable despite any short- and medium-term changes in the economic environment.

In 2009, we increased our shareholding in Gazprom Neft from 75.68% to 95.68% which allowed us to begin consolidating our entire oil business within one subsidiary. Gazprom Neft's strategic goal is to become a large international player with a regionally diversified portfolio throughout the value chain.

Exploration and production. To pursue the recovery of our hydrocarbon reserves, we perform geological exploration works in our main production regions, the most important of which are the Nadym-Pur-Tazovsky region in western Siberia and the pre-Caspian oil and gas bearing provinces in southern Russia, as well as other promising gas production regions, such as the Yamal Peninsula in western Siberia, the Russian sea shelf of the Arctic seas (including the Obskaya and Tazovskaya Bays), eastern Siberia and the Far East. In accordance with our geological exploration program, we plan to ensure the enhanced recovery of our gas reserves.

Assuming sufficient demand in Russia and favorable conditions in foreign markets in the long-term, we expect our annual production (including production in eastern Siberia and the Russian Far East) to reach over 600 bcm by 2020.

In order to reach these levels, we intend to develop new strategic fields in the Yamal Peninsula in western Siberia, the Russian sea shelf, in eastern Siberia and the Far East. The development of fields in these regions will require significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather conditions.

We develop resources in eastern Siberia and the Far East in accordance with the program adopted in 2007 by the Ministry of Energy of the Russian Federation authorizing us to create a unified gas production, transportation and supply system in eastern Siberia and the Far East with the potential to export gas to markets in China and other Asia-Pacific countries (the "Eastern Program"). Gazprom is the coordinator of the Eastern Program. The Eastern Program envisages the creation of the Sakhalinskiy, Yakutskiy, Irkutskiy, Krasnoyarskiy and Kamchatskiy gas production centers. The production in these regions is expected to reach up to 45 to 50 bcm of natural gas by 2020. The Eastern Program identifies the sea shelf of Sakhalin as the highest-priority area for full-scale commercial development in the first stage of the Eastern Program. In April 2007, we acquired a 50% plus one share interest in Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy"), the project operator of Sakhalin II. See "Gazprom—Reserves and

Production—Exploration, Development and Production regions—Russian sea shelf—Associated companies and development of associated projects in the region—Sakhalin II project." In October 2012, we started implementing the second stage of the Eastern Program, which envisages establishing a large gas production center in the Republic of Sakha (Yakutia). See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Eastern Siberia and the Far East (Siberian and Far East federal districts)—Republic of Sakha (Yakutia). Chayadinskoye field."

We also intend to expand our reserves outside of Russia and obtain licenses for exploration and development of hydrocarbon reserves in various international regions. Currently, the Group conducts business in Algeria, Bolivia, Kyrgyzstan, Libya, Tajikistan, Uzbekistan, Venezuela, Vietnam and in other countries. We are also negotiating to participate in projects in other countries, in particular, countries in Africa, Asia and South America.

In 2009, in furtherance of our strategy to consolidate our entire oil business within one subsidiary, we decided to transfer rights to the Novoportovskoye field and the eastern area of the Orenburgskoye field to Gazprom Neft. Gazprom Neft intends to increase its annual oil production, including production of its subsidiaries and its share in associated companies, to 100 million tons of oil equivalent by 2020. Gazprom Neft expects to maintain a reserve-to-production ratio at current levels for at least 20 years, and the new projects are expected to account for at least a half of Gazprom Neft's production by 2020. Gazprom Neft plans to expand its business by acquiring new licenses for fields from the state unallocated subsoil reserve fund and by purchasing assets in Russia and abroad. Gazprom Neft intends to actively develop its foreign projects, so that they will account for 10% of its total hydrocarbon production by 2020.

Gas transportation and storage. We are developing new transportation facilities to ensure the transportation of gas from the new production regions, to provide a reliable supply of gas to Russian consumers and to satisfy our contractual export obligations. In determining the sequence of the implementation of our new gas transportation facilities in the long term, we take into account the projected timing for achieving efficient utilization and optimal productivity of the existing gas transportation system and diversification of export routes. Our most significant current gas transportation projects are the construction of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines for gas transportation from the Yamal Peninsula and the completion of the Gryazovets-Vyborg pipeline. We also plan to construct the South Stream pipeline to transport gas from Russia to southern and central Europe and to extend the GTS to accommodate gas supply to the South Stream pipeline. Additionally, in the second stage of the Eastern Program we plan to construct a trunk gas pipeline from Yakutia to Vladivostok via Khabarovsk to transport gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye field, to consumers in Russia and the Asia-Pacific region.

One of our long-term goals is the development of gas transportation facilities in eastern Siberia and the Far East. We have commissioned the first stage of the Sakhalin-Khabarovsk-Vladivostok gas transportation system and started gasification of the Primorskiy region. We are conducting gasification of the Irkutsk region and have put into operation a pipeline from the fields located in the Sobolevskiy region to Petropavlovsk-Kamchatskiy to develop gas supplies in the Kamchatskiy region.

To implement our marketing strategy in Europe, we are engaging in the European gas transportation and storage sectors, particularly by contracting transportation and storage facilities to ensure reliable gas supplies to our customers. Our strategic goal is to increase the active capacity of our UGSFs abroad to 5% of our annual exports by 2030, with a priority to develop our own storage capacity.

Refining. We intend to increase our production of refined products. Our goal with respect to our refining activities and our gas and petrochemical activities is to increase the degree of extraction and effective utilization of the valuable components of hydrocarbons that we produce, including associated gas, with the purpose of further processing such gases into forms with a higher added value. At our existing processing and refining plants, we intend to increase the extraction of valuable components from our gas and increase the depth of our feedstock processing and our refining throughput by refurbishing and modernizing our existing processing capabilities and by constructing new processing capacities. In accordance with the Eastern Program, we are considering gas refining and chemical capacity construction projects to develop the resources of eastern Siberia and the Far East, which at the first stage is expected to be based on the resources of the Chayandinskoye field.

Based on the general scheme for the development of the gas industry through 2030, developed by the Ministry of Energy of the Russian Federation, the processing of natural gas with a high concentration of

ethane, propane, butane and other components in Russia may increase to as much as 160 bcm per year by 2020. We also expect these volumes to become the main resource base for our new gas chemical units.

Our oil business development strategy focuses on increasing Gazprom Neft's access to crude oil refining capacities to 65 to 70 million tons per year (with approximately 40 million tons in Russia and 25 to 30 million tons abroad) by 2020. Access to refining capacity may be achieved by a variety of methods, including processing or tolling contracts, long-term crude delivery contracts or asset acquisitions. However, the expansion of our foreign crude oil processing is contingent on the implementation of plans to increase the production of crude oil. Gazprom Neft expects to implement programs to improve the quality of the motor fuel that it produces, increase processing depth and intensify technical re-equipment of all oil refineries of the Group. In particular, Gazprom Neft intends to increase processing depth and light oil products yield of its refineries in Russia up to 90% from 75% and 77% from 60%, respectively.

Marketing and sales. Our strategy in the Russian domestic market consists of ensuring a continuous gas supply to our domestic customers at an acceptable level of profitability. Among all domestic fuel resources, the Government regulates prices only for natural gas produced by us and our affiliates and we are required to sell our gas within Russia at regulated prices. Our main objective in the development of the domestic market is to achieve a transition from the regulation of our wholesale gas prices to market pricing principles, along with the regulation of the natural monopoly tariffs for gas transportation through trunk pipelines for all gas suppliers. In the short and medium term, we believe it is necessary to adjust regulated domestic wholesale gas prices to achieve an economically justified price level sufficient to supply gas in Russia at an acceptable profitability rate and accumulate funds to finance our investments. We believe that resuming trading physical quantities of gas through electronic trading systems, which had been halted in 2009 and subsequently reinstated by Government Resolution No. 323 dated April 16, 2012, and introducing physical gas sales and gas derivatives trading through a commodity exchange starting in 2013 are important steps to introduce market pricing principles in the domestic gas market that could provide necessary indication of market prices for energy resources. See "Gazprom—Distribution—Europe and Other Countries—Russia" and "Risk factors—We are required to supply a significant portion of natural gas to customers in Russia at prices that are regulated by the Government."

Our key objectives in the European market are to maintain our market-leading position, provide for reliable gas supply, and increase the efficiency of our marketing activities, which involves gaining access to end-users. We plan to achieve these objectives by developing relationships with traditional customers on a long-term contractual basis and using other forms of trade based on short-term and medium-term sales, as well as gas exchange and spot transactions. To increase efficiency of our operations in the European natural gas market and improve the reliability and flexibility of our gas supply, we intend to expand the use of UGSFs in Europe and increase our ownership in companies engaged in the sale of gas and electricity to end-users.

The key objective of our marketing strategy in the FSU countries is to ensure that Russian gas will continue to maintain its leading position in the energy sector of such countries, while adjusting the pricing and other terms with respect to sales to the FSU customers to terms that are similar to those we currently have with our European customers. We have almost achieved economically reasonable price levels in the FSU countries. See "Gazprom—Distribution—Europe and Other Countries—The FSU."

In order to ensure flexibility in determining which fields in the new gas-producing regions in Russia to develop, we are also seeking to cooperate with central Asian countries in developing gas reserves as well as upgrading and modernizing gas transportation systems.

As part of our strategy to diversify the markets to which we supply gas, we consider countries in the Asia-Pacific region as key new markets.

In respect of sales of oil refinery products, Gazprom Neft's strategic goal is to increase high-margin sales of premium refined products to 40 million tons per year through small wholesale networks, retail distribution networks and expansion of its gasoline station network in Russia and abroad by 2020. Gazprom Neft expects its existing domestic processing facilities will allow it to achieve sales of up to 30 million tons of premium refined products, including 11.5 million tons through its own gasoline station network in Russia and other countries of the CIS, by 2020. In order to further increase its overall sales of premium refined products to 40 million tons, Gazprom Neft plans to expand its processing capacities outside of Russia.

Electricity. We consider electricity to be a strategically important area for the development of our business. We believe that we can improve the stability of our business and achieve additional revenue by increasing our share of the power generation sector. Our strategic goal in the electricity sector is to diversify tariff risks and realize synergies with our gas business. In implementing our electricity strategy in Russia, we plan to construct new, highly effective combined-cycle power generators which are expected to increase our production of heat and energy.

We own significant power generation assets in Russia. We are implementing investment projects in power generation in accordance with our capacity supply contracts. We intend to increase the aggregate capacity of our three major power generation subsidiaries from 37.2 GW as of September 30, 2012 to approximately 44 GW by 2020. We are also involved in certain investment projects for the construction of power plants in Russia.

We are considering investing in the construction and acquisition of European electricity power assets to increase our efficiency and improve our position in the European electricity markets. We are also increasing our cooperation with utility companies that have a pre-existing client base and technology that we believe will expand our presence in the international electricity market.

Diversification of products and activities. To continue our development as a global energy company, we are integrating new products and activities with our traditional pipeline gas supplies.

One of our foreign trade priorities is the gradual implementation of the production and maritime transportation of LNG. Since 2005 we have performed LNG spot trading transactions and swap transactions, exchanging our pipeline gas for LNG. In April 2007, we acquired a 50% plus one share interest in Sakhalin Energy, the operator of the Sakhalin II project. In February 2009, an LNG plant that had been constructed as a part of the Sakhalin II project was put into operation. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf—Associated companies and development of associated projects in the region—Sakhalin II project."

We plan to further increase the volumes of our LNG trading. To implement our LNG strategy, we plan to establish new LNG production projects in Russia, participate in LNG projects abroad, purchase LNG from independent projects and develop our own LNG marketing business. We are considering establishing LNG production in the proximity of the Shtokmanovskoye field in Russia, along with pipeline supplies from the field. We are also performing a number of pre-investment studies relating to the development of the LNG production capacities in the Russian Far East, in particular, by expanding LNG production at Sakhalin and starting construction of an LNG plant in Vladivostok. We intend to increase the LNG export volumes from the Far East.

We anticipate targeting countries of the Asia-Pacific region and, to a lesser extent, countries of the Atlantic region as our primary markets for sales of LNG in the medium-term.

We are considering opportunities to produce synthetic liquid fuels ("SLFs") using gas to liquid ("GTL") technology. The development of an SLF industry would allow us to further diversify our businesses by producing high quality motor fuels and oil refinery products for sale to export markets, create a modern low cost transportation system from remote gas fields, and use low-pressure gas resources in processing and refining.

We are also considering participating in projects to generate energy from environmentally friendly renewable sources of energy. In particular, within the framework of the memorandum of understanding with Gasunie, ZAO "Eurotechnika" and "BioGazEnergoStroy" signed in October 2011, we intend to develop a project to produce "green" gas in Russia for supply to the European market in line with the European policy of extensive use of renewable sources of energy.

Gazprom Neft has launched a project to develop shale oil production from the Verkhne-Salymskoye field in the Khanty-Mansiysk Autonomous Region, which will be operated by Salym Petroleum Development ("SPD"), a joint venture between Gazprom Neft and Royal Dutch Shell. Gazprom Neft expects that its participation in this project will provide up to 15 to 20 million tons of crude oil during the development period. In addition, SPD intends to implement a separate project to use a new technology in the Salym group of fields. The technology enables enhanced oil recovery by chemical flooding with Alkaline Surfactant Polymer ("ASP") targeted at the residual oil that remains undeveloped after a conventional waterflood. Gazprom Neft's share in the additional production from the Verkhne-Salymskoye field is estimated at 19 million tons of crude oil through the development period. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Salym Petroleum Development."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set forth below shows our consolidated financial information as of, and for the nine months ended, September 30, 2012 and 2011, and as of December 31, 2011, 2010 and 2009 and for the years then ended. The unaudited consolidated interim condensed financial information as of, and for the nine months ended, September 30, 2012 and 2011 has been extracted from and should be read in conjunction with the unaudited consolidated interim condensed financial information included elsewhere in this Base Prospectus. The annual consolidated financial information as of December 31, 2011, 2010 and 2009 and for the years then ended has been extracted from, and should be read in conjunction with, the annual audited consolidated financial statements included elsewhere in this Base Prospectus. The summary consolidated financial information set forth below should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Our annual consolidated financial statements have been prepared in accordance with IFRS, which includes International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board (the "IASB"). IFRS differs in certain respects from U.S. GAAP.

The U.S. dollar amounts set forth below were not included in our annual audited consolidated financial statements and are provided for convenience only. Totals may not sum due to rounding. They should not be construed as representations that the RR amounts have been or could be converted into U.S. dollars at that or any other rate or as being representative of the U.S. dollar amounts that would have resulted if we reported in U.S. dollars. The U.S. dollar amounts have been translated from the RR amounts at the rate of RR30.92 = U.S.$1.00, which was the CBR rate on September 30, 2012.

	Nine months ended September 30,				Year ended December 31,					
	2012		2011		2011		2010		2009	
	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR
					(amounts in millions)					
Statement of Income										
Sales	108,386	3,351,303	106,619	3,296,656	149,971	4,637,090	116,334	3,597,054	96,734	2,991,001
Net gain/(loss) from trading activity	188	5,798	(27)	(837)	90	2,791	202	6,256	135	4,171
Operating expenses[1]	(80,586)	(2,491,733)	(68,541)	(2,119,289)	(96,476)	(2,983,038)	(80,514)	(2,489,488)	(69,155)	(2,138,260)
Operating profit	27,987	865,368	38,051	1,176,530	53,585	1,656,843	36,023	1,113,822	27,714	856,912
Net interest expense[2]	(191)	(5,902)	(254)	(7,840)	(431)	(13,313)	(583)	(18,022)	(1,210)	(37,405)
Net monetary effects and other financing items[3]	1,750	54,096	(2,182)	(67,471)	(2,071)	(64,022)	670	20,716	(915)	(28,283)
Other[4]	4,096	126,655	2,349	72,620	3,248	100,428	5,084	157,187	6,087	188,211
Profit tax expense of which	(6,698)	(207,092)	(7,536)	(233,012)	(10,915)	(337,494)	(8,917)	(275,710)	(6,004)	(185,642)
Current profit tax expense	(6,759)	(208,974)	(6,435)	(198,969)	(9,030)	(279,216)	(8,066)	(249,387)	(5,894)	(182,255)
Deferred profit tax benefit (expense)	61	1,882	(1,101)	(34,043)	(1,885)	(58,278)	(851)	(26,323)	(110)	(3,387)
Profit for the period	26,945	833,125	30,428	940,827	43,417	1,342,442	32,277	997,993	25,672	793,793
Profit attributable to non-controlling interest	628	19,404	556	17,180	1,146	35,424	952	29,436	460	14,208
Profit attributable to equity holders of Gazprom	26,317	813,721	29,872	923,647	42,271	1,307,018	31,325	968,557	25,213	779,585

	As of September 30,				As of December 31,					
	2012		2011		2011		2010		2009	
	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR
					(amounts in millions)					
Balance Sheet										
Assets										
Total current assets, of which	75,559	2,336,291	64,758	2,002,313	72,454	2,240,293	60,346	1,865,895	54,559	1,686,974
Cash and cash equivalents and certain restricted cash[5]	15,367	475,152	12,470	385,585	16,340	505,221	14,374	444,455	8,235	254,631
Total long-term assets, of which	300,230	9,283,119	260,899	8,066,997	280,091	8,660,403	238,360	7,370,098	216,092	6,681,554
Property, plant and equipment	236,866	7,323,898	195,539	6,046,053	217,289	6,718,575	177,439	5,486,429	158,448	4,899,223
Total assets	375,789	11,619,410	325,657	10,069,310	352,545	10,900,696	298,706	9,235,993	270,651	8,368,528
Liabilities and Equity										
Total current liabilities, of which	45,089	1,394,153	30,872	954,577	42,343	1,309,255	32,706	1,011,261	33,890	1,047,892
Taxes payable	3,858	119,294	2,813	86,987	4,455	137,743	3,802	117,569	3,532	109,201
Short-term borrowings and current portion of long-term borrowings	12,468	385,501	9,019	278,860	11,863	366,817	6,172	190,845	13,740	424,855
Short-term promissory notes payable	—	8	2	53	2	51	7	207	380	11,761
Total long-term liabilities, of which	61,276	1,894,660	56,802	1,756,314	59,200	1,830,450	54,604	1,688,371	54,053	1,671,315
Long-term borrowings	40,342	1,247,360	37,228	1,151,078	37,946	1,173,294	36,365	1,124,395	38,307	1,184,457
Long-term promissory notes payable	1	43	—	—	—	—	—	—	149	4,592
Restructured tax liabilities[3]	—	—	—	—	—	—	—	1	1	40
Total liabilities	106,365	3,288,813	87,674	2,710,891	101,543	3,139,705	87,310	2,699,632	87,943	2,719,207
Total equity, of which	269,424	8,330,597	237,983	7,358,419	251,002	7,760,991	211,396	6,536,361	182,708	5,649,321
Non-controlling interest	10,062	311,132	8,866	274,141	9,619	297,420	9,269	286,610	10,440	322,806
Shareholders' equity	259,362	8,019,465	229,116	7,084,278	241,383	7,463,571	202,126	6,249,751	172,268	5,326,515

	As of September 30,				As of December 31,					
	2012		2011		2011		2010		2009	
	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR
	(amounts in millions, except for ratios)									
Certain Items and Ratios										
Adjusted EBITDA[6]	35,746	1,105,271	44,534	1,376,985	62,436	1,930,533	44,107	1,363,778	35,251	1,089,951
Gross interest expense[7]	(843)	(26,075)	(689)	(21,292)	(1,035)	(31,998)	(1,252)	(38,714)	(2,399)	(74,167)
Net interest expense[2]	(191)	(5,902)	(254)	(7,840)	(431)	(13,313)	(583)	(18,022)	(1,210)	(37,405)
Total debt[8]	52,811	1,632,912	46,248	1,429,991	49,811	1,540,162	42,544	1,315,448	52,578	1,625,705
Net debt[9]	37,444	1,157,760	33,778	1,044,406	33,472	1,034,941	28,169	870,993	44,383	1,372,307
Adjusted EBITDA/Gross interest expense	42.39	—	64.67	—	60.33	—	35.23	—	14.70	—
Adjusted EBITDA/Net interest expense	187.27	—	175.64	—	145.01	—	75.67	—	29.14	—
Net debt/Adjusted EBITDA	1.05	—	0.76	—	0.54	—	0.64	—	1.26	—

Notes:

(1) Includes impairment provisions for accounts receivable and prepayments, assets under construction, fixed assets, investments and other long-term assets and inventory obsolescence.

(2) Gross interest expense less interest income.

(3) Exchange gains and gains on and extinguishment of restructured liabilities, less exchange losses.

(4) Share of net income of associated undertakings and gains on available-for-sale investments. The year ended December 31, 2009 includes the purchase of non-controlling interest in Gazprom Neft, loss from a change in the fair value of a call option and gain from swap of assets transaction.

(5) Cash and cash equivalents and certain restricted cash include balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations but exclude cash restricted as to withdrawal under banking regulations.

(6) Reconciliation from Adjusted EBITDA to operating profit:

	Nine months ended September 30,				Year ended December 31,					
	2012		2011		2011		2010		2009	
	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR
	(amounts in millions)									
Adjusted EBITDA	35,746	1,105,271	44,534	1,376,985	62,436	1,930,533	44,107	1,363,778	35,251	1,089,951
Less: Depreciation	(7,830)	(242,099)	(6,521)	(201,636)	(8,900)	(275,184)	(8,075)	(249,693)	(7,154)	(221,197)
less: releases (charges) of provisions for impairment of assets[1]	(1,040)	(32,147)	(373)	(11,527)	(1,321)	(40,857)	(1,575)	(48,711)	(1,469)	(45,428)
plus: (releases) charges of provisions of accounts receivable and prepayments and certain provisions for fixed assets	1,111	34,343	411	12,708	1,370	42,351	1,567	48,448	1,086	33,586
Operating profit	27,987	865,368	38,051	1,176,530	53,585	1,656,843	36,023	1,113,822	27,714	856,912

Adjusted EBITDA should not be considered as an alternative to profit, operating profit, net cash provided by operating activities or any other measure of performance under IFRS and may not be comparable to similar non-GAAP measures used by other companies.

(7) Interest expense on taxes payable, short- and long-term debt and other interest expense, excluding capitalized interest on borrowings.

(8) Short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable and restructured tax liabilities.

(9) Total debt less cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations.

SUMMARY RESERVES INFORMATION

We estimate our reserves of natural gas, gas condensate and crude oil using the Russian reserves system, which differs significantly from PRMS Standards, in particular with respect to the manner in which and the extent to which economic and commercial factors are taken into account in calculating reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters."

The following table shows our total ABC_1 natural gas, gas condensate and crude oil reserves and the percentage share of ABC_1 reserves evaluated by DeGolyer and MacNaughton in accordance with PRMS Standards as well as the proved, probable and possible reserves determined as a result of their evaluation as of the dates indicated. The January 23, 2013 DeGolyer and MacNaughton letter attached as Appendix B to this Base Prospectus contains additional information on the proved and probable gas, gas condensate and crude oil reserves of our subsidiaries evaluated in accordance with PRMS Standards as of December 31, 2011. The correlation between ABC_1 reserves and proved and probable reserves may differ in the fields that have not yet been evaluated. Moreover, the correlation may vary at different times for the same fields.

	As of December 31,			As of December 31,		
	2011	2010	2009	2011	2010	2009
	Gas, bcm			Gas, mmboe[1]		
ABC_1	35,046.9	33,052.3	33,578.4	206,426.2	194,678.0	197,776.8
of which evaluated ABC_1	90%	93%	89%	90%	93%	89%
Proved	19,212.6	18,991.3	18,609.9	113,162.2	111,858.8	109,612.3
Probable	3,631.5	3,529.0	3,338.1	21,389.5	20,785.8	19,661.4
Proved + probable	22,844.1	22,520.3	21,948.0	134,551.7	132,644.6	129,273.7
Possible	6,445.1	4,608.4	4,199.9	37,961.6	27,143.5	24,737.4
	Gas condensate, million tons			Gas condensate, mmboe[1]		
ABC_1	1,395.5	1,284.8	1,325.1	11,415.2	10,509.7	10,839.3
of which evaluated ABC_1	83%	86%	82%	83%	86%	82%
Proved	605.2	572.1	586.0	4,950.5	4,679.8	4,793.5
Probable	152.6	147.2	141.2	1,248.3	1,204.1	1,155.0
Proved + probable	757.8	719.3	727.2	6,198.8	5,883.9	5,948.5
Possible	848.9	606.9	624.5	6,944.0	4,964.4	5,108.4
	Crude oil, million tons			Crude oil, mmboe[1]		
ABC_1	1,767.3	1,732.9	1,785.0	12,954.3	12,702.2	13,084.1
of which evaluated ABC_1	89%	90%	85%	89%	90%	85%
Proved	723.9	717.4	718.5	5,306.2	5,258.5	5,266.6
Probable	492.2	464.5	435.5	3,607.8	3,404.8	3,192.2
Proved + probable	1,216.1	1,181.9	1,154.0	8,914.0	8,663.3	8,458.8
Possible	602.4	609.8	560.9	4,415.6	4,469.8	4,111.4
				Gas, gas condensate, crude oil, mmboe[1]		
ABC_1				230,795.7	217,889.9	221,700.2
of which evaluated ABC_1				90%	92%	88%
Proved				123,418.9	121,797.1	119,672.4
Probable				26,245.6	25,394.7	24,008.6
Proved + probable				149,664.5	147,191.8	143,681.0
Possible				49,321.2	36,577.7	29,845.8

The following table shows the ABC_1 natural gas, gas condensate and crude oil reserves of our associated companies pro rata to our effective interests therein as of the dates indicated.

	As of December 31,		
	2011	2010	2009
Natural gas (bcm)	717.4	645.4	917.2
(bboe)	4.2	3.8	5.4
Oil and gas condensate (million tons)	788.7	669.6	714.9
(bbls)	5.9	5.0	5.3
Total (bboe)	10.1	8.8	10.7

Note:

(1) Amounts in barrels differ from those provided in the letter from DeGolyer and MacNaughton attached as Appendix B because in this Base Prospectus we use a conversion rate from metric tons of crude oil to barrels of one ton = 7.33 barrels, a conversion rate from one thousand cubic meters of natural gas to barrels of oil of one mcm = 5.89 barrels, and a conversion rate from metric tons of gas condensate to barrels of gas condensate of one ton = 8.18 barrels. Amounts in barrels provided in the letter from DeGolyer and MacNaughton are calculated based on the specific gravities of each field.

SUMMARY PRODUCTION INFORMATION

The following table sets forth our summary production data for the periods indicated. Our production activities are more fully described in "Gazprom—Reserves and Production."

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Natural gas (bcm)	355.0	376.3	513.2	508.6	461.5
(mmboe)	2,091.0	2,216.4	3,022.6	2,995.6	2,718.4
Gas condensate (million tons)	9.2	8.9	12.1	11.3	10.1
(mmbls)	75.3	72.8	98.7	92.4	82.4
Crude oil (million tons)	24.9	24.0	32.3	32.0	31.6
(mmbls)	182.5	175.9	236.6	234.6	231.8
Total (mmboe)	**2,348.7**	**2,465.1**	**3,357.9**	**3,322.6**	**3,032.5**

SUMMARY SALES AND OPERATING INFORMATION

The following table summarizes certain sales and operating information for the periods indicated. You should read this information together with our annual audited consolidated financial statements prepared in accordance with IFRS included elsewhere in this Base Prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations." See "Gazprom" for a full description of our sales and operations.

The U.S. dollar amounts below were not included in our consolidated financial information and are provided for convenience only. They should not be construed as representations that the RR amounts have been or could be converted into U.S. dollars at that or any other rate or as being representative of U.S. dollar amounts that would have resulted if we reported in U.S. dollars. The U.S. dollar amounts have been translated from the RR amounts at the rate of RR30.92 = U.S.$1.00, which was the CBR rate on September 30, 2012, unless otherwise stated.

	Nine months ended September 30,				Year ended December 31,					
	2012		2011		2011		2010		2009	
	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR	U.S.$	RR
	(amounts in millions, except volumes)									
Gas (bcm)	342	342	372	372	519	519	496	496	479	479
Europe and Other Countries[1]	42,457	1,312,759	40,159	1,241,720	57,041	1,763,716	43,915	1,357,852	45,162	1,396,415
FSU[1]	14,771	456,715	16,046	496,134	22,475	694,937	15,970	493,806	11,753	363,400
Russia[1]	16,433	508,123	16,244	502,271	23,887	738,601	20,596	636,843	16,272	503,121
Total	**73,661**	**2,277,597**	**72,449**	**2,240,125**	**103,404**	**3,197,254**	**80,482**	**2,488,501**	**73,187**	**2,262,936**

Note:

(1) Gross sales (including customs duties and net of VAT).

The following table sets out our average prices per mcm of natural gas (including customs duties and net of VAT) for the periods indicated in nominal terms (actual prices realized at the time). Our sales to Europe and Other Countries and the FSU (other than to Belarus) are denominated in convertible currencies, mainly in U.S. dollars.

	For the nine months ended September 30,				For the year ended December 31,					
	2012		2011		2011		2010		2009	
	Average price, U.S.$[1]	Average price, RR	Average price, U.S.$[1]	Average price, RR	Average price, U.S.$[1]	Average price, RR	Average price, U.S.$[1]	Average price, RR	Average price, U.S.$[1]	Average price, RR
Europe and Other Countries	379.0	11,781.1	376.0	10,815.6	383.0	11,259.1	301.8	9,166.6	296.7	9,413.5
FSU	306.6	9,531.0	276.1	7,942.5	289.5	8,509.3	231.7	7,039.0	202.1	6,411.1
Russia	89.3	2,776.5	89.9	2,583.0	89.5	2,631.7	75.6	2,296.8	58.0	1,839.5

Note:

(1) Calculated based on average exchange rate for respective periods.

Information with respect to sales of gas condensate, crude oil and refined products including Gazprom Neft's operations is set forth under "Gazprom—Distribution."

USE OF PROCEEDS

The gross proceeds from each offering of a Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to us. Except as otherwise specified in the relevant Final Terms or Series Prospectus, the proceeds of such Loan, less any commissions or expenses payable by us in connection with such Series and the corresponding Loan, will be used by us for general corporate purposes.

CAPITALIZATION

The following table shows our consolidated cash and cash equivalents and certain restricted cash, short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable and total capitalization, consisting of long-term borrowings, long-term promissory notes payable and total equity, as of September 30, 2012, extracted from our unaudited consolidated interim condensed financial information as of and for the nine months ended September 30, 2012. For further information regarding our financial condition, see "Summary Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this Base Prospectus.

The U.S. dollar amounts set forth below were not included in our annual audited consolidated financial statements and are provided for convenience only. They should not be construed as representations that the RR amounts have been or could be converted into U.S. dollars at that or any other rate or as being representative of U.S. dollar amounts that would have resulted if we reported in U.S. dollars. The U.S. dollar amounts have been translated from the RR amounts at the rate of RR30.92 = U.S.$1.00, which was the CBR rate on September 30, 2012.

	As of September 30, 2012	
	RR	U.S.$[3]
	(amounts in millions)	
Cash and cash equivalents and certain restricted cash[1]	475,152	15,367
Short-term borrowings and current portion of long-term borrowings	385,501	12,468
Short-term promissory notes payable	8	—
Total	385,509	12,468
Long-term borrowings	1,247,360	40,342
Long-term promissory notes payable	43	1
Total equity, of which:	8,330,597	269,424
Share capital[2]	325,194	10,517
Treasury shares	(104,041)	(3,365)
Retained earnings and other reserves	7,798,312	252,209
Non-controlling interest	311,132	10,062
Total capitalization[3]	9,578,000	309,767

Notes:

(1) Includes cash restricted as to withdrawal under the terms of certain borrowings and other contractual obligations but excludes cash restricted as to withdrawal under banking regulations.

(2) Authorized, issued and paid-in share capital consists of 23.7 billion ordinary shares, each with a historical par value of RR5.

(3) Totals may not sum due to rounding.

Since September 30, 2012, we have incurred debt obligations, including the following:

In November 2012, we obtained a long-term loan from Banc of America Securities Limited in the amount of euro 180 million due in 2017 at an interest rate of EURIBOR + 3.6%.

In December 2012, we issued bonds in the amount of RR10,000 million due in 2022. A coupon rate of 8.5% per annum applies for five years after the issue date and subsequently will be determined by us. The bondholders have an option for early redemption five years following the issue date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition as of September 30, 2012, December 31, 2011, 2010 and 2009 and results of operations as of September 30, 2012 and 2011 and December 31, 2011, 2010 and 2009 and for the periods then ended in conjunction with our unaudited interim consolidated condensed financial information as of and for the nine-month periods ended September 30, 2012 and 2011 and our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009. The U.S. dollar amounts, except as indicated, have been translated from the ruble amounts at the rate of RR30.92 = U.S.$1.00 which were the rates published by the CBR on September 30, 2012.

Overview

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. Our revenues are primarily derived from sales of natural gas, crude oil and other hydrocarbon products to Europe and Other Countries, Russia and other FSU (Former Soviet Union) countries.

We divide our operations into the following principal businesses:

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

Other businesses primarily comprise production of other products and sales of various goods, works and services.

Our main business segments are mutually dependent, with a significant portion of the revenues of one segment comprising a part of the costs of another segment. In particular, our Distribution segment purchases natural gas from our Production of gas segment and transportation services from our Transport segment. Our Refining segment purchases gas from our Production of gas segment and crude oil and gas condensate from our Production of crude oil and gas condensate segment. We establish internal transfer prices with reference to the specific funding requirements of the individual subsidiaries within each segment. Accordingly, the results of operations of these segments on a stand-alone basis do not necessarily represent each segment's underlying financial position and results of operations as if it were a stand-alone business. For this reason, we do not analyze any of our main segments separately in the discussion that follows.

Critical Accounting Policies

Our consolidated financial statements reflect the selection and application of accounting policies that require management to make significant estimates and assumptions. We believe that the following are the most critical accounting policies that currently affect our financial condition and results of operations.

Group accounting

Subsidiary undertakings

Our subsidiaries are entities over which we have the power to govern the financial and operating policies so as to obtain benefits from the activities of those entities. Subsidiary undertakings in which we, directly or indirectly, have an interest of more than 50% of the voting rights and are able to exercise control over the operations have been consolidated. Also subsidiary undertakings include entities in which we control 50% and less of the voting share capital but where we control the entity through other means.

This may include a history of casting the majority of the votes at the meetings of the board of directors or equivalent governing body.

Certain entities in which we have an interest of more than 50% are recorded as investments in associated undertakings as we are unable to exercise control due to certain factors, for example restrictions stated in foundation documents.

Our consolidated financial statements reflect the results of operations of any subsidiaries acquired from the date control is established. Subsidiaries are no longer consolidated from the date from which control ceases. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including those entities and businesses that are under common control. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

An acquirer should recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill.

Goodwill and non-controlling interest

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. In accordance with IFRS 3 "Business Combinations", the acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest proportion of the net fair value of those items.

Associated undertakings, jointly controlled entities and joint ventures

Associated undertakings are undertakings over which we have significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence occurs when we have the power to participate in the financial and operating policy decisions of an entity but have no control or joint control over those policies. Associated undertakings are accounted for using the equity method.

Our share of our associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. Unrealized gains on transactions between us and our associated undertakings are eliminated to the extent of our interest in the associated undertakings; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Our interest in each associated undertaking is carried in the consolidated balance sheet at an amount that reflects cost, including the goodwill at acquisition, our share of profit and losses and our share of post-acquisition movements in reserves recognized in equity. Provisions are recorded for any impairment in value.

Recognition of losses under equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless we have incurred obligations or guaranteed obligations in respect of the associated undertaking.

Joint ventures related to jointly controlled entities are entities which are jointly controlled by two or more parties and investments in such entities are accounted for using the equity method. Joint ventures are contractual agreements whereby two or more parties undertake economic activity, which is subject to joint control. Joint ventures involving jointly controlled assets or joint operations are accounted for using the proportionate consolidation method.

Financial instruments

Financial instruments carried on the consolidated balance sheet include cash and cash equivalent balances, financial assets, accounts receivable, promissory notes, accounts payable and borrowings. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Accounting for financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognized at fair value and are subsequently measured at the higher of (i) the remaining unamortized balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

Fair value disclosure

The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrower at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to us for similar financial instruments.

The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument.

We have designated only cash flow hedges—hedges against the exposure to the variability of cash flow currency exchange rates on highly probable forecast transactions. The effective portion of changes in the fair value of derivatives which are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is ultimately recognised in profit and loss. Changes in the fair value of certain derivative instruments which do not qualify for hedge accounting are recognised immediately in profit and loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on any associated hedging instrument that was reported in equity is immediately transferred to profit and loss.

Derivative financial instruments

As part of our trading activities we are also party to derivative financial instruments including forward and options contracts in foreign exchange, commodities, and securities. Our policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and losses of the consolidated statement of comprehensive income. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market

interest rate for similar instruments as appropriate. We have no material derivatives accounted for as hedges.

We routinely enter into sale and purchase transactions for the purchase and sales of gas, oil, oil products and other goods. The majority of these transactions are entered into to meet supply requirements to fulfill contract obligations and for own consumption and are not within the scope of IAS 39 "Financial instruments: recognition and measurement."

Sale and purchase transactions of gas, oil, oil products and other goods and which are not physically settled or can be net settled and are not entered into for the purpose of receipt or delivery of non-financial item in accordance with our expected purchase, sale or usage requirement are accounted for as derivative financial instruments in accordance with IAS 39 "Financial instruments: recognition and measurement". These instruments are considered as held for trading and related gains or losses are recorded within the profit and loss section of the consolidated statement of comprehensive income.

Derivative contracts embedded into sales-purchase contracts are separated from the host contracts and accounted for separately. Derivatives are carried at fair value with gains and losses arising from changes in the fair values of derivatives included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

Non derivative financial assets

We classify our financial assets in the following categories:

(a) financial assets at fair value through profit or loss,

(b) available-for-sale financial assets, and

(c) loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Our management determines the classification of our financial assets at initial recognition and re-evaluates this designation which determines the method for measuring financial assets at subsequent balance sheet date: amortized cost or fair value.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value at inception and subsequently. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at fair value. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with the same instrument or based on a valuation technique whose variables include only data from observable markets. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rate for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income and shown net of income tax in the consolidated statement of comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains (losses) on

disposal of available-for-sale financial assets. Interest income on available-for-sale debt instruments calculated using the effective interest method is recognized within the profit and loss section of the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized within the profit and loss section of the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Impairment of financial assets

At each balance sheet date we assess whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from other comprehensive income to profit or loss for the year. The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized. For financial assets measured at amortized cost and available-for-sale financial assets which represent debt instruments, the reversal is recognized in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognized directly in other comprehensive income. Impairment losses relating to assets recognized at cost cannot be reversed.

The provision for impairment of accounts receivable is established if there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than twelve months overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings at the date of origination of the receivable. The amount of the provision is recognized in the consolidated statement of comprehensive income within operating expenses.

Options on purchase or sale of financial assets

Options on purchase or sale of financial assets are carried at their fair value. These options are accounted for as assets when their fair value is positive (for call options) and as liabilities when the fair value is negative (for put options). Changes in the fair value of these options instruments are included within the profit and loss section of the consolidated statement of comprehensive income.

Interest costs on borrowings are capitalized as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Impairment of non-current non-financial assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of our assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the

cash-generating units at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there is any indication that impairment exists at the balance sheet date. Goodwill acquired through business combinations is allocated to cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the respective cash-generating unit.

The amount of the reduction of the carrying amount of the cash-generating unit to the recoverable value is recorded within the profit and loss section of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognized for goodwill are not reversed in subsequent reporting periods.

Borrowings

Borrowings are recognized initially at their fair value which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognized at amortized cost, using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

Provisions for liabilities and charges

Provisions, including provisions for pensions, environmental liabilities and asset retirement obligations, are recognized when we have a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. As obligations are determined, they are recognized immediately based on the present value of the expected future cash outflows arising from the obligations. Initial estimates (and subsequent revisions to the estimates) of the cost of dismantling and removing the property, plant and equipment are capitalized as property, plant and equipment.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Sales, including gas, refined products, crude oil and gas condensate and electric and heat energy, are recognized for financial reporting purposes when products are delivered to customers and title passes and are stated net of VAT and other similar compulsory payments. Gas transportation sales are recognized when transportation services have been provided, as evidenced by delivery of gas in accordance with the contract.

Natural gas prices and gas transportation tariffs to the final consumers in the Russian Federation are established mainly by the FTS. Export gas prices for sales to European countries are indexed to oil products prices, as stipulated in long-term contracts. Export gas prices for sales to Former Soviet Union countries are determined in various ways including using formulas, similar to those used in contracts with European customers.

Trading activity

Contracts to buy or sell non-financial items entered into for trading purposes and which do not meet the expected own-use requirements, such as contracts to sell or purchase commodities that can be net settled in cash or settled by entering into another contract, are recognized at fair value and associated gains or losses are recorded as Net gain (loss) from trading activity. These contracts are derivatives in the scope of IAS 39 for both measurement and disclosure. Revenues generated by trading activities are reported as a net figure. Trading activities are mainly managed by our subsidiary, Gazprom Marketing and Trading Ltd., and relate partly to gas and oil trading and power and emission rights trading activities.

Interest

Interest income and expense are recognized within the profit and loss section of the consolidated statement of comprehensive income for all interest bearing financial instruments on an accrual basis using the effective yield method. Interest income includes nominal interest and accrued discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognized based on the same effective rate of interest.

Research and development

Research expenditure is recognized as an expense as incurred. Development expenditure is recognized as intangible assets (within other non-current assets) to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognized as an expense as incurred. However, development costs previously recognized as an expense are not recognized as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

Employee benefits

Pension and other post-retirement benefits

We operate a defined benefit plan, concerning the majority of our employees. Pension costs are recognized using the projected unit credit method. The cost of providing pensions is accrued and charged to staff expense within operating expenses in the consolidated statement of comprehensive income, reflecting the cost of benefits as they are earned over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the terms to maturity approximating the terms of the related liability.

Actuarial gains and losses on assets and liabilities are not recognized unless the cumulative unrecognized gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets and the DBO (“the corridor approach”). The excess is charged or credited to the profit or loss over the average remaining service lives of employees.

Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices. When no market price is available, the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business we contribute to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, are expensed when incurred and are included within staff costs in operating expenses. The cost of providing other discretionary post-retirement obligations (including constructive obligations) is charged to the profit and losses of the consolidated statement of comprehensive income as they are earned over the average remaining service lives of employees.

Recent Accounting Pronouncements

In 2012 the Group has adopted all IFRS, amendments and interpretations which are effective January 1, 2012 and which are relevant to its operations.

Standards, Amendments or Interpretations effective in 2012

Amendment to IFRS 7 “Financial Instruments: Disclosures” (“IFRS 7”), issued in October 2010 and effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The application of this amendment did not materially affect the Group’s consolidated financial statements.

Amendments to IAS 12 "Income taxes: Recovery of Underlying Assets" ("IAS 12"), issued in December 2010 and effective for annual periods beginning on or after January 1, 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, "Income Taxes—Recovery of Revalued Non-Depreciable Assets", which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 "Property, Plant and Equipment" ("IAS 16") was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment did not materially affect the Group's consolidated financial statements.

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

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

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

The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after January 1, 2013 to January 1, 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. We are currently assessing the impact of the standard on the consolidated financial statements.

IFRS 10 "Consolidated financial statements" ("IFRS 10"), issued in May 2011 and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation—special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

IFRS 11 "Joint arrangements" ("IFRS 11"), issued in May 2011 and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, replaces IAS 31 "Interests in Joint Ventures" ("IAS 31") and SIC 13 "Jointly Controlled Entities − Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently considering that some of its investments in jointly controlled companies might be classified as investments in joint operations under IFRS 11. Thus effective January 1, 2013 the Group will cease application of the equity method of accounting with regard to those investments and will start recognizing the Group's share in assets, liabilities, revenues and costs of the joint operations. The application of IFRS 11 is not expected to materially affect the Group's financial position or total comprehensive income.

IFRS 12 "Disclosure of interest in other entities" ("IFRS 12"), issued in May 2011 and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in associates." IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

IFRS 13 "Fair value measurement" ("IFRS 13"), issued in May 2011, and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Amended IAS 27 "Separate Financial Statements" ("IAS 27"), issued in May 2011, and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The application of this amendment is not expected to materially affect our consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28"), issued in May 2011, and effective for annual periods beginning on or after January 1, 2013, with earlier application permitted, prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" ("IAS 1"), issued in June 2011, and effective for annual periods beginning on or after July 1, 2012, changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The application of this standard is not expected to materially affect the Group's consolidated financial statements. Amended IAS 19 "Employee benefits" ("IAS 19"), issued in June 2011, and effective for periods beginning on or after January 1, 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. We are currently assessing the impact of the standard on the consolidated financial statements.

Improvements to International Financial Reporting Standards was issued in May 2012 and is effective for annual periods beginning on or after January 1, 2013. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") (i) clarifies that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) adds an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters.

Amendment to IAS 1 "Presentation of financial statements" ("IAS 1") clarifies that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes as required by IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8"), while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.

Amendment to IAS 16 "Property, plant and equipment" ("IAS 16") clarifies that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.

Amendment to IAS 32 "Financial instruments: Presentation" ("IAS 32") clarifies that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.

Amendment to IAS 34 "Interim financial reporting" ("IAS 34") brings its requirements in line with IFRS 8 "Operating segments". IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. We are currently assessing the impact of these improvements on the consolidated financial statements.

Certain Factors Affecting our Results of Operations

The primary factors that affect our results of operations are significant volatility in global and Russian markets which affect demand for hydrocarbons, and the price for which we can sell our natural gas, crude oil and other hydrocarbon products, both internationally and in Russia. Other factors affecting our results are:

- the impact of fluctuations in ruble exchange rates against the U.S. dollar and euro;
- our historically high tax burden;
- interest rates;
- gas transportation agreements; and
- impairment of assets.

(see "Risk Factors" for further information)

The current economic environment

Since Russia produces and exports large quantities of natural gas, crude oil and other commodities, its economy is particularly sensitive to fluctuations in world commodity prices. These prices reached record high levels in mid-2008 and have since experienced significant decreases, particularly the price of crude oil, which decreased by approximately 70% in the second half of 2008, only to recover in the second half of 2009. As a result of changes in economic conditions caused by the global financial crisis, significant uncertainty was observed in Russian banking sector and wider economy in 2009. Financial crisis led to bankruptcies of banks and the need to undertake measures to rescue banking systems in the USA, Europe and Russia. The recovery of global commodity markets and global environment significantly contributed to Russia's economic growth in 2011 and the nine months of 2012.

Whilst there have been improvements in economic trends in the country since the economic crisis in 2008-2009, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, relatively restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and changes, which can occur frequently.

We operate internationally and are consequently exposed to foreign exchange risk arising from various currency exposures, particularly with respect to the U.S. dollar and euro. We have significant foreign currency denominated receivables and borrowings.

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

The export price of natural gas

Our results of operations are heavily reliant on natural gas export prices. U.S. dollar prices for the natural gas we sell in the FSU and Europe and Other Countries increased in the nine-month period ended September 30, 2012 compared to the same period of the prior year and in 2011 compared to 2010 and in 2010 compared to 2009.

Our natural gas export prices to Europe and Other Countries are indexed mainly to oil product prices as stipulated in long-term contracts and, therefore, fluctuate based on world oil prices. Due to the formulas underlying our long-term contracts, our prices are not as volatile on a short-term basis as spot crude oil prices and tend to lag upward and downward movements in oil product prices by approximately six to nine

months. The Gas Directive established common rules for the transmission, distribution, supply and storage of natural gas in the European market and influenced European market structures and the overall level and volatility of prices.

Natural gas export prices for sales to FSU countries are mainly based on one-year fixed price contracts. Average natural gas export prices to FSU countries are usually below the level of those for Europe and Other Countries. This is partly due to lower transportation costs but is principally due to the impact of intergovernmental agreements, which effectively limit the prices we can charge to FSU countries.

Weather is another factor affecting demand for and, therefore, the price of natural gas. Changes in weather conditions from year to year can influence demand for natural gas and, to some extent, gas condensate and oil products.

The following table shows our average natural gas export prices to Europe and Other Countries and FSU countries for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 (including customs duties and net of VAT):

	Nine-month period ended June 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
	(Including custom duties, net of VAT)				
Our natural gas export price to Europe and Other Countries (average realized U.S.$ per mcm)[1,3]	379.0	376.0	383.0	301.8	296.7
Our natural gas export price to Europe and Other Countries (average realized U.S.$ per mcf)[1,2,3]	10.7	10.6	10.8	8.5	8.4
Our natural gas export price to Europe and Other Countries (average nominal RR per mcm)[3]	11,781.1	10,815.6	11,259.1	9,166.6	9,413.5
Our natural gas export price to FSU countries (average realized U.S.$ per mcm)[1]	306.6	276.1	289.5	231.7	202.1
Our natural gas export price to FSU countries (average realized U.S.$ per mcf)[1,2]	8.7	7.8	8.2	6.6	5.7
Our natural gas export price to FSU countries (average nominal RR per mcm)	9,531.0	7,942.5	8,509.3	7,039.0	6,411.1

Notes:

(1) Average nominal prices and not convenience translations of ruble prices.

(2) One mcm is equivalent to 35.316 thousand cubic feet.

(3) Export prices exclude impact of retroactive price adjustments.

Our business requires significant ongoing capital expenditures in order to maintain natural gas production levels and transportation systems. An extended period of low gas prices would limit our ability to maintain an adequate level of capital expenditures, which in turn could limit our ability to sustain current levels of production and deliveries of gas, thereby adversely affecting our results.

Regulation of domestic natural gas prices and transportation tariffs

Natural gas prices and transportation tariffs in Russia are regulated by the Government. See "Gazprom—Overview—Relationship with the Government."

Natural gas prices in Russia have remained significantly below export prices (even after netting back export tariffs and transportation costs) primarily due to governmental regulations. Since 2000, however, domestic natural gas prices have increased at a rate greater than inflation. For example, in the period from January 1, 2002 to December 31, 2011 annual weighted average regulated wholesale gas prices increased

by approximately 492%, while cumulative inflation in the same period was approximately 177% (according to the Federal State Statistics Service, source: www.gks.ru).

The following table shows our average domestic natural gas prices (net of VAT) for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009:

	For the nine months ended September 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
				(net of VAT)	
Our domestic natural gas price (average nominal RR per mcm) .	2,776.5	2,583.0	2,631.7	2,296.8	1,839.5
Our domestic natural gas price (average nominal RR per mcf)[1]	78.6	73.1	74.5	65.0	52.1
Our domestic natural gas price (average U.S.$ per mcm)[2]	89.3	89.8	89.5	75.6	58.0
Our domestic natural gas price (average U.S.$ per mcf)[1,2]	2.5	2.5	2.5	2.1	1.6

Notes:

(1) One mcm is equivalent to 35.316 thousand cubic feet.

(2) Average nominal prices and not convenience translations of ruble prices.

Since 2011, the increase of domestic prices has been regulated by Resolution No. 1205. See "Gazprom—Distribution—Europe and Other Countries—Russia—Domestic market conditions."

During the nine months ended September 30, 2012 and 2011 and years ended December 31, 2011, 2010 and 2009 our sales revenues derived from gas transportation services for third parties were 3%, 3%, 2%, 3%, 2% of total sales (net of VAT), respectively.

Price of crude oil

Our net sales of crude oil for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 were RR167,579 million, RR133,368 million, RR189,945 million, RR169,193 million and RR157,874 million, respectively. This represents approximately 5%, 4%, 4%, 5% and 5% of our net sales for such periods. Our operations are affected by the prevailing price of crude oil, both in domestic and international oil markets. Crude oil prices have historically been highly volatile, dependent upon the balance between supply and demand, global and regional economic and political developments in resource-producing regions, particularly in the Middle East, global economic conditions and production levels of OPEC. In 2010 and 2011, the economic recovery after the global financial downturn in 2008 and 2009 resulted in worldwide increase in demand for oil and correspondingly in the increase of world oil prices. Crude oil prices in the Russian Federation have historically been lower than in the international market primarily due to additional costs (in particular, customs duties) associated with exporting crude oil. Domestic crude oil prices are contract specific as there is no active market for domestic crude oil and market prices are not available.

Price of electricity and heat energy

Our electric and heat energy sales, which significantly increased after the expanding of the electricity resale activity of Gazprom Germania Group and the acquisition of TGK-1 in the fourth quarter of 2009, for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 were RR243,745 million, RR237,545 million, RR344,551million, RR288,655 million and RR192,826 million, respectively. This represents approximately 7%, 7%, 7%, 8% and 6% of our net sales for such years. Our operations are affected by applicable electricity tariffs, which are set by the FTS and market (not regulated) prices for electricity and demand for electricity.

Impact of inflation and changes in exchange rates on export sales and operating margins

For the nine months ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009, 63%, 64%, 60%, 59% and 63% of our gross sales (including customs duties, net of VAT), respectively, were mainly denominated in U.S. dollars or euros, while most of our costs were denominated in rubles. The relative movements of inflation and exchange rates therefore significantly affect our results of operations. In particular, our operating margins are generally adversely affected by appreciation of the

ruble against the U.S. dollar or euro, because this will generally cause our costs to increase relative to our sales revenues. The pressure on operating margins arising from ruble appreciation is further intensified by the relatively high inflation rate in Russia, which can further increase our costs, though this can be offset by domestic price rises when permitted by the FTS. Conversely, our operating margins are generally positively affected by depreciation of the ruble against the U.S. dollar or euro, because this will generally cause our costs to decrease relative to our sales revenues. However, an appreciation of the U.S. dollar or euro against the ruble also potentially increases the cost of servicing our indebtedness denominated in these currencies.

The following table sets forth the rates of inflation in Russia, the rates of nominal and real appreciation or depreciation of the ruble against the U.S. dollar and euro as determined by the CBR for the periods shown:

	For the nine months ended September 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
Inflation[1,2]	4.6%	4.7%	6.1%	8.8%	8.8%
Nominal appreciation (depreciation) of the RR against the U.S.$	3%	(4.6)%	(5.6)%	(0.8)%	(2.9)%
Real appreciation (depreciation)of the RR against the U.S.$	7.5%	0.1%	0.4%	7.9%	5.7%
Nominal appreciation (depreciation) of the RR against euro	4%	(7.6)%	(3.3)%	7.0%	(4.7)%
Real appreciation (depreciation) of the RR against euro	9.1%	(2.7)%	2.7%	17.0%	3.9%

Notes:

(1) Inflation based on consumer price index (CPI).

(2) Source: Russian Federal State Statistic Service (source: www.gks.ru).

The official ruble to U.S. dollar exchange rates as determined by the CBR decreased from 32.20 to 29.93 in the period from December 31, 2011 to February 5, 2013 (being the latest practicable date prior to the publication of this Base Prospectus). The official ruble to euro exchange rates as determined by the CBR decreased from 41.67 to 40.78 in the period from December 31, 2011 to February 5, 2013 (being the latest practicable date prior to the publication of this Base Prospectus).

Nominal appreciation (depreciation) of the ruble generally also results in foreign exchange losses (gains) on monetary assets denominated in foreign currencies and foreign exchange gains (losses) on monetary liabilities denominated in foreign currencies. These gains and losses are recorded on a gross basis. See "Finance income and expenses."

Our historically high tax burden

We provide one of the largest sources of tax revenue to the federal authorities in Russia, as well as to the regional and local authorities in those regions and localities in which we operate.

Given the relative size of our activities in Russia, our tax burden is largely determined by the level of taxes payable in Russia.

We are subject to a number of taxes and similar compulsory payments in Russia, including:

- profit tax (the maximum profit tax rate was 20% in 2009, 2010, 2011 and 2012. A depreciation premium of 30% was applied in respect of certain types of fixed assets (initially 10% of the amount of capital investment in such assets, and increasing to 30% in 2009). For certain production facilities (mainly gas pipelines and wells) an accelerated depreciation coefficient of 2 was applied);
- excise tax for certain oil products (effective from January 1, 2007, the excise tax for such oil products is paid by the producer of the oil products in the processing scheme);
- VAT (at a standard rate of 18% is payable on the difference between output VAT on sales of goods, works, services and property rights and recoverable input VAT charged by suppliers. Output VAT has been charged on the earliest of: either the date of the shipment of goods, works, services and property rights, or the date of advance payment by the buyer. Input VAT has been

generally recoverable when purchases are accounted for and other conditions are met. VAT on accounts receivable accounted before January 1, 2006 and non-paid before January 1, 2008 was to be charged and paid to the tax authorities in the first quarter of 2008. Exports of goods and sales of certain services related to exported goods are subject to a 0% VAT rate upon the submission of confirmation documents to the tax authorities. Input VAT related to export sales is recoverable. A limited list of goods and services are not subject to VAT. Input VAT related to non-VATable goods and services should not be recovered and should be included in the value of purchased goods and services, except in certain cases);

- natural resources production tax (the natural resources production tax rate for natural gas is equal to a fixed rate of RR509/mcm in 2012, compared to RR237/mcm in 2011. The natural resources production tax rate for oil was equal to the statutory determined rate of RR446 per ton multiplied by the oil price ratio, which varied between 9.9 and 12.1 for the nine-month period ended September 30, 2012, between 9.1 and 11.4 in 2011, between 7.0 and 8.8 in 2010 and between 3.3 and 7.0 in 2009, and multiplied by the rate of field depletion, which, if applied, provides a reduction of the tax payable. Effective from January 1, 2009, the method of oil price ratio calculation has been amended leading, in general, to the decrease of the national resources production tax rate. The national resources production tax rate also depends on the geographic location of the oil field. In particular, extraction of oil from fields located in the Sakha, Irkutsk and Krasnoyarsk regions (and effective from January 1, 2009, in the Polar Territories and Caspian Sea) is subject to 0% tax rate for the national resources production tax); See "Risk factors—We bear a substantial tax burden."
- export customs duty on natural gas (customs duty rate is 30%);
- export customs duty on crude oil (during 2008 and 2007 export customs duty for crude oil was reviewed every two months based on the average price of Urals blend. The average Urals crude oil blend price was calculated as the price for Urals blend on world markets (Mediterranean and Rotterdam) for the two months immediately preceding the current two-month period. Starting in December 2008, the Russian government began reviewing export customs duty for crude oil every month based on the average price of Urals blend. The average Urals crude oil blend price is calculated as the price for Urals blend on world markets (Mediterranean and Rotterdam) for the one month immediately preceding the current one month period. The average amount of export customs duty on crude oil for the nine-month period ended September 30, 2012 and in 2011, 2010 and 2009 was approximately U.S.$403, U.S.$409, U.S.$269 and U.S.$179 per ton, respectively);
- property tax (the maximum property tax rate is 2.2%. The property tax is calculated based on the annual value of the fixed assets, part of the fixed assets are not recognized (exempt from taxation) for the purposes of the profit tax calculation (chiefly pipelines, electric power lines and other facilities which are integral part of these assets)); and
- social taxes and contributions (prior to January 1, 2010 the unified social tax rate depended on the total amount of annual payments to an employee per year (on a regressive scale). The maximum rate in 2009 was 26%. Effective from January 1, 2010 social contributions are calculated as the gross amount of an employee's salary and other remuneration multiplied by a rate of 26% in 2010 and 34% from January 1, 2011. From January 1, 2010 , according to the Russian Tax Code employee's salary and other remuneration are not subject to the social contributions in the portion exceeding RR415 thousand per year indexed by the cumulative increase of the average salary in Russia starting from January 1, 2010 until 2011 (in 2011, this limit amounts to RR463 thousand).
- Our overall effective profit tax rates (current and deferred tax expense as a percentage of IFRS profit before profit tax and minority interest) for the nine-month period ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 were 19.9%, 19.9%, 20.1%, 21.6% and 19.0%, respectively, while the statutory income tax rate in Russia was 20% since January 1, 2009. The difference between our effective profit tax rates and the statutory rates has been primarily the result of non-deductible expenses, such as social expenses, charitable donations, expenses exceeding prescribed limits for certain deductions and other non-production costs. Our effective profit tax rate was lower than the applicable statutory rate for the year ended December 31, 2009 due to one-time recognition of non-taxable income related to the purchase of an additional interest in Gazprom Neft and non-taxable income that we received resulting from a

swap of assets made with E.ON Ruhrgas AG ("E.ON Ruhrgas"). See "—Certain Acquisitions, Dispositions and changes in control—Acquisitions and dispositions to September 30, 2012."

Starting January 1, 2012, significant changes in the tax transfer pricing law were introduced in Russia that have had an impact on all Russian businesses, including Gazprom Group. Also, starting January 1, 2012, tax legislation was amended to provide new rules on the creation of consolidated taxpayers' groups. Taxpayers may create such a tax group, in order to pay profit tax on a consolidated basis by submitting an agreement to create a consolidated taxpayers' group to the tax authorities. Transactions among the members of a consolidated tax group are not subject to tax transfer pricing control. Starting January 1, 2012, created a consolidated taxpayers group which, in 2012, consisted of 56 Gazprom Group Russian organizations.

Interest rates

We have significant short-term and long-term debt obligations with both fixed and variable interest rates. We are exposed to the effects of fluctuations in the prevailing levels of market interest rates on our financial position, results of operations and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest expense will increase or decrease as a result of movements in interest rates. We do not have any significant hedging arrangements to mitigate interest rate risks resulting from our financing activities. See "Liquidity and Capital Resources—Debt obligations."

Gas transportation agreements

We are dependent on the countries through which we transport our gas. In some cases, the contracts are made with gas companies and the terms are agreed on the Government level. The disputes on terms and conditions of gas transportation may impact our ability to deliver gas and therefore may impact our gas revenues.

Impairment provisions

Historically, our results have been affected by impairment provisions on accounts receivable, inventory, property, plant and equipment (including assets under construction), financial assets, other long-term assets and provisions for guarantees and other charges.

For the nine-month period ended September 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009, expenses net of release for such impairment provisions amounted to RR32,147 million, RR11,527 million RR40,857 million, RR48,711 million and RR45,428 million, respectively. The impairment charge for the nine-month period ended September 30, 2012 consisted primarily of an impairment provision relating to accounts receivable in the amount of RR34,343 million, partly offset by the release of impairment provisions for investments and certain items of property, plant and equipment.

Our provisions for accounts receivable are significant. As of September 30, 2012, December 31, 2011, 2010 and 2009, the aggregate balance sheet provision for accounts receivable and prepayments were RR269,795 million, RR241,141 million, RR197,949 million and RR177,983 million, or 16%, 16%, 14% and 12%, respectively, of the gross receivables and prepayments balance, respectively. Such provisions for accounts receivable relate mainly to receivables for natural gas sold to Moldova, former Yugoslavian countries and in respect of the Chechen Republic and other southern regions of Russia. The increases in provisions by RR43,192 million and RR19,966 million as of December 31, 2010 and 2011, respectively, compared to the same date in preceding years, were primarily due to increases of impairment provisions on continued sales related to debtors from the countries and Russian regions mentioned above.

Our provisions for property, plant and equipment are also significant. As of September 30, 2012, December 31, 2011, 2010 and 2009, the aggregate balance sheet provision related to property, plant and equipment were RR146,945 million, RR147,925 million, RR150,533 million and RR151,544 million, or 2.0%, 2.2%, 2.7% and 3.0% of gross property, plant and equipment, respectively. As of September 30, 2012, RR92,558 million of this aggregate balance sheet provision, relates to assets under construction, representing 3.8% of gross assets under construction. The impairment provision for assets under construction as of September 30, 2012 primarily relates to the following projects: RR22,845 million for certain development projects in the Bovanenkovskoye and Kharasaveiskoye fields; RR33,144 million for the OOO Novourengoysky GCC; and RR23,092 million for part of the Obsko-Bovanenkovskaya railroad construction.

For the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, the release of impairment provision for property, plant and equipment (including assets under construction) totaled RR854 million, RR512 million and for the years ended December 31, 2010 and 2009, the charge for impairment provision generated expense totaled RR621 million and RR9,683 million, respectively.

Because of our operating cycle, certain significant decisions about capital construction projects are made at the end of our fiscal year. Accordingly, we typically have larger charges (releases) in the fourth quarter of our fiscal year as compared to other quarters. For a discussion of our impairment provisions in the nine-month periods ended September 30, 2012 versus nine-month period ended September 30, 2011 and in the years ended December 31, 2011, 2010 and 2009, see "—Results of Operations—period ended December 31, 2011 versus 2010" and "—Results of Operations—Year ended December 31, 2010 versus year ended December 31, 2009."

Certain Acquisitions, Dispositions and Changes in Control

Acquisitions and dispositions to September 30, 2012

Unless specified otherwise, all acquisitions referred to in this section have been completed.

During the period from June 2007 to February 2010 as a result of a series of transactions, we acquired a 50% interest in OAO Beltransgaz. Four equal installments in the amount of U.S.$625 million were paid by us for each 12.5% share acquired. Since February 2008, when our interest in OAO Beltransgaz increased to 25%, we started to exercise significant influence and applied the equity method of accounting for its investment in OAO Beltransgaz.

In November 2011, we entered into a share purchase agreement with the State Property Committee of the Republic of Belarus to acquire the remaining 50% interest in OAO Beltransgaz for cash consideration of U.S.$2,500 million. In December 2011, the transaction was finalized. As a result the Group increased its ownership interest to 100% and obtained control of OAO Beltransgaz.

In February 2008, a special-purpose company, Shtokman Development AG, was established to manage engineering, financing, construction and exploitation of installations during the first phase of the development of the Shtokmanovskoye field. Our initial stake in Shtokman Development AG was 51%, and Total and Statoil ASA ("Statoil") owned the remaining 25% and 24% interests, respectively. In July 2012, Statoil ASA signed an agreement to transfer its 24% interest in Shtokman Development AG to OAO Gazprom in accordance with the initial shareholders' agreement relating to Shtokman Development AG. As a result the Group's share in Shtokman Development AG increased up to 75%. We account for Shtokman Development AG as our joint venture because the initial shareholders' agreement provides us with significant influence rather than control. The shareholders' equity of the company equaled RR43,647 million (U.S.$1,412 million) as of September 30, 2012.

In July 2008, as a result of the restructuring of RAO UES, we exchanged our shares in RAO UES for interests in certain companies, including an additional 44.4% interest in OGK-2 and an additional 42.9% interest in OGK-6. As a result we obtained control over OGK-2 and OGK-6 with ownership interests amounting to 57.57% and 60.22%, respectively. In November 2011, we merged these entities, all assets and liabilities of OGK-6 were transferred to OGK-2, and OGK-6 was dissolved.

In July 2008, we acquired a 28.7% interest in TGK-1 which was prepaid for in February 2008 in the amount of RR39,219 million. As of December 31, 2009, we completed a series of transactions and obtained a controlling interest in TGK-1. We acquired the controlling interest of 51.8% through the acquisition in November 2009 of OOO Gazprom Investproekt (formerly—OOO Russian Energy Projects) which owned a 19.5% interest of TGK-1 and the acquisition of additional 3.6% interest in TGK-1 in the fourth quarter of 2009. The total purchase consideration primarily includes the cost of shares acquired in the fourth quarter of 2009 in the amount of RR28.3 billion and the fair value of the equity investment of RR33.2 billion.

In March 2010, the respective boards of directors of ZAO Gazenergoprombank, our banking subsidiary at that time, and OAO AB Rossiya, a bank not related to us, approved a reorganization in the form of merger of ZAO Gazenergoprombank with OAO AB Rossiya. In April 2010, shareholders of both banks approved the reorganization. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAO AB Rossiya. In exchange for the controlling interest in ZAO Gazenergoprombank, we received a non-controlling interest in OAO AB Rossiya after completion of procedures required by the CBR. According to the terms of the merger agreement we lost the ability to control the financial and operating policies of ZAO Gazenergoprombank in April 2010 and received

non-controlling interest in OAO AB Rossiya after completion of procedures required by the CBR. As a result, ZAO Gazenergoprombank and its subsidiaries were deconsolidated from the financial statements of the Group as of June 30, 2010 and our investment in OAO AB Rossiya was recognized at a fair value of RR8,514 million.

In December 2008, we acquired 50% plus one ordinary share in OAO Gazprom neftekhim Salavat (formerly OAO Salavatnefteorgsyntez), a leading Russian oil refining and petrochemical company, for RR20,959 million. In November and December 2011, the Group acquired additional 19,03% interest in OAO Gazprom neftekhim Salavat. In May 2012, the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result, the Group's interest in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat. In September 2012, the Group acquired additional 10.06% of ordinary shares of OAO Gazprom neftekhim Salavat increasing its interest in the company up to 97.57%.

In December 2008, we acquired a 75% interest in bank AKB Soyuz (OAO), a Russian bank, for RR1 million paid in cash. This transaction provided us with effective control over AKB Soyuz (OAO) as of April 2009. In the first quarter of 2010, AKB Soyuz (OAO) was deconsolidated as a result of a disposal of our controlling interest to a third party.

On February 3, 2009, Gazprom Neft acquired a 51% interest in Naftna Industrija Srbije ("NIS") for RR18.5 billion. As part of the purchase agreement, Gazprom Neft agreed to invest euro 547 million (approximately RR24.6 billion as at the acquisition date) to rebuild and upgrade NIS's refining facilities by 2012. In March 2011, Gazprom Neft acquired an additional 5.15% interest in NIS for U.S.$58 million, increasing its interest to 56.15% as of December 31, 2011.

In April 2009, we purchased an additional 20% interest in Gazprom Neft for U.S.$4.1 billion (approximately RR138 billion) from ENI S.p.A. ("Eni"). As a result of this transaction, we increased our interest in Gazprom Neft to 95.68%.

Between April 2009 and February 2011, Gazprom Neft acquired an interest of 100% in Sibir Energy Ltd ("Sibir Energy"). The total cost of the acquisition amounted to U.S.$3.2 billion (approximately RR90 billion). We have consolidated Sibir Energy as a subsidiary starting from June 23, 2009. As a result of the acquisition of Sibir Energy, Gazprom Neft also obtained control over OAO Moskovsky NPZ, having increased its cumulative share in OAO Moskovsky NPZ to 77.72% (our cumulative share—74.36%). Acquisition of Sibir Energy also resulted in the acquisition of a 50% interest in Salym Petroleum Development N.V. (a joint venture with Royal Dutch Shell).

On February 14, 2011, the Board of Directors of Sibir Energy Ltd. adopted a resolution to reduce their share capital by 86.25 million shares (22.39%). OAO Central Fuel Company, an affiliate of the Moscow government, decided to dispose of its interest in Sibir Energy Ltd. for U.S.$740 million. As a result of the transaction, starting from February 15, 2011, we have a 100% interest in Sibir Energy Ltd. Following the reduction in share capital of Sibir Energy Ltd. we have increased its effective interest in OAO Gazpromneft-MNPZ from 66.04% to 74.36%.

In September 2009, we acquired a 51% interest in OOO SeverEnergiya ("SeverEnergia") for U.S.$1.6 billion (approximately RR47 billion). We had paid the acquisition price in full by March 31, 2010. In November 2010, as a result of the sale of our 51% interest in SeverEnergia to OOO Yamal razvitie, a joint venture between Gazprom Neft and OAO Novatek ("OAO Novatek" or "Novatek"), our share in SeverEnergia was reduced to 25.5% and is now treated as "Investments in associated undertakings and jointly controlled entities" in our balance sheet.

In June 2009, we entered into an agreement with E.ON Ruhrgas to swap 25% less three ordinary shares and three non-voting preference shares of OAO Severneftegazprom ("Severneftegazprom") and a preference share in ZAO Gazprom YRGM Development. In October 2009, we completed the transaction with E.ON Ruhrgas. In exchange we received E.ON Ruhrgas' share in ZAO Gerosgaz, and monetary compensation which led to an increase in OAO Gazprom's treasury shares of 2.9%.

In December 2010, the Group sold a portion of its associated undertaking (total carrying value of RR84,978 million as of the date sold) representing a 9.4% interest in OAO Novatek to a party unrelated to the Group for RR57,462 million paid in cash. As a result of this transaction, the Group has ceased to exercise significant influence over the business activities of OAO Novatek. Therefore, the remaining 9.99% interest was classified as a long-term available-for-sale financial asset and was recognized at fair value in the amount of RR104,484 million at the date of disposal. In the consolidated statement of comprehensive income for the year ended December 31, 2010 the Group recognized a gain of RR77,375 million

representing the difference between the sum of fair value of the remaining 9.99% interest at the date of transaction, cash proceeds from the disposal of 9.4% interest and accumulated net gain previously recognized in other comprehensive income in relation to this associated undertaking, and the carrying amount of a total 19.39% interest as at transaction date.

In March 2011, as a result of the auction for the sale of a property complex of OAO Rusia Petroleum, the Group acquired the property complex of that entity for RR25,796 million. The property complex also included a 100% interest in the charter capital of OOO Kovyktaneftegaz, which owns property located within the Khandinsky license area. The purchase of this property enabled the Group to register the license for the Kovykta field in its own name.

In February 2012, OAO Gazprom purchased 375,000 out of 4,534,500 ordinary shares of OAO Gazprombank placed in the course of an additional share issuance, registered by the CBR in December 2011. The remainder of the shares issued were purchased by other shareholders and GK Vnesheconombank. As a result of this transaction, the effective Group's interest in OAO Gazprombank decreased from 46% as of December 31, 2011 to 38% as of September 30, 2012.

Results of Operations

The following table summarises our consolidated results of operations for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009. Each line-item is also shown as a percentage of our total sales.

	Nine-month period ended September 30,				Year ended December 31,					
	2012		2011		2011		2010		2009	
	RR million	% of sales	RR million	% of sales	RR million	% of sales	RR million	% of sales	RR million	% of sales
Sales	3,351,303	100%	3,296,656	100%	4,637,090	100%	3,597,054	100%	2,991,001	100%
Net (loss)/ gain from trading activity	5,798	0%	(837)	0%	2,791	0%	6,256	0%	4,171	0%
Operating expenses	(2,459,586)	(73%)	(2,107,762)	(64%)	(2,942,181)	(63%)	(2,440,777)	(68%)	(2,092,832)	(70%)
Impairment provisions and other provisions	(32,147)	(1%)	(11,527)	0%	(40,857)	(1%)	(48,711)	(1%)	(45,428)	(2%)
Operating profit	**865,368**	**26%**	**1,176,530**	**36%**	**1,656,843**	**36%**	**1,113,822**	**31%**	**856,912**	**29%**
Purchase of non-controlling interest in OAO Gazprom Neft	—	—	—	—	—	—	—	—	13,865	0%
Gain from disposal of OAO Novatek	—	—	—	—	—	—	77,375	2%	—	—
Gain from swap of assets transaction	—	—	—	—	—	—	—	—	105,470	4%
Net finance income (expense)	48,194	1%	(75,311)	(2%)	(77,335)	(2%)	2,694	0%	(65,688)	(2%)
Share of net income (loss) of associated undertakings and jointly controlled entities	126,690	4%	71 ,779	2%	99,049	2%	76,520	2%	62,557	2%
(Loss)/gains on disposal of available-for-sale financial assets	(35)	0%	841	0%	1,379	0%	3,292	0%	6,319	0%
Profit before profit tax	**1,040,217**	**31%**	**1,173, 839**	**36%**	**1,679,936**	**36%**	**1,273,703**	**35%**	**979,435**	**33%**
Current profit tax expense	(208,974)	(6%)	(198,969)	(6%)	(279,216)	(6%)	(249,387)	(7%)	(182,255)	(6%)
Deferred profit tax (expense) benefit	1,882	0%	(34,043)	(1%)	(58,278)	(1%)	(26,323)	(1%)	(3,387)	0%
Total profit tax expense	(207,092)	(6%)	(233,012)	(7%)	(337,494)	(7%)	(275,710)	(8%)	(185,642)	(6%)
Profit for the period	**833,125**	**25%**	**940,827**	**29%**	**1,342,442**	**29%**	**997,993**	**28%**	**793,793**	**27%**
Profit attributable to:										
owners of OAO Gazprom	813,721	24%	923,647	28%	1,307,018	28%	968,557	27%	779,585	26%
Non-controlling interest	19,404	1%	17,180	1%	35,424	1%	29,436	1%	14,208	0%

Nine-month period ended September 30, 2012 versus nine-month period ended September 30, 2011

Sales

The following table summarizes our sales information for our operating segments for the periods ended September 30, 2012 and 2011:

	Nine-month period ended September 30,	
	2012	2011
Gas sales gross of custom duties to customers in:		
Russian Federation	508,123	502,271
Former Soviet Union (excluding Russian Federation)	456,715	496,134
Europe and Other Countries	1,312,759	1,241,720
Customs duties	(315,015)	(252,795)
Effect of retroactive gas price adjustments	(133,186)	—
Sales of gas	1,829,396	1,987,330
Sales of refined products to customers in:		
Russian Federation	536,304	421,912
Former Soviet Union (excluding Russian Federation)	53,103	35,796
Europe and Other Countries	284,176	260,015
Total sales of refined products	873,583	717,723
Sales of crude oil and gas condensate to customers in:		
Russian Federation	32,646	27,231
Former Soviet Union (excluding Russian Federation)	22,780	26,689
Europe and Other Countries	144,843	110,518
Sales of crude oil and gas condensate	200,269	164,438
Electric and heat energy sales:		
Russian Federation	232,244	230,257
Former Soviet Union (excluding Russian Federation)	3,297	2,322
Europe and Other Countries	8,204	4,966
Total electric and heat energy sales	243,745	237,545
Gas transportation sales:		
Russian Federation	88,798	81,154
Former Soviet Union (excluding Russian Federation)	1,516	1,347
Total gas transportation sales	90,314	82,501
Other revenues:		
Russian Federation	101,597	94,831
Former Soviet Union (excluding Russian Federation)	2,922	5,711
Europe and Other Countries	9,477	6,577
Total other revenues	113,996	107,119
Total sales	**3,351,303**	**3,296,656**

The following table sets out our volumes and realized prices for the nine-month periods ended September 30, 2012 and 2011.

	Nine-month period ended September 30,	
	2012	2011
	(RR million unless indicated otherwise)	
Sales of gas		
Europe and other countries		
Gross sales[1]	1,312,759	1,241,720
Customs duties	(243,944)	(215,269)
Net sales	1,068,815	1,026,451
Volumes in bcm	111.4	114.8
Gross average price, U.S.$ per mcm (including customs duties)[2,4]	379.0	376.0
Gross average price, RR per mcm (including customs duties)[4]	11,781.1	10,815.6
FSU (Former Soviet Union)		
Gross sales (net of VAT)	456,715	496,134
Customs duties	(71,071)	(37,526)
Net sales	385,644	458,608
Volumes in bcm	47.9	62.5
Gross average price, U.S.$ per mcm (including customs duties, net of VAT)[2]	306.6	276.1
Gross average price, RR per mcm (including customs duties, net of VAT)	9,531.0	7,942.5
Russian Federation		
Gross sales (net of VAT)	508,123	502,271
Net sales	508,123	502,271
Volumes in bcm	183.0	194.5
Gross average price, RR per mcm (net of VAT)	2,776.5	2,583.0
Total sales of gas		
Gross sales (net of VAT)	2,277,597	2,240,125
Customs duties	(315,015)	(252,795)
Effect of retroactive gas price adjustments	(133,186)	—
Net sales	1,829,396	1,987,330
Volumes in bcm	342.3	371.8
Net sales of refined products (net of VAT and customs duties)	873,583	717,723
Net sales of electricity and heat energy (net of VAT)	243,745	237,545
Net sales of crude oil and gas condensate (net of VAT and customs duties)	200,269	164,438
Gas transportation net sales (net of VAT)	90,314	82,501
Other revenues (net of VAT)	113,996	107,119
Total sales (net of VAT and customs duties)	**3,351,303**	**3,296,656**

Notes:

(1) VAT is not charged on sales to Europe and other countries.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Calculated on the basis of average rate between RR and U.S.$.

(4) Export prices exclude impact of retroactive price adjustments.

Total sales (net of VAT and customs duties) increased by RR54,647 million, or 2%, to RR3,351,303 million in the nine-month period ended September 30, 2012 compared to the same period of the prior year.

Net sales of gas accounted for 55% and 60% of total net sales in the nine-month periods ended September 30, 2012 and 2011, respectively.

Net sales of gas decreased from RR1,987,330 million in the nine-month period ended September 30, 2011 to RR1,829,396 million in the nine-month period ended September 30, 2012, or by 8%.

Net sales of gas to Europe and Other Countries increased in the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011, by RR42,364 million, to RR1,068,815 million. The overall increase in net sales of gas to Europe and Other Countries relates to increase of gross average RR price (including customs duties) by 9%. The volume of gas sold decreased by 3% in the nine-month period ended September 30, 2012, compared to the nine-month period ended September 30, 2011.

Retroactive gas price adjustments were recognized in the financial statements for the nine months ended September 30, 2012 as a decrease of sales in the amount of RR133,186 million. These adjustments relate to volumes of gas delivered in 2010 and 2011 for which a discount was agreed in 2012. The price adjustments recorded for the nine months ended September 30, 2012 do not take into account the effect of possible refunds in previously paid customs duties. We will recognize refunds of custom duties related to gas price adjustment during the reporting period when the amended customs declarations are accepted by customs authorities.

Net sales of gas to FSU countries decreased in the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011, by RR72,964 million, or 16%, to RR385,644 million. This decrease was mainly due to the decrease in volumes of gas sold to the FSU countries by 23% in the nine months ended September 30, 2012 compared to the nine-month period ended September 30, 2011. The gross average RR price (including customs duties) increased by 20% in the nine-month period ended September 30, 2012 compared to the same period of the prior year.

Net sales of gas in the Russian Federation increased in the nine-month period ended September 30, 2012 compared to the same period of the prior year, by RR5,852 million, or 1%, to RR508,123 million. The gross average price for domestic gas sales increased by 7% in nine-month period ended September 30, 2012 compared to the same period of the prior year. The volume of gas sold in the nine-month period ended September 30, 2012 decreased by 6%, compared to the nine-month period ended September 30, 2011.

Net sales of refined products (net of excise tax, VAT and customs duties) increased by RR155,860 million, or 22%, to RR873,583 million in nine-month period ended September 30, 2012 in comparison with the same period of the prior year. The increase mainly resulted from the increase in prices for refined products and increase in volumes sold in nine-month period ended September 30, 2012 compared to the same period of the prior year. In the nine-month period ended September 30, 2012 and 2011 Gazprom Neft Group's sales comprised 80% and 85% of the total amount of our net sales of refined products, respectively.

Net sales of crude oil and gas condensate (net of VAT and customs duties) increased by RR35,831 million, or 22%, to RR200,269 million in the nine-month period ended September 30, 2012 compared to RR164,438 million in the nine-month period ended September 30, 2011. The increase was mainly caused by the increase in oil prices and volumes of oil sold in the nine-month period ended September 30, 2012 compared to the same period of the prior year.

Net sales of electric and heat energy (net of VAT) increased by RR6,200 million, or 3%, to RR243,745 million in the nine-month period ended September 30, 2012 compared to the same period of the prior year. The growth was mainly caused by the consolidation of additional entities within the Gazprom Group, and partially mitigated by a decrease in revenues from electric and heat energy sales due to a reduction of electricity prices at the day-ahead market and a decrease in sales volumes of electric and heat energy during nine months ended September 30, 2012.

Gas transportation net sales (net of VAT) increased by RR7,813 million, or 9%, to RR90,314 million in the nine-month period ended September 30, 2012 from RR82,501 million in the nine-month period ended September 30, 2011. The increase was mainly caused by the increase in volume of gas transportation services rendered to independent gas suppliers in the nine-month period ended September 30, 2012 compared to the same period of the prior year.

Other revenues increased by RR6,877 million, or 6%, to RR113,996 million in the nine-month period ended September 30, 2012 compared to RR107,119 million in the nine-month period ended September 30, 2011.

Operating expenses

Operating expenses increased by 18% in the nine-month period ended September 30, 2012 to RR2,491,733 million from RR2,119,289 million in the nine-month period ended September 30, 2011. Operating expenses as a percentage of sales increased from 64% in the nine-month period ended September 30, 2011 to 74% in the nine-month period ended September 30, 2012. The table below presents a breakdown of operating expenses in each period:

	Nine-month period ended September 30,	
	2012	2011
	(RR million)	
Purchased gas and oil	666,983	628,590
Taxes other than on income	434,079	310,268
Staff costs	305,514	267,377
Depreciation	242,099	201,636
Transit of gas, oil and refined products	237,802	197,740
Repairs and maintenance	137,410	127,583
Materials	100,334	76,595
Cost of goods for resale, including refined products	87,009	77,676
Electricity and heating expenses	53,147	54,192
Charge for impairment provisions	32,147	11,527
Transportation services	25,799	24,205
Research and development expenses	17,191	14,667
Heat transmission	16,951	17,885
Insurance expenses	16,023	13,737
Social expenses	15,400	22,078
Rental expenses	15,351	20,339
Processing services	10,514	6,496
Losses (gains) from derivative financial instruments	8,912	(1,258)
Exchange rate differences on operating items	4,266	(3,883)
Other	154,891	125,222
	2,581,822	**2,192,672**
Changes in inventories of finished goods, work in progress and other effects	(90,089)	(73,383)
Total operating expenses	**2,491,733**	**2,119,289**

Purchased gas and oil

Cost of purchased gas and oil increased by 6% to RR666,983 million in the nine-month period ended September 30, 2012 from RR628,590 million in the nine-month period ended September 30, 2011. Cost of purchased gas decreased by RR35,030 million, or 8%. This decrease relates to the decrease in volumes of gas purchased and prices for gas purchased from third parties outside the Russian Federation. The cost of purchased oil included in the cost of purchased gas and oil increased by RR73,423 million, or 39%, and amounted to RR259,932 million in the nine-month period ended September 30, 2012 in comparison with RR186,509 million in the nine-month period ended September 30, 2011 due to increase both in volumes and prices of oil purchased.

Taxes other than on income

Taxes other than on income consist of:

	Nine-month period ended September 30,	
	2012	2011
	(RR million)	
Natural resources production tax	304,636	194,051
Property tax	41,915	34,954
Other taxes	87,528	81,263
Taxes other than on income	**434,079**	**310,268**

The natural resources production tax increased by 57% to RR304,636 million in the nine-month period ended September 30, 2012 from RR194,051 million in the nine-month period ended September 30, 2011. The increase mainly resulted from the general increase of natural resources production tax rate for gas from RR237 to RR509 per mcm from January 1, 2012 as well as from the increase in volumes of oil extraction along with increase of natural resources production tax rate for oil.

Staff costs

Staff costs increased by 14% to RR305,514 million in the nine-month period ended September 30, 2012 from RR267,377 million in the nine-month period ended September 30, 2011. The increase mainly resulted from salary indexation and the consolidation of additional entities within the Gazprom Group.

Depreciation

Depreciation increased by 20%, or RR40,463 million, to RR242,099 million in the nine-month period ended September 30, 2012 from RR201,636 million in the nine-month period ended September 30, 2011. The increase primarily relates to the growth in fixed asset base.

Transit of gas, oil and refined products

Transit of gas, oil and refined products increased by 20% to RR237,802 million in the nine-month period ended September 30, 2012 from RR197,740 million in the nine-month period ended September 30, 2011. This increase mainly relates to the increase in costs of transportation through Ukraine and through the Nord Stream pipeline.

Repairs and maintenance

Cost of repairs and maintenance increased by 8% to RR137,410 million in nine-month period ended September 30, 2012 from RR127,583 million in the nine-month period ended September 30, 2011. This increase was caused by the increase in volume of repair services rendered by third parties to the Group in the nine-month period ended September 30, 2012.

Materials

Cost of materials increased by 31% to RR100,334 million in the nine-month period ended September 30, 2012 from RR76,595 million in the nine-month period ended September 30, 2011. The increase mainly resulted from the consolidation of additional entities within the Gazprom Group and an increase in prices of materials purchased.

Cost of goods for resale, including refined products

Cost of goods for resale, including refined products increased by 12% to RR87,009 million in the nine-month period ended September 30, 2012 from RR77,676 million in the nine-month period ended September 30, 2011. The increase in cost of goods for resale, including refined products, mainly resulted from the increase in volumes of refined products purchased by the Gazprom Neft Group, the consolidation of additional entities within the Gazprom Group and an increase in prices for refined products.

Electricity and heating expenses

Electricity and heating expenses decreased by 2% to RR53,147 million in the nine-month period ended September 30, 2012 from RR54,192 million in the nine-month period ended September 30, 2011. The decrease mainly resulted from the decrease in volumes of electricity purchased from third parties.

Losses (gains) from derivative financial instruments

Derivative financial instruments of the Group are primarily represented by commodity contracts to sell gas to third parties which are marked to market. Derivative loss is caused by the significant market gas prices increase for the nine months ended September 30, 2012 comparing to relatively stable market gas prices for the nine months ended September 30, 2011.

Exchange rate differences on operating items

Exchange rate differences on operating items in the nine-month periods ended September 30, 2012 and 2011 amounted to a net loss of RR4,266 million and gain of RR3,883 million, respectively. The change was primarily driven by depreciation of both U.S. dollar and euro against RR by 4% in the nine-month period ended September 30, 2012, compared to appreciation of U.S. dollar and euro against RR by 5% and 8% in the same period of the prior year, respectively.

Other operating expenses

Other operating expenses increased by 24% to RR154,891 million in the nine-month period ended September 30, 2012 from RR125,222 million in the nine-month period ended September 30, 2011. Other expenses include bank charges, security services, legal and consulting services, charity and finance aid, advertising and software services.

Changes in inventories of finished goods, work in progress and other effects

Changes in inventories of finished goods, work in progress and other effects increased by 23% to RR90,089 million in the nine-month period ended September 30, 2012. The negative amount of changes in inventory of finished goods, work in progress and other effects in the nine-month period, ended September 30, 2012 relates mainly to the increase in the balances of finished goods as of September 30, 2012 in comparison with those as of December 31, 2011.

Operating profit

As a result of the factors discussed above, our operating profit decreased by RR311,162 million, or 26%, to RR865,368 million in the nine-month period ended September 30, 2012 from RR1,176,530 million in the same period of the prior year. Our operating profit margin decreased from 36% in the nine-month period ended September 30, 2011 to 26% in the nine-month period ended September 30, 2012.

Net finance income (expense)

	Nine-month period ended September 30,	
	2012	2011
	(RR million)	
Exchange gains	232,553	103,368
Exchange losses	(178,464)	(171,031)
Net exchange gain (loss)	54,089	(67,663)
Interest income	20,173	13,452
Interest expense	(26,075)	(21,292)
Gains on extinguishment of restructured liabilities	7	192
Net finance (expense) income	**48,194**	**(75,311)**

Exchange gains increased by RR129,185 million to RR232,553 million in the nine-month period ended September 30, 2012 from RR103,368 million in the same period of the prior year. Exchange losses increased by RR7,433 million to RR178,464 million in the nine-month period ended September 30, 2012 from RR171,031 million in the same period of the prior year. The net exchange gain of RR54,089 million in the nine-month period ended September 30, 2012 in comparison with net exchange loss of RR67,663 million in the same period of the prior year is explained by depreciation of both U.S.$ and euro against RR by 4% in the nine-month period ended September 30, 2012, compared to appreciation of U.S.$ and euro against RR by 5% and 8% in the same period of the prior year, respectively.

Interest income increased by 50% to RR20,173 million in the nine-month period ended September 30, 2012 from RR13,452 million in the same period of the prior year, mainly due to increase of interest accrued on Group's cash held with banks and consolidation of new companies.

Interest expense increased by 22% to RR26,075 million in the nine-month period ended September 30, 2012 from RR21,292 million in the same period of the prior year, mainly due to increase in average borrowings balance during the nine-month period ended September 30, 2012 in comparison with the same period of the prior year.

Share of net income of associated undertakings and jointly controlled entities

Share of net income of associated undertakings and jointly controlled entities increased by RR54,911 million, or 77%, to RR126,690 million in the nine-month period ended September 30, 2012 compared to RR71,779 million in the same period of the prior year. The increase of the Group's share of net income of associated undertakings and jointly controlled entities in the nine-month period ended September 30, 2012 relates mainly to the recognition of share in net income of RosUkrEnergo AG for 2011 triggered by the receipt of dividends in July 2012; increase in net income of Sakhalin Energy Investment Company Ltd. due to the growth of LNG sales; increase in net income of Salym Petroleum Development N.V., OAO Tomskneft VNK and its subsidiaries and OAO NGK Slavneft and its subsidiaries caused by the growth of oil prices.

Profit tax

Total profit tax expense decreased by RR25,920 million, or 11%, to RR207,092 million in the nine-month period ended September 30, 2012 compared to RR233,012 million in the nine-month period ended September 30, 2011. The effective profit tax rate was 19.9% in the nine-month periods ended September 30, 2012 and 2011.

Profit for the period attributable to owners of OAO Gazprom

As a result of the factors discussed above, our profit for the period attributable to owners of OAO Gazprom decreased by RR109,926 million, or 12%, from RR923,647 million in the nine-month period ended September 30, 2011 to RR813,721 million in the nine-month period ended September 30, 2012.

Profit for the period attributable to non-controlling interest

Profit for the period attributable to non-controlling interest increased by RR2,224 million, or 13%, to RR19,404 million in the nine-month period ended September 30, 2012 compared to RR17,180 million in the nine-month period ended September 30, 2011.

Year ended December 31, 2011 versus Year ended December 31, 2010

Sales

The following table summarizes our sales information for our operating segments for the years ended December 31, 2011, 2010:

	Year ended December 31,	
	2011	**2010**
Gas sales gross of custom duties to customers in:		
Russian Federation	738,601	636,843
Former Soviet Union (excluding Russian Federation)	694,937	493,806
Europe and Other Countries	1,763,716	1,357,852
	3,197,254	2,488,501
Customs duties	(382,406)	(302,296)
Sales of gas	2,814,848	2,186,205
Sales of refined products to customers in:		
Russian Federation	588,250	412,208
Former Soviet Union (excluding Russian Federation)	48,630	36,042
Europe and Other Countries	336,146	260,812
Total sales of refined products	973,026	709,062
Sales of crude oil and gas condensate to customers in:		
Russian Federation	41,442	23,148
Former Soviet Union (excluding Russian Federation)	36,345	25,967
Europe and Other Countries	157,645	146,959
Sales of crude oil and gas condensate	235,432	196,074
Electric and heat energy sales:		
Russian Federation	333,204	281,853
Former Soviet Union (excluding Russian Federation)	3,469	3,476
Europe and Other Countries	7,878	3,326
Total electric and heat energy sales	344,551	288,655
Gas transportation sales:		
Russian Federation	111,082	91,353
Former Soviet Union (excluding Russian Federation)	1,913	1,278
Total gas transportation sales	112,995	92,631
Other revenues:		
Russian Federation	137,711	108,933
Former Soviet Union (excluding Russian Federation)	7,490	7,683
Europe and Other Countries	11,037	7,811
Total other revenues	156,238	124,427
Total sales	**4,637,090**	**3,597,054**

The following table sets forth our volumes and realized prices, for the years ended December 31, 2011 and 2010.

	Year ended December 31,	
	2011	2010
	(RR million unless indicated otherwise)	
Sales of gas		
Europe and Other Countries		
Gross sales[1]	1,763,716	1,357,852
Customs duties	(324,647)	(258,627)
Net sales	1,439,069	1,099,225
Volumes in bcm	156.6	148.1
Gross average price, U.S.$ per mcm (including customs duties)[2]	383.0	301.8
Gross average price, RR per mcm (including customs duties)	11,259.1	9,166.6
FSU (Former Soviet Union)		
Gross sales (net of value added tax (VAT))	694,937	493,806
Customs duties	(57,759)	(43,669)
Net sales	637,178	450,137
Volumes in bcm	81.7	70.2
Gross average price, U.S.$ per mcm (including customs duties, net of VAT)[2]	289.5	231.7
Gross average price, RR per mcm (including customs duties, net of VAT)	8,509.3	7,039.0
Russian Federation		
Gross sales (net of VAT)	738,601	636,843
Net sales	738,601	636,843
Volumes in bcm	280.7	277.3
Gross average price, RR per mcm (net of VAT)	2,631.7	2,296.8
Total sales of gas		
Gross sales (net of VAT)	3,197,254	2,488,501
Customs duties	(382,406)	(302,296)
Net sales	2,814,848	2,186,205
Volumes in bcm	519.0	495.6
Net sales of refined products (net of VAT and customs duties)	973,026	709,062
Net sales of electric and heat energy (net of VAT)	344,551	288,655
Net sales of crude oil and gas condensate (net of VAT and customs duties)	235,432	196,074
Gas transportation net sales (net of VAT)	112,995	92,631
Other revenues (net of VAT)	156,238	124,427
Total sales (net of VAT and customs duties)	**4,637,090**	**3,597,054**

Notes:

(1) VAT is not charged on sales to Europe and Other Countries.

(2) Calculated on the basis of annual average exchange rate between the ruble and U.S. dollar.

Total sales (net of VAT and customs duties) increased by RR1,040,036 million, or 29%, to RR4,637,090 million in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Net sales of gas accounted for 61% of total net sales in the years ended December 31, 2011 and 2010.

Net sales of gas increased from RR2,186,205 million in the year ended December 31, 2010 to RR2,814,848 million in the year ended December 31, 2011, or by 29%.

Net sales of gas to Europe and Other Countries increased by RR339,844 million, or 31%, to RR1,439,069 million in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This mainly results from an increase in gross average ruble price (including customs duties) by 23%. In addition, the volume of gas sold increased by 6% in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Net sales of gas to FSU countries increased by RR187,041 million, or 42%, to RR637,178 million in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This increase was mainly due to an increase in the gross average ruble price (including customs duties, net of VAT) by 21% in the year ended December 31, 2011 compared to the year ended December 31, 2010 and an increase in volumes of gas sold to FSU countries by 16% in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Net sales of gas in the Russian Federation increased by RR101,758 million, or 16%, to RR738,601 million in the year ended December 31, 2011 compared to the year ended December 31, 2010. This increase was mainly due to a 15% increase in the gross average price for domestic gas sales price regulated by the Federal Tariffs Service (FTS), and a 1% increase in the volumes of gas sold in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Net sales of refined products (net of VAT and customs duties) increased by RR263,964 million, or 37%, to RR973,026 million in the year ended December 31, 2011 in comparison with RR709,062 million in the year ended December 31, 2010. The increase mainly resulted from an increase in global prices for refined products and increase in volumes sold in the year ended December 31, 2011 compared to the year ended December 31, 2010. In the years ended December 31, 2011 and 2010 Gazprom Neft Group's sales comprised 84% of the total amount of our net sales of refined products.

Net sales of electric and heat energy (net of VAT) increased by RR55,896 million, or 19%, to RR344,551 million in the year ended December 31, 2011 as compared to the year ended December 31, 2010. The increase in net sales of electric and heat energy was mainly due to an increase in tariffs and volumes of electric and heat energy sold to customers.

Net sales of crude oil and gas condensate (net of VAT and customs duties) increased by RR39,358 million, or 20%, to RR235,432 million in the year ended December 31, 2011 as compared to RR196,074 million in the year ended December 31, 2010. The increase was mainly caused by an increase in oil and gas condensate prices as well as by an increase in volumes of gas condensate sold in the year ended December 31, 2011 as compared to the year ended December 31, 2010. Sales of crude oil included in net sales of crude oil and gas condensate (net of VAT and customs duties), amounted to RR189,945 million and RR169,193 million in the years ended December 31, 2011 and 2010, respectively.

Gas transportation net sales (net of VAT) increased by RR20,364 million, or 22%, to RR112,995 million in the year ended December 31, 2011 from RR92,631 million in the year ended December 31, 2010. The increase was mainly caused by an increase in gas transportation tariffs and volumes of gas transported for independent gas suppliers in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Other revenues increased by RR31,811 million, or 26%, to RR156,238 million in the year ended December 31, 2011 compared to RR124,427 million in the year ended December 31, 2010.

Net gain from trading activity decreased by RR3,465 million, or 55%, to RR2,791 million in the year ended December 31, 2011 in comparison with the year ended December 31, 2010.

Operating expenses

Operating expenses increased by 21% in the year ended December 31, 2011 to RR2,942,181 million from RR2,440,777 million in the year ended December 31, 2010. Operating expenses as a percentage of

sales decreased from 68% in the year ended December 31, 2010 to 63% in the year ended December 31, 2011. The table below presents a breakdown of operating expenses in each year:

	Year ended December 31,	
	2011	2010
	(RR million)	
Purchased gas and oil	828,551	605,836
Taxes other than on income	418,134	291,712
Staff costs	374,731	354,501
Transit of gas, oil and refined products	280,770	273,469
Depreciation	275,184	249,693
Repairs and maintenance	189,865	178,296
Cost of goods for resale, including refined products	125,520	54,145
Materials	104,349	96,287
Electricity and heating expenses	70,356	60,961
Transportation services	33,753	27,603
Research and development expenses	29,489	24,300
Rental expenses	26,787	20,827
Heat transmission	26,465	24,469
Insurance expenses	20,384	16,088
Social expenses	18,811	25,635
Processing services	10,935	8,450
Exchange rate differences on operating items	(6,386)	12,876
Other	178,896	166,765
	3,006,594	**2,491,913**
Changes in inventories of finished goods, work in progress and other effects	(64,413)	(51,136)
Total operating expenses	**2,942,181**	**2,440,777**

Starting from January 1, 2011 the Group changed its presentation of operating expenses disclosing by nature the expenses incurred during the period and adjusting them for the total change in inventories of finished goods, work in progress and other effects. The comparative information was adjusted accordingly. This change in presentation related only to the reclassification of certain expense categories and did not affect the total amount of operating expenses. Management believes that the current presentation of operating expenses is more reflective of the Group's operations.

Purchased gas and oil

Cost of purchased gas and oil increased by 37% to RR828,551 million in the year ended December 31, 2011 from RR605,836 million in the year ended December 31, 2010. Cost of purchased gas increased by RR176,281 million, or 44%, and amounted to RR578,006 million in the year ended December 31, 2011. This increase relates mainly to an increase in volumes and prices of gas purchased from third parties within the Russian Federation and abroad. The cost of purchased oil included in the cost of purchased gas and oil increased by RR46,434 million, or 23%, and amounted to RR250,545 million in the year ended December 31, 2011 in comparison with RR204,111 million in the year ended December 31, 2010 due to an increase in global oil prices.

Taxes other than on income

Taxes other than on income consist of:

	Year ended December 31,	
	2011	2010
	(RR million)	
Natural resources production tax	265,742	175,789
Excise tax	95,752	62,350
Property tax	46,699	42,034
Other taxes	9,941	11,539
Taxes other than on income	**418,134**	**291,712**

The natural resources production tax increased by 51% to RR265,742 million in the year ended December 31, 2011 from RR175,789 million in the year ended December 31, 2010. The increase mainly resulted from a general increase in the natural resources production tax rate for gas from RR147 to RR237 per thousand cubic meters from January 1, 2011 as well as from an increase of natural resources production tax rate for oil due to an increase in average global oil prices.

Staff costs

Staff costs increased by 6% to RR374,731 million in the year ended December 31, 2011 from RR354,501 million in the year ended December 31, 2010. Staff costs include expenses associated with pension obligations, which amounted to RR35,471 million in the year ended December 31, 2011 and RR64,990 million in the year ended December 31, 2010. The increase in staff costs (excluding expenses associated with pension obligations) mainly resulted from salary increases in line with inflation.

Transit of gas, oil and refined products

Transit of gas, oil and refined products increased by 3% to RR280,770 million in the year ended December 31, 2011 from RR273,469 million in the year ended December 31, 2010. This increase mainly relates to an increase in costs of transportation through eastern Europe.

Depreciation

Depreciation increased by 10%, or RR25,491 million, to RR275,184 million in the year ended December 31, 2011 from RR249,693 million in the year ended December 31, 2010. The increase was primarily due to the growth in our fixed asset base.

Repairs and maintenance

Cost of repairs and maintenance increased by 6% to RR189,865 million in the year ended December 31, 2011 from RR178,296 million in the year ended December 31, 2010. This increase was caused by an increase in the volume of repair services rendered by third parties to the Group in the year ended December 31, 2011.

Cost of goods for resale, including refined products

Cost of goods for resale, including refined products, increased by 132% to RR125,520 million in the year ended December 31, 2011 from RR54,145 million in the year ended December 31, 2010. The increase in cost of goods for resale, including refined products, mainly results from an increase in volumes of refined products purchased by the Gazprom Neft Group and an increase in global prices for refined products.

Materials

Cost of materials increased by 8% to RR104,349 million in the year ended December 31, 2011 from RR96,287 million in the year ended December 31, 2010. The increase mainly resulted from an increase in prices for purchased materials.

Electricity and heating expenses

Electricity and heating expenses increased by 15% to RR70,356 million in the year ended December 31, 2011 from RR60,961 million in the year ended December 31, 2010. The increase mainly resulted from an increase in consumption of electricity and increase in electricity tariffs.

Exchange rate differences on operating items

Exchange rate differences on operating items in the year ended December 31, 2011 amounted to a net gain of RR6,386 million compared to a net loss of RR12,876 million in the year ended December 31, 2010. The change was primarily driven by a depreciation of the ruble against the U.S. dollar by 6% and euro by 3% in the year ended December 31, 2011, compared to depreciation of the ruble against U.S. dollar by 1% and appreciation of the ruble against euro by 7% in the year ended December 31, 2010.

Other operating expenses

Other operating expenses increased by 7% to RR178,896 million in the year ended December 31, 2011 from RR166,765 million in the year ended December 31, 2010. Other expenses include bank charges, security services, legal and consulting services, gas storage, charity and finance aid and advertising services.

Changes in inventories of finished goods, work in progress and other effects

Changes in inventories of finished goods, work in progress and other effects increased by 26% to RR64,413 million in the year ended December 31, 2011. The changes in inventories of finished goods, work in progress and other effects in the year ended December 31, 2011 relate mainly to an increase in the balances of finished goods as of December 31, 2011 in comparison with those as of December 31, 2010.

Impairment provision and other provisions

In the years ended December 31, 2011 and 2010, we have assessed whether there were any indicators that our non-current assets might be impaired. No such indicators were identified.

Included in the impairment and other provisions are provisions for short-term and long-term accounts receivable in the amount of RR42,351 million and RR48,448 million for the years ended December 31, 2011 and 2010, respectively.

Operating profit

As a result of the factors discussed above, our operating profit increased by RR543,021 million, or 49%, to RR1,656,843 million in the year ended December 31, 2011 from RR1,113,822 million in the year ended December 31, 2010. Operating profit margin increased from 31% in the year ended December 31, 2010 to 36% in the year ended December 31, 2011.

Finance (expense) income

	Year ended December 31,	
	2011	2010
	(RR million)	
Exchange gains	171,570	150,384
Exchange losses	(235,825)	(130,433)
Net exchange (loss) gain	**(64,255)**	**19,951**
Interest income	18,685	20,692
Interest expense	(31,998)	(38,714)
Gains on extinguishment of restructured liabilities	233	765
Net finance (expense) income	**(77,335)**	**2,694**

Exchange gains increased by RR21,186 million to RR171,570 million in the year ended December 31, 2011, compared to RR150,384 million in the year ended December 31, 2010. Exchange losses increased by RR105,392 million to RR235,825 million in the year ended December 31, 2011 from RR130,433 million in the year ended December 31, 2010. The net exchange loss of RR64,255 million in the year ended December 31, 2011 in comparison with net exchange gain of RR19,951 million in the year ended December 31, 2010 is explained by depreciation of the ruble against the U.S. dollar and euro in the year ended December 31, 2011 in comparison with the prior year.

Interest income decreased by 10% to RR18,685 million in the year ended December 31, 2011 from RR20,692 million in the year ended December 31, 2010, mainly due to the deconsolidation of ZAO Gazenergoprombank in the second quarter of 2010.

Interest expense decreased by 17% to RR31,998 million in the year ended December 31, 2011 from RR38,714 million in the year ended December 31, 2010, mainly due to decrease in average borrowings balance during the year ended December 31, 2011 in comparison with the prior year.

Share of net income of associated undertakings and jointly controlled entities

Share of net income of associated undertakings and jointly controlled entities increased by RR22,529 million, or 29%, to RR99,049 million in the year ended December 31, 2011 compared to

RR76,520 million in the year ended December 31, 2010. The increase of the Group's share of net income of associated undertakings and jointly controlled entities in the year ended December 31, 2011 relates mainly to an increase of Gazprom's share of net income of Sakhalin Energy Investment Company Ltd. by RR27,878 million due to increase of sales of hydrocarbons, partly offset by the change in presentation of OAO Novatek described below and a decrease of net income of Gazprombank Group in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Disposal of interest in OAO Novatek

In December 2010, we sold a portion of the associated undertaking (total carrying value of RR84,978 million as of the date sold) representing a 9.4% interest in OAO Novatek to a party unrelated to the Group for RR57,462 million. As a result of this transaction, we have ceased to exercise significant influence over the business activities of OAO Novatek. Therefore, the remaining 9.99% interest was classified as long-term available-for-sale financial asset and was recognized at fair value in the amount of RR104,484 million at the date of disposal.

In the consolidated statement of comprehensive income for the year ended December 31, 2010, we recognized a gain of RR77,375 million, representing the difference between the sum of fair value of the remaining 9.99% interest at the date of transaction, cash proceeds from disposal of 9.4% interest and accumulated net gain previously recognized in other comprehensive income in relation to this associated undertaking, and the carrying amount of total 19.39% interest immediately prior to the transaction date.

Profit tax

Total profit tax expense increased by RR61,784 million, or 22%, to RR337,494 million in the year ended December 31, 2011 compared to RR275,710 million in the year ended December 31, 2010. The effective profit tax rate was 20.1% and 21.6% in the years ended December 31, 2011 and 2010, respectively. The change in the effective tax rate resulted mainly from the effect of a decrease of non-deductible expenses associated with pension obligations and impairment provision in the year ended December 31, 2011 and the effect of one-time non-taxable income related to the disposal of interest in OAO Novatek in the year ended December 31, 2010.

Profit for the year attributable to owners of OAO Gazprom

As a result of the factors discussed above, our profit for the year attributable to owners of OAO Gazprom increased by RR338,461 million, or 35%, from RR968,557 million in the year ended December 31, 2010 to RR1,307,018 million in the year ended December 31, 2011.

Profit for the year attributable to non-controlling interest

Profit for the year attributable to non-controlling interest increased by RR5,988 million, or 20%, to RR35,424 million in the year ended December 31, 2011 compared to RR29,436 million in the year ended December 31, 2010. The increase is mainly related to the increase in profit of the Gazprom Neft Group in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Year ended December 31, 2010 versus Year ended December 31, 2009

Sales

The following table summarizes our sales information for our operating segments for the years ended December 31, 2010 and 2009:

	Year ended December 31,	
	2010	2009
	(RR million)	
Gas sales to customers in:		
Russian Federation	636,843	503,121
Former Soviet Union (excluding Russian Federation)	493,806	363,400
Europe and Other Countries	1,357,852	1,396,415
Gross sales of gas	2,488,501	2,262,936
Excise tax	—	(220)
Customs duties	(302,296)	(344,213)
Net sales of gas	2,186,205	1,918,503
Sales of refined products to customers in:		
Russian Federation	412,208	297,885
Former Soviet Union (excluding Russian Federation)	36,042	35,951
Europe and Other Countries	260,812	206,669
Total sales of refined products	709,062	540,505
Sales of crude oil and gas condensate to customers in:		
Russian Federation	23,148	18,127
Former Soviet Union (excluding Russian Federation)	25,967	26,562
Europe and Other Countries	146,959	131,714
Sales of crude oil and gas condensate	196,074	176,403
Electric and heat energy sales:		
Russian Federation	281,853	188,994
Former Soviet Union (excluding Russian Federation)	3,476	3,706
Europe and Other Countries	3,326	126
Total electric and heat energy sales	288,655	192,826
Gas transportation sales:		
Russian Federation	91,353	64,597
Former Soviet Union (excluding Russian Federation)	1,278	966
Europe and Other Countries	—	—
Total gas transportation sales	92,631	65,563
Other revenues:		
Russian Federation	108,933	82,930
Former Soviet Union (excluding Russian Federation)	7,683	6,664
Europe and Other Countries	7,811	7,607
Total other revenues	124,427	97,201
Total sales	**3,597,054**	**2,991,001**

The following table sets out our volumes and prices for the years ended December 31, 2010 and 2009.

	Year ended December 31,	
	2010	2009
	(RR million unless indicated otherwise)	
Sales of gas		
Europe and Other Countries		
Gross sales[1]	1,357,852	1,396,415
Excise tax	—	(220)
Customs duties	(258,627)	(290,742)
Net sales	1,099,225	1,105,453
Volumes in bcm	148.1	148.3
Gross average price, U.S.$ per mcm[2] (including customs duties)[3]	301.8	296.7
Gross average price, RR per mcm[2] (including customs duties)	9,166.6	9,413.5
FSU (Former Soviet Union)		
Gross sales (net of VAT)	493,806	363,400
Excise	—	—
Customs duties	(43,669)	(53,471)
Net sales	450,137	309,929
Volumes in bcm	70.2	56.7
Gross average price, U.S.$ per mcm[2] (including customs duties, net of VAT)[3]	231.7	202.1
Gross average price, RR per mcm[2] (including customs duties, net of VAT)	7,039.0	6,411.1
Russia		
Gross sales (net of VAT)	636,843	503,121
Excise	—	—
Net sales	636,843	503,121
Volumes in bcm	277.3	273.5
Gross average price, RR per mcm[2] (net of VAT)	2,296.8	1,839.5
Total sales of gas		
Gross sales (net of VAT)	2,488,501	2,262,936
Excise tax	—	(220)
Customs duties	(302,296)	(344,213)
Net sales	2,186,205	1,918,503
Volumes in bcm	495.6	478.5
Net sales of refined products (net of VAT and customs duties)	709,062	540,505
Net sales of electricity and heat energy (net of VAT)	288,655	192,826
Net sales of crude oil and gas condensate (net of VAT and customs duties)	196,074	176,403
Gas transportation net sales (net of VAT)	92,631	65,563
Other revenues (net of VAT)	124,427	97,201
Total sales (net of VAT and customs duties)	**3,597,054**	**2,991,001**

Notes:

(1) VAT is not charged on sales to Europe and Other Countries.

(2) One mcm is equivalent to 35.316 thousand cubic feet.

(3) Calculated on the basis of annual average exchange rate between the ruble and the U.S. dollar.

Total sales (net of VAT and custom duties) increased by RR606,053 million, or 20%, to RR3,597,054 million in the year ended December 31, 2010 compared to the year ended December 31, 2009.

Net sales of gas accounted for 61% and 64% of total net sales in the year ended December 31, 2010 and 2009, respectively, mainly due to an increase in the sale of refined products.

Net sales of gas increased from RR1,918,503 million in the year ended December 31, 2009 to RR2,186,205 million in the year ended December 31, 2010, or by 14%, mainly due to an increase in gas prices.

Net sales of gas to Europe and Other Countries decreased by RR6,228 million or 1%, to RR1,099,225 million in the year ended December 31, 2010 as compared to the year ended December 31, 2009. This mainly results from a decrease of gross average prices in RR terms (including custom duties) by 3%.

Net sales of gas to FSU countries increased by RR140,208 million, or 45%, to RR450,137 million in the year ended December 31, 2010 as compared to the year ended December 31, 2009. This increase was mainly due to increase in volumes of gas sold to FSU countries by 24% in the year ended December 31, 2010 compared to the year ended December 31, 2009, and increase in gross average RR price (including custom duties, net of VAT) by 10% in the year ended December 31, 2010 compared to the year ended December 31, 2009.

Net sales of gas in the Russian Federation increased in the year ended December 31, 2010 compared to the year ended December 31, 2009, by RR133,722 million, or 27%, to RR636,843 million. This increase was mainly due to 25% increase in the gross average gas sale price regulated by the FTS, and 1% increase in the volumes of gas sold.

Net sales of refined products (net of VAT and custom duties) increased by RR168,557 million, or 31%, to RR709,062 million in the year ended December 31, 2010 in comparison with RR540,505 million in the year ended December 31, 2009. The increase mainly resulted from an increase of world prices for refined products and an increase in volumes sold by the Group as well as from the acquisitions of subsidiaries by the Gazprom Neft Group in 2009, mainly Sibir Energy and NIS, which were accounted for throughout the year ended December 31, 2010, as opposed to the partial inclusion in the year ended December 31, 2009. In the years ended December 31, 2010 and 2009 the Gazprom Neft Group's sales comprised 84% and 85% of the total amount of our net sales of refined products, respectively.

Net sales of electric and heat energy (net of VAT) increased by RR95,829 million, or 50%, to RR288,655 million in the year ended December 31, 2010 as compared to the year ended December 31, 2009. RR49,687 million of the total increase related to consolidation of TGK-1 effective December 31, 2009 when control over that entity was established. Another reason for the total increase in the Group's electric and heat energy net sales was an increase in electric and heat energy sales of Mosenergo, CGK-2 and CGK-6 by RR45,487 million, or 24%, mainly due to increases of FTS's electricity and heat energy tariffs.

Net sales of crude oil and gas condensate (net of VAT and custom duties) increased by RR19,671 million, or 11%, to RR196,074 million in the year ended December 31, 2010 as compared to RR176,403 million in the year ended December 31, 2009. The increase was mainly caused by an increase in the price of oil and gas condensate as well as an increase in volumes of gas condensate sold in the year ended December 31, 2010 as compared to the year ended December 31, 2009. Sales of crude oil included in net sales of crude oil and gas condensate (net of VAT and custom duties), amounted to RR169,193 million and RR157,874 million in the years ended December 31, 2010 and 2009, respectively.

Gas transportation net sales (net of VAT) increased by RR27,068 million, or 41%, to RR92,631 million in the year ended December 31, 2010 from RR65,563 million in the year ended December 31, 2009. The increase was mainly caused by an increase in gas volumes transported for independent gas suppliers by 11%.

Other revenues increased by RR27,226 million, or 28%, to RR124,427 million in the year ended December 31, 2010 compared to RR97,201 million in the year ended December 31, 2009, which is mainly explained by increases of sales of other works and services, goods, products and rent services. Such increases are mainly a result of recovery of Russia's economy in 2010 and the overall expansion of Group's activity in 2010 year.

Net gain from trading activity increased by RR2,085 million, or 50%, to RR6,256 million in the year ended December 31, 2010 in comparison with the year ended December 31, 2009. This growth is due to increase of trading operations by Gazprom Marketing and Trading Ltd., a subsidiary to the Group.

Operating expenses

Operating expenses increased by 17% in the year ended December 31, 2010 to RR2,440,777 million from RR2,092,832 million in the year ended December 31, 2009. Operating expenses as a percentage of sales decreased from 70% in the year ended December 31, 2009 to 68% in the year ended December 31, 2010. The table below presents a breakdown of operating expenses in each period:

	Year ended December 31,			
	2010		2009	
	(RR million)	(% of net sales)	(RR million)	(% of net sales)
Purchased oil and gas	616,407	17%	607,310	20%
Staff costs	342,846	10%	255,977	9%
Taxes other than on income	289,978	8%	244,748	8%
Transit of gas, oil and refined products	260,776	7%	220,961	8%
Depreciation	243,615	7%	221,197	7%
Repairs and maintenance	159,894	4%	138,779	5%
Materials	83,043	2%	83,576	3%
Cost of goods for resale, including refined products	70,072	2%	52,203	2%
Electricity and heating expenses	60,386	2%	43,375	1%
Transportation services	27,130	1%	17,952	0%
Social expenses	25,635	1%	20,639	1%
Research and development expenses	24,158	1%	28,524	1%
Rental expenses	20,019	1%	19,912	1%
Insurance expenses	15,685	0%	16,315	1%
Exchange rate differences on operating items	12,876	0%	(44,223)	(1%)
Processing services	8,442	0%	9,744	0%
Other operating expenses	179,815	5%	155,843	4%
Total operating expenses	**2,440,777**	**68%**	**2,092,832**	**70%**

Purchased oil and gas

Cost of purchased gas and oil increased by 1% to RR616,407 million in the year ended December 31, 2010 from RR607,310 million in the year ended December 31, 2009. The cost of purchased gas decreased by RR41,590 million or 9% and amounted to RR401,725 million for the year ended December 31, 2010 which is mainly explained by decrease in prices and volume of gas purchased outside the Russian Federation. The cost of purchased oil increased by RR50,687 million, or 31%, and amounted to RR214,682 million in the year ended December 31, 2010 in comparison with RR163,995 million in the year ended December 31, 2009 due to an increase in world oil prices.

Staff costs

Staff costs increased by 34% to RR342,846 million in the year ended December 31, 2010 from RR255,977 million in the year ended December 31, 2009. Staff costs included costs for pension expense in the amount of RR64,990 million and RR20,486 million for 2010 and 2009, respectively. The increase in staff costs (without pension expense) resulted mainly from an increase in the average salary. The increase was also due to consolidation of TGK-1 effective December 31, 2009 when control over that entity was established; and due to acquisitions of new assets by the Gazprom Neft Group in 2009. The increase in staff costs was also partially driven by pension expense, which includes unfunded post-retirement benefits such as funeral payment, health improvement, medical aid and other types of financial support to pensioners.

Taxes other than on income

Taxes other than on income consist of:

	Year ended December 31,	
	2010	2009
	(RR million)	
Natural resources production tax	170,455	144,908
Excise tax	62,338	53,024
Property tax	42,034	36,034
Other taxes	15,151	10,782
Taxes other than on income	**289,978**	**244,748**

The natural resources production tax increased by 18% to RR170,455 million in the year ended December 31, 2010 from RR144,908 million in the year ended December 31, 2009. The increase mainly relates to the production of crude oil and was caused by an increase of world oil prices that in turn resulted in the increase of tax rate.

Transit of gas, oil and refined products

Transit of gas, oil and refined products increased by 18% to RR260,776 million in the year ended December 31, 2010 from RR220,961 million in the year ended December 31, 2009. This growth mainly relates to increased costs of gas transportation through Ukraine.

Depreciation

Depreciation increased by 10% or RR22,418 million to RR243,615 million in the year ended December 31, 2010 from RR221,197 million in the year ended December 31, 2009. The increase primarily related to the growth in the fixed asset base, mainly in the Transportation segment.

Repairs and maintenance

Cost of repairs and maintenance increased by 15% to RR159,894 million in the year ended December 31, 2010 from RR138,779 million in the year ended December 31, 2009. This increase was mainly caused by an increase in the volume of services related to repairs of the gas pipeline system rendered by third parties to the Group in the year ended December 31, 2010.

Materials

Cost of materials decreased by 1% to RR83,043 million in the year ended December 31, 2010 from RR83,576 million in the year ended December 31, 2009. This decrease was mainly caused by a lower amount of materials used for repair purposes, it was partially compensated by the increase in cost of fuel for our electricity and heat generation businesses as well as by an increase in costs resulting from the changes in the Group's procurement logistics as they related to capital repair activities.

Cost of goods for resale, including refined products

Cost of goods for resale, including refined products increased by 34% to RR70,072 million in the year ended December 31, 2010 from RR52,203 million in the year ended December 31, 2009. The increase is mainly due to an increase in prices for oil and oil products.

Electricity and heating expenses

Electricity and heating expenses increased by 39% to RR60,386 million in the year ended December 31, 2010 from RR43,375 million in the year ended December 31, 2009. The increase mainly resulted from an increase in electricity volume used in production, the growth of electricity tariffs and consolidation of TGK-1 effective December 31, 2009.

Exchange rate differences on operating items

Exchange rate differences on operating items in the year ended December 31, 2010 amounted to a net loss of RR12,876 million compared to a net gain in exchange rate differences on operating items in the amount of RR44,223 million in the year ended December 31, 2009. The change was primarily driven by

depreciation of the ruble against the U.S. dollar by 1% and by appreciation of the ruble against euro by 7% in the year ended December 31, 2010 comparing to depreciation of the ruble against the U.S. dollar and euro by 3% and 5%, respectively, in the year ended December 31, 2009.

Other operating expenses

Other operating expenses increased by 15% to RR179,815 million in the year ended December 31, 2010 from RR155,843 million in the year ended December 31, 2009, mainly due to an increase in financial aid and charity as well as software services. Other expenses include heat energy transmission expenses, bank charges, security services, legal and consulting services, advertisement services, gas storage services, charity and financial aid and others.

Impairment provision and other provisions

In each of the years ended December 31, 2010 and 2009, we have assessed whether there were any indicators that our non-current assets might be impaired. No such indicators were identified.

Included in the impairment and other provisions are provisions for short-term and long-term accounts receivable in the amount of RR48,448 million and RR33,586 million for the years ended December 31, 2010 and 2009 respectively.

Operating profit

As a result of the factors discussed above, our operating profit increased by RR256,910 million, or 30%, to RR1,113,822 million in the year ended December 31, 2010 from RR856,912 million in the year ended December 31, 2009. Our operating profit margin increased from 29% in the year ended December 31, 2009 to 31% in the year ended December 31, 2010.

Purchase of non-controlling interest in Gazprom Neft

In April 2009 we purchased an additional 20% interest in Gazprom Neft for U.S.$4.1 billion (approximately RR138 billion) from Eni. As a result of this transaction, we increased its interest in Gazprom Neft to 95.68%. The difference between the carrying value of the acquired non-controlling interest (approximately RR152 billion) and purchase consideration was recognized as a gain in the amount of RR14 billion in the consolidated statement of comprehensive income.

Gain from disposal of OAO Novatek

In December 2010 we sold a portion of the associated undertaking (total carrying value of RR84,978 million as of the date sold) representing a 9.4% interest in OAO Novatek to a party unrelated to us for RR57,462 million paid in cash. As a result of this transaction we have ceased to exercise significant influence over the business activities of OAO Novatek. Therefore the remaining 9.99% interest was classified as long-term available-for-sale financial asset and was recognized at fair value in the amount of RR104,484 million at the date of disposal.

In the consolidated statement of comprehensive income for the year ended December 31, 2010 we recognized a gain of RR77,375 million representing the difference between the sum of fair value of the remaining 9.99% interest at the date of transaction, cash proceeds from disposal of 9.4% interest and accumulated net gain previously recognized in other comprehensive income in relation to this associated undertaking, and the carrying amount of total 19.39% interest as at transaction date.

Gain from swap of assets transaction

On October 30, 2009, we closed the swap agreement with E.ON Ruhrgas. As a result thereof, the Group swapped its 25% share in Severneftegazprom less three ordinary shares, three preference shares without voting right of Severneftegazprom and a preference share in ZAO Gazprom YRGM Development for a 49% interest in ZAO Gerosgaz and a cash compensation of €67 million. Severneftegazprom holds the license for the development of Yuzhno-Russkoe oil and gas field in Siberia. ZAO Gerosgaz is the company holding the investment in 2.93% shares of Gazprom. As a result of the swap, we recognized the gain on disposal of interest in Severneftegazprom and ZAO Gazprom YRGM Development in the consolidated statement of comprehensive income in the amount of RR105,470 million, being the difference between carrying amount of transferred assets and respective fair value of ZAO Gerosgaz shares acquired. Treasury shares were recognized as deduction from equity at market value as at the date of the swap closure.

Finance income and expenses

	Year ended December 31,	
	2010	2009
	(RR million)	
Exchange gains	150,384	338,976
Exchange losses	(130,433)	(367,320)
Net exchange loss	**19,951**	**(28,344)**
Interest income	20,692	36,762
Interest expense	(38,714)	(74,167)
Gains on and extinguishment of restructured liabilities	765	61
Net finance income/(expense)	**2,694**	**(65,688)**

Exchange gains decreased by RR188,592 million to RR150,384 million in the year ended December 31, 2010, compared to RR338,976 million in the year ended December 31, 2009. Exchange losses decreased by RR236,887 million to RR130,433 million in the year ended December 31, 2010 from RR367,320 million in the year ended December 31, 2009. The decrease in exchange gains and exchange losses resulted from a lower fluctuation of the U.S. dollar and euro exchange rates against RR in the year ended December 31, 2010 in comparison with the year ended December 31, 2009.

Interest income decreased by 44% to RR20,692 million in the year ended December 31, 2010 from RR36,762 million in the year ended December 31, 2009, mainly due to the change in presentation of the Group's banking subsidiaries in the first half of 2010.

Interest expense decreased by 48% to RR38,714 million in the year ended December 31, 2010 from RR74,167 million in the year ended December 31, 2009, mainly due to a decrease in the average borrowings balance during the year ended December 31, 2010.

Share of net income of associated undertakings and jointly controlled entities

Share of net income of associated undertakings and jointly controlled entities increased by RR13,963 million, or 22%, to RR76,520 million in the year ended December 31, 2010 compared to RR62,557 million in the year ended December 31, 2009. The increase of our share of net income of associated undertakings and jointly controlled entities in the year ended December 31, 2010 relates mainly to an increase in net income of Sakhalin Energy Investment Company Ltd. due to an increase in sales of hydrocarbons.

Profit tax

Total profit tax expense increased by RR90,068 million, or 49%, to RR275,710 million for the year ended December 31, 2010 compared to RR185,642 million for the year ended December 31, 2009. The effective profit tax rate was 21.6% and 19.0% in the years ended December 31, 2010 and 2009, respectively. The change in the effective tax rate results mainly from the effect of one-time non-taxable income related to the purchase of an additional interest in Gazprom Neft and the gain from swap of assets with E.ON Ruhrgas in 2009 and in 2010 to effect of the disposal of interest in OAO Novatek.

Profit for the period attributable to owners of Gazprom

As a result of the factors discussed above, our profit for the period attributable to owners of Gazprom increased by RR188,972 million, or 24%, from RR779,585 million in the year ended December 31, 2009 to RR968,557 million in the year ended December 31, 2010.

Profit for the period attributable to non-controlling interest

Profit for the period attributable to non-controlling interest increased by RR15,228 million, or 107%, to RR29,436 million in the year ended December 31, 2010 compared to RR14,208 million in the year ended December 31, 2009. The increase is mainly related to the increased profitability of Severneftegazprom and Mosenergo in the year ended December 31, 2010 as compared to the year ended December 31, 2009.

Liquidity and Capital Resources

We make significant capital expenditures to explore for natural gas and crude oil, to develop our natural gas and crude oil fields and to produce natural gas, gas condensate and crude oil and their products, and to maintain and expand the GTS and international pipelines. Our capital expenditures (excluding the effect of acquisitions of subsidiaries) were RR936,361 million and RR872,577 million in the nine-month periods ended September 30, 2012 and 2011, respectively, and RR1,628,109 million in 2011, RR1,110,834 million in 2010 and RR810,870 million in 2009.

We make significant investments in associated undertakings and jointly controlled entities and acquisitions of subsidiaries. See "—Certain Acquisitions, Dispositions and Changes in Control—Acquisitions and dispositions to September 30, 2012."

For the nine-month periods ended September 30, 2012 and for the years ended December 31, 2011, 2010 and 2009 our operating cash flows were sufficient to cover our cash capital expenditures and other investment activities. Other significant uses of our cash flows include servicing our debt and paying dividends. Interest paid and expensed was RR16,458 million and RR18,790 in the nine-month periods ended September 30, 2012 and 2011 respectively, and RR28,950 million, RR33,428 million and RR58,794 million in 2011, 2010 and 2009, respectively. Interest paid and capitalized was RR48,159 million and RR42,290 in the nine-month periods ended September 30, 2012 and 2011 respectively, and RR58,507 million, RR62,392 million and RR45,516 million in 2011, 2010 and 2009, respectively. Total interest paid, both expensed and capitalized, was RR64,617 million and RR61,080 in the nine-month periods ended September 30, 2012 and 2011 respectively, and RR87,457 million, RR95,820 million and RR104,310 million for 2011, 2010, and 2009, respectively. We paid dividends (including dividends paid by subsidiaries to minority shareholders) of RR196,953 million and RR85,288 in the nine-month periods ended September 30, 2012 and 2011, and RR93,977 million, RR55,106 million and RR16,733 million in 2011, 2010 and 2009, respectively.

In the nine-month periods ended September 30, 2012 and 2011, and in 2011 and 2009, our proceeds from debt exceeded our repayments of debt. In 2010 our repayments of debt exceeded our proceeds. Our borrowings net of repayments (including bonds and promissory notes) were RR90,761 million and RR46,195 million in the nine-month periods ended September 30, 2012 and 2011, respectively, and RR155,568 million and RR73,843 million in 2011 and 2009, respectively. Our repayments net of borrowings were RR123,395 million in 2010.

Our total debt (include long-term borrowings, short-term borrowings, short-term promissory notes payable, long-term promissory notes payable) increased from RR1,540,162 million as of December 31, 2011 to RR1,632,912 million as of September 30, 2012. Our cash and cash equivalents and certain restricted cash (i.e., cash balances restricted under certain borrowings) decreased from RR505,221 million as of December 31, 2011 to RR475,152 million as of September 30, 2012.

Cash Flows

The following table summarizes our statements of cash flows for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009:

	Nine month ended September 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
Net cash provided by operating activities	983,391	1,067,752	1,637,450	1,460,116	897,154
Net cash used for investing activities	(882,946)	(1,069,354)	(1,605,245)	(1,050,307)	(993,111)
Net cash (used for) provided by financing activities	(121,933)	(58,652)	31,814	(212,384)	(2,867)

Net cash provided by operating activities

Net cash provided by operating activities amounted to RR983,391 million in the nine-month period ended September 30, 2012 compared to RR1,067,752 million in the nine-month period ended September 30, 2011. The decrease was primarily due to the decrease in profit before profit tax and increase

in share of operating expenses in total sales in the nine-month period ended September 30, 2012 in comparison with the same period of the prior year.

Net cash provided by operating activities increased by RR177,334 million, or 12%, and amounted to RR1,637,450 million in the year ended December 31, 2011 compared to RR1,460,116 million in the year ended December 31, 2010. The increase was primarily due to the growth of our operating profit in the year ended December 31, 2011 in comparison with the year ended December 31, 2010, which was supplemented by the effect of working capital changes.

Net cash provided by operating activities increased by RR562,962 million, or 63%, and amounted to RR1,460,116 million in the year ended December 31, 2010 compared to RR897,154 million in the year ended December 31, 2009. The increase was primarily due to growth of our operating profit in the year ended December 31, 2010 in comparison with the year ended December 31, 2009, which was supplemented by the effect of working capital changes.

Net cash used for investing activities

Net cash used for investing activities decreased by RR186,408 million, or 17%, to RR882,946 million in the nine-month period ended September 30, 2012 compared to RR1,069,354 million in the nine-month period ended September 30, 2011. The decrease was primarily due to the decrease in total capital expenditures and increase in proceeds from associated undertakings and jointly controlled entities in the nine-month period ended September 30, 2012 in comparison with the same period of the prior year.

Net cash used for investing activities increased by RR554,938 million, or 53%, to RR1,605,245 million in the year ended December 31, 2011 compared to RR1,050,307 million in the year ended December 31, 2010. This increase relates mainly to the increase in cash used for capital expenditures in the development of fields and transport infrastructure, as well as, acquisition of 50% shares of OAO Betransgaz in the year ended December 31, 2011 and proceeds from disposal of interest in OAO Novatek in the year ended December 31, 2010.

Net cash used for investing activities increased by RR57,196 million, or 6%, to RR1,050,307 million in the year ended December 31, 2010 compared to RR993,111 million in the year ended December 31, 2009. This increase relates mainly to the increase in cash used for capital expenditures in the development of fields and transport infrastructure which was partly offset by a decrease in cash used for the acquisition of shares in subsidiaries due to the purchase of a non-controlling interest in Gazprom Neft for RR138,527 million in the year ended December 31, 2009.

Net cash (used for) provided by financing activities

Net cash used for financing activities amounted to RR121,933 million in the nine-month period ended September 30, 2012 compared to RR58,652 million in the nine-month period ended September 30, 2011. This change was mainly due to the increase in dividends paid in the nine-month period ended September 30, 2012 compared to the same period of the prior year. This effect was partly offset by the decrease in repayment of long-term borrowings in the nine-month period ended September 30, 2012 in comparison with the same period of the prior year.

Net cash provided by financing activities amounted to RR31,814 million in the year ended December 31, 2011 compared to net cash used for financing activities in the amount of RR212,384 million in the year ended December 31, 2010. This change was due to the fact that in the year ended December 31, 2011 cash proceeds from loans obtained were higher than redemption of loans and in the year ended December 31, 2010 cash transferred for repayment of loans was higher than proceeds from loans.

Net cash used for financing activities amounted to RR212,384 million in the year ended December 31, 2010 compared to net cash used for financing activities in the amount of RR2,867 million in the year ended December 31, 2009. This increase was due to change from net proceeds from long term loans and borrowings in 2009 to net repayment in 2010.

Working Capital

Our working capital surplus (which we define as current assets less current liabilities) was RR942,138 million as of September 30, 2012 and RR931,038 million as of December 31, 2011. The RR11,100 million increase in our working capital in the nine-month period ended September 30, 2012 was mainly due to increase in inventories and increase in our accounts receivable and prepayments. These effects were partially offset by an increase in our accounts payable and accrued charges and a decrease in cash and cash equivalents. The increase in inventories amounted to RR77,064 million was mainly due to the seasonal growth of gas volumes in pipelines and storages. The increase of accounts receivable and prepayments of RR46,547 million was mainly due to the increase of advances issued and other debt. The increase of accounts payable and accrued charges of RR84,706 million was mainly due to the increase of accounts payable in respect of retroactive gas price adjustments. The decrease in cash and cash equivalents of RR29,916 million was mainly due to the decrease in cash on Group accounts. Management believes that we have sufficient working capital to meet our requirements for at least the next twelve months. However, we are dependent on the short-term credit markets to finance our working capital. We also depend on regular access to the domestic ruble bank loan and ruble debt markets to meet a significant portion of its financing requirements.

The working capital surplus (current assets less current liabilities) was RR931,038 million as of December 31, 2011 and RR854,634 million as of December 31, 2010. The RR76,404 million increase in our working capital in the year ended December 31, 2011 was primarily due to the increase in VAT recoverable, increase in inventories and increase in cash and cash equivalents. The increase was partially offset by the increase in short-term borrowings, current portion of long-term borrowings and increase in accounts payable. The increase in VAT recoverable by RR145,064 million was caused by the completion of constructions under the investment agreement in December 2011. The increase in inventories by RR81,791 million was caused by the growth of prices for gas in pipelines and storages and for refined products. The increase in cash and cash equivalents by RR60,558 million was caused by the increase in cash on Group accounts. The increase in short-term borrowings and current portion of long-term borrowings by RR175,816 million was caused mainly by recognition of long-term borrowings with maturity in the year ended December 31, 2012 in current portion. The increase in accounts payable by RR102,004 million was caused mainly by the increase in trade payables related to investment construction. Management believes that we have sufficient working capital to meet our obligations for at least the next twelve months. However, we are dependent on the short-term credit markets to finance our working capital. We also depend upon regular access to the domestic debt capital markets to meet a significant portion of its financing requirements.

The working capital surplus (current assets less current liabilities) was RR854,634 million as of December 31, 2010 and RR639,082 million as of December 31, 2009. The RR215,552 million increase in our working capital in the year ended December 31, 2010 was primarily due to a decrease in short-term borrowings and current portion of long-term borrowings and an increase in cash and cash equivalents. These effects were partially offset by an increase in accounts payable. The decrease in short-term borrowings and current portion of long-term borrowings in the amount of RR234,010 million was caused mainly by deconsolidation of Group's banking subsidiaries, and also by redemption of loans and loan participation notes issued. The increase in cash and cash equivalents amounting to RR191,027 million was caused by the increase of cash on Group accounts. The increase in accounts payable and accrued charges amounting to RR200,565 million was caused mainly by increase in advances received for gas sold, increase of trade payables for gas sold, and also by increase in trade payables related to investment construction.

Capital Expenditures

Total capital expenditures (excluding the effect of acquisitions of subsidiaries) by segment for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 in nominal ruble terms, amounted to the following:

	Nine months ended September 30,			
	2012		2011	
	(RR million)	(%)	(RR million)	(%)
Transport	462,711	49.4%	446,273	51.1%
Production of gas	193,442	20.7%	179,189	20.5%
Refining	97,536	10.4%	75,236	8.6%
Production of crude oil and gas condensate	88,762	9.5%	62,519	7.2%
Electric and heat energy generation and sales	36,225	3.9%	51,004	5.8%
Distribution	34,135	3.6%	24,626	2.8%
Gas storage	12,863	1.4%	10,764	1.2%
Other[1]	10,687	1.1%	22,966	2.6%
Total[2]	**936,361**	**100%**	**872,577**	**100%**

	Year ended December 31,					
	2011		2010		2009	
	(RR million)	(%)	(RR million)	(%)	(RR million)	(%)
Transport	905,010	55.6%	503,487	45.3%	289,164	35.7%
Production of gas	288,409	17.7%	281,540	25.3%	274,755	33.9%
Refining	139,670	8.6%	92,271	8.3%	58,589	7.2%
Production of crude oil and gas condensate	97,359	6.0%	91,805	8.3%	88,764	10.9%
Electric and heat energy generation and sales	85,463	5.2%	53,929	4.9%	29,953	3.7%
Distribution	51,270	3.1%	44,633	4.0%	35,823	4.4%
Gas storage	24,585	1.5%	21,016	1.9%	10,942	1.3%
Other[1]	36,343	2.2%	22,153	2.0%	22,880	2.8%
Total[2]	**1,628,109**	**100%**	**1,110,834**	**100%**	**810,870**	**100%**

Notes:

(1) Primarily includes expenditures for the acquisition of non-productive assets.

(2) The capital expenditures in the present analysis may differ from the capital additions disclosed within the Group's business segments in the IFRS consolidated financial statements of OAO Gazprom primarily due to VAT included in the amounts above.

Total capital expenditures (excluding the effect of acquisitions of subsidiaries) increased by RR63,784 million, or 7%, from RR872,577 million in the nine-month period ended September 30, 2011 to RR936,361 million in the nine-month period ended September 30, 2012.

The increase of capital expenditures in the Transport segment was primarily due to increased capital expenditure on the construction of major transportation projects, including the Bovanenkovo-Ukhta, Ukhta-Torzhok, Nord Stream and Sakhalin-Khabarovsk-Vladivostok pipelines. The increase of capital expenditures in the Production of gas segment was primarily due to increased capital expenditures for infrastructure development performed at the Bovanenkovskoe field. The increase of our capital expenditures in the Refining segment was primarily due to increased capital expenditures of Gazprom Neft Group and OOO Novourengoysky GCC. The increase of our capital expenditures in the Production of crude oil and gas condensate segment was primarily due to increased capital expenditures of Gazprom Neft Group.

Total capital expenditures (excluding the effect of acquisitions of subsidiaries) increased by RR517,275 million, or 47%, from RR1,110,834 million in the year ended December 31, 2010 to RR1,628,109 million in the year ended December 31, 2011.

The increase of our capital expenditures in the Transport segment was primarily due to increased capital expenditures on the construction of major transportation projects, including Pipeline Bovanenkovo-

Ukhta, Pochinki-Gryazovets, Pipeline Ukhta-Torzhok, and also Sakhalin-Khabarovsk-Vladivostok and Nord Stream. The increase of our capital expenditures in the Refining segment was primarily due to increased capital expenditures of Gazprom Neft Group and OOO Novourengoysky GCC. The increase of our capital expenditures in the Electric and heat energy generation and sales segment was due to increased capital expenditures on the OOO Gazprom Investproekt construction of Adler thermal power plant and increased capital expenditures of OAO Mosenergo.

The following table shows our cash and non-cash capital expenditures (excluding the effect of acquisitions of subsidiaries):

	Nine months ended September 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
			(RR million)		
Cash capital expenditures	956,529	1,066,253	1,553,118	1,042,642	795,640
Interest paid and capitalized	48,159	42,290	58,507	62,392	45,516
Changes in settlements related to capital construction	(68,327)	(235,966)	16,484	5,800	(30,286)
Total capital expenditures[1]	**936,361**	**872,577**	**1,628,109**	**1,110,834**	**810,870**

Note:

(1) Data presented in this table includes all of our consolidated subsidiaries for the relevant periods.

Our budgeted total capital expenditures by segment for the year ending December 31, 2013 are as follows (excluding expenditures for certain of our subsidiaries, namely Mosenergo, OAO OGK-2, OAO TGK-1 and Gazprom Neft):

	Year ending December 31, 2013[1][2]	
	(RR million)	(%)
Transportation	319,001	48%
Production of gas	209,729	32%
Gas storage	36,919	6%
Refining	13,407	2%
Distribution of gas	7,657	1%
Production of crude oil and gas condensate	3,462	1%
Other	68,280	10%
Total	**658,455**	**100%**

Notes:

(1) This capital expenditures budget for 2013 include the following major projects: RR102,922 million for construction of system of the Bovanenkovo-Ukhta pipelines, RR90,932 million for the South Stream project, RR60,566 million for development of the Bovanenkovskoe field, RR36,132 million for development of the Kirinskoe field and RR21,663 million for construction of the Ukhta-Torzhok gas trunk pipeline system.

(2) Includes VAT.

Debt Obligations

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations) increased by RR122,819 million, or 12%, from RR1,034,941 million as of December 31, 2011 to RR1,157,760 million as of September 30, 2012. This increase resulted mainly from raising of new long-term loans and borrowings and decrease in cash and cash equivalents.

Net debt balance increased by RR163,948 million, or 19%, from RR870,993 million as of December 31, 2010 to RR1,034,941 million as of December 31, 2011. This growth resulted from new long-term and short-term borrowings and a depreciation of the ruble against the U.S. dollar and euro.

Net debt balance decreased by RR500,042 million, or 37%, from RR1,372,307 million as of December 31, 2009 to RR870,993 million as of December 31, 2010. This decrease resulted from a decrease

in short-term and long-term borrowings, which was primarily caused by the effect of early redemption of long-term borrowings, deconsolidation of banking subsidiaries of the Group as of December 31, 2010 and the increase in cash and cash equivalents.

The following table shows our borrowings as of September 30, 2012, December 31, 2011, 2010 and 2009:

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
			(RR million)	
Long-term borrowings				
Fixed interest rate borrowings	1,249,138	1,191,984	1,065,435	1,149,288
Weighted average interest rates for fixed rate borrowings	6.99%	7.38%	7.66%	7.84%
Variable interest rate borrowings	306,363	283,252	186,531	268,848
Weighted average interest rates for variable rate borrowings	3.07%	2.91%	3.01%	2.10%
Total long-term borrowings	1,555,501	1,475,236	1,251,966	1,418,136
RR denominated borrowings	215,653	203,742	129,071	154,887
Foreign currency denominated borrowings	1,339,848	1,271,494	1,122,895	1,263,249
Total long-term borrowings	**1,555,501**	**1,475,236**	**1,251,966**	**1,418,136**
Less: current portion of long-term borrowings	(308,141)	(301,942)	(127,571)	(233,679)
Add: long-term promissory notes, net of discount	43	—	—	4,592
Total long-term debt obligations	**1,247,403**	**1,173,294**	**1,124,395**	**1,189,049**
Short-term borrowings				
Fixed interest rate borrowings	65,190	54,098	21,375	134,823
Weighted average interest rates for fixed rate borrowings	3.89%	5.11%	4.81%	8.78%
Variable interest rate borrowings	12,170	10,777	41,899	56,353
Weighted average interest rates for variable rate borrowings	2.78%	6.25%	3.11%	3.08%
Total short-term borrowings	**77,360**	**64,875**	**63,274**	**191,176**
RR denominated borrowings	22,959	28,465	16,111	119,178
Foreign currency denominated borrowings	54,401	36,410	47,163	71,998
Total short-term borrowings	**77,360**	**64,875**	**63,274**	**191,176**
Plus: current portion of long-term borrowings	308,141	301,942	127,571	233,679
Short-term promissory notes	8	51	207	11,761
Total short-term debt obligations	**385,509**	**366,868**	**191,052**	**436,616**
Total borrowings	**1,632,912**	**1,540,162**	**1,315,447**	**1,625,665**

The following table shows the breakdown by currency of our actual foreign currency denominated long-term borrowings as of September 30, 2012, December 31, 2011, 2010 and 2009:

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
U.S. dollar denominated (expressed in millions of U.S. dollars)	30,221	28,708	26,140	26,239
Euro denominated (expressed in millions of U.S. dollars)[1]	12,836	10,498	9,849	12,785
Other currencies denominated (expressed in millions of U.S. dollars)	280	286	855	2,723
Total long-term foreign currency denominated borrowings expressed in millions of U.S. dollars	**43,337**	**39,492**	**36,844**	**41,747**
Total long-term foreign currency denominated borrowings expressed in millions of RR[2]	**1,339,848**	**1,271,494**	**1,122,895**	**1,263,249**

Notes:

(1) Converted at euro to U.S. dollar exchange rate as of the end of the respective periods.

(2) Converted at the exchange rate as of period-end.

A portion of our long-term borrowings denominated in convertible currencies is collateralized by receivables under certain of our export contracts. As of September 30, 2012, December 31, 2011, 2010 and 2009, borrowings of RR12,511 million, RR18,838 million, RR22,747 million and RR27,118 million, respectively, inclusive of current portion of long-term borrowings, were secured by receivables from export supplies of gas to western Europe. We have not increased our borrowings secured by receivables from export supplies of natural gas to western Europe since September 30, 2012.

As of September 30, 2012 and December 31, 2011 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 RR16,968 million and fixed assets with the pledge value of RR26,666 million were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

The following table shows our schedule of repayments for long-term borrowings (excluding long-term promissory notes) as of September 30, 2012, December 31, 2011, 2010 and 2009:

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
		(RR million)		
Between one and two years	273,435	264,547	166,853	162,848
Between two and five years	539,434	586,574	551,310	527,212
After five years	434,491	322,173	406,232	494,397
Total	**1,247,360**	**1,173,294**	**1,124,395**	**1,184,457**

Recent developments

In November 2012, we obtained a long-term loan from Banc of America Securities Limited in the amount of euro 180 million due in 2017 at an interest rate of EURIBOR + 3.6%.

In December 2012, we issued bonds in the amount of RR10,000 million due in 2022. A coupon rate of 8.5% per annum applies for five years after the issue date and subsequently will be determined by us. The bondholders have an option for early redemption five years following the issue date.

Contractual Obligations and Other Commitments

The amount of outstanding guarantees provided to third parties increased by RR4,626 million to RR267,941 million between December 31, 2011 and September 30, 2012 primarily as a result of the increase in outstanding amounts of existing guarantees issued to Societe Generale on behalf of Nord Stream AG of RR11,730 million for guarantee for work completion Phase 1 and Phase 2 of construction pipeline Nord Stream and to OAO Sberbank Rossii on behalf of OOO Production Company VIS as a security for a credit facility for the financing of projects relating to the construction of industrial units for the Gazprom Group in the amount of RR2,882 million. This increase was partially offset by the redemption in the third quarter of 2012 of guarantees to The Bank of Tokyo-Mitsubishi UFJ, Ltd on behalf of Sakhalin Energy Investment Company Ltd and to Gazstream S.A. on behalf of Blue Stream Pipeline Company B.V. of RR5,220 million and RR5,877 million, respectively.

The amount of outstanding guarantees provided to third parties increased by RR21,938 million to RR263,315 million between December 31, 2010 and December 31, 2011 primarily as a result of the increase in outstanding amounts of existing guarantees issued to Societe Generale on behalf of Nord Stream AG in the amount of RR55,611 million. This increase was partially offset by the redemption in the first quarter of 2011 of guarantees to Gazprombank (Open Joint-stock Company) on behalf of OOO Severny Europeysky Trubny Proekt and on behalf of OOO Torgovy Dom Truboprovod of RR27,227 million and RR8,305 million, respectively.

The maximum exposure to credit risk in relation to financial guarantees was RR241,377 million and RR188,286 million as of December 31, 2010 and 2009, respectively. The increase was mainly due to guarantees provided to Societe Generale on behalf of Nord Stream AG with respect to the credit facility for the financing of the completion of the first stage of the Nord Stream gas pipeline (RR50,005 million (euro 1,240 million) as of December 31, 2010) and to Gazprombank (Open Joint-stock Company) on behalf of OOO Severny Europeysky Trubny Proekt with respect to a trade credit facility in relation to supplies of pipes supplied to subsidiaries of OAO Gazprom (RR27,227 million as of December 31, 2010).

We have significant obligations to supply gas under long-term contracts with European customers.

Qualitative and Quantitative Disclosures and Market Risks

We are exposed to market risk from changes in commodity prices, foreign currency exchange rates, interest rates and prices of marketable securities. We are exposed to commodity risk as we are a commodity business and our natural gas export sales are linked to oil product prices. We are exposed to foreign exchange risk to the extent that our sales revenues, costs, receivables for gas sales and debt are denominated in currencies other than rubles. We are subject to market risk from changes in interest rates that may affect the cost of our financing. We do not use any significant financial instruments, such as foreign exchange forward contracts, foreign currency options, interest rate swaps and forward rate agreements, to manage these market risks and we do not hold or issue any significant derivative or other financial instruments for trading purposes.

Foreign currency risk

Our principal exchange rate risk involves changes in the value of the ruble relative to the U.S. dollar and euro. As of September 30, 2012, approximately RR985,062 million and RR400,187 million of our borrowings were denominated in U.S. dollars and euro, respectively (out of RR1,632,861 million of our total borrowings, excluding promissory notes, at that date). Increases in the value of the ruble relative to the U.S. dollar or euro will decrease our foreign currency denominated costs and expenses and our debt service obligations for foreign currency denominated borrowings in ruble terms. An appreciation of the ruble relative to the U.S. dollar and euro will also result in a decrease in the value of our foreign currency borrowings in ruble terms. Share of U.S. dollar denominated borrowings in comparison with euro denominated borrowings in credit portfolio of the Group was approximately 60% share and 25% share, respectively, as of September 30, 2012.

We believe that the risks associated with our foreign currency exposure are mitigated by the fact that a significant portion of our revenues, approximately 63% for the nine months ended September 30, 2012, are U.S. dollar or euro denominated. In the nine months ended September 30, 2012, the ruble appreciated against the U.S. dollar and euro by approximately 4% and 4%, respectively.

A hypothetical, instantaneous and unfavorable 10% change (appreciation of the foreign currency in a net foreign currency liability position) in currency exchange rates would have resulted in an additional

interest expense of approximately RR5,863 million, RR5,211 million RR6,868 million, RR8,187 million and RR10,896 million (nominal) for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009, respectively, reflecting the increased costs in rubles of servicing our foreign currency denominated borrowings held as of September 30, 2012 and 2011, December 31, 2011, 2010 and 2009, respectively.

A hypothetical, instantaneous and unfavorable 10% change (appreciation of the foreign currency in a net foreign currency liability position) in currency exchange rates as of September 30, 2012 and 2011 and as of December 31, 2011, 2010 and 2009, would have resulted in an estimated foreign exchange loss of approximately RR139,425 million, RR122,232 million, RR130,790 million, RR117,006 million and RR133,525 million (nominal), respectively, on foreign currency denominated borrowings held as of September 30, 2012 and 2011 and as of December 31, 2011, 2010 and 2009, respectively. Such effect would be at least partially offset by increased revenues generated by export contracts denominated in U.S. dollars and euro.

Interest rate risk

We are exposed to interest rate risk in our borrowings that bear interest at floating rates. As of September 30, 2012 and December 31, 2011, 2010 and 2009, respectively, we had approximately RR1,632,861 million, RR1,540,111 million, RR1,315,240 million and RR1,609,312 million in total borrowings (excluding promissory notes), of which approximately RR1,314,328 million, RR1,246,082 million, RR1,086,810 million and RR1,284,111 million bore interest at fixed rates and approximately RR318,533 million, RR294,029 million, RR228,430 million and RR325,201 million bore interest at floating rates determined generally by reference to the London inter-bank offered rate ("LIBOR") for U.S. dollar and euro deposits, respectively.

A hypothetical, instantaneous and unfavorable change (increase) of 100 basis points in the interest rate applicable to floating rate financial liabilities held as of September 30, 2012 and 2011and as of December 31, 2011, 2010 and 2009 would have resulted in an additional net interest expense of approximately RR3,063 million, RR2,421 million, RR2,612 million, RR2,768 million and RR3,359 million (nominal), respectively, for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009. This sensitivity analysis is based on the assumption of an unfavorable 100 basis point movement of the interest rate applicable to each homogeneous category of financial liabilities. A homogeneous category is defined according to the currency in which financial liabilities are denominated and assumes the same interest rate movement within each homogeneous category (e.g., U.S. dollars and euro).

A hypothetical, instantaneous and unfavorable change (decrease) of 100 basis points in the interest rate would have resulted in an increase in the fair value of fixed rate financial liabilities held as of September 30, 2012 , December 31, 2011, 2010 and 2009 of RR47,574 million, RR41,484 million, RR47,174 million and RR49,112 million, respectively.

Derivatives

Our banking subsidiaries used a number of derivative instruments, including forward foreign exchange contracts, written foreign exchange and written securities option contracts. We ceased to consolidate Gazprombank (Open Joint-stock Company) and ZAO Gazenergoprombank from the date we lost the ability to control the financial and operational policies of these banks in June 2008 and April 2010, respectively. For the purpose of reducing commodity risk, interest rate risk, currency risk and other market risks we continue to use a number of derivative instruments, which are not significant for the Group. These comprised commodity contracts, interest rate swap contracts, foreign currency derivatives and other derivatives. The objective, when using any derivative instrument, was to ensure that the risk to reward profile of any transaction was optimized. Our normal policy is to measure these instruments at their fair value, using the spot rate at the year end as the basis for the fair value measurement with resultant gains or losses being reported within gains less losses arising from dealing in foreign currencies within our consolidated statement of income.

Commodity risk

Substantially all of our natural gas, gas condensate and other hydrocarbon export sales to Europe and Other Countries are sold under long-term contracts. Our natural gas export prices to Europe and Other Countries are based on a formula linked to world oil product prices, which in turn are linked to world

crude oil prices. Worldwide political developments and the actions of OPEC affect crude oil prices and thus our natural gas export prices. We do not use any significant derivative instruments to hedge our production in order to decrease our price risk exposure.

Securities price risk

We are exposed to movements in the prices of marketable securities that we hold in our investment portfolio. Specifically, as of September 30, 2012, we held RR145,030 million of marketable corporate shares and bonds. A change in Russia's sovereign credit rating, or an external event that impacts Russian debt and equity prices, have an impact on the market value of our trading securities. The fair value of our pension plan assets is also exposed to the prices of marketable securities.

Overview

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. For the year ended December 31, 2011, our sales net of VAT and customs duties were RR4,637,090 million (U.S.$149,971 million) and our operating profit was RR1,656,843 million (U.S.$53,585 million). For the nine months ended September 30, 2012 our sales net of VAT and customs duties were RR3,351,303 million (U.S.$108,386 million) and our operating profit was RR865,368 million (U.S.$27,987 million). As of December 31, 2011, we had total assets of RR10,900,696 million (U.S.$352,545 million) and total shareholders' equity (excluding non-controlling interest) of RR7,463,571 million (U.S.$241,383 million). As of September 30, 2012, we had total assets of RR11,619,410 million (U.S.$375,789 million) and total shareholders' equity (excluding non-controlling interest) of RR8,019,465 million (U.S.$259,362 million). The consequences of the global financial crisis negatively affected our financial position and operating results in production, transportation and other operations in 2009. However, our financial position and operating results have generally recovered in subsequent periods.

Reserves. We estimate our reserves using the Russian reserves system, which differs significantly from PRMS Standards, in particular, with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. As of December 31, 2011, our ABC_1 reserves amounted to 35.0 tcm (206.4 bboe) of natural gas, 1,395.5 million tons (11.4 bboe) of gas condensate and 1,767.3 million tons (13.0 bbls) of crude oil, for a total of 230.8 bboe. Over 65% of these ABC_1 hydrocarbon reserves are concentrated in western Siberia. Most of our reserves outside of western Siberia are located in the Barents Sea and southern Russia.

Independent petroleum engineering consulting firm DeGolyer and MacNaughton evaluated our reserves as of December 31, 2011. The evaluation was conducted in accordance with PRMS Standards and covered approximately 90% of our ABC_1 natural gas reserves, 83% of our ABC_1 gas condensate reserves and 89% of our ABC_1 crude oil reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves—Differences between PRMS Standards and SEC Standards." As of December 31, 2011, our proved reserves according to an evaluation by DeGolyer and MacNaughton (attached as Appendix B hereto) amounted to 19.2 tcm (113.2 bboe) of natural gas, 605.2 million tons (5.0 bboe) of gas condensate and 723.9 million tons (5.3 bbls) of crude oil, for a total of 123.4 bboe, and our probable reserves amounted to 3.6 tcm (21.4 bboe) of natural gas, 152.6 million tons (1.3 bboe) of gas condensate and 492.2 million tons (3.6 bbls) of crude oil, for a total of 26.2 bboe. We believe that the evaluated fields are likely to contain most of our reserves that would be deemed proved or probable upon a full evaluation of our reserves in accordance with PRMS Standards.

Exploration and production. In the year ended December 31, 2011, we produced 513.2 bcm (3,022.6 mmboe) of natural gas, 12.1 million tons (98.7 mmboe) of gas condensate and 32.3 million tons (236.6 mmbls) of crude oil, for a total of 3,357.9 mmboe, as compared with 508.6 bcm (2,995.6 mmboe) of natural gas, 11.3 million tons (92.4 mmboe) of gas condensate and 32.0 million tons (234.6 mmbls) of crude oil, for a total of 3,322.6 mmboe, in the year ended December 31, 2010. In the nine-month period ended September 30, 2012, we produced 355.0 bcm (2,091.0 mmboe) of natural gas, 9.2 million tons (75.3 mmboe) of gas condensate and 24.9 million tons (182.5 mmbls) of crude oil, for a total of 2,348.7 mmboe, as compared with 376.3 bcm (2,216.4 mmboe) of natural gas, 8.9 million tons (72.8 mmboe) of gas condensate and 24.0 million tons (175.92 mmbls) of crude oil, for a total of 2,465.1 mmboe, in the nine-month period ended September 30, 2011. Our production results in 2010, 2011 and 2012 were significantly affected by fluctuations of demand in our principal markets.

Our natural gas production represented approximately 77% and 78% of total natural gas production in Russia in 2011 and 2010, respectively. Our natural gas production in western Siberia accounts for over 90% of our natural gas production.

Gas transportation. We own and operate the world's largest GTS, which collects, processes, transports, stores and delivers substantially all the natural gas sold in Russia. As of December 31, 2011, the total length of the system was 164,681 km (not including pipelines for the transportation of gas condensate) and included 211 compressor stations on the pipelines, with an aggregate capacity of 41,740 MW, and 25 UGSFs with an aggregate capacity of 66.7 bcm. We control and manage the transportation of gas in the GTS network from our central dispatch management center located in Moscow.

We transported 677.3 bcm and 655.5 bcm of natural gas in 2011 and 2010, respectively, and 478.1 bcm and 496.2 bcm of natural gas in the nine months ended September 30, 2012 and 2011, respectively. The

increase in the volume of gas transported in 2011 as compared to 2010 was primarily driven by the increase of gas production in Russia and the increase of gas withdrawal from our UGSFs. The decrease in gas transportation volumes in the nine-month period ended September 30, 2012, compared to the same period in 2011, was primarily caused by the decrease in our gas deliveries outside of Russia as a result of weakened demand for gas and a general decline in gas consumption in Europe.

Processing, refining and petrochemical production. We refine a large amount of the natural and associated gas, gas condensate and crude oil that we produce. As of September 30, 2012, our total annual processing and refining capacity was approximately 53.0 bcm of natural gas and 75.0 million tons of unstable gas condensate and crude oil. In 2011, we refined 33.2 bcm of natural and associated gas and 53.5 million tons of unstable gas condensate and crude oil, as compared with 33.6 bcm of natural and associated gas and 50.2 million tons of unstable gas condensate and crude oil in 2010. In the nine months ended September 30, 2012, we refined 23.8 bcm of natural and associated gas and 42.7 million tons of unstable gas condensate and crude oil, as compared with 24.8 bcm of natural and associated gas and 40.5 million tons of unstable gas condensate and crude oil in the nine-month period ended September 30, 2011. We also produce a wide range of refined gas and petrochemical products.

Gas sales. We supply a major part of the natural gas consumed in Russia and a significant portion of the natural gas consumed in the FSU countries to which we export our natural gas. According to CEDIGAZ's statistical survey Natural Gas Year in the World 2012 (October 2012), we supplied approximately 27% of the natural gas consumed in Europe in 2011, which made us the largest supplier of natural gas to Europe in that year. For the year ended December 31, 2011, our sales of natural gas to our principal markets—Europe and Other Countries, the FSU and Russia—accounted for approximately 30%, 16% and 54% of our natural gas sales volume and approximately 51%, 23% and 26% of our natural gas net sales revenues, respectively. Most of our exports to Europe are transported by pipelines through Ukraine and Belarus. In the year ended December 31, 2011, our gas sales volume amounted to 519.0 bcm as compared with 495.6 bcm in the year ended December 31, 2010. This increase was a result of an increase in domestic gas consumption due to general economic growth in Russia and our efforts to improve the competitive position of Russian gas in the European gas market. For the nine months ended September 30, 2012, our sales of natural gas to our principal markets—Europe and Other Countries, the FSU and Russia—accounted for approximately 33%, 14% and 53% of our natural gas sales volume and approximately 51%, 21% and 28% of our natural gas net sales revenues, respectively. In the nine months ended September 30, 2012, our gas sales volume amounted to 342.3 bcm as compared with 371.8 bcm in the nine months ended September 30, 2011.

Electricity. In recent years, as a result of the reorganization of RAO UES, a former Russian energy natural monopoly, and subsequent acquisitions, we have consolidated electric power and heat generating assets, including Mosenergo, OGK-2, OGK-6 and TGK-1. See "Gazprom—Electric and heat energy generation and sales—Russia." Our aggregate electric power generating capacity amounted to 37.2 GW and heat generating capacity amounted to 54.0 thousand Gcal/h as of September 30, 2012. We generated 173.2 billion kWh and 175.1 billion kWh of electric power and 100.2 million Gcal and 106.9 million Gcal of heat for the years ended December 31, 2011 and 2010, respectively, and 122.2 billion kWh and 127.3 billion kWh of electric power and 67.6 million Gcal and 68.5 million Gcal of heat for the nine-month periods ended September 30, 2012 and 2011, respectively. See "Gazprom—Electric and heat energy generation and sales—Russia" and "Gazprom—Distribution—Europe and Other Countries—Europe.

Relationship with the Government. The Russian Federation currently controls more than 50% of our shares. As our controlling shareholder, the Russian Federation has a strong influence over the major decisions made at our shareholder meetings and, as the nominating party for a majority of the members of Gazprom's Board of Directors, is able to determine our strategy, make policy decisions in relation to the main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Currently, the Government regulates the tariffs that we charge for gas transportation through our trunk pipelines to independent gas suppliers, the wholesale prices for gas that we and our affiliated companies produce and sell in the domestic market, as well as some other areas of our business. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—The GTS." In addition, we are the largest taxpayer to the federal budget.

Strategy

Our strategic goal is to continue to be a leader among global energy companies by diversifying our product markets, increasing the reliability of our supplies, enhancing the efficiency of our operations and using advanced technology and scientific achievements to improve our operations.

To achieve this goal, our development strategy prioritizes our investments in our industrial assets, in particular our gas production fields, that we believe will provide the most efficient and integrated development of gas production, transportation, processing and storage facilities. The slowdown of the Russian economy and the economies of our principal customers as a result of the recent global economic crisis led to a reduction in prices and demand for natural gas. In response to these changes in demand for our products, we reduced our natural gas production in the first half of 2009 and adjusted our initial plans to increase our capacity in production and transportation and related plans for short-term and medium-term capital expenditures. Demand from our principal markets and, consequently, the Group's production performance began to recover in the middle of 2009 and continued to grow in 2010 and 2011. Our strategy allows us to adapt our response to any changes in the demand for gas both at the domestic and international markets. See "Gazprom—Investment Program."

We believe that our long-term forecasts of demand in our major markets, the projected economic efficiency of our projects and planned increases of our capacities continue to be reasonable estimates and are based on a conservative approach. Therefore, we believe that our long-term strategic goals and projects are sustainable despite any short- and medium-term changes in the economic environment.

In 2009, we increased our shareholding in Gazprom Neft from 75.68% to 95.68% which allowed us to begin consolidating our entire oil business within one subsidiary. Gazprom Neft's strategic goal is to become a large international player with a regionally diversified portfolio throughout the value chain.

Exploration and production. To pursue the recovery of our hydrocarbon reserves, we perform geological exploration works in our main production regions, the most important of which are the Nadym-Pur-Tazovsky region in western Siberia and the pre-Caspian oil and gas bearing provinces in southern Russia, as well as other promising gas production regions, such as the Yamal Peninsula in western Siberia, the Russian sea shelf of the Arctic seas (including the Obskaya and Tazovskaya Bays), eastern Siberia and the Far East. In accordance with our geological exploration program, we plan to ensure the enhanced recovery of our gas reserves.

Assuming sufficient demand in Russia and favorable conditions in foreign markets in the long-term, we expect our annual production (including production in eastern Siberia and the Russian Far East) to reach over 600 bcm by 2020.

In order to reach these levels, we intend to develop new strategic fields in the Yamal Peninsula in western Siberia, the Russian sea shelf, in eastern Siberia and the Far East. The development of fields in these regions will require significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather conditions.

We develop resources in eastern Siberia and the Far East in accordance with the Eastern Program. Gazprom is the coordinator of the Eastern Program. The Eastern Program envisages the creation of the Sakhalinskiy, Yakutskiy, Irkutskiy, Krasnoyarskiy and Kamchatskiy gas production centers. The production in these regions is expected to reach up to 45 to 50 bcm of natural gas by 2020. The Eastern Program identifies the sea shelf of Sakhalin as the highest-priority area for full-scale commercial development in the first stage of the Eastern Program. In April 2007, we acquired a 50% plus one share interest in Sakhalin Energy, the project operator of Sakhalin II. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf—Associated companies and development of associated projects in the region—Sakhalin II project." In October 2012, we started implementing the second stage of the Eastern Program, which envisages establishing a large gas production center in the Republic of Sakha (Yakutia). See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Eastern Siberia and the Far East (Siberian and Far East federal districts)—Republic of Sakha (Yakutia). Chayadinskoye field."

We also intend to expand our reserves outside of Russia and obtain licenses for exploration and development of hydrocarbon reserves in various international regions. Currently, the Group conducts business in Algeria, Bolivia, Kyrgyzstan, Libya, Tajikistan, Uzbekistan, Venezuela, Vietnam and in other

countries. We are also negotiating to participate in projects in other countries, in particular, countries in Africa, Asia and South America.

In 2009, in furtherance of our strategy to consolidate our entire oil business within one subsidiary, we decided to transfer rights to the Novoportovskoye field and the eastern area of the Orenburgskoye field to Gazprom Neft. Gazprom Neft intends to increase its annual oil production, including production of its subsidiaries and its share in associated companies, to 100 million tons of oil equivalent by 2020. Gazprom Neft expects to maintain a reserve-to-production ratio at current levels for at least 20 years, and the new projects are expected to account for at least a half of Gazprom Neft's production by 2020. Gazprom Neft plans to expand its business by acquiring new licenses for fields from the state unallocated subsoil reserve fund and by purchasing assets in Russia and abroad. Gazprom Neft intends to actively develop its foreign projects, so that they will account for 10% of its total hydrocarbon production by 2020.

Gas transportation and storage. We are developing new transportation facilities to ensure the transportation of gas from the new production regions, to provide a reliable supply of gas to Russian consumers and to satisfy our contractual export obligations. In determining the sequence of the implementation of our new gas transportation facilities in the long term, we take into account the projected timing for achieving efficient utilization and optimal productivity of the existing gas transportation system and diversification of export routes. Our most significant current gas transportation projects are the construction of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines for gas transportation from the Yamal Peninsula and the completion of the Gryazovets-Vyborg pipeline. We also plan to construct the South Stream pipeline to transport gas from Russia to southern and central Europe and to extend the GTS to accommodate gas supply to the South Stream pipeline. Additionally, in the second stage of the Eastern Program we plan to construct a trunk gas pipeline from Yakutia to Vladivostok via Khabarovsk to transport gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye field, to consumers in Russia and the Asia-Pacific region.

One of our long-term goals is the development of gas transportation facilities in eastern Siberia and the Far East. We have commissioned the first stage of the Sakhalin-Khabarovsk-Vladivostok gas transportation system and started gasification of the Primorskiy region. We are conducting gasification of the Irkutsk region and have put into operation a pipeline from the fields located in the Sobolevskiy region to Petropavlovsk-Kamchatskiy to develop gas supplies in the Kamchatskiy region.

To implement our marketing strategy in Europe, we are engaging in the European gas transportation and storage sectors, particularly by contracting transportation and storage facilities to ensure reliable gas supplies to our customers. Our strategic goal is to increase the active capacity of our UGSFs abroad to 5% of our annual exports by 2030, with a priority to develop our own storage capacity.

Refining. We intend to increase our production of refined products. Our goal with respect to our refining activities and our gas and petrochemical activities is to increase the degree of extraction and effective utilization of the valuable components of hydrocarbons that we produce, including associated gas, with the purpose of further processing such gases into forms with a higher added value. At our existing processing and refining plants, we intend to increase the extraction of valuable components from our gas and increase the depth of our feedstock processing and our refining throughput by refurbishing and modernizing our existing processing capacities and constructing new processing capabilities. In accordance with the Eastern Program, we are considering gas refining and chemical capacity construction projects to develop the resources of eastern Siberia and the Far East, which at the first stage is expected to be based on the resources of the Chayandinskoye field.

Based on the general scheme for the development of the gas industry through 2030, developed by the Ministry of Energy of the Russian Federation, the processing of natural gas with a high concentration of ethane, propane, butane and other components in Russia may increase to as much as 160 bcm per year by 2020. We also expect these volumes to become the main resource base for our new gas chemical units.

Our oil business development strategy focuses on increasing Gazprom Neft's access to crude oil refining capacities to 65 to 70 million tons per year (with approximately 40 million tons in Russia and 25 to 30 million tons abroad) by 2020. Access to refining capacity may be achieved by a variety of methods, including processing or tolling contracts, long-term crude delivery contracts or asset acquisitions. However, the expansion of our foreign crude oil processing is contingent on the implementation of plans to increase the production of crude oil. Gazprom Neft expects to implement programs to improve the quality of the motor fuel that it produces, increase processing depth and intensify technical re-equipment of all oil refineries of the Group. In particular, Gazprom Neft intends to increase processing depth and light oil products yield of its refineries in Russia up to 90% from 75% and 77% from 60%, respectively.

Marketing and sales. Our strategy in the Russian domestic market consists of ensuring a continuous gas supply to our domestic customers at an acceptable level of profitability. Among all domestic fuel resources, the Government regulates prices only for natural gas produced by us and our affiliates and we are required to sell our gas within Russia at regulated prices. Our main objective in the development of the domestic market is to achieve a transition from the regulation of our wholesale gas prices to market pricing principles, along with the regulation of the natural monopoly tariffs for gas transportation through trunk pipelines for all gas suppliers. In the short and medium term, we believe it is necessary to adjust regulated domestic wholesale gas prices to achieve an economically justified price level sufficient to supply gas in Russia at an acceptable profitability rate and accumulate funds to finance our investments. We believe that resuming trading physical quantities of gas through electronic trading systems, which had been halted in 2009 and subsequently reinstated by Government Resolution No. 323 dated April 16, 2012, and introducing physical gas sales and gas derivatives trading through a commodity exchange starting in 2013 are important steps to introduce market pricing principles in the domestic gas market that could provide necessary indication of market prices for energy resources. See "Gazprom—Distribution—Europe and Other Countries—Russia" and "Risk Factors—We are required to supply a significant portion of natural gas to customers in Russia at prices that are regulated by the Government."

Our key objectives in the European market are to maintain our market-leading position, provide for reliable gas supply, and increase the efficiency of our marketing activities, which involves gaining access to end-users. We plan to achieve these objectives by developing relationships with traditional customers on a long-term contractual basis and using other forms of trade based on short-term and medium-term sales, as well as gas exchange and spot transactions. To increase efficiency of our operations in the European natural gas market and improve the reliability and flexibility of our gas supply, we intend to expand the use of UGSFs in Europe and increase our ownership in companies engaged in the sale of gas and electricity to end-users.

The key objective of our marketing strategy in the FSU countries is to ensure that Russian gas will continue to maintain its leading position in the energy sector of such countries, while adjusting the pricing and other terms with respect to sales to the FSU customers to terms that are similar to those we currently have with our European customers. We have almost achieved economically reasonable price levels in the FSU countries. See "Gazprom—Distribution—Europe and Other Countries—The FSU."

In order to ensure flexibility in determining which fields in the new gas-producing regions in Russia to develop, we are also seeking to cooperate with central Asian countries in developing gas reserves as well as upgrading and modernizing gas transportation systems.

As part of our strategy to diversify the markets to which we supply gas, we consider countries in the Asia-Pacific region as key new markets.

In respect of sales of oil refinery products, Gazprom Neft's strategic goal is to increase high-margin sales of premium refined products to 40 million tons per year through small wholesale networks, retail distribution networks and expansion of its gasoline station network in Russia and abroad by 2020. Gazprom Neft expects its existing domestic processing facilities will allow it to achieve sales of up to 30 million tons of premium refined products, including 11.5 million tons through its own gasoline station network in Russia and other countries of the CIS, by 2020. In order to further increase its overall sales of premium refined products to 40 million tons, Gazprom Neft plans to expand its processing capacities outside of Russia.

Electricity. We consider electricity to be a strategically important area for the development of our business. We believe that we can improve the stability of our business and achieve additional revenue by increasing our share of the power generation sector. Our strategic goal in the electricity sector is to diversify tariff risks and realize synergies with our gas business. In implementing our electricity strategy in Russia, we plan to construct new, highly effective combined-cycle power generators which are expected to increase our production of heat and energy.

We own significant power generation assets in Russia. We are implementing investment projects in power generation in accordance with our capacity supply contracts. We intend to increase the aggregate capacity of our three major power generation subsidiaries from 37.2 GW as of September 30, 2012 to approximately 44 GW by 2020. We are also involved in certain investment projects for the construction of power plants in Russia.

We are considering investing in the construction and acquisition of European electricity power assets to increase our efficiency and improve our position in the European electricity markets. We are also

increasing our cooperation with utility companies that have a pre-existing client base and technology that we believe will expand our presence in the international electricity market.

Diversification of products and activities. To continue our development as a global energy company, we are integrating new products and activities with our traditional pipeline gas supplies.

One of our foreign trade priorities is the gradual implementation of the production and maritime transportation of LNG. Since 2005 we have performed LNG spot trading transactions and swap transactions, exchanging our pipeline gas for LNG. In April 2007, we acquired a 50% plus one share interest in Sakhalin Energy, the operator of the Sakhalin II project. In February 2009, an LNG plant that had been constructed as a part of the Sakhalin II project was put into operation. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf—Associated companies and development of associated projects in the region—Sakhalin II project."

We plan to further increase the volumes of our LNG trading. To implement our LNG strategy, we plan to establish new LNG production projects in Russia, participate in LNG projects abroad, purchase LNG from independent projects and develop our own LNG marketing business. We are considering establishing LNG production in the proximity of the Shtokmanovskoye field in Russia, along with pipeline supplies from the field. We are also performing a number of pre-investment studies relating to the development of the LNG production capacities in the Russian Far East, in particular, by expanding LNG production at Sakhalin and starting construction of an LNG plant in Vladivostok. We intend to increase the LNG export volumes from the Far East.

We anticipate targeting countries of the Asia-Pacific region and, to a lesser extent, countries of the Atlantic region as our primary markets for sales of LNG in the medium-term.

We are considering opportunities to produce SLFs using GTL technology. The development of an SLF industry would allow us to further diversify our businesses by producing high quality motor fuels and oil refinery products for sale to export markets, create a modern low cost transportation system from remote gas fields, and use low-pressure gas resources in processing and refining.

We are also considering participating in projects to generate energy from environmentally friendly renewable sources of energy. In particular, within the framework of the memorandum of understanding with Gasunie, ZAO "Eurotechnika" and "BioGazEnergoStroy" signed in October 2011, we intend to develop a project to produce "green" gas in Russia for supply to the European market in line with the European policy of extensive use of renewable sources of energy.

Gazprom Neft has launched a project to develop shale oil production from the Verkhne-Salymskoye field in the Khanty-Mansiysk Autonomous Region, which will be operated by SPD. Gazprom Neft expects that its participation in this project will provide up to 15 to 20 million tons of crude oil during the development period. In addition, SPD intends to implement a separate project to use a new technology in the Salym group of fields. The technology enables enhanced oil recovery by chemical flooding with ASP targeted at the residual oil that remains undeveloped after a conventional waterflood. Gazprom Neft's share in the additional production from the Verkhne-Salymskoye field is estimated at 19 million tons of crude oil through the development period. See "Gazprom—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Salym Petroleum Development."

Corporate Governance

At the 2002 annual General Meeting of Shareholders, Gazprom's shareholders approved a corporate governance code that sets forth procedures for the protection of the rights of Gazprom's shareholders. We intend to maintain transparency with respect to our activities through ongoing, timely publication of interim and year-end IFRS financial information, improved levels of disclosure for public market financings and improved relations with our shareholders.

In 2005, Gazprom's Board of Directors approved an expenditure management directive that is currently being implemented by the Group. In accordance with this directive, we have implemented policies in order to improve our budgeting system and cost management procedures and have targeted our operational planning system to achieve our long-term goals in accordance with certain specific strategic indicators. We have also developed standards and procedures for regulating the accumulation and utilization of our resources. In addition, we continue to implement new information technology in order to

establish a unified information system within the Group, as provided for in our information technology strategy approved by Gazprom's Management Committee.

Since 2005, an Audit Committee has been reappointed by Gazprom's Board of Directors. The Audit Committee evaluates potential auditors, the efficiency of internal control procedures and the auditor's opinion for the annual General Meeting of Shareholders. The members of the Audit Committee are appointed annually by the Board of Directors.

In 2011, we reorganized our internal audit service and amended the regulation regarding the Internal Audit Department of Administration of Gazprom's Management Committee. The department reports directly to the Deputy Chairman of the Management Committee—Head of Administration of Gazprom's Management Committee. The establishment of a centralized functional model of internal audit system organization is underway. The advantages of using such an approach rather than a decentralized approach (considering that we are a vertically integrated company with an extended geographic operation) include greater control over the financial and business activities of our subsidiaries, greater independence of internal audit subdivisions from executive bodies, and an opportunity to use the unified internal audit methodology within the Group.

In April 2012, Gazprom's Board of Directors approved an amended regulation to improve our system for the procurement of goods, work and services. The regulations set forth uniform procurement principles, optimized competitive procurement methods and set forth requirements related to the business processes of preparing and carrying out competitive procurement from the planning stage to the control over the performance of agreements entered into as a result of the competitive procurement process.

In 2010, Gazprom's Board of Directors approved a new dividend policy of Gazprom, which increased the potential maximum amount of dividend payments up to 35% of net profit according to Russian accounting standards. In 2010, the Board of Directors also approved the regulation on procedures for determining the amount of compensation for the Board members of Gazprom.

We have implemented a liability insurance program for our Board of Directors and Management Committee members. The insurance program indemnifies such persons against claims made by shareholders, creditors and other persons for damages resulting from the actions or inactions (except for intentional misconduct) of a member of our Board of Directors or Management Committee in managing the Company. The coverage under this liability insurance program complies with international director and officer insurance standards. The policy limit under this liability insurance amounts to U.S.$100 million.

History and Privatization

Prior to 1991, the Russian gas industry was controlled by the Ministry of the Gas Industry of the USSR. Pursuant to the Decree of the Council of Ministers of the USSR No. 619 of August 8, 1989, the state-owned gas concern Gazprom was founded in 1989. This state-owned concern was transformed into a joint stock company in accordance with the Decree of the President of the Russian Federation No. 1333 of November 5, 1992 ("Decree No. 1333") and Order No. 138 of the Council of Ministers of the Russian Federation dated February 17, 1993 ("Order No. 138"). Decree No. 1333 made us responsible for ensuring efficient operation of the GTS. Decree No. 1333 and the Decree of the President of the Russian Federation No. 2116 of December 6, 1993 made us responsible for natural gas exports through VEP Gazexport (now renamed Gazprom Export), our wholly owned foreign trade subsidiary.

The Council of Ministers of the Russian Federation approved Gazprom's original Charter in Order No. 138, and Gazprom was registered as an open joint stock company under the laws of the Russian Federation on February 25, 1993.

Decree No. 1333 provided for the transfer to Gazprom of 100% of the share capital of federally-owned enterprises (comprising the GTS) and of controlling equity stakes (not less than 51%) in a number of other entities that had been reorganized into joint stock companies, the interests of State Gas Concern "Gazprom" in Russian and foreign enterprises, and other assets of State Gas Concern "Gazprom," the privatization of which was not restricted. Decree No. 1333 also provided for all rights and obligations of State Gas Concern "Gazprom" to inure to Gazprom's benefit, including its rights to use underground deposits and natural resources, as well as its rights and obligations under contracts.

Decree No. 1333, along with Directive No. 58-rp of the President of the Russian Federation dated January 26, 1993, our privatization plan and certain other legislative acts issued by the President and the Government, provided for 40.0% of Gazprom's shares to be fixed in federal ownership.

In December 1998, 2.5% of Gazprom's shares owned by the state were sold through a privatization auction. In 2005, we sold 10.74% of Gazprom's shares, which were held by certain of our subsidiaries, to Rosneftegaz, a wholly state-owned company, for total consideration of RR203,501.7 million (U.S.$8.061 billion). As a result of this transaction, the Russian Federation controls more than 50% of Gazprom's shares. Pursuant to the Gas Supply Law, at least 50% plus one share of Gazprom, as the GTS owner, must be retained in federal ownership for an indefinite period of time and may only be disposed of pursuant to federal law.

Corporate Structure

Gazprom is the holding company and the main operating company of the Gazprom Group. See "Listing and General Information" for a list of our significant subsidiaries.

We operate each of our core activities through a number of direct and indirect wholly or majority-owned subsidiaries. In addition, we hold direct and indirect equity interests in a number of other entities. Our subsidiaries include entities involved in production, transportation, storage, refining and marketing of natural gas, gas condensate, crude oil and electricity, and subsidiaries responsible for a number of other activities, including technical supervision of our pipeline systems, well drilling, research and development, telecommunications, data processing and procurement.

Our management analyzes the results of our operations, assets and liabilities within the operating segments based on internal financial reporting. The results of certain significant transactions and events, including business acquisitions as well as certain adjustments that may be required to conform the Group's internal financial reporting to the respective figures as reported in the consolidated financial statements prepared in accordance with IFRS, are analyzed by our management on a consolidated basis without separately identifying relevant operating segments. Profits and losses from financial assets available for sale, income and financing costs are also not separated into operating segments. In accordance with IFRS 8, we separate our operations into the following principal businesses (segments):

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

We include other operations into the "All other segments" segment.

Our head office, located in Moscow, exercises managerial and financial control over the operations of our subsidiaries. Head office functions include strategy, planning, external financing, financial reporting, including preparation of the IFRS consolidated financial statements of Gazprom and the Group, allocation of financial resources and supervision of principal areas of operations, such as construction, drilling, production, transportation, some natural gas sales in Russia and the FSU and equipment procurement. The dispatch management center, based at our head office, continuously monitors, controls and manages our natural gas transportation system throughout Russia.

In order to improve our corporate structure, since 2004 we have been implementing an internal restructuring, which provides for division of cash flows by type of activity to ensure transparency and validity of tariffs applied by our subsidiaries engaged in production and transportation of natural gas and liquid hydrocarbons. In furtherance of these objectives, we transformed our subsidiaries that were involved in multiple sectors of the gas business, such as natural gas production, processing, transportation and underground storage, into wholly owned subsidiaries focused on one of these sectors.

Since 2010, we have been taking certain measures to optimize the ownership structure of gas production and sales assets overseas and improve Gazprom's management structure. We are also working to bring the corporate structures of our subsidiaries in line with our own corporate standards. We are also

completing a process of creating a unified corporate identity, which includes, among other things, incorporating the word "Gazprom" within the names of our subsidiaries.

The legal name of our parent company is OAO Gazprom. Gazprom's registered address is 16 Nametkina Street, 117997 Moscow, Russian Federation, its telephone number is +7 495 719 3001 and its fax number is +7 495 719 8333. Gazprom is an open joint stock company organized under the laws of Russia, initially registered on February 25, 1993. Gazprom was issued certificate 1027700070518 of entry into the Unified State Register of Legal Entities on August 2, 2002 by the Ministry of Taxes and Duties of the Russian Federation.

Investment Program

We allocate expenditures and capital investments in accordance with a three-year financial plan which is reviewed by Gazprom's Board of Directors annually. Gazprom's investment program, which is included within the financial plan, is approved annually by the Board of Directors and may be updated in light of our financial situation and strategic priorities. The investment program is divided into two main sections: capital investments and long-term financial investments. We generally make long-term financial investments with a view to acquire shareholdings in other companies and to participate in joint projects with third parties. Capital investments made pursuant to the investment program (such as the creation and acquisition of certain fixed assets) are made by Gazprom and are subsequently leased to certain of our subsidiaries, especially those engaged in the operation of the GTS. The capital investment program, however, does not cover capital investments made by certain of our subsidiaries that we acquired after our privatization, such as Gazprom Neft, Mosenergo, OGK-2, TGK-1, OAO Vostokgazprom ("Vostokgazprom") and OAO Zapsibgazprom. Generally, these subsidiaries establish their own capital investment plans.

In December 2012, Gazprom's Board of Directors approved the investment program for the year 2013 (the "2013 Investment Program"), providing for a total investment of RR705.4 billion, including capital expenditures of RR658.5 billion and long-term financial investments of RR47.0 billion.

The 2013 Investment Program provides for capital investments of approximately RR210 billion for the production of gas, RR3 billion for the production of crude oil and gas condensate, RR319 billion for transport, RR8 billion for distribution, RR13 billion for refining and RR37 billion for gas storage. Capital investments for all other segments are expected to amount to RR68 billion.

According to the 2013 Investment Program, the main investments in our gas production segment for 2013 are allocated to the implementation of certain key projects as follows: (1) the construction of facilities on the Bovanenkovskoye gas condensate field on the Yamal Peninsula (RR60.57 billion); (2) maintaining current production on three of our major fields, the Medvezhye, Urengoyskoye and Yamburgskoye fields (RR35.19 billion); (3) the development of the Kirinskoye field (RR36.13 billion); (4) the development of the Zapolyarnoye field (RR2.01 billion); (5) the development of the Yubileynoye field (RR3.05 billion); and (6) field development projects abroad (RR16.04 billion in long-term financial investments).

According to the 2013 Investment Program, the main investments in our gas transportation segment for 2013 are allocated to the implementation of certain key projects as follows: (1) the construction of the Bovanenkovo-Ukhta pipeline system (RR102.92 billion); (2) the construction of the Ukhta-Torzhok pipeline (RR21.66 billion); (3) the construction of the Gryazovets-Vyborg twin pipeline (RR13.42 billion); (4) the construction of a gas pipeline from the Kirinskoye onshore processing facility to the Sakhalin main compressor station (RR11.87 billion); (5) the GTS extension to enable supplies to the South Stream pipeline (RR82.53 billion); (6) long-term financial investments for the construction of the South Stream pipeline outside Russia (RR15.12 billion); (7) the reconstruction of the Petrovsk-Pisarevka section of the Urengoy-Novopskov pipeline to enable supplies to the South Stream pipeline (RR8.41 billion); (8) the extension of the Izobilnoye-Dzhugba section of the Russia-Turkey pipeline to supply gas to the Dzhugba-Lazarevskoye-Sochi pipeline (RR15.95 billion); and (9) other reconstruction and technical re-equipment of the GTS (RR26.99 billion).

In October 2012, Gazprom's Board of Directors approved the amended investment program for the year 2012 (the "2012 Investment Program"), providing for a total investment of RR974.7 billion, including capital expenditures of RR890.0 billion and long-term financial investments of RR84.6 billion.

The 2012 Investment Program provides for capital investments of approximately RR258 billion for the production of gas, RR4 billion for the production of crude oil and gas condensate, RR516 billion for

transport, RR17 billion for distribution, RR10 billion for refining and RR32 billion for gas storage. Capital investments for all other segments are expected to amount to RR53 billion.

According to the 2012 Investment Program, the main investments in our gas production segment for 2012 are allocated to the implementation of certain key projects as follows: (1) the construction of facilities on the Bovanenkovskoye gas condensate field on the Yamal Peninsula (RR88.78 billion); (2) maintaining current production on our three major fields, the Medvezhye, Urengoyskoye and Yamburgskoye fields (RR38.06 billion); (3) the development of Kirinskoye field (RR19.02 billion); (4) the development of the Zapolyarnoye field (RR10.71 billion); (5) the development of the Kshukskoye and Nizhne-Kvakchikskoye fields (RR6.08 billion); (6) the development of the Yubileynoye field (RR5.02 billion); and (7) field development projects abroad (RR6.05 billion in long-term financial investments).

According to the 2012 Investment Program, the main investments in our gas transportation segment for 2012 are allocated to the implementation of certain key projects as follows: (1) the construction of the Bovanenkovo-Ukhta pipeline system (RR201.31 billion); (2) the construction of the Ukhta-Torzhok pipeline (RR105.66 billion); (3) the construction of the Gryazovets-Vyborg twin pipeline (RR67.47 billion); (4) the construction of the Sakhalin-Khabarosk-Vladivostok pipeline (RR31.21 billion); (5) the construction of a gas pipeline from the Kirinskoye onshore processing facility to the Sakhalin main compressor station (RR21.22 billion); (6) the construction of the SRTO-Torzhok pipeline (RR11.47 billion); (7) the GTS extension to enable supplies to the South Stream pipeline (RR8.0 billion); (8) long-term financial investments for the construction of the South Stream pipeline outside Russia (RR6.05 billion); (9) long term financial investments for the construction of the Nord Stream pipeline (RR3.99 billion); (10) the reconstruction of the Petrovsk-Pisarevka section of the Urengoy-Novopskov pipeline to enable supplies to the South Stream pipeline (RR2.2 billion); and (11) other reconstruction and technical re-equipment of the GTS (RR23.60 billion).

In addition to Gazprom's Investment Program, the gasification program for Russian regions provides for the investment of RR33.76 billion and RR33.40 billion in the construction of gas distribution stations, networks and NGV-refuelling compressor stations, development of related documentation and research in 2012 and 2013, respectively. The investments allocated to regional gasification are included in the Gazprom mezhregiongaz investment program.

Gazprom Neft's investments (not included in Gazprom's Investment Program) in 2013 are planned at RR240.0 billion, of which RR91.6 billion are anticipated to be allocated for capital construction in exploration and production, RR23.0 billion for oil refining, RR16.2 billion for the marketing of oil refined products, RR12.4 billion for projects of NIS. Gazprom Neft plans to allocate RR90.0 billion for long-term financial investments and acquisition of non-current assets, including RR74.5 billion to exploration and production projects in Russia and abroad. Other investments amount to RR6.8 billion.

In 2012, Gazprom Neft's investments (not included in Gazprom's Investment Program) were expected to amount RR190.8 billion, of which RR76.2 billion were anticipated to be allocated for capital construction in exploration and production, RR27.7 billion for oil refining, RR12.4 billion for the marketing of oil refined products, RR13.5 billion for projects of NIS. Gazprom Neft intended to allocate RR57.9 billion for long-term financial investments and acquisition of non-current assets, including RR31.6 billion to exploration and production projects in Russia and abroad. Other investments were planned at RR3.1 billion.

In 2012 and 2013, the investments of our power generation subsidiaries are expected to be approximately RR50 billion and RR60 billion, respectively.

Joint Ventures and Alliances

Our material alliances and joint ventures are described below. See "Risk Factors—Risks Relating to Our Business—We may not be successful in our efforts to integrate recent or future acquisitions and we may be unable to finance acquisitions we believe could be beneficial to our existing operations on terms desirable to us or at all."

BASF/Wintershall. In 2004 and 2007, we signed agreements with BASF (acting through Wintershall Holding GmbH ("Wintershall Holding")) regarding the joint development of block 1A of the Urengoyskoye field (achimovsk deposits) (see "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Associated companies and development of associated projects in the region—Achimgaz") and the Yuzhno-Russkoye field (see "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals

federal district)—Yuzhno-Russkoye field"). In addition, we hold a 49% interest in Wintershall AG, which develops two oil projects in Libya (see "—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Libya"), as well as 49.98% interests in W&G Beteiligungs-GmbH & Co. KG (formerly known as WINGAS GmbH & Co. KG) with the remaining interests held by Wintershall Holding through its wholly owned subsidiary, Wintershall Erdgas Beteiligungs GmbH (see "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—W&G Beteiligungs-GmbH & Co. KG").

Together with Wintershall Oil AG (BASF Group), Gasunie Infrastruktur AG (Gasuni Group), PEG Infrastruktur AG (E.ON Group), and Gaz de France Suez Switzerland AG (GDF Suez Group) we are shareholders of Nord Stream AG (in which Wintershall Oil AG holds a 15.5% interest), which engaged in engineering, construction and operation of the Nord Stream pipeline (see "—Transport—International projects in gas transportation—Nord Stream"). We also hold a 50% interest in Wintershall Erdgas Handelshaus GmbH & Co. KG ("WIEH"), the remaining interest of which is held by Wintershall Holding through its wholly owned subsidiary Wintershall Erdgas Beteiligungs GmbH. Wintershall Erdgas Handelshaus Zug AG ("WIEE"), a wholly owned subsidiary of WIEH, is engaged in supplying natural gas to eastern Europe.

In March 2011, in connection with the South Stream project, we signed a memorandum of understanding with Wintershall Holding, pursuant to which Wintershall Holding is expected to join the offshore part of the project. The memorandum of understanding also provides for new long-term contracts for the supply of natural gas to WIEE. In September 2011, a shareholders' agreement for the offshore section of the South Stream project was signed, pursuant to which Wintershall Holding acquired a 15% share in the offshore section of the project. In November 2012, we signed an agreement with Wintershall Holding setting out terms and conditions for an asset swap transaction involving two blocks of the achimovsk deposits in the Urengoyskoye field, oil and gas exploration and production projects in the North Sea and shareholdings in gas distribution and storage companies in Europe. (see "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Urengoyskoye field").

Central Asia. In order to create effective industrial cooperation with countries in the region and to further strengthen our market position, we intend to make significant contributions to the recovery and development of the oil and gas industry in central Asia. In furtherance of this goal, we signed agreements with several national oil and gas companies and the governments of Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan. These agreements provide for cooperation and joint participation in hydrocarbon exploration, field infrastructure development, production, construction, diagnostic and refurbishment of gas transportation and storage facilities as well as the establishment of joint ventures for these purposes. The Group also participates in joint exploration and production projects in Uzbekistan.

We have also entered into long-term strategic cooperation agreements regarding our natural gas sales in central Asia and long-term transit agreements with the transit countries in central Asia. See "—Distribution—Cooperation with FSU countries in gas marketing."

DONG Energy. In April 2011, we signed a memorandum of intent with respect to cooperation in gas-fired electricity generation with DONG Energy. See "—Electric and heat energy generation and sales—FSU and Europe and Other Countries."

EDF. In November 2009, we signed a memorandum of understanding with EDF with respect to its potential participation in the construction of the offshore part of the South Stream pipeline, entering into new gas supply contracts and joint projects in the power sector. In September 2011, a shareholders' agreement for the offshore section of the South Stream project was signed, pursuant to which EDF acquired a 15% share in the offshore section of the project. See "—Transport—International projects in gas transportation—South Stream." In June 2012, we signed an agreement with EDF relating to potential cooperation in gas-fired power generation in Europe. See "—Electric and heat energy generation and sales—FSU and Europe and Other countries."

Eni/Enel. We have signed an agreement on strategic alliance with Eni. In September 2011, a shareholders' agreement for the offshore section of the South Stream project was signed, pursuant to which Eni now owns a 20% share in the offshore section of the project. See "—Transport—International projects in gas transportation—South Stream." In April 2009, we exercised an option to purchase a 20% interest in Gazprom Neft from Eni for U.S.$4.1 billion. See "Management's Discussion and Analysis of

Financial Conditions and Results of Operations—Certain Acquisitions, Dispositions and Changes in Control."

In September 2009, we completed the acquisition of a 51% interest in SeverEnergia from the Eni/Enel joint venture for approximately U.S.$1.6 billion. In late 2010, we sold our 51% in SeverEnergia to OOO Yamal Razvitie, a joint venture between Gazprom Neft and OAO Novatek, and the Group's share in SeverEnergia was reduced to 25.5%. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Associated companies and development of associated projects in the region—Yamal Razvitie."

At the end of 2012, Gazprom Neft notified Eni that it intended to exercise an option to purchase a 33.3% interest in a consortium which controls a 50% interest in Elephant project in Libya. Gazprom Neft is required to obtain an approval from the state-owned National Oil Corporation to join the project. If an approval is obtained, Gazprom Neft and Eni are expected to amend the joint venture agreement with Korea National Oil Corporation, the third party to the consortium, and to calculate the amount of consideration for the interest in the project. We intend to complete the transaction in 2013.

E.ON. In 2009, we signed an asset swap agreement with E.ON (acting through E.ON Ruhrgas and E.ON Ruhrgas E&P GmbH) which provides for the joint development of the Yuzhno-Russkoye field. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Major fields in long-term production—Yuzhno-Russkoye field." In addition, together with E.ON, BASF, Gasunie and GDF Suez, we are shareholders of Nord Stream AG, which engaged in engineering, construction and operation of the Nord Stream pipeline. See "—Transport—International projects in gas transportation and storage—Nord Stream."

Gasunie. Together with Gasunie, E.ON, BASF and GDF Suez, we are shareholders of Nord Stream AG, which engaged in engineering, construction and operation of the Nord Stream pipeline. See "—Transport—International projects in gas transportation—Nord Stream."

In June 2010, we signed a memorandum of understanding on strategic cooperation with Gasunie that provides for the two companies' extended interaction in the field of gas transportation infrastructure, underground gas storage, Nord Stream gas pipeline construction, scientific and technological cooperation, LNG, environmental protection, energy efficiency, information and cultural exchange, personnel management, and other areas.

In October 2011, we signed a memorandum of understanding with Gasunie, ZAO Eurotechnika and BioGazEnergoStroy Corporation. The memorandum provides for the possibility of establishing a joint venture to implement the pilot project for the development, certification and export of gas of biological origin produced from biomass ("green" gas). Currently, the parties are preparing a business plan for the project.

GDF Suez. In July 2010, GDF Suez acquired a 9% interest in Nord Stream AG. See "—Transport—International projects in gas transportation—Nord Stream."

GEPetrol. In June 2010, we signed two production sharing agreements with the Ministry of Energy of Equatorial Guinea and the national oil company Guinea Equatorial de Petroleos (GEPetrol) in relation to two exploration blocks on the shelf of Equatorial Guinea. See "—Reserves and production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Equatorial Guinea."

Japan Oil, Gas and Metals National Corporation. In June 2012, we signed an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") for the joint exploration of oil reserves of the Ignyaliskiy area located in the Irkutsk region. See "—Reserves and production—Exploration, Development and Production regions—Eastern Siberia and the Far East (Siberian and Far East federal districts)—Ignyaliskiy area."

KazMunaiGaz. In April 2011, we signed an agreement with AO NK KazMunaiGaz ("KazMunaiGaz") to appoint our joint venture, TOO KazRosGaz ("KazRosGaz"), as an authorized entity for the implementation of the intergovernment agreement on cooperation in geological exploration of the Imashevskoye field. See "—Reserves and Production—Southern Russia (Southern federal district)—Associated companies and development of associated projects in the region—KazRosGaz."

KOGAS, Petronas, TPAO. In January 2010, Gazprom Neft, as a member of a consortium with KOGAS, Petronas and TPAO, signed a Development and Production Service Contract for the Badra field in Iraq. See "—Reserves and production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Iraq."

Lukoil. Pursuant to a strategic cooperation agreement with Lukoil and subject to the limits described therein, we have established OOO TsentrCaspNeftegaz ("TsentrCaspNeftegaz"), a joint venture which participates in the development of the Central geological structure in the Caspian Sea. See "—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf—Associated companies and development of associated projects in the region—Central geological structure."

Naftogaz of Ukraine. We signed a memorandum with Naftogaz providing for the establishment of a joint venture to develop coal bed methane in Ukraine. See "—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Ukraine."

National Oil Consortia. In 2009, Gazprom Neft acquired a 20% interest in the charter capital of OOO National Oil Consortia ("NOC"), which was established to implement projects in oil production in Latin America. See "—Reserves and Production—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Venezuela."

National Oil Corporation. Pursuant to the production sharing agreement that we have signed with Libyan National Oil Corporation, we conduct exploration works and develop a number of licensed areas in Libya. See "—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Libya."

Novatek. In January 2013, we signed an agreement with Novatek to establish a joint venture for the construction of LNG production capacities on the Yamal Peninsula. The interests of the parties in the joint venture are to be determined upon completion of a financial feasibility study of the project. Once it is established, the joint venture entity will negotiate project documents, determine a plan for the construction of the LNG plant and determine a program for joint development of certain fields of the Tambey group of fields, which are licensed to Gazprom and will comprise the resource base for the LNG plant. In addition, the parties are considering establishing another joint venture to develop mineral resources on the Gydan Peninsula.

OMV. We have signed an agreement with OMV regarding participation in the Central European Gas Hub ("CEGH"). See "—Transport—International projects in gas transportation—Central European Gas Hub."

PdVSA. We have entered into a memorandum of understanding with Venezuelan Petróleos de Venezuela SA ("PdVSA") outlining various opportunities for cooperation. See "—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Venezuela."

Petronas. In July 2011, Gazprom Neft acquired a 30% interest in a project to develop four hydrocarbon blocks in cooperation with Petronas in the exclusive economic zone of the Republic of Cuba in the Gulf of Mexico. See "—Reserves and Production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Cuba."

Petrovietnam. Vietgazprom, our joint-venture with Petrovietnam, performs exploration works on the Vietnamese continental shelf. We have also established another joint-venture OOO Gazpromviet ("Gazpromviet") to perform works in Russia and other countries. See "—Reserves and production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Vietnam." In July 2012, our subsidiary, GM&T Singapore, and Petrovietnam Gas, signed a memorandum of understanding regarding cooperation in LNG supplies to Vietnam.

RAG, Verbundnetzgas, Vitol. We have signed a number of agreements extending our participation in gas storage in Europe. See "—Gas storage—Gas storage in FSU, Europe and Other Countries."

Rosneft. In September 2012, we entered into an agreement to cooperate with Rosneft with respect to the joint construction and utilization of infrastructure for developing projects in the continental shelf. The agreement provides that the companies will work together to determine the most efficient methods and solutions to further explore, develop and replenish the resources of the continental shelf of the Russian Federation. We are also a party to another strategic cooperation agreement with Rosneft until 2015.

Royal Dutch Shell. In June 2011, Gazprom Neft signed a heads of agreement with Royal Dutch Shell outlining the possible formation of a joint venture to develop projects in western Siberia, other regions of Russia and abroad. The parties have defined areas for exclusive cooperation and are working to prepare respective agreements and establish a joint venture.

Sonatrach. We are participating in the exploration and development of hydrocarbon reserves of the El-Assel area in the Berkine geological basin in Sakhara. Our interest in the project is 49%. The remaining 51% interest is held by Sonatrach, the Algerian national oil and gas company. See "—Reserves and production—Exploration, Development and Production regions—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Algeria."

Summa Group. In September 2012, we signed a memorandum of understanding with Summa Group. The memorandum declares an intention of the parties to consider cooperation in the North Sea and the Baltic Sea regions. Apart from supplying LNG to Summa Group, the parties will consider developing bunkering infrastructure in the North and Baltic Seas, in particular LNG storage facilities. The memorandum of understanding is an important step to penetrating the developing European market of using natural gas as bunker fuel, particularly for bunkering marine vessels.

Total and Statoil. We have signed agreements with Total and Statoil regarding the joint development of the Shtokmanovskoye field. In June 2009, we signed a memorandum of understanding with Statoil which we intend to extend through 2015, that provides for implementation of joint projects in geological exploration, development and production of hydrocarbons in the northern regions of Russia and Norway. See "—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf—The Barents Sea Shelf—Shtokmanovskoye field." In September 2008, we agreed to conduct with Total a joint exploration of the Azero block in Bolivia. In September 2010, we purchased a 20% interest in the Ipati and Aquio blocks from Total. See "—Reserves and Production—FSU and Europe and Other Countries—Associated companies and development of associated projects in the region—Bolivia."

Yamal Razvitie. In order to jointly develop fields in western Siberia, Gazprom Neft and Novatek created Yamal Razvitie, a joint venture in which each party owns a 50% stake. Yamal Razvitie owns a 51% interest in SeverEnergia. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Associated companies and development of associated projects in the region—Yamal Razvitie."

Other activities. In 2009, we signed an agreement with the Nigerian National Petroleum Corporation to establish a new joint venture. The agreement provides the basis for joint hydrocarbon production (including LNG), transportation and sale activities with Nigerian National Petroleum Corporation.

We also hold interests in a number of companies that supply natural gas to consumers in Austria, Bulgaria, Finland, the United Kingdom, Italy, Greece, Serbia, Turkey and the Czech Republic. In addition, we have entered into a number of joint ventures to construct and operate gas storage facilities in Europe and Other Countries. See "—Gas storage—Gas storage in FSU, Europe and Other Countries."

Reserves and Production

This section contains information relating to our Production of gas segment and Production of crude oil and gas condensate segment as regards exploration and production. For information in relation to sales of crude oil and gas condensate, see "—Sales of liquid hydrocarbons and refined products."

We believe that we are the world's largest producer of natural gas. Based on International Natural Gas Center "CEDIGAZ" (see: www.cedigaz.com) and Gazprom figures, we produced approximately 14.5% of the world's natural gas in 2011. Our major reserves and production areas are western Siberia, southern Russia, the South Urals region and northern European Russia. We also conduct operations in eastern Siberia and the Far East, the Russian sea shelf and in certain countries in the FSU and Europe and Other Countries.

We operate our production activities through our production subsidiaries, which develop and operate our hydrocarbon fields. Natural gas and gas condensate production is carried out mainly by our wholly owned subsidiaries. Our subsidiary Gazprom Neft produces the majority of our crude oil, principally through fields located in western Siberia. Our well-drilling operations are carried out by our subsidiary, OOO Gazflot, the drilling departments of some of our subsidiaries and third-party contractors. In addition, we participate in a number of exploration and production projects and joint ventures with Russian and foreign partners.

Financial highlights

Our Production of gas segment operates in exploration and production of gas, and its sales mainly consist of inter-segment gas sales to our Distribution segment and Refining segment.

The following table sets forth selected financial data with regard to our Production of gas segment as defined in our financial statements prepared in accordance with IFRS.

	Production of gas				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	1,763,840	1,550,130	1,725,762	1,466,058	1,438,222
Share of Group's total assets	15%	15%	15%	15%	17%
Sales,[(1)] million RR	6,620	5,005	7,056	6,394	5,473
Share of Group's total sales	0%	0%	0%	0%	0%
Capital additions, million RR	149,928	143,887	246,635	215,236	218,921
Share of Group's total capital additions	20%	20%	18%	23%	33%

Note:

(1) Excluding inter-segment and intra-segment operations.

Production of crude oil and gas condensate segment operates in exploration and production of oil and gas condensate, sales of crude oil and gas condensate and its sales mainly consist of inter-segment sales of oil and gas condensate to the Refining segment for further refining and sales to third parties.

The following table sets forth selected financial data with regard to our Production of crude oil and gas condensate segment as defined in our financial statements prepared in accordance with IFRS.

	Production of crude oil and gas condensate				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	1,300,750	1,129,690	1,272,339	1,094,309	1,124,222
Share of Group's total assets	11%	11%	11%	11%	13%
Sales,[(1)] million RR	200,269	164,438	235,432	196,074	176,403
Share of Group's total sales	6%	5%	5%	5%	6%
Capital additions, million RR	75,949	53,523	79,102	95,289	84,749
Share of Group's total capital additions	10%	7%	6%	10%	13%

Note:

(1) Excluding inter-segment and intra-segment operations.

Reserves categories

We estimate our hydrocarbon reserves in accordance with the Russian reserves system and under PRMS Standards. The Russian reserves system differs significantly from PRMS Standards, in particular with respect to the manner in which and extent to which commercial factors are taken into account in calculating reserves. In addition, PRMS Standards differ in certain material respects from current SEC Standards. If we applied SEC Standards our estimated proved natural gas, gas condensate and crude oil reserves could potentially be lower than under PRMS Standards. For a description of the Russian reserves system, PRMS Standards, SEC Standards and the principal differences between them, see "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves." Unless otherwise specified, this Base Prospectus provides information on explored reserves in accordance with the Russian reserves system or ABC_1 reserves.

Reserves

Most of our reserves are concentrated in very large fields, each with ABC_1 natural gas reserves of more than 500 bcm. Approximately 40% of our ABC_1 natural gas reserves are in cenomanian deposits, which are characterized by low bedding depth, high delivery rates of wells and dry natural gas.

The following table shows our total ABC_1 natural gas, gas condensate and crude oil reserves in accordance with the Russian reserves system, and the percentage share of our ABC_1 reserves evaluated by DeGolyer and MacNaughton in accordance with PRMS Standards, as well as our proved, probable and possible reserves determined as a result of this evaluation, as of the dates indicated. As part of our annual reports, we publish information in relation to our reserves and results of our exploration activities in accordance with PRMS Standards. Appendix B to this Base Prospectus contains breakdown information on the proved and probable gas, gas condensate and crude oil reserves of our subsidiaries in accordance with PRMS Standards as of December 31, 2011, as extracted from the January 23, 2013 DeGolyer and MacNaughton letter. The correlation between ABC_1 reserves and proved, probable and possible reserves may differ in the fields that have not yet been evaluated. Moreover, the correlation may vary at different times for the same fields.

	As of December 31,			As of December 31,		
	2011	2010	2009	2011	2010	2009
	Gas, bcm			Gas, mmboe		
ABC_1	35,046.9	33,052.3	33,578.4	206,426.2	194,678.0	197,776.8
of which evaluated ABC_1	90%	93%	89%	90%	93%	89%
Proved	19,212.6	18,991.3	18,609.9	113,162.2	111,858.8	109,612.3
Probable	3,631.5	3,529.0	3,338.1	21,389.5	20,785.8	19,661.4
Proved + probable	22,844.1	22,520.3	21,948.0	134,551.7	132,644.6	129,273.7
Possible	6,445.1	4,608.4	4,199.9	37,961.6	27,143.5	24,737.4

	As of December 31,			As of December 31,		
	2011	2010	2009	2011	2010	2009
	Gas condensate, million tons			Gas condensate, mmboe		
ABC_1	1,395.5	1,284.8	1,325.1	11,415.2	10,509.7	10,839.3
of which evaluated ABC_1	83%	86%	82%	83%	86%	82%
Proved	605.2	572.1	586.0	4,950.5	4,679.8	4,793.5
Probable	152.6	147.2	141.2	1,248.3	1,204.1	1,155.0
Proved + probable	757.8	719.3	727.2	6,198.8	5,883.9	5,948.5
Possible	848.9	606.9	624.5	6,944.0	4,964.4	5,108.4

	Crude oil, million tons			Crude oil, mmboe		
ABC_1	1,767.3	1,732.9	1,785.0	12,954.3	12,702.2	13,084.1
of which evaluated ABC_1	89%	90%	85%	89%	90%	85%
Proved	723.9	717.4	718.5	5,306.2	5,258.5	5,266.6
Probable	492.2	464.5	435.5	3,607.8	3,404.8	3,192.2
Proved + probable	1,216.1	1,181.9	1,154.0	8,914.0	8,663.3	8,458.8
Possible	602.4	609.8	560.9	4,415.6	4,469.8	4,111.4

				Gas, gas condensate, crude oil, mmboe		
ABC_1				230,795.7	217,889.9	221,700.2
of which evaluated ABC_1				90%	92%	88%
Proved				123,418.9	121,797.1	119,672.4
Probable				26,245.6	25,394.7	24,008.6
Proved + probable				149,664.5	147,191.8	143,681.0
Possible				49,321.2	36,577.7	29,845.8

The amounts in barrels do not match the amounts in the DeGolyer and MacNaughton letter attached to this Base Prospectus as Appendix B because in this Base Prospectus we use conversion rates set forth in

the Conversion Table on page 284, while the amounts set forth in the DeGolyer and MacNaughton letter are calculated based on the specific gravities of each field. The following table shows the ABC_1 natural gas, gas condensate and crude oil reserves of our associated companies pro rata to our effective interests therein as of the end of the respective periods.

	As of December 31,		
	2011	2010	2009
Natural gas (bcm)	717.4	645.4	917.2
(bboe)	4.2	3.8	5.4
Oil and gas condensate (million tons)	788.7	669.6	714.9
(bbls)	5.9	5.0	5.3
Total (bboe)	**10.1**	**8.8**	**10.7**

As compared to 2010, our ABC_1 hydrocarbon reserves in 2011 increased by 1,994.6 bcm of natural gas, 110.7 million tons of gas condensate and 34.4 million tons of oil, which is the equivalent of 12,905.8 million boe, primarily as a result of the acquisition of new licenses and registration of the Kovykta gas condensate field. In addition, we achieved a record high increase of 719.8 bcm in exploration of gas reserves in 2011.

Our proved and probable reserves increased by 2.5 bboe as compared to our estimates as of December 31, 2010. The growth is primarily due to the inclusion of new fields (Malyginskoye, Zapadno-Tambeyskoe and Tasiyskoye) in our calculations under PRMS Standards, the adjustment of geological models for the Chayandinskoye, Maldzhinskoye, Yuzhno-Russkoye, Gubkinskoye and Kamennomysskoye-more fields and the adjustment of the development parameters of the Orenburgskoye field. Our hydrocarbon reserves abroad as of December 31, 2011 and 2010 were considered insignificant, constituting less than 1% of our ABC_1 reserves in Russia as of each of the above dates.

Most of our hydrocarbon licenses were granted between 1993 and 1996. See Appendix A, "Certain Exploration and Production Information of the Gazprom Group—Licenses." The licenses impose certain obligations on us to provide employment, develop local infrastructure, pay local and federal taxes and meet certain environmental requirements. Licenses may be suspended or revoked if we fail to comply with their terms. None of the licenses for our major natural gas fields expires prior to 2014. See Appendix A, "Certain Exploration and Production Information of the Gazprom Group—Licenses." A subsoil user has the right to request an extension of the term of the license in order to complete the exploration, assessment and development of the natural resources until the end of a field's exploitation period if such user complies with the terms and conditions of the license. We believe that we are in material compliance with our license agreements, and that we will be entitled to extend them to the full economic lives of the associated fields upon the expiration of their primary terms. Currently, there have been no suspensions of production as a result of decisions by the relevant federal and regional authorities. See "Risk Factors—Risks Relating to Our Business—Our licenses may be suspended, amended or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations" and "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Subsoil licensing."

In June 2009, in accordance with an order of the Government dated June 15, 2009 No. 787-r, we were granted rights to subsoil use of the Kirinskiy, Ayashskiy, Vostochno-Odoptinskiy areas of the Sakhalin III project and Zapadno-Kamchatskiy area of the Okhotsk sea shelf with forecasted resources of approximately 3 tcm of natural gas and 1 billion tons of crude oil.

In late 2010, as a result of the reduction of our share in SeverEnergia to a non controlling stake, we excluded the licenses held by SeverEnergia from the list of our licenses.

In 2011, by order of the Government, we received four subsoil licenses in the Republic of Sakha (Yakutia) in Verkhnevilyuchanskoye, Sobolokh-Nedzhelinskoye and a part of Srednetyungskoye and Tas-Yuryakhskoye fields with aggregate C_1+C_2 gas reserves of 550.6 bcm. In addition, we acquired the license for the Kovykta gas condensate field previously owned by the now insolvent OAO Rusia Petroleum Company. As of December 31, 2011, the Kovykta field reserves were estimated at 1.5 tcm of gas and 77 million tons of C_1+C_2 gas condensate. In 2011, we surrendered sixteen subsoil use licenses: seven upon their expiration and nine upon relinquishment due to further operations not being worthwhile. Licenses for eighteen areas (fields) were extended.

In 2012, in accordance with order of the Government No. 138-r dated February 6, 2012, we were granted a license for a subsoil plot of federal importance which includes the western part of the

Shtokmanovskoye field. In addition, our subsidiary, OOO Gazprom dobycha Nadym, obtained two exploration and production licenses as a result of its discoveries. In 2012, we surrendered thirteen subsoil use licenses, eleven of which expired and two of which we voluntarily relinquished due to a lack of operating prospects. Twelve licenses were extended. See Appendix A, "Certain Exploration and Production Information of the Gazprom Group—Licenses."

Exploration activities

We are continually engaged in the exploration of new deposits of natural gas and crude oil. These activities include exploratory drilling and geophysical activities in our existing production license areas and fields, and new areas for which we hold licenses. We perform our exploration activities in Russia in accordance with the Program for Mineral Resource Base Development in the Gas Industry until 2035 (the "MRBD Program"), approved by the Management Committee in June 2011. The MRBD Program provides for an increase of our reserves through geological exploration to 20.5 billion toe in Russia between 2011 and 2035. We perform exploration works in western and eastern Siberia as well as southern Russia, the Far East and in other regions in Russia. We are also involved in exploration projects abroad, including in Algeria, Bolivia, Cuba, Equatorial Guinea, Iraq, Libya, Serbia, the United Kingdom, Venezuela, Vietnam and central Asia. See "—Exploration, Development and Production regions—FSU and Europe and Other Countries."

In 2011, as a result of our geological exploration activities in Russia, we discovered 719.8 bcm of natural gas reserves and 96.4 million tons of oil and gas condensate, of which Gazprom Neft accounted for 32.8 bcm of natural gas and 54.2 million tons of crude oil. Most of the discoveries from our exploration works are subject to application to government authorities for licenses. We have a pre-emptive right to receive licenses for the fields we have explored.

In 2011, the growth of hydrocarbon reserves was attributed primarily to the previously discovered fields, including the Yuzhno-Kirinskoye and the Kirinskoye fields on the Sakhalin shelf, the Chayandinskoye field in the Republic of Sakha (Yakutiya) and the Yuzhno-Russkoye field in the Nadym-Pur-Taz region with an aggregate amount of 474.3 bcm of C_1 natural gas reserves. In addition, our 2011 exploration works resulted in the discovery of five new fields in the Sea of Okhotsk offshore area, the Orenburg region, the Tomsk region and the Irkutsk region. In the nine-month period ended September 30, 2012, the growth of hydrocarbon reserves was attributable primarily to exploration in the Kharasaveyskoye-more, Kirinskoye, Chikanskoye and Zapadno-Tarkosalinskoye fields.

Reserve replacement ratio

In July 2006, the Board of Directors approved the adoption of key strategic indicators for a period of ten years, including that the reserve replacement ratio was to be maintained at or above 100%. Our aggregate ABC_1 natural gas, gas condensate and crude oil reserve replacement ratio attributable to exploration activities was 149% and 124% in the years ended December 31, 2011 and 2010, respectively. We do not include reserve life among our key strategic indicators. However, if our proved and probable natural gas, gas condensate and crude oil reserves are divided by our aggregate natural gas, gas condensate and crude oil production figures, the resulting reserve life ratio would be equal to approximately 45 and 44 years as of December 31, 2011 and 2010, respectively.

Production costs

Our hydrocarbon production costs largely reflect the geographic location of our fields, the geological composition of the hydrocarbon deposits under production as well as the cost of operating the infrastructure that is necessary to sustain our production levels.

Current production costs at our mature leading fields will likely increase because we expect to be required to use more expensive extraction techniques to compensate for declining pressure in the deposits in order to extract natural gas from deeper, more geologically complex deposits. At the first stage of development, production costs at our fields in the Yamal Peninsula are also expected to be high because of challenging climatic conditions in the area, geographic remoteness and special environmental requirements. We expect the production costs to decrease when the fields reach their projected capacity. We also seek to mitigate challenging conditions of production by developing and using new technologies.

Production

The following table sets forth our summary production data in Russia for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Natural gas (bcm)	355.0	376.3	513.2	508.6	461.5
(mmboe)	2,091.0	2,216.4	3,022.6	2,995.6	2,718.4
Gas condensate (million tons)	9.2	8.9	12.1	11.3	10.1
(mmbls)	75.3	72.8	98.7	92.4	82.4
Crude oil (million tons)	24.9	24.0	32.3	32.0	31.6
(mmbls)	182.5	175.9	236.6	234.6	231.8
Total (mmboe)	**2,348.7**	**2,465.1**	**3,357.9**	**3,322.6**	**3,032.5**

In 2011, our natural and associated gas production in Russia amounted to 513.2 bcm, which was approximately 1% higher than in 2010. The natural decline of production at the cenomanian deposits of the Urengoyskoye, Yamburgskoye and Medvezhye fields was more than offset by the introduction of new production capacities and more efficient utilization of the existing production capacities in the Nadym-Pur-Tazovsky region by developing deeper deposits than the traditional cenomanian deposits. In 2011, we commenced the production of gas and gas condensate from the aptian-albian deposits in the Nydinskaya area of the Medvezhye field and started pilot production of gas from the turonian deposits in the Yuzhno-Russkoye oil and gas condensate field. We also commenced production of gas and gas condensate from the valanginian deposits in the Zapolyarnoye oil and gas condensate field. In addition, two cenomanian gas deposits were put into operation in the Muravlenkovskoye and Novogodneye fields of Gazprom Neft. We also commenced the construction of facilities at the Kirinskoye gas condensate field on the shelf of Sakhalin, put into operation the Nizhne-Kvakchinskoye field and brought the Kshukskoye field on the west coast of Kamchatka up to its designed production levels.

In accordance with our preliminary estimates, our production of natural gas declined by approximately 5% in 2012 compared to 2011, while gas condensate and crude oil production slightly increased in the same period. The decline of our production of natural gas was primarily due to a decrease in demand for natural gas by our customers in Russia and abroad.

Exploration, Development and Production regions

We are focusing our exploration and development activities in gas and oil fields in western Siberia and the fields in close proximity to our large developed fields in western Siberia. In order to reach the long-term projected levels of gas production, we intend to develop new strategic fields in the Yamal Peninsula in western Siberia, the Russian sea shelf, eastern Siberia and the Far East. In addition, we are participating in exploration and production projects in the FSU and Europe and Other Countries (in Algeria, Bolivia, Cuba, Equatorial Guinea, Iraq, Libya, Serbia, the United Kingdom, Venezuela, Vietnam and central Asia).

The terms and timeline of the projects described below in this section may be revised due to changes in demand for our products.

Western Siberia (Urals federal district)

This is our main region for the production of natural gas, gas condensate and crude oil. It is characterized by severe weather conditions. Over 65% of our ABC_1 hydrocarbon reserves and over 90% of our hydrocarbon production are concentrated in this region. Our wholly owned production subsidiaries OOO Gazprom dobycha Nadym, OOO Gazprom dobycha Urengoy, OOO Gazprom dobycha Yamburg, OOO Gazprom dobycha Noyabrsk, and OOO Gazprom Transgaz Yugorsk operate in this region, as does Purgaz, of which we own 49.29% but retain operational and financial control and consolidate 100% of its reserves, and Severneftegazprom, of which we own over 50% of the voting shares, which is equal to a 40.0004% interest in its share capital. Our major producing gas fields, consisting of the Yamburgskoye, Medvezhye, Urengoyskoye and Zapolyarnoye gas fields are located in this area. In addition, most of Gazprom Neft's oil reserves and production capacities are located in western Siberia. Gazprom Neft's most significant fields located in western Siberia are the Priobskoye, Vyngapurovskoye, Sugmutskoye, Sutorminskoye, Yety-Purovskye and Sporyshevskoye fields.

Most of the oil produced by Gazprom Neft in the region is classified as "Siberian Light crude" and has sub-average density (34.20 degrees API or 830-850 kg/cm) and sub-average sulfur content (0.56%) compared to average Russian crude oil. When not blended with other Russian crude oil, crude oil produced by Gazprom Neft may be sold at a premium price over the Urals blend. This advantage, however, is generally lost because two-thirds of crude oil produced by Gazprom Neft is blended with crude oil belonging to other Russian companies when transported through the trunk pipeline system owned by Transneft.

Major fields in long-term production. Three of our four major fields in the Nadym-Pur-Taz region, Medvezhye, Urengoyskoye and Yamburgskoye, were brought on stream between 1970 and 1990. In 2011, the production of natural gas from the cenomanian layers of these fields amounted to over 113 bcm (over 22% of the aggregate Group production of natural gas). Currently, the depletion rate of the initial geological reserves of the cenomanian layers of the fields is approximately 67%. The production of the fields has declined due to falling pressure in the layers of the fields. Additionally, in 2009, certain measures were taken to reduce production due to the decline in demand for natural gas. However, the major fields were brought back to their projected level of production in 2010.

We are currently exploring the neighboring areas of these depleted fields. In 2010, we commissioned the Zapadno-Pestsovaya area of the Urengoyskoye field with annual production capacity of 2 bcm of natural gas and the Yareiskaya area of the Yamsoveiskoye field with annual production of 1.25 bcm of natural gas. In 2011, we commenced the production of gas and gas condensate from the aptian-albian deposits in the Nydinskaya area of the Medvezhye field. We produced 2.2 bcm of gas and approximately 4,800 tons of gas condensate in this area in 2012, and we expect that area to reach its projected production capacity of 2.7 bcm of gas by 2015 to 2016. In 2012, the Kharvutinskaya area of the Yamburgskoye field produced 26.3 bcm of natural gas, and we expect the area to produce 27.1 bcm of natural gas in 2013.

Yuzhno-Russkoye field. This field is located in the Nadym-Pur-Taz region. This field was brought on stream in 2007 and reached its projected annual capacity of 25.0 bcm in 2009. In 2010, we started pilot production of gas from the turonian deposits in the Yuzhno-Russkoye field. Our subsidiary, Severneftegazprom, holds the license for the development of the Yuzhno-Russkoye field. BASF Group holds two class A and one class C preference shares and a 25% interest minus three ordinary shares in Severneftegazprom, which represents 34.99% of the charter capital of Severneftegazprom. E.ON holds three class B preference shares and a 25% interest minus three ordinary shares in Severneftegazprom, which represents 24.99% of the charter capital of Severneftegazprom. Our interest in Severneftegazprom amounts to 50% plus six ordinary shares, which represents 40.0004% of the charter capital of the company.

We are also focusing our development in the region in the following projects:

Zapolyarnoye field. This field is located near our main fields developed in the Nadym-Pur-Taz region. The cenomanian deposits of the field were brought on stream in 2001. In 2007, their projected production capacity was revised from 100 bcm to 115 bcm. In 2012, we completed the construction and connection of 42 additional production wells to produce gas from the cenomanian deposits. We brought on stream the lower cretaceous deposits of the field in 2011. In 2012, we put on stream an additional gas treatment unit and 75 wells to reach a maximum gas production capacity of 15 bcm per annum from the lower cretaceous deposits. In early 2013, the field reached its total annual gas production capacity of 130 bcm.

Pestsovoye field (Lower Cretaceous deposits). This field is located in Nadym region of the Yamalo-Nenetsky Autonomous Area 150 kilometers to north-west of Novy Urengoy. We anticipate bringing on stream the lower cretaceous deposits of the Pestsovoye field between 2014 and 2015 with its projected annual capacity reaching 2 bcm of gas between 2019 and 2020.

Yen-Yakhinskoye field. This field is located in the Nadym-Pur-Taz region. In 2007, this field achieved its projected production capacity producing 1.6 million tons (15.5 mmboe) of gas condensate and 5.3 bcm of natural gas. While this field is currently in operation, beginning in 2016, we expect to implement reinjection technology (cycling process) in the development of this field to ensure maximum gas condensate withdrawal.

Yubileynoye field. This field was put into operation in 1993. In 2011, we produced 18.7 bcm of gas from the field. We anticipated production in 2012 to amount to 18.4 bcm of gas. We are working to increase production from the field by 1.75 bcm of gas starting between 2013 and 2014. In particular, to increase the production level, we intend to put into operation a gas preparation unit and commission seven new gas wells in 2013.

Urengoyskoye field (achimovsk formation). In October 2009, we put into operation the second block of the achimovsk formation of the Urengoyskoe field. The projected production capacity of the field amounts to 9.7 bcm of gas and 2.8 million tons of unstable gas condensate per annum. We currently produce 4.3 mmcm of gas daily from the block and expect it to achieve its projected production capacity between 2018 and 2019.

We expect the third, fourth and fifth sections of the achimovsk formations at the Urengoyskoye field to come on stream between 2015 and 2017 and, together with the first two sections, to reach an aggregate rated capacity of approximately 36.3 bcm between 2021 and 2024. Aggregate gas production capacity of the fourth and fifth sections is estimated at 14 bcm of natural gas and 3 million tons of gas condensate.

In November 2012, we signed an agreement with Wintershall Holding outlining general terms and conditions for an asset swap with respect to the project for the joint development of the two blocks of the achimovsk deposits at the Urengoyskoye field, which is licensed to our subsidiary OOO Gazprom dobycha Urengoy. The agreement provides that Wintershall Holding will receive 25% plus one share in the development project for the fourth and fifth blocks of the achimovsk deposits. In exchange, we expect to receive a 50% stake in Wintershall Noordzee B.V., a company implementing oil and gas exploration and production projects in the North Sea, and to receive additional interests in the gas trading and storage companies WINGAS GmbH and its subsidiaries ("WINGAS"), WIEE and WIEH which is expected to bring our ownership of these entities to 100%. We intend to enter into definitive agreements in 2013 and finalize the transaction in 2014.

In addition, ZAO Achimgaz ("Achimgaz"), our joint venture with Wintershall Holding, is developing the first section of the achimovsk formations at the Urengoyskoye field. See "—Associated companies and development of associated projects in the region—Achimgaz."

Muravlenkovskoye and Novogodneye fields. The Muravlenkovskoye and Novogodneye oil and gas fields are located in Yamalo-Nenetsky Autonomous Area in the Nadym-Pur-Taz region. The licenses for the development of the fields are held by Gazprom Neft. In 2010, we started production from the cenomanian gas deposits. We estimate that the total gas production of the fields was approximately 4.4 bcm of gas in 2012. We expect the total annual gas production of the fields to increase to 5.0 bcm of gas in 2013.

Priobskoye field. The largest field operated by Gazprom Neft is located in the southern area of the Priobskoye field in the Khanty-Mansiysk Autonomous Region. The production from this field amounted to 10.0 million tons of crude oil in 2011. We estimate production of 11.2 million tons of crude oil at the field in 2012 and expect the field to achieve its maximum production capacity of 11.4 million tons of crude oil in 2013.

Yamal Peninsula. The Yamal Peninsula is located to the north of the Nadym-Pur-Taz region and is characterized by harsher climatic conditions. According to our estimates, the total explored category ABC_1 reserves of the Yamal Peninsula are at a level of more than 12 tcm of natural gas and 520 million tons of crude oil and gas condensate. Approximately half of these reserves are located in the Bovanenkovskoye and Kharasaveiskoye gas condensate fields and the Novoportovskoye oil and gas condensate field. We hold production licenses for these fields.

Bovanenkovskoye field. According to our estimates, the annual amount of gas production at the cenomanian-aptian layers of the Bovanenkovskoye field is 115 bcm of natural gas, which in the longer term is expected to increase to 140 bcm of natural gas after taking into account gas condensate layers. We commissioned the first start-up complex and started production at the field in October 2012. In 2012, we produced 4.9 bcm of natural gas and 2,300 tons of gas condensate at the field. The estimated maximum production capacity of 115 bcm of natural gas is expected to be achieved by 2017 to 2018.

Kharasaveyskoye field. We expect to put this field on stream in 2019, after the Bovanenkovskoye field reaches its projected capacity. We expect to achieve the annual projected natural gas production of 32 bcm in 2022.

Novoportovskoye field. This is the largest field in the Yamal Peninsula in terms of oil and gas condensate reserves. In 2011, we completed the first stage of pilot production at the field. At the pilot stage, we expect to reach constant production rates in 2013. This field is expected to start industrial production in 2016 and to reach the maximum production level of approximately 8 million tons of crude oil by 2020. In December 2012, Gazprom Neft, the project operator, acquired a 90% interest in OOO

Gazprom Neft Novy Port, which holds the license for the development of the field and all related assets. Gazprom Neft intends to increase its interest in OOO Gazprom Neft Novy Port to 100%. In 2011 and 2012, Gazprom Neft reactivated wells, conducted exploration drilling at the field, confirmed its year-round maritime oil transportation capabilities and held a competitive tender to appoint a subcontractor for the construction of the Arctic terminal to be used for the shipment and storage of crude oil. Reactivation and production drilling is at the pilot production stage and remains in progress. This is expected to yield a better assessment of the prospective oil production from the Novoportovskoye field, refine our drilling technology and determine the optimal well configuration.

Kuznetsky Coal Basin. Our subsidiary OOO Gazprom dobycha Kuznetsk is implementing an innovative project in the Kemerovo region relating to the experimental production of coal methane. We expect to begin industrial production by 2017. The production of coal methane is expected to cover fully the demand for gas in the region by 2027.

Sibir Energy. Implementing our oil business development strategy, Gazprom Neft acquired a 100% interest in Sibir Energy in the period from April 2009 to February 2011. Sibir Energy is engaged in the exploration, production, refining and sales of hydrocarbons and refined products. The main production assets of Sibir Energy are located in the Khanty-Mansiysk Autonomous Region and include OAO Oil Company Magma, which holds licenses for the development of the Yuzhnoye and Orekhovskoye fields and the Koltogorsky block, and SPD. See. "—Associated companies and development of associated projects in the region—Salym Petroleum Development." OAO Oil Company Magma produced 0.44 million tons and 0.33 million tons of crude oil in 2011 and 2010, respectively, and 0.35 million tons and 0.33 million tons of crude oil for the nine-month periods ended September 30, 2012 and 2011, respectively.

Associated companies and development of associated projects in the region

Our material associated companies in the region are described below.

Achimgaz. The achimovsk formation of the Urengoyskoye field is divided into several parts, each of which is gradually being developed. The development of the first part has been undertaken by Achimgaz, our joint venture with Wintershall Holding in which the parties have equal interests. Currently, the first experimental part of the field is in commercial production. Current annual production levels are over 1.0 bcm of natural gas and 450 thousand tons of gas condensate. The projected production level of 9.6 bcm of gas and 3.1 million tons of unstable gas condensate annually is expected to be achieved in 2019.

Messoyakhaneftegaz. The East Messoyakha and West Messoyakha fields are located in the northern part of the West Siberian gas bearing province in the south-west of the Gydan Peninsula and are among the largest fields in terms of explored reserves. Due to the magnitude and complexity of the development of these fields, Gazprom Neft and TNK-BP established a joint venture, ZAO Messoyakhaneftegaz, which holds the license to develop these fields. While Gazprom Neft and TNK-BP each own equal interests of 50% in ZAO Messoyakhaneftegaz, Gazprom Neft was chosen to be the operator of the project. In 2012, we started development drilling and launched the pilot production stage at the field. We plan to start industrial production from the Messoyakhskoye fields in 2015 and to reach the total projected annual production level of 16.3 million tons of oil in 2025. We continue exploration works at the fields.

Nortgaz. We hold a 51% stake in ZAO Nortgaz ("Nortgaz"), which is our associated company because its charter documents limit our ability to exercise control over Nortgaz. In certain circumstances, the agreement also requires us to sell our stake in the company to the other shareholders of Nortgaz or to purchase the remaining 49% of the shares from such shareholders. Nortgaz holds licenses for the development of the neocomian layers of the Severo-Urengoyskoye field. In 2011 and 2010, Nortgaz produced 3.7 bcm and 3.0 bcm of natural gas and 0.46 million tons and 0.40 million tons of liquid hydrocarbons, respectively. In the nine months ended September 30, 2012 and 2011, Nortgaz produced 3.1 bcm and 2.6 bcm of natural gas and 0.40 million tons and 0.30 million tons of liquid hydrocarbons, respectively.

Salym Petroleum Development. Our subsidiary, Sibir Energy, and Royal Dutch Shell each own 50% in SPD and jointly decide all issues with respect to operation of the company. SPD develops the Salym group of fields comprised of the Zapadno-Salymskoye, Verkhne-Salymskoye, and Vadelypskoye fields. The fields are at the stage of increasing production. Sibir Energy's share of SPD's production amounted to 4.2 million tons and 4.1 million tons of oil in 2011 and 2010, respectively. In the nine months ended September 30, 2012 and 2011, Gazprom Neft's share of SPD's production amounted to 2.9 million tons and 3.2 million tons of oil, respectively. Based on PRMS Standards, Sibir Energy held a share in the proved and probable reserves of SPD of 46.3 million tons of oil as of December 31, 2011.

SPD is developing a project to produce shale oil from the Verkhne-Salymskoye field in the Khanty-Mansiysk Autonomous Region. We expect to start drilling and carrying out certain geological exploration work in the fourth quarter of 2013. We expect that SPD will achieve substantial production at the Bazhenov formation by 2021. Between 2022 and 2025 the annual production is expected to exceed 1 million tons of crude oil. Gazprom Neft expects that its participation in this project will provide up to 15 to 20 million tons of crude oil during the development period.

In November 2012, the board of directors of SPD approved a separate project to use a new technology in the Salym group of fields. The technology enables enhanced oil recovery by chemical flooding with ASP targeted at the residual oil that remains undeveloped after a conventional waterflood. The results of a single well chemical tracer test in the Zapadno-Salymskoye field conducted by SPD in 2009 demonstrated that 90% of the residual oil saturation after waterflood was mobilized by the ASP flood. Gazprom Neft's share in the additional production from the Verkhne-Salymskoye field is estimated at 19 million tons of crude oil through the development period.

Slavneft. Gazprom Neft and TNK-BP own equal interests of 50% in OAO NGK Slavneft ("Slavneft") and jointly decide all issues with respect to operation of the company. Gazprom Neft's share of Slavneft's production amounted to 9.0 million tons and 9.2 million tons of oil and 0.4 bcm and 0.3 bcm of associated gas in 2011 and 2010, respectively. In the nine months ended September 30, 2012 and 2011, Gazprom Neft's share of Slavneft's production amounted to 6.7 million tons and 6.8 million tons of oil and 0.3 bcm and 0.3 bcm of associated gas, respectively. Based on PRMS Standards, Gazprom Neft held a share in the proved and probable reserves of Slavneft of 324.0 million tons of oil and 6.0 bcm of associated gas as of December 31, 2011.

Tomskneft. Gazprom Neft and Rosneft each own equal interests of 50% in OJSC Tomskneft ("Tomskneft") and jointly decide all issues with respect to the operation of the company. Tomskneft holds licenses for the development of fields in the Tomsk region and Khanty-Mansiysk Autonomous Region. Gazprom Neft's share of Tomskneft's production amounted to 5.2 million tons and 5.2 million tons of oil and 0.7 bcm and 0.6 bcm of associated gas in 2011 and 2010, respectively. In the nine months ended September 30, 2012 and 2011, Gazprom Neft's share of Tomskneft's production amounted to 3.8 million tons and 3.9 million tons of oil and 0.6 bcm and 0.5 bcm of associated gas, respectively. Based on PRMS Standards, Gazprom Neft held a share in the proved and probable reserves of Tomskneft of 125 million tons of oil and 20 bcm of associated gas as of December 31, 2011.

Yamal Razvitie. In 2010, Gazprom sold a 51% equity interest in SeverEnergia to Yamal Razvitie, a 50% joint venture established by Gazprom Neft and OAO Novatek to implement joint oil and gas condensate development projects in the Yamalo-Nenetsky Autonomous Area. As a result of this transaction, Gazprom Group's effective equity interest in SeverEnergia as of December 31, 2011 was 25.5%. SeverEnergia owns 100% of the shares in each of OAO Arcticgas, ZAO Urengoil Inc. and OAO Neftegazgeologia, which hold development licenses for the fields located in western Siberia. Gazprom Neft held a share in the proved and probable PRMS reserves of SeverEnergia of 192 bcm of gas and 43 million tons of oil and gas condensate as of December 31, 2011. 49% of shares in SeverEnergia are held by Arctic Russia B.V. In September 2011, we signed an agreement with SeverEnergia in relation to the purchase of natural gas produced in the Samburgsky block (the license for which is held by OAO Arcticgaz).

Northern European Russia (Northwestern federal district)

This region is characterized by severe weather conditions and has four active gas condensate fields. The operating production company for this region is OOO Gazprom dobycha Krasnodar, which, as a result of a corporate reorganization, obtained licenses for subsoil use that were previously held by Gazprom Pererabotka.

Southern Russia (Southern federal district)

Our upstream activity in this area is concentrated in two regions, the Astrakhan region and the northern Caucasus. The Astrakhan region contains one active gas condensate field, Astrakhanskoye, which is operated by OOO Gazprom dobycha Astrakhan. The northern Caucasus region contains approximately 60 active fields operated by OOO Gazprom dobycha Krasnodar.

Astrakhanskoye field. According to our estimates, the Astrakhanskoye field in southern Russia in the Volga river estuary can support production of separator gas of 50-60 bcm annually (or 25-30 bcm of sales gas). Currently, the Astrakhanskoye field produces approximately 12 bcm (or 6 bcm of sales gas) annually

due to environmental restrictions and the need to use expensive technologies, which is mainly caused by a high sulfur content in the reserves of the field. In order to increase production, we are considering developing the Astrakhanskoye field using a process of acid gas flooding which enables us to effectively decrease pollutant emissions and eliminate the storage and processing of illiquid related sulfur.

Associated companies and development of associated projects in the region

KazRosGaz. In September 2010, Russia and Kazakhstan signed an intergovernmental agreement on cooperation in geological exploration of the transboundary Imashevskoye field. Gazprom and KazMunaiGaz were appointed authorized entities for the implementation of the agreement. In April 2011, we signed an agreement with KazMunaiGaz to appoint our joint venture, KazRosGaz, in which we hold equal stakes, operator of the Imashevskoye field development. The Imashevskoye field is located 60 km northeast of Astrakhan in Russia and 250 km southwest of Atyrau in Kazakhstan. We are in the process of revising the intergovernmental agreement between the Russian Federation and Kazakhstan on cooperation in geological exploration of the transboundary Imashevskoye field.

We also purchase natural gas in Kazakhstan through KazRosGaz. We process the gas at our Orenburg gas processing plant and sell it in Kazakhstan and in other countries. See "—Refining—Projects in refining—Karachaganak gas processing."

South Urals region (Privolzhski federal district)

The main active field, Orenburgskoye, in the South Urals region is operated by OOO Gazprom dobycha Orenburg, which produces, processes and transports natural gas, gas condensate and crude oil, and ZAO Gazprom Neft Orenburg, an oil and gas production subsidiary of Gazprom Neft. OOO Serviceneftegaz also produces natural gas, gas condensate and crude oil in the region.

Orenburgskoye field. The Orenburgskoye field is a rare field in terms of the size of its reserves and the qualities of its natural gas which apart from its hydrocarbon component, contains hydrogen sulphide, sour mercaptan, sulfur and helium. The current annual production of the field amounts to 17 bcm of natural gas.

Eastern area of the Orenburgskoye field is located southwest of Orenburg at the Orenburgskoye field. ZAO Gazprom Neft Orenburg, a subsidiary of Gazprom Neft, is the license holder. The field is at the stage of industrial production, and we expect to achieve its projected capacity of 3.0 million tons of crude oil and 3.1 bcm of gas in 2021. We continue production drilling at the field.

Gazprom Neft intends to increase its annual production in the region to at least 5.5 mtoe by 2015. In 2011, Gazprom Neft obtained exploration and production licenses for the Tsarichansky and Kapitonovskiy licensed areas. The Tsarichanskoye field is at the pilot production stage and the Kapitonovskoye field is at the industrial production stage. In October 2012, Gazprom Neft acquired control over a company holding a license for exploration and production at the Baleykinskoye field and an exploration license for the Uranskaya area. Gazprom Neft is preparing to start the exploration of these fields in 2013.

Eastern Siberia and the Far East (Siberian and Far East federal districts)

Eastern Siberia and the Far East, excluding the continental shelf, contain significant natural gas reserves, which are estimated at approximately 3.8 tcm of category ABC_1 and 4.4 tcm of category C_2 according to the Russian reserve classification system. See "—Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of reserves".

OAO Vostokgazprom Group ("Vostokgazprom Group"), in which we hold a 99.9% interest, produces natural gas from three gas fields in this area.

In September 2007, the Ministry of Energy of the Russian Federation approved the Eastern Program to create a unified gas production, transportation and supply system in the region with the potential to export gas to China and other Asia-Pacific countries. The Eastern Program identifies the Sakhalin shelf as the highest-priority region for full-scale commercial development in the Russian Far East. The Government appointed us to coordinate the implementation of the Eastern Program.

We own exploration and development licenses and conduct exploration work in the Krasnoyarsk region, the Irkutsk region, the Sakhalin region, the Republic of Sakha (Yakutia) and the Kamchatka region that have been identified as new gas production centers by the Eastern Program.

Republic of Sakha (Yakutia). Chayadinskoye field. In September 2008, the Government granted us a license for the Chayandinskoye oil and gas condensate field located in the Republic of Sakha (Yakutia) without tender. In 2010 and 2011, we drilled 11 exploration wells and completed seismic exploration works. Nine additional wells are currently under construction and we continue exploration of the field. We are considering opportunities to develop the Chayandinskoye field in conjunction with the Kovykta field.

In October 2012, a feasibility study regarding the development of the Chayandinskoye field, including transportation and processing of gas, was approved. The Chayandinskoye field is expected to be the core of the Yakutia gas production center in eastern Siberia. We intend to put onstream oil rims on the Chayandinskoye field in 2014 and start gas production in 2017. The projected annual production is estimated at 24.9 bcm of gas and 1.9 million tons of oil and gas condensate. We plan to construct a trunk gas pipeline from Yakutia to Vladivostok via Khabarovsk to transport gas from the Yakutskiy and Irkutskiy gas production centers, including from the Chayandinskoye field (see "Transport—Gas transportation projects in Russia—Yakutiya-Khabarovsk-Vladivostok"). We also intend to construct gas processing and gas chemical facilities in Belogorsk in the Amur region. We plan to reevaluate the commissioning date and projected annual production estimates for the Chayandinskoye field after we enter into contracts with potential customers.

In late 2011, we received licenses for the Sobolokh-Nedzhinskiy, Verkhnevilyuchanskiy, Tas-Yuryakhskiy and Srednetyungskiy fields in Yakutia. Currently, we are working on the project documentation to proceed with exploration of the fields.

Krasnoyarsk region. We are continuing our exploration of certain licensed areas in the Krasnoyarsk region. The most important work in the region is the further exploration of the Omorinskoye gas condensate field, the Beryambinskoye gas condensate field, the Kamovskoye oil field and the Abakanskoye gas field, as well as exploration works at the Biryusinskaya, Chunskaya and Karabulskaya areas. Currently, we are performing exploration at the Omorinskiy, Chunskiy, Ilbokichkskiy, Imbinskiy, Taimbinskiy and other areas. We also consider Baytiyskaya, Katangskaya and Prisayano-Eniseyskaya oil and gas provinces as prospective areas for potential exploratory drilling.

Irkutsk region. The Chikanskoye gas condensate field is located within eastern and western areas of the Yuzhno-Kovyktinskaya area. The technological scheme of development of the field provides for annual gas production of up to 3.5 bcm, which can be achieved seven years after production starts. We expect to determine the commissioning date of the field after we enter into contracts with potential customers. We continue to explore this field and revise the technological scheme for its development. In November 2012, we completed the construction of the first exploration well and are now constructing the second well.

Kovykta gas condensate field. In March 2011, we won a tender bid process held as part of a bankruptcy procedure of OAO Rusia Petroleum Company, which was the holder of the subsoil use license for the Kovykta gas condensate field. Gazprom acquired the property of OAO Rusia Petroleum Company, including a 100% interest in OOO Kovyktaneftegas, which in turn owned property located in the Khandinsky licensed area. The acquisition of this property allowed Gazprom to register the license for the Kovykta gas condensate field in its own name. The estimated C_1+C_2 hydrocarbon reserves of the field amount to 1.5 tcm of natural gas and 77.0 million tons of gas condensate as of December 31, 2011. We are continuing our exploration of the field. Projected annual production of the field is estimated at 35.0 bcm of natural gas and 2.0 million tons of gas condensate. We plan to start commercial production at the Kovykta field after commissioning the Chayandinskoye field. We intend to adjust the projected annual production estimates of the Kovykta field after we enter into contracts with potential customers. The Kovykta field is currently in the pilot commercial development stage. This stage comprises additional exploration, assessment of capabilities of the existing exploration wells, recalculation of reserves and preparation of a technological scheme for the development of the field.

Ignyalinskiy area. In June 2012, we signed an agreement with JOGMEC for the joint exploration of oil reserves of the Ignyaliskiy area located in the Irkutsk region. The license for the Ignyaliskiy area is held by the subsidiary of Gazprom Neft, OOO Gazpromneft-Angara. During the study of the Ignyaliskiy area, JOGMEC will have an option to purchase 49% of the project and Gazprom Neft will retain control of the project. A new entity will be formed to develop the Ignyaliskiy area, and JOGMEC is expected to decide on its participation in the equity capital of the new entity upon the completion of exploration works. In accordance with the agreed program, the parties are expected to conduct a 3D seismic study by the end of 2013, undertake testing of the existing wells and drill two additional wells. Upon completion of the study, the parties are expected to decide whether to further their cooperation on the Ignyaliskiy area.

Russian sea shelf

We consider Russia's sea shelf, including the Arctic Shelf, and particularly the Barents Sea, to be a promising area for the further development of new hydrocarbon deposits. At the Russian sea shelf, our subsidiaries, OOO Gazprom dobycha Shelf and OOO Gazprom neft Shelf ("Gazprom Neft Shelf"), operate the gas development projects and oil development projects, respectively.

The Barents Sea shelf

Shtokmanovskoye field. The Shtokmanovskoye gas condensate field is located in the center of the Barents Sea northwest of the Yamal Peninsula and 650 km northeast of Murmansk. Shtokmanovskoye field's projected production capacity is approximately 72 bcm per year, which can potentially be extended to up to 95 bcm per year. We will determine the timeframe for putting this field on stream and for achieving the projected capacity after we make the final investment decision with respect to the production of pipeline gas and LNG.

We retain 100% control of Gazprom Neft Shelf, which currently holds the license for the development of the Shtokmanovskoye field, as well as the right to market all of the hydrocarbons produced. To manage engineering, financing, construction and exploitation of installations during the first phase of the development of the Shtokmanovskoye field, we established a special purpose company, Shtokman Development AG, with Total and Statoil with the initial shareholding interests of 51%, 25% and 24%, respectively. For the past few years we had been working to make the final investment decision but the shareholders of Shtokman Development AG did not come to an agreement on several material issues by the designated deadline. The initial shareholders' agreement that expired in July 2012 provides that Total and Statoil shall sell their respective shares of Shtokman Development AG to Gazprom at a minimum price set forth in the initial shareholders' agreement. In September 2012, we purchased Statoil's interest in Shtokman Development AG. As a result, our stake in Shtokman Development AG is 75% and Total owns the remaining 25%. Currently, we are working to adjust certain technical, economical and commercial parameters and terms of the project in consultation with several international companies.

Prirazlomnoye oil field. This field is located on the Pechora Sea shelf. The estimated maximum annual oil production volume for this field is expected to be 6.6 million tons (48.4 mmbls) by 2018. In 2011, we installed an offshore ice-resistant platform at the field. Currently, we are conducting adjustment and start-up works, acceptance tests and preparation works for drilling of the first well. We expect to commence production at the field in 2013.

The shelf of the Kara Sea

The Obskaya and Tazovskaya Bays. The total C_1 and C_2 categories of reserves of the shelf of the Kara Sea, including the Obskaya and Tazovskaya Bays, are estimated to amount to approximately 4.3 tcm of natural gas and 83.4 million tons of liquid hydrocarbons. In accordance with our program to develop hydrocarbon reserves on the shelf of the Russian Federation through 2030, annual gas production on the shelf of the Obskaya and Tazovskaya Bays and the neighboring land areas in the Yamalo-Nenetsky Autonomous Area is expected to be 50 bcm by 2025. We hold exploration and production licenses for a number of fields in the region with total C_1 and C_2 categories of reserves amounting to approximately 1.8 tcm of gas and 20.4 million tons of gas condensate, which is more than 40% of the region's reserves. We expect to begin hydrocarbon production in the region in 2019 to 2020, bringing on stream the Severo-Kamennomysskoe field. The projected annual capacity of the field is 15.3 bcm of natural gas. In 2023 to 2024, we expect to start production at the Kamennomysskoe-more field with a projected annual capacity of 15.1 bcm of natural gas.

The Okhotsk Sea shelf

Sakhalin III project

Kirinskoye field. In September 2008, we obtained a license for the development of the Kirinskoye field. The Kirinskoye field is located on the sea shelf near Sakhalin. The Kirinskoye field is a part of the Sakhalin III project. We have completed exploration and calculation of the reserves of the field. Our subsidiary, OOO Gazprom dobycha Shelf, is working to construct offshore and onshore facilities. In August 2012, we commenced construction of production wells at the field. We converted one exploration well into a production well and started construction of another production well. Due to harsh climate conditions in the region, work has been suspended and is expected to resume in 2013. We also expect to

commence production at the field in the third quarter of 2013. Initially, we estimated projected annual capacity of the field at 4.3 bcm of natural gas. As a result of our exploration and calculation of the reserves of the field, however, we currently estimate the projected annual capacity of the field at 5.5 bcm of natural gas.

In July 2009, we obtained licenses and started exploration in the Kirinskiy prospective block of the Sakhalin III project. In 2010, as a result of exploration drilling, we discovered the large Yuzhno-Kirinskoye field in the Kirinsky prospective block. In 2011, we performed drilling of the second exploration well and ascertained the reserves of the field. Currently, we are preparing to start exploration drilling in the Yuzhno-Kirinskoye field in 2013, and we expect to put the field on stream in 2017 and achieve its annual projected capacity of 11.4 bcm of gas in 2020. We also completed drilling the first exploration well at the Mynginskaya structure, which resulted in the discovery of the Mynginskoye gas condensate field in 2011.

In 2009, we also obtained licenses for Vostochno-Odoptinsky, Ayashskiy areas of the Sakhalin III project. We have conducted seismic exploration works at the areas, including 3D seismic, and are now continuing exploration and performing design and survey works to start well construction in 2013.

In 2009, we also obtained a license for the Zapadno-Kamchatskiy area off the western coast of the Kamchatka Peninsula and the Severo-Kolpakovskoye field in the Kamchatka region. The Zapadno-Kamchatskiy area includes the Krutogorovsko-Kalavayamskiy and Tkhukluksko-Pervoocherednoy areas where we have conducted exploration, including 2D seismic. We have drilled an exploration well in the Pervoocherednoy area and are currently interpreting the results of the drilling. We are also conducting exploration at the Severo-Kolpakovskoye field.

Associated companies and development of associated projects in the region

Sakhalin II project. We own a 50% plus one share interest in Sakhalin Energy, the operator of the Sakhalin II project. According to the terms of the shareholders agreement, we currently do not control Sakhalin Energy. The company is included as an associated company in our financial statements. The Sakhalin II project is subject to a production sharing agreement.

The Sakhalin II project is one of the largest integrated oil and gas projects in the world. The project includes the Piltun-Astokhskoye and Lunskoye fields, 300 km of offshore pipelines, a joint onshore production facility, a trans-Sakhalin pipeline system with a length of approximately 1,600 km, the first Russian LNG production plant with an annual production capacity of 9.6 million tons of LNG and an oil and LNG export terminal. Initial ABC_1 and C_2 reserves of the fields at the pre-development stage amounted to approximately 174 million tons of crude oil and gas condensate and 618 bcm of natural gas, respectively. In December 2008, the project started to produce oil year round. LNG shipments commenced in March 2009 and in 2010 the plant was brought to design capacity. In 2011, 2010 and 2009, oil and gas condensate production in Sakhalin II amounted to 5.7 million tons, 5.9 million tons and 5.4 million tons and the LNG plant produced 10.7 million tons, 10.0 million tons and 5.3 million tons of LNG, respectively. In the nine months ended September 30, 2012 and 2011, oil and gas condensate production in Sakhalin II amounted to 4.1 million tons and 4.2 million tons and the LNG plant produced 8.0 million tons and 7.8 million tons of LNG, respectively.

Tsentralnoye field. In June 2003, we formed TsentrCaspNeftegaz, a joint venture with Lukoil in which we and Lukoil have equal interests. TsentrCaspNeftegaz is authorized to act on behalf of the Russian Federation for the development of the Central geological structure in the Caspian Sea together with KazMunaiGaz, the latter acting on behalf of Kazakhstan. The Central geological structure is located within the Russian sector of the Caspian Sea, 150 km to the east of Makhachkala. In March 2005, TsentrCaspNeftegaz and KazMunaiGaz entered into an agreement for the joint development of hydrocarbon resources of the Central geological structure. In May 2008, in the course of testing the first exploration well on the Central geological structure, TsentrCaspNeftegaz discovered a large oil and gas condensate field, the Central field, with category C_1 and C_2 reserves of 118.4 mtoe. We are working to establish a joint venture between TsentrCaspNeftegaz and KazMunaiGaz to jointly implement the exploration and production projects in the central part of the Caspian Sea, which, among others, include the Tsentralnoye field.

FSU and Europe and Other Countries

We participate in hydrocarbon exploration and development abroad. ZAO Gazprom Zarubegneftegaz and Gazprom EP Int. generally operate our projects in the FSU and Europe and Other Countries. We have started merging the assets of these two companies to optimize the Group's exploration and production operations abroad.

Naftna Industrija Srbije. In February 2009, Gazprom Neft acquired a controlling shareholding in a diversified oil and gas company NIS (Serbia). NIS produced 1.1 million tons, 1.0 million tons and 0.7 million tons of crude oil in 2011, 2010 and 2009, respectively, and 0.9 million tons and 0.8 million tons of crude oil in the nine months ended September 30, 2012 and 2011, respectively. NIS also owns oil refineries in the cities of Panchevo and Novi Sad, which have a total capacity of 7.3 million tons of oil per year. In recent years, NIS has been implementing investment projects to raise production, which has effectively doubled since 2008, while production costs have decreased. In accordance with its development strategy, NIS has been engaged in exploration, production and marketing projects in Romania, Hungary, Bulgaria, and Bosnia and Herzegovina.

Associated companies and development of associated projects in the region

Algeria. In December 2008, Gazprom won the bid for the exploration and development of hydrocarbon reserves of the El-Assel area in the Berkine geological basin in Sakhara. Our interest in the project is 49%. The remaining 51% interest is held by Sonatrach, the Algerian national oil and gas company. In 2010, as a result of geological exploration we discovered hydrocarbon reserves in the Berkine geological basin and received commercially viable oil and gas flows. Currently, we have commenced the third stage of exploration.

Bolivia. In March 2008, we signed an agreement with the leading Bolivian state energy company, Yacimientos Petrolíferos Fiscales Bolivianos, on geological exploration of the Sunchal and Azero blocks in Bolivia. In September 2008, we agreed with Total on the joint exploration of the Azero block. The expected category C_1 geological reserves are estimated to be up to 190 bcm of natural gas and 16 million tons of gas condensate. Currently, we are negotiating the terms and conditions of a service contract to develop the Azero block. In September 2010, we purchased a 20% interest in the Ipati and Aquio blocks, in which our partners Total and TecPetrol hold 60% and 20%, respectively. The expected category C_1 geological reserves at Ipati and Aquio blocks are estimated to amount to up to 285 bcm of natural gas and 24 million tons of gas condensate. In 2011, the construction of an exploration well in the Aquio block was completed and a commercial discovery was announced. Currently, we are drilling a second well at the Ipati block.

Central Asia. In 2008 and 2009, we obtained licenses for subsoil use in Uzbekistan, Tajikistan and Kyrgyzstan. These licenses authorize exploration activities on seven blocks of the Ustyurtskiy region of Uzbekistan through August 2011, two areas in Tajikistan through December 2011, two other areas in Tajikistan through September 2013 and two areas in Kyrgyzstan through February 2015. In June 2009, we discovered the Dzhel field in the Shakhpakhtinsky license block in Uzbekistan. In 2010, at the recovery stage of the old fields, approximately 0.2 bcm of gas was produced in the Shakhpakhty field. We have submitted an application to the licensing authorities of Uzbekistan to extend the license. In 2011 and 2012, we returned the licenses for the other six blocks of the Ustyurtskiy region in Uzbekistan and licenses for two areas in Tajikistan, where no reserves had been discovered in the course of our exploration works. In accordance with the license agreements, we are conducting exploratory drilling and seismic exploration works in Kyrgystan and Tajikistan. In particular, we are drilling an exploration well with a projected depth of 6,300 meters in Tajikistan pursuant to the terms of the license expiring in September 2013.

For our agreements with central Asian countries in natural gas sales and transit, see "—Distribution—Cooperation with FSU countries in gas marketing".

Cuba. In October 2010, Gazprom Neft and Petronas (Malaysia) signed an agreement to transfer to Gazprom Neft a 30% stake in the production sharing agreement signed in 2007 between Petronas and the Government of the Republic of Cuba. The production sharing agreement provides for the exploration and production of oil and gas until 2037 and 2042, respectively, in four geological blocks on the continental shelf off the coast of Cuba. In July 2011, a supplemental agreement to the production sharing agreement was signed which finalized the transfer of the 30% stake to Gazprom Neft. Gazprom Neft has reimbursed Petronas for a portion of the historical costs, in the amount of U.S.$4.8 million, incurred by Petronas and participates in funding future operations on a pro rata basis. To date, Gazprom Neft has invested approximately U.S.$50 million in the project, excluding the reimbursed historical costs. Petronas remains

the operator of the project. We have signed a separate agreement for cooperation with Petronas regarding activities on the continental shelf off the coast of Cuba and obtained the approval of Cuban authorities to enter into the project and to extend the first stage of exploration. A seismic study has been conducted and revealed a number of exploration targets in the blocks. In August 2012, the parties completed drilling the first exploration well and are now assessing the results. The decision on further development of the project will depend on the results of the assessment.

Equatorial Guinea. In June 2010, we signed two production sharing agreements with the Ministry of Energy of Equatorial Guinea and the national oil company Guinea Equatorial de Petroleos ("GEPetrol") relating to two exploration blocks on the shelf of Equatorial Guinea. Gazprom Neft was appointed operator of this project. In 2011 and 2012, Gazprom Neft fulfilled its obligations with regard to the first exploration subperiod, including acquiring historical geological data, conducting a marine seismic survey of block T, processing and interpreting its findings and financing several social projects. We are currently in discussions regarding further cooperation.

Libya. Our involvement in the development of Blocks 19 and 64 is governed by the terms of our agreement on geological exploration, development and production sharing with Libya's National Oil Corporation. The expected geological reserves of Block 19 amount to 889.3 million tons of oil and 222.2 bcm of gas. The expected geological reserves of Block 64 amount to 72.3 million tons of oil.

According to the license agreements, we are to perform seismic assessments and drill six exploratory wells at each of Block 19 and 64. We completed seismic surveys at Blocks 19 and 64 and started exploratory drilling on Block 64. Further work on the projects has been suspended due to the unrest in the country.

In addition, in December 2007, in accordance with our asset swap agreement with BASF, we received a 49% interest in Wintershall AG which is the developer of two Libyan oil blocks, C96 and C97, for the period through 2026. In February 2011, all work on the projects was suspended due to the political unrest in the country. After the cease fire in October 2011, oil production resumed. Total production in 2011 (attributable to our interest of 49%) amounted to 0.7 million tons of crude oil and 67 mmcm of gas.

Iran. We participated in a project to develop the second and third phases of the South Pars field, located in the Iranian segment of the Persian Gulf with a total cost of more than U.S.$2 billion. We held a 30% interest in the project. The other participants in this project were Total, which held a 40% interest, and Petronas, a Malaysian company, which held a 30% interest. The National Iranian Oil Company has been making payments to the project participants for construction work since the second quarter of 2002. Because of the U.S. and international sanctions imposed on Iran the issue of making final payments to the project participants remains unresolved. Iranian debt to Gazprom currently amounts to approximately U.S.$18 million.

In 2009, Gazprom Neft entered into a memorandum of understanding with Naftiran Intertrade Co. Limited, providing for potential joint exploration of certain fields in Iran pursuant to a service contract. We believe that the memorandum is, in substance, only a letter of intent, which is not binding upon either of the parties and does not provide for any active or inactive business operations in Iran. As of the date of this Base Prospectus, Gazprom Neft has not performed any work in relation to implementation of any projects contemplated by the memorandum and, as of the date of this Base Prospectus, Gazprom Neft has no plans to take any further action in relation to the memorandum.

U.S. sanctions have been imposed on companies engaging in certain types of transactions with specified countries, including Iran, or companies in those countries. The U.S. Department of State issued a determination that the investment made by our partners and us in Iran's South Pars field constituted activity that is covered by the Sanctions Act and, at the same time, waived sanctions under Section 9(c) of the Sanctions Act with respect to such investment. The waiver applies to our activities in the South Pars field only, and not to any other activities we may conduct relating to Iran. We believe that we are not currently involved in any transactions relating to Iran or other countries that could result in sanctions against us or for which we have not received a waiver of such sanctions. See "Risk Factors—Risks Relating to Our Business—Violations of existing international or U.S. sanctions could subject us to penalties that could have an adverse effect on us."

Iraq. In January 2010, Gazprom Neft, as a member of a consortium with KOGAS (South Korea), Petronas (Malaysia) and TPAO (Turkey), signed a Development and Production Service Contract for the Badra field with the North Oil Company of the Iraq Ministry of Oil and Oil Exploration Company ("OEC"), representing the government of Iraq. North Oil Company subsequently assigned its rights under

the contract to another state-owned company, Midland Oil Company. Pursuant to the contract, the consortium will finance 100% of the investments in the project, which are to be recovered following the start of commercial production. The service contract provides for the payment of remuneration to the consortium for the produced hydrocarbons in the amount of U.S.$5.5 per boe. Gazprom Neft is the operator of the Badra project. Its share in the profit distribution amounts to 30%, whereas the shares of KOGAS, Petronas, TPAO and OEC are 22.5%, 15%, 7.5% and 25%, respectively.

The development and production service contract for the Badra field has a validity period of 20 years but may be extended by another 5 years. According to preliminary estimates, geological reserves of the Badra field amount to 3 billion barrels of oil. In accordance with the contract, a production level of 170 thousand barrels per day or 8.5 million tons of oil per year is expected to be reached by early 2017. The field is expected to be put into operation in the second half of 2013. The total capital expenditure for the project is estimated to be approximately U.S.$2 billion.

In July 2011, we entered into a three-year agreement with Schlumberger to drill 11 wells. In 2011, we started drilling at the Badra field, completed the first stage of demining and engaged in construction of the infrastructure facilities. We also prepared and approved a provisional plan of development for the field. We have completed a 3-D seismic study and analyzed our findings. As a result of the seismic study, we have ascertained the geological structure of the field and put together an underground structure contour map. We have completed the first stage of the field camp construction, signed contracts for the construction of an export pipeline and the preparation of the field development plan. Currently, we are drilling three exploration wells at the field.

In August 2012, Gazprom Neft, through its subsidiary Gazprom Neft Middle East B.V., began new hydrocarbon exploration and production projects in Iraq. Gazprom Neft signed two production sharing agreements in relation to Garmian and Shakal blocks located in the southern Kurdistan Region in Iraq. Gazprom Neft will receive a 40% share and the government of the Kurdistan Region will receive a 20% share of production in the Garmian block. WesternZagros, a Canadian company receiving a 40% share of production under the production sharing agreement, is expected to remain the operator of the project until the commencement of the development period under the production sharing agreement. Gazprom Neft will receive an 80% share of production in the Shakal block and will be the operator of the project. The government of the Kurdistan Region will receive a 20% share of production in the Shakal block under the production sharing agreement. Currently, exploration works are being conducted and production is expected to start by 2015. In 2012, Gazprom Neft paid U.S.$260 million for its share in the project, including reimbursement of past costs. Gazprom Neft's expected investments in exploration until the start of production, which is currently expected to occur in 2015, are currently estimated to be at least U.S.$150 million. The production sharing framework provides for a compensation of investor's past costs after the start of production.

Ukraine. In December 2010, we signed a memorandum with Naftogaz providing for the establishment of a 50:50 joint venture to explore, evaluate and develop coal bed methane in Ukraine. Based on the memorandum, we are currently negotiating the terms of this joint venture. In September 2011, we signed an agreement to jointly develop the Palasa structure located in the Russian and Ukrainian sections of the Black Sea. We are considering establishing a joint venture with Naftogaz for this project.

Venezuela. In September 2005, we won a tender for the development of Phase A of the Rafael Urdaneta project in Venezuela. We received licenses from the Venezuelan government to conduct geological research and develop hydrocarbon reserves of the Urumaco 1 and Urumaco 2 deposit blocks for a period of 30 years. We estimate natural gas reserves of these blocks at approximately 90 bcm. We have completed the first exploration stage on the Urumaco 1 deposit block, including seismic tests and drilling of the first exploration well. We are currently analyzing the results in order to make a decision regarding further exploration work on the blocks.

In June 2009, Gazprom Neft acquired a 20% interest in NOC, a company established to implement oil production projects in Latin America by Gazprom Neft, Rosneft, Lukoil, TNK-BP and Surgutneftegaz, each having an equal interest in NOC. In September 2009, the governments of Russia and Venezuela entered into an agreement for cooperation in the implementation of joint strategic projects. In April 2010, NOC and PdVSA established a joint venture Petromiranda to develop a low-grade oil field, Junin-6, in the basin of the Orinoko River in Venezuela. NOC holds a 40% interest in Petromiranda. In 2010, NOC appointed Gazprom Neft to coordinate the Junin-6 project. Junin-6 entered into an early production stage in September 2012 and the parties are continuing to perform exploration, drilling and infrastructure

construction activities. The participants are also considering the possibility of the joint development of the Ayacucho 2, Ayacucho 3 and Junin-3 blocks.

In October and December 2011, we entered into memoranda of understanding with PdVSA outlining the possible formation of a joint venture to develop the Robalo area in the Gulf of Venezuela. In accordance with the memoranda, PdVSA has provided us with geological data on the project. We are currently analyzing the data to determine the viability of our participation in the project.

Vietnam. Under a framework on cooperation with Petrovietnam, a Vietnamese oil and gas company, we are currently conducting the development of Block 112 of the continental shelf in the Gulf of Bak Bo, in Vietnam on a production sharing basis. The operator of the project is Vietgazprom, a joint venture in which we and Petrovietnam have equal interests. As a result of exploration works, two new fields were discovered in Block 112, Bao Wang in 2007 and Bao Den in 2009. Currently, these fields are being explored to assess reserves and the feasibility of production. We plan to complete the exploration period in 2013. If the exploration yields positive results, production may begin between 2015 and 2017.

In October 2008, we signed an oil and gas exploration agreement for 30 years to develop four new blocks (No. 129, 130, 131, 132) in the South China Sea. We plan to explore, produce and sell hydrocarbons from these blocks on the basis of a production sharing agreement. The total reserves of these blocks amount to 700 mtoe. Vietgazprom acts as the operator for the development of these blocks. We have completed seismic exploration and electrical and geochemical surveys. Currently, we are conducting a complex interpretation of the geologic and geophysics data.

In December 2009, we signed an agreement for strategic partnership with Petrovietnam which provides for further joint work on the sea shelf of Vietnam, in Russia and in other countries. We have established a joint venture, Gazpromviet, to comply with the undertakings pursuant to the partnership agreement. We hold a 51% interest, and Petrovietnam owns a 49% interest in Gazpromviet. In October 2012, we transferred a license for the development of the Nagumanovskoye oil and gas condensate field in the Orenburg region to Gazpromviet. Currently, we are preparing project documentation for the Nagumanovskoye field and expect to construct field infrastructure in the period from 2013 to 2014. We have also transferred a license to Gazpromviet for the Severo-Purovskoye field in the Yamalo-Nenetsky Autonomous Area. In 2013, we expect to prepare project documentation for the Severo-Purovskoye field and perform exploration works. We are considering joint development of other projects in Russia through Gazpromviet.

In April 2012, we entered into an agreement with Petrovietnam that provides for Gazprom to jointly develop license blocks 05.2 and 05.3 on the shelf of Vietnam, with aggregate proved and probable reserves estimated at 55.6 bcm of natural gas and 25.1 million tons of gas condensate. The agreement allows us to acquire a 49% interest in the product sharing agreements that form the legal framework of the project. Gazprom International is expected to operate as the Russian party in the project. The project is now in the final stages of construction of the field facilities. We have completed installation of three marine platforms and are preparing for the construction of exploration wells and intra-field facilities. We are also completing construction of a floating oil storage facility. We intend to put the field onstream in the first half of 2013.

United Kingdom. A new gas field, Wingate, was discovered in the 44/24b and 44/19f blocks area. In October 2011, the production of gas from the Wingate field started. In 2011 and in the nine months ended September 30, 2012, our participation share in the production of the project amounted to 23.8 mmcm and 101.2 mmcm of gas and 38.6 tons and 677.4 tons of gas condensate, respectively. Extractable proved and probable reserves in the two blocks under development are estimated at 3.3 bcm of gas. Wintershall Noordzee B.V. is the operator of the project, and our participation share in the project is currently 20%. In November 2012, we signed an asset swap agreement with Wintershall Holding allowing us to receive a 50% interest in Wintershall Noordzee B.V. We intend to enter into definitive asset swap agreements in 2013 and finalize the transaction in 2014. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Urengoyskoye field".

Transport

Financial highlights

Our Transport segment generally renders gas transportation services to our Distribution segment.

The following table sets forth selected financial data with regard to our Transport segment as defined in our financial statements prepared in accordance with IFRS.

	Transportation of gas				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	5,143,428	4,335,012	4,972,244	4,000,952	3,323,087
Share of Group's total assets	44%	42%	43%	41%	38%
Sales,[1] million RR	90,314	82,501	112,995	92,631	65,563
Share of Group's total sales	3%	2%	2%	3%	2%
Capital additions, million RR	370,089	367,391	740,910	407,571	231,723
Share of Group's total capital additions	49%	51%	55%	44%	34%

Note:

(1) Excluding inter-segment and intra-segment operations.

GTS

We own and operate the GTS, the world's largest high-pressure trunk pipeline gas transportation system. We estimate that as of December 31, 2011, the total length of the system was 164,681 km (not including pipelines for the transportation of gas condensate) and included 211 compressor stations on the pipelines, with an aggregate capacity of 41,740 MW, and 25 UGSFs with an aggregate capacity of 66.7 bcm.

Our wholly owned regional subsidiaries engage in gas transportation and storage in Russia. Our storage activities are conducted by our specialized subsidiary, OOO Gazprom PKhG. We also own interests in gas distribution companies, which own and operate distribution networks that transport gas to end consumers. In addition, we participate in natural gas transportation activities through a number of joint ventures with foreign partners. See "—International projects in gas transportation" and "—Gas storage."

The GTS transported natural gas (including gas from independent suppliers) through Russia an average distance of 2,785 km for domestic consumption and 3,430 km for export in 2011.

Our high-pressure trunk pipeline system transports natural gas principally from large western Siberian fields westward toward the more heavily populated regions of Russia, the FSU countries and Europe and to refineries. The trunk pipeline system is highly integrated to ensure reliable natural gas deliveries to distributors, export customers and consumers. The high level of integration of our pipeline network is achieved through the use of multiple and parallel pipelines of large diameters (defined as pipes with diameters of 1,420 mm, 1,220 mm and 1,020 mm), inter-connectors and UGSFs. In most cases, the extensive branching structure of the GTS, together with the availability of spare pipeline throughput capacity, enables us to re-route or to increase natural gas flow in case of an emergency.

The age of the pipeline system in Russia as of December 31, 2011 is shown in the table below.

Since construction	Length	% of total
	(km)	
Up to 10 years	19,569	11.9
11-20 years	21,745	13.2
21-30 years	64,629	39.3
31-40 years	31,832	19.3
41-50 years	19,647	11.9
Over 50 years	7,259	4.4
Total	**164,681**	**100.0**

We are continually working to improve the reliability and efficiency of the GTS. In 2011, we reconstructed 432 km of pipelines and replaced or modernized 14 gas pumping units. In March 2011, we adopted the Comprehensive Program for Upgrading and Technical Re-equipment of Gas Transportation Facilities and Underground Gas Storage Facilities for 2011-2015. In 2012, we expect to finalize the reconstruction of approximately 141 km of pipelines and 13 gas pumping units.

We also carry out annual capital repairs and preventive maintenance to improve the reliability of gas supply, technological and environmental safety and the efficiency of gas distribution. We recently increased the level of our capital repairs as a result of the aging of extensive sections of gas pipelines that were put into operation in the 1980s and the early 1990s. Annually, we make capital repairs to approximately 2,500 kilometers of trunk pipelines and approximately 900 gas pumping units.

We also annually perform approximately 19,000 kilometers of intratubal diagnostic activities and approximately 20,000 kilometers of electrometric inspections. We are considering the possibility of increasing the volume of our intratubal diagnostic activities in order to timely detect critical defects while decreasing the frequency of inspections.

There have been no major interruptions of gas supplies caused by any failure or fault of the GTS over the last 10 years. As a result of our regular pipeline repairs and improvement in our pipeline technology, the incidence of technical faults that involve interruptions or restrictions of gas supply dropped from 32 in 2002 to between 17 and 20 per year recently. In the nine months ended September 30, 2012, we registered 13 technical faults of the GTS.

Gas transportation balance

Natural gas flows into our trunk pipelines from our own production, from the production of independent and central Asian producers, and from withdrawals from underground storage. Natural gas flows from our trunk pipelines to customers in Russia, Europe and the FSU as well as to our UGSFs. After accounting for operational requirements of the pipeline system and other technical factors, total inflows are equal to total outflows in a particular period.

The following table sets out data on the natural gas balance of the GTS in Russia for the periods indicated (including natural gas in transit from central Asia and Azerbaijan).

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
			(bcm)		
Total GTS inflow[1]	**484.2**	**499.8**	**683.2**	**661.2**	**589.7**
System inflow	448.9	462.7	630.9	614.1	552.4
(including central Asian and Azerbaijanian gas)	25.3	25.0	33.3	36.1	35.7
Withdrawals from Russian UGSFs	29.9	33.4	47.1	40.8	30.0
Decrease in GTS reserves[2]	5.4	3.6	5.2	6.3	7.3
Total distribution from GTS[1]	**484.2**	**499.8**	**683.2**	**661.2**	**589.7**
Deliveries to customers in Russia	252.4	255.8	365.6	354.9	335.6
(including central Asian gas)	0.0	0.0	0.1	0.1	0.1
Deliveries outside Russia	153.6	161.4	217.7	209.3	195.6
(including transit of central Asian and Azerbaijanian gas)	25.3	25.0	33.3	36.0	35.6
Addition to Russian UGSFs	42.2	45.5	48.2	47.7	15.7
Technological needs of GTS and UGSFs	29.9	33.4	45.8	43.6	36.3
Increase in GTS reserves[2]	6.1	3.6	5.9	5.7	6.5

Notes:

(1) These numbers do not include gas volumes withdrawn from foreign UGSFs and delivered outside Russia.

(2) A significant extension of the GTS involves maintaining a large volume of gas in the pipeline. This allows the system operators, increasing or decreasing the pressure at its different divisions, to accumulate excess gas in the pipeline for a certain period of time or to use it for extra supply. Thus, within a certain period, the shipment chain may transfer a lesser or larger volume of gas from one operator to another. The line shows the result of such operations as a total amount accumulated for a reporting period.

Most of the natural gas consumed by the pipeline system is used to power the GTS. The remainder is accounted for by technological losses, including gas lost during maintenance of the pipelines. We believe that our current volume of gas losses is low, and that our levels of consumption of gas as fuel are satisfactory.

Third-party access to the GTS

Pursuant to Government Resolution No. 858 dated July 14, 1997, we provide independent suppliers with access to the GTS subject to the following requirements:

- availability of spare transport capacity for the time period proposed by the independent supplier;
- quality and technical parameters of the natural gas supplies;
- availability of input connections from suppliers and output connections to consumers and natural gas recovery and quality control stations; and
- availability of gas supply agreements and relevant customer demand for the proposed time period.

Independent gas suppliers transported approximately 69.0 bcm, 59.6 bcm, 81.5 bcm, 72.6 bcm and 66.5 bcm, or 14.3%, 12.0%, 12.0%, 11.0% and 11.3% of the natural gas supplied, through the GTS for the nine-month periods ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009, respectively. These amounts included gas in transit from central Asia. The increase in the nine-month period ended September 30, 2012 compared to the same period of 2011 was due to an increase in independent suppliers' gas sales in the domestic market. In the nine months ended September 30, 2012, major third-party users of the GTS were OAO Novatek and OOO NGK Itera which accounted for approximately 40.6% and 21.9% of supplies by independent suppliers, respectively.

Tariffs charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines are established by the FTS. See "—Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Prices and tariffs."

The following table sets forth the levels of the average tariffs charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines for the periods indicated. The transportation tariff is currently below the economically justified level and is subject to annual increase.

	2013[1]	2012[1]	2011	2010	2009
Average tariff[2], RR for mcm per 100 km	61.83	58.22	56.25	51.45	41.88

Note:

(1) Estimated based on currently available data.

(2) Weighted by annual volume of services rendered to independent suppliers to transport gas to consumers located within and outside the members of the Customs Union.

Gas distribution networks

Gas distribution networks are designed to deliver gas from trunk pipelines to end-users. We are the leading gas distribution group in Russia. Our gas distribution assets are consolidated in our subsidiary OAO Gazprom gazoraspredeleniye ("Gazprom gazoraspredeleniye"). As of December 31, 2011, our controlled companies operated approximately 631 thousand kilometers of gas distribution pipelines facilitating supply of more than 220 bcm of gas to end-users.

Since 2005, we have been implementing a gasification program for Russian regions, which provides for the extension of our distribution pipeline network particularly to areas in Russia where natural gas is currently unavailable. We allocated RR29.1 billion, RR25.6 billion and RR19.3 billion toward the implementation of this program in 2011, 2010 and 2009, respectively. The gasification program provides for an investment of RR33.8 billion in 2012. In 2012, we constructed 235 gasification facilities with a total length of 3,380 km to enable gas supplies to 429 settlements in 40 regions of Russia.

Existing routes of gas export and participation in foreign gas distribution networks

Yamal-Europe. The Yamal-Europe export pipeline has an annual projected capacity of approximately 33 bcm. The Yamal-Europe pipeline passes through Belarus, Poland and Germany and connects the GTS in Russia with the JAGAL pipeline in Germany. The German section of the pipeline is owned by a subsidiary of W&G Beteiligungs-GmbH & Co. KG (formerly known as WINGAS GmbH & Co. KG), our joint venture with a subsidiary of Wintershall Holding. The Polish section is owned by EuRoPol GAZ, a joint venture in which we participate with PGNiG S.A. (a state-

controlled Polish gas company) and Gaz-Trading. Belorussian section of the pipeline is owned by the Group.

Blue Stream. The Blue Stream pipeline, which has an annual projected capacity of approximately 16 bcm, supplies gas to Turkey, bypassing transit countries. We, together with the Italian company Eni, own the offshore section of the pipeline, which runs under the Black Sea and is approximately 396 km long.

Natural gas transit through Ukraine and Belarus. A significant portion of the natural gas we export to Europe (except to Finland, in part to Turkey and to other European countries through the Nord Stream pipeline) is transported outside of Russia through pipelines passing through the territory of Ukraine and Belarus, on which we are dependent for natural gas transit to Europe. At the same time, Ukraine and Belarus are dependent on us for natural gas supplies. We pay transit fees for the use of the pipelines through Ukraine and Belarus. The negotiations of these fees and access to these pipelines are important elements of our export business. Our subsidiary, Beltransgaz, which we have controlled since December 2011, transports natural gas through Belarus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Acquisitions, Dispositions and Changes in Control."

In connection with our price and debt settlement disputes with Ukraine and Belarus, we briefly suspended our natural gas supplies to these countries. As a consequence thereof, occasional unauthorized withdrawals of transit gas designated for our European customers occurred.

In particular, as a result of our price dispute with Ukraine, we could not extend our gas supply contract with Ukrainian consumers for 2009. Without a contract between the parties, we suspended supplies to Ukrainian consumers while we continued to deliver gas to the Ukrainian gas transportation system for transit to European consumers. By January 7, 2009, despite the existence of an operating contract for the transit of natural gas through 2011, Ukraine had stopped supplying gas to Europe and directed all gas from the Ukrainian gas transportation system to Ukrainian consumers. We then completely stopped supplying gas to the Ukrainian gas transportation system. The dispute was settled with the participation of the Russian and Ukrainian governments and the European Union.

On January 18, 2009, Russian and Ukrainian prime ministers agreed on long-term transit and supply contracts in which the principle of separate transit and supply contracts were maintained and a European pricing formula was introduced into supply contracts. On January 19, 2009, Gazprom and Naftogaz entered into contracts for the sale and transit of natural gas through the territory of Ukraine for the period from 2009 to 2019. Starting in 2010, the transit fee charged by Ukraine is calculated on the basis of the market formula established under the contracts. By January 21, 2009, gas supplies to European consumers through Ukraine had resumed. We also resumed supplies to Ukrainian consumers. See "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas" and "—Distribution—The FSU."

In June 2010, following a dispute with Belarus, we suspended our supplies of natural gas to Belarus for a short period of time. During our dispute with Beltransgaz, as well as during the settlement of our previous disputes, our European customers received volumes of natural gas pursuant to the terms of our contracts. In March 2011, we signed a supplement to the contract with Beltransgaz adjusting the volumes of and prices for the supplies and transit of natural gas for 2011. See "—Distribution—The FSU."

In November 2011, the Russian Federation and the Republic of Belarus signed a series of intergovernmental agreements and Gazprom and Beltransgaz signed several contracts setting forth the terms for the supply and transit of gas in 2012-2014 and our acquisition of an additional 50% interest in Beltransgaz.

Beltransgaz. Between 2007 and 2011, we acquired a 100% interest in Beltransgaz for total cash consideration of U.S.$5.0 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Acquisitions, Dispositions and Changes in Control." Currently we are implementing a series of measures in production, marketing and finance of Beltransgaz to enhance its efficiency.

Our projects to diversify transportation routes and the network of UGSFs include the Yamal-Europe pipeline, the Blue Stream project and the Nord Stream pipeline, which have been put on stream, the South Stream project and the acquisition the gas transportation system of Beltransgaz. We expect these projects to reduce our dependence on Ukraine and Belarus for the transportation of natural gas to western Europe and Turkey. See "—Joint Ventures and Alliances—Beltransgaz."

W&G Beteiligungs-GmbH & Co. KG. W&G Beteiligungs-GmbH & Co. KG (formerly known as WINGAS GmbH & Co. KG), a joint venture with Wintershall Holding, in which we currently own a 49.98% interest, owns a 100% interest in a gas transportation company GASCADE Gastransport GmbH (formerly known as WINGAS Transport GmbH), and gas transportation companies OPAL TRANSPORT GmbH (formerly known as OPAL NEL TRANSPORT GmbH) and NEL TRANSPORT GmbH, which respectively own gas pipelines OPAL and NEL that are on-shore extensions of the Nord Stream pipeline in Germany. The GASCADE gas transportation pipeline network, which is over 2,300 kilometers long, connects our major export gas flows going through Belarus and Poland (the Yamal-Europe pipeline) as well as through Ukraine, Slovakia and the Czech Republic to western Europe, in particular, to the Netherlands, Belgium, the United Kingdom, as well as covers the territory of Germany. W&G Beteiligungs-GmbH & Co. KG also controls a 100% interest in each WINGAS entity which is involved in gas trading and storage in Europe. In particular, WINGAS operates Rehden (Germany), the largest UGSF in western Europe and has access to a portion of active capacity in the Haidach UGSF (Austria) and has been engaged in the construction of the Jemgum UGSF (Germany). See "—Gas storage—Gas storage in FSU, Europe and Other Countries." WINGAS is a European energy provider active in natural gas trading and distribution in Germany, Belgium, the Netherlands, the United Kingdom, Austria, the Czech Republic, Bulgaria, Romania and several other European countries. In November 2012, we signed an asset swap agreement with Wintershall Holding, which, among other things, provides for an increase of our stake in WINGAS up to 100%. We intend to enter into definitive agreements in 2013 and finalize the transaction in 2014. The joint gas transportation assets of GASCADE, however, are beyond the scope of the asset swap agreement. We expect to continue our cooperation with Wintershall Holding in the construction, operation and marketing of gas transportation facilities on a joint arrangement basis. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Urengoyskoye field".

United Kingdom Interconnector pipeline. We own a 10% interest in Interconnector (UK) Limited, the owner and operator of an offshore gas pipeline connecting Belgium and the United Kingdom. We currently rent the capacity in the Interconnector pipeline on a long-term basis in the annual amount of 2 bcm of natural gas from the United Kingdom to continental Europe and approximately 6 bcm of natural gas from continental Europe to the United Kingdom. Our subsidiary Gazprom Marketing & Trading Ltd. ("GM&T") uses the capacity of the Interconnector pipeline to sell gas in the U.K. market. See "—Distribution—Europe and Other Countries."

Gas transportation projects in Russia

The terms and timeline of the projects described in this section may be revised due to changes in demand for our products.

SRTO-Torzhok pipeline. We have constructed a gas pipeline from the Urengoyskoye field, in western Siberia, to Torzhok, one of the junctions in our gas transportation system. This pipeline has enhanced our ability to deliver natural gas to customers in the northwestern region of Russia and to export gas through the Yamal-Europe pipeline and the Nord Stream pipeline. The pipeline is approximately 2,200 km long and contains 13 compressor stations for total capacity of 968 MW. The annual projected throughput of the pipeline in various sections is between 20.5 to 28.5 bcm. We mainly completed the construction of the pipeline concurrently with the start of production in Yamal in late 2012.

Gryazovets-Vyborg pipeline. The 917 km trunk pipeline from Gryazovets to Vyborg is designed to supply gas to consumers in northwestern Russia and to the Nord Stream pipeline. The project provides for the construction of two branches of pipeline and seven compressor stations for a total capacity of 1,155 MW, including the compressor station Portovaya on the shore of the Gulf of Finland.

In 2011, we put into operation the linear part of the first branch of the pipeline and the first production facilities of five compressor stations, including the Portovaya compressor station, with the total capacity of 538 MW. In late 2012, we completed the construction of the second branch, which is designed as a looping system for the first branch, and four compressor stations with a total capacity of 345 MW. In 2013, we intend to commission three additional compressor stations with an aggregate capacity of 144 MW, thereby completing the construction of the pipeline.

Gas transportation system from the Yamal Peninsula fields. We are constructing multiple parallel pipeline systems for gas transportation from the Yamal Peninsula to the central regions of Russia to transport gas from the Bovanenkovskoye field, which is expected to have a project production capacity of

115 bcm per year, with a potential increase up to 140 bcm per year. The system consists of large diameter pipes (1,420 mm) and operates at a pressure of 11.8 MPa, which is higher than that of the other parts of our system. The length of the pipeline system is expected to be about 2,600 km, including the new 1,266 km twin pipe gas transportation corridor from Bovanenkovo to Ukhta and the 1,371 km pipeline from Ukhta to Torzhok. The pipeline includes 18 compressor stations with an aggregate capacity of 1,973 MW. The projected annual capacity of the first branch of the Bovanenkovo-Ukhta section and the Ukhta-Torzhok section is 60 bcm and 45 bcm, respectively. In 2012, we put into operation the first branch of the transportation system from Yamal. In 2013, we expect to complete the construction of the first branch by putting into operation six compressor stations with an aggregate capacity of 756 MW in the Bovanenkovo-Ukhta section and five compressor stations with an aggregate capacity of 625 MW in the Ukhta-Torzhok section of the gas transportation system from the Yamal Peninsula.

Murmansk-Volhov pipeline. The Murmansk-Volhov pipeline is designed to ensure gas supplies from the Shtokmanovskoye field to consumers in northwestern Russia. The pipeline is approximately 1,365 km long. The pipeline is expected to include ten compressor stations with a total capacity of 1,225 MW. The pipeline's projected throughput may amount up to 46 bcm depending on production volumes. The commissioning of the pipeline and its throughput will be determined after the final investment decision with respect to the development of the Shtokmanovskoye field is made. See "—Reserves and Production—Exploration, Development and Production regions—Russian sea shelf."

Pochinki-Gryazovets pipeline. We have constructed the pipeline to provide the Gryazovetsky gas transmission center with additional gas supply volumes from the Yamal fields. The project involves the construction of approximately 645 km of pipeline and five compressor stations for total capacity of 416 MW, which is expected to increase gas transportation volume by up to 36 bcm. We have put into operation the linear part of the pipeline with a total length of approximately 643 km and four compressor stations with an aggregate capacity of 336MW, thereby completing the construction of the pipeline at the current stage. We estimate that the commissioning of an additional final compressor station with a capacity of 48 MW will not be required until 2020.

Sakhalin-Khabarovsk-Vladivostok gas transportation system. The system is among the top-priority projects envisaged by the Eastern Program. The total projected length of the system is 1,837 km and the annual projected throughput of natural gas from the fields located on Sakhalin is 28.5 bcm. In September 2011, we put on stream the first stage of the first start-up complex of the system from Sakhalin to Komsomolsk-on-Amur and from Khabarovsk to Vladivostok, with a length of approximately 1,354 km, including a compressor station with a capacity of 32 MW and an annual projected capacity of 6 bcm of natural gas. This enabled us to start gas deliveries to Vladivostok. We are currently finalizing the construction of the first start-up complex production facilities. In 2008, we obtained control over, and in 2010 became a sole shareholder of, OAO Daltransgaz, which owns the gas transportation system connecting Komsomolsk-on-Amur and Khabarovsk with a length of approximately 474 km that is currently used for the transportation as a part of the Sakhalin-Khabarovsk-Vladivostok gas transportation system. We plan to synchronize further increases to the capacity of the Sakhalin-Khabarovsk-Vladivostok system with increases of gas production on the shelf of the Okhotsk Sea.

Kirinskoye onshore processing facility—Sakhalin main compressor station. We are engaged in construction of a gas pipeline with a total length of 139 km and annual throughput capacity of up to 20 bcm to transport gas from the Kirinskoye field, a part of Sakhalin-3 project, to the Sakhalin compressor station located at the Sakhalin-Khabarovsk-Vladivostok pipeline. In 2012, we completed construction of the main branch of the pipeline with a total length of 137.5 km and conducted necessary strength tests. In 2013, we plan to finalize construction of certain ancillary facilities and put the pipeline into operation.

Yakutia-Khabarovsk-Vladivostok. The planned pipeline from Yakutia to Vladivostok via Khabarovsk is expected to deliver gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye field, to gas consumers in Russia and the Asia-Pacific region. Its projected length is approximately 3200 km. The pipeline route is expected to run along the operating Eastern Siberia—Pacific Ocean oil trunk pipeline creating an efficient infrastructure and minimizing energy supply costs. The annual throughput of the pipeline is estimated at 61 bcm but can be adjusted depending on market demand. We anticipate putting the pipeline into operation in late 2017.

Gas supply system in the Irkutsk region. In accordance with the general gas supply and gasification program for the Irkutsk region, we are designing and constructing a system of gas trunk pipelines and gas distribution pipelines in the Irkutsk region. In December 2007, we commissioned the first stage of the

trunk gas pipeline from the Bratskoye field to the city of Bratsk with the total length of 27 km. In 2008, we ran a pilot operation at the Chikanskoye gas condensate field that, together with the Kovyktinskoye field, is expected to become the base field for the supply of gas to the central and southern districts of the Irkutsk region. Currently, we are considering the possibility of constructing the gas pipeline from the Kovyktinskoye and Chikanskoye fields to Sayansk, Angarsk and Irkutsk.

GTS extension to ensure supplies to the South Stream pipeline. This project is aimed at extending gas transportation facilities within Russia in order to ensure supply of gas to the South Stream gas pipeline. This project envisages the construction of a pipeline system with a throughput of up to 63 bcm of natural gas per annum and with a total length of approximately 2,500 km, comprising 10 compressor stations with a total capacity of 1,516 MW. In the first stage of the project (construction of the western route) we intend to construct an 880 km pipeline from the Pisarevka compressor station to the Russkaya compressor station, which is projected to be the base compressor station of the off-shore part of the South Stream pipeline. The state expert review has been successfully completed, including the state environmental appraisal, and we are now preparing to start construction. We expect to complete the first stage in 2015. In the second stage of the project (construction of the eastern route), we plan to construct a 1,625 km pipeline from the Pochinki compressor station to the Russkaya compressor station alongside the existing gas transportation route from the Pochinki compressor station through Izobilnoye to the Severo-Stavropolskoye UGSF. We are now preparing project documentation for the second stage, which is expected to be completed in 2018.

International projects in gas transportation

Nord Stream. The Nord Stream pipeline is a new export route for Russian gas to Europe. The Nord Stream pipeline is designed to ensure diversification of our export routes and increase the reliability of our natural gas supplies from Russia to western European markets by avoiding the political and economic risks related to the transit of deliveries through third-party countries.

The European Union included the Nord Stream project in the list of the priority corridors of Trans-European Energy Networks (TEN-E). The pipeline extends under the Baltic Sea for 1,224 km from Vyborg, Russia to Greifswald, Germany, and consists of two pipeline branches. The projected annual capacity of the two branches of the Nord Stream pipeline is up to 55 bcm of natural gas. The project is primarily targeted on the markets of Germany, the United Kingdom, the Netherlands, France and Denmark.

Nord Stream AG, a Switzerland-based joint venture that was initially named North European Gas Pipeline Company, is engaged in all stages of implementation of the Nord Stream pipeline project, including the design, construction, ownership and operation of the pipeline. We hold a 51% interest in this joint venture. Wintershall Oil AG (BASF Group) and PEG Infrastruktur AG (E.ON Group) each own 15.5% of the joint venture and Gasunie Infrastruktur AG (Gasunie Group) and GDF Suez Holding Switzerland AG (GDF Suez Group) each own 9%.

In November 2011 and October 2012, we put on stream the first and the second branches of the pipeline, respectively. We are considering opportunities to increase the pipeline capacity.

South Stream. The project provides for gas supply to the European markets through the Black Sea by establishing a new south export route. Combined with current export routes, we expect this to increase the reliability and flexibility of our natural gas supplies to Europe. The off-shore portion of the pipeline is expected to consist of four branches, each with a length of 925 km, and to pass from the Russian coast to the coast of Bulgaria over 2 km under the Black Sea. The projected annual capacity of the offshore part of the project is 63 bcm of natural gas. The first branch of the pipeline is expected to be put into operation in late 2015.

In September 2011, we signed a shareholders' agreement for the offshore section of the South Stream project with Eni, Wintershall Holding (BASF Group) and EDF, pursuant to which Wintershall Holding and EDF, each acquired a 15% share in the offshore section of the South Stream project through a 30% reduction in Eni's stake. As a result, Eni now holds a 20% stake while Gazprom holds a 50% stake, with Wintershall Holding and EDF each holding a 15% stake in South Stream Transport AG, which was established to construct and operate the off-shore part of the South Stream pipeline.

Intergovernmental agreements for cooperation in implementation of the project have been signed with the governments of, and joint project companies have been established with partner companies in, Bulgaria, Serbia, Hungary, Greece, Slovenia, Croatia and Austria. In October 2011, we completed a

comprehensive feasibility study with respect to the South Stream Project, which comprised feasibility studies of the off-shore portion and national sections of the pipeline stretching through south and central Europe. In December 2011, we obtained permission to construct the South Stream pipeline in the exclusive economic zone of Turkey. The Bulgarian and Hungarian portions of the South Stream pipeline have been recognized as facilities of national importance. Serbia, Slovenia and Croatia are considering assigning similar status to their respective portions of the pipeline. Such legal status entails a special procedure for obtaining authorizations and permits and facilitates the receipt of technical conditions required to receive access to utility facilities and necessary engineering infrastructure.

In October and November 2012, the parties made final investment decisions with regard to the Bulgarian, Serbian, Hungarian, Slovenian and the off-shore sections of the South Stream pipeline. We plan to start construction of the off-shore portion of the pipeline in 2013.

Central Asia. Pursuant to the strategic cooperation agreements with respect to purchases of natural gas in central Asia, we have implemented joint projects involving the reconstruction and maintenance of the Central Asia-Center gas transportation system that connects Turkmenistan, Uzbekistan, Kazakhstan and Russia. As a result of various enhancements undertaken between 2005 and 2009, it has an annual capacity of 43 to 60 bcm.

Iran-Armenia pipeline. In March 2006, we entered into a 25-year agreement with the Armenian government. In 2009, pursuant to the agreement, ArmRosGazprom, our subsidiary in which we hold an 80% interest, completed the construction and refurbishment of the approximately 197 km long second section of the Iran-Armenia pipeline. ArmRosGazprom owns this section of the pipeline. In 2009, the Armenian government, the owner of the approximately 40 km long first section of the pipeline, leased the first section of the pipeline to ArmRosGazprom. Currently, ArmRosGazprom transports Iranian gas through the pipeline under a contract between the Iranian and Armenian state-owned companies and through a thermal power plant, Razdan-5, produces electricity that it supplies to the Armenian state-owned company. See "Risk Factors—Risks Relating to Our Business—Violations of existing international or U.S. sanctions could subject us to penalties that could have an adverse effect on us."

Gas storage

Our gas storage segment generally renders gas storage services to our Distribution segment.

The following table sets forth selected financial data with regard to our Gas storage segment as defined in our financial statements prepared in accordance with IFRS.

	Gas storage				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	211,083	169,474	206,126	169,146	125,069
Share of Group's total assets	2%	2%	2%	2%	1%
Sales[(1)], million RR	880	633	1,075	931	838
Share of Group's total sales	0%	0%	0%	0%	0%
Capital additions, million RR	10,769	9,021	19,978	17,355	9,549
Share of Group's total capital additions	1%	1%	1%	2%	1%

Note:

(1) Excluding inter-segment and intra-segment operations.

Gas storage in Russia

We currently operate a network of 25 UGSFs in Russia in order to help smooth seasonal fluctuations in the demand for gas. The total active capacity of UGSFs amounted to 66.7 bcm as of December 31, 2011. All of our UGSFs are located either in close proximity to our major consumers or at the main hubs of our transportation system, which provides us with flexibility in the redirection of gas flow if required. During peak heating periods, we supply approximately 20% of total deliveries of natural gas to Russian consumers from our gas storage network, and in periods of extreme cold this may reach 30%.

In 2011 and 2010, we injected into Russian UGSFs 48.2 bcm and 47.7 bcm of natural gas and withdrew 47.1 bcm and 40.8 bcm of natural gas, respectively. In the nine-month periods ended September 30, 2012 and 2011, we injected into Russian UGSFs 42.2 bcm and 45.5 bcm of natural gas and withdrew 29.9 bcm and 33.4 bcm of natural gas, respectively.

Gas storage in FSU, Europe and Other Countries

In order to ensure reliable natural gas supplies and fulfill its contractual obligations, Gazprom uses UGSFs located in European countries: Austria (Haidach UGSF), the U.K. (Vitol's UGSFs), Germany (Rehden UGSF and Katharina and Bernburg UGSFs), Latvia (Incukalns UGSF), Serbia (Banatsky Dvor UGSF), Armenia (Abovyanskoye UGSF) and UGSFs in Belarus. We also participate in the construction of new UGSFs in Europe. In 2011, we injected 4.9 bcm of natural gas into and withdrew 3.7 bcm of natural gas from UGSFs located in foreign countries.

In the past, we have stored our gas in western Europe only pursuant to storage capacity lease agreements. We continue to lease capacities in the Humbly Grove and Bernburg UGSFs to procure reliable and flexible supplies of Russian gas to the markets where we do not have own storage facilities.

Humbly Grove. In July 2005, we entered into an agreement with Vitol to receive access to 50% of the capacity of the Humbly Grove UGSF in the United Kingdom for a period of five years. Since 2007, our share in the active capacity of the Humbly Grove UGSF has increased to 75%, equaling 228 mmcm. In 2010, we extended the agreement until 2016.

Bernburg. We are party to a capacity lease agreement with Verbundnetzgas AG that enables us to receive access to 150 mmcm of active storage capacity in the Bernburg salt caverns in Germany.

However, given the high lease payments and the lack of available storage capacity in the existing UGSFs, we decided to invest in the construction of our own storage capacities in western European UGSFs. We also have access to certain storage capacities through our subsidiaries and joint ventures.

Rehden. WINGAS operates Rehden, the largest UGSF in western Europe, with a storage capacity of 4.2 bcm, of which we have access to 0.5 bcm of active storage capacity and 10 mmcm of daily withdrawal capacity.

Abovyanskoye UGSF. Since 1993, we have been an 80% shareholder of ArmRosGazprom, which operates the 110 mmcm active storage capacity Abovyanskoye UGSF. We are working to increase the storage capacity of the Abovyanskoye UGSF to 220 mmcm by 2020.

Incukalns UGSF. We hold a 34% interest in AO Latvijas Gaze with which we operate the 2.3 bcm active storage capacity Incukalns UGSF. The Incukalns UGSF is capable of regulating gas supplies to Latvia, Estonia, Lithuania and nothwestern Russia.

UGSFs in Belarus. Our subsidiary Beltransgaz operates the Osipovichskoye, Pribugskoye and Mozyrskoye UGSFs in Belarus, with an aggregate storage capacity of 960 mmcm. In order to help smooth seasonal fluctuations in the demand for gas and avoid shortfalls in deliveries during peak heating periods, we plan to expand the UGSF system in Belarus to increase aggregate storage capacity to 1.6 bcm by 2020 and 2.6-3.0 bcm by 2030, and to increase aggregate peak daily withdrawal capacity to 43 mmcm by 2020 and 60 mmcm by 2030.

We are currently expanding our access to UGSFs in European countries, which serve as transit territories for the bulk of Russian exports, while continuing to ensure reliable gas supplies. The successful implementation of such projects will allow us to increase natural gas storage capacities in Europe significantly to over 5 bcm of active gas by 2015.

Haidach. In 2005, we established a joint venture with WINGAS, RAG AG, Centrex and Gazprom Germania GmbH, to construct and operate the Haidach UGSF in northwest Austria. In May 2011, the joint venture commenced the second stage of the UGSF and increased its capacity up to 2.8 bcm and daily withdrawal capacity up to 28 mmcm. We have access to 1.9 bcm of active capacity of the UGSF. We plan to consider further increases in capacity of the Haidach UGSF in anticipation of the construction of the South Stream pipeline.

Katharina. In April 2008, we signed a consortium agreement with Verbundnetz Gas AG to jointly construct natural gas storage facilities in Germany, and in May 2009, we established a joint venture, Erdgasspeicher Peissen GmbH, to implement the construction of the Katharina UGSF in Germany. Within the framework of the joint venture, the active storage capacity is expected to reach approximately 630 mmcm, and daily withdrawal capacity is expected to be 13 mmcm upon completion of the project. The parties are currently considering increasing the daily withdrawal capacity to 26 mmcm. The project is expected to reach the designed capacity in 2025. We have a 50% participation interest in the project pursuant to the agreement and German authorities recently affirmed our right to use up to 50% of the Katharina UGSF's storage capacity. The Katharina UGSF was put into operation in October 2011.

Soltfleetby. WINGAS and ZMB Gasspeicherholding GmbH have established a joint venture and are currently designing a UGSF on the basis of the Soltfleetby gas field in the United Kingdom. The design storage capacity is expected to be 775 mmcm with a daily throughput estimated at 8.5 mmcm.

Banatsky Dvor. In October 2009, Gazprom Export, Gazprom Germania GmbH and Srbijagas signed an agreement to establish a joint venture for the construction and use of the UGSF Banatsky Dvor (Serbia). The joint venture was set up in February 2010. We hold a 51% participation interest in the project. The active storage capacity of the facility amounts to 450 mmcm and the daily withdrawal capacity is 5 mmcm. The joint venture put the UGSF into operation in October 2011. The UGSF improves the reliability of our gas supply to Hungary, Serbia, Bosnia and Herzegovina. We plan to consider further increases in capacity of the Banatsky Dvor UGSF in anticipation of the construction of the South Stream pipeline.

Bergermeer. In August 2009, we signed an agreement with the Bergermeer underground gas storage project consortium, consisting of Energie Beheer Nederland, Dyas B.V., Petro-Canada and TAQA Energy. Pursuant to the agreement we undertook to deliver 4.7 bcm of buffer gas for the Bergermeer UGSF in exchange for access to gas storage capacity in the amount of 1.9 bcm and a daily withdrawal capacity of 26.4 mmcm. Construction started in 2010. The facility is expected to commence operations in 2014 and reach its projected capacity of 4.5 bcm in 2015. The UGSF is expected to be located in close proximity to the major European trading floors, TTF and the Zeebrugge Hub, and to ensure the stable operation of the Nord Stream pipeline. In 2011, we provided buffer gas to the UGSF.

Jemgum. WINGAS has been engaged in the construction of the Jemgum UGSF in Germany. The expected active storage capacity of the UGSF is approximately one bcm, and is expected to be commissioned in 2018. A portion of this capacity is expected to be put on stream as the first stage of the project in July 2013.

Damborice. We are considering the construction of a UGSF in Damborice (the Czech Republic) on the basis of a depleted field, in cooperation with AO Moravskaya Neftyanaya Kompaniya. The project design storage capacity is approximately 450 mmcm with a daily throughput estimated at 7.6 mmcm.

Tarsus. The Tarsus project envisages the construction of a UGSF in Turkey with an aggregate active storage capacity of 900 mmcm and a daily withdrawal capacity of 10 to 15 mmcm. The project is intended to ensure the stability of gas supplied to Turkey, Romania, Bulgaria, Greece and Macedonia through the existing pipelines and, potentially, through the South Stream pipeline.

Other projects. We also are studying the possibility of joint projects with respect to the participation in UGSFs projects in Romania, Slovakia, France and other countries.

Refining

This section sets forth information with regard to our Refining segment as regards processing of oil, gas condensate and other hydrocarbons and sales of refined products. For information relating to sales of refined products, gas condensate and other hydrocarbons, see "—Distribution—Sales of liquid hydrocarbons and refined products."

Financial highlights

The following table sets forth selected financial data with regard to our Refining segment as defined in our financial statements prepared in accordance with IFRS. Our Refining segment operates in processing

of oil, gas condensate and other hydrocarbons, and sells refined products to other segments and third parties.

	Refining of oil, gas condensate and other hydrocarbons and sales of refining products				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	1,133,661	931,094	1,086,188	819,440	747,980
Share of Group's total assets	10%	9%	9%	8%	9%
Sales[1], million RR	873,583	717,723	973,026	709,062	540,505
Share of Group's total sales	26%	21%	21%	19%	17%
Capital additions, million RR	82,926	63,983	115,642	78,712	41,557
Share of Group's total capital additions	11%	9%	9%	9%	6%

Note:

(1) Excluding inter-segment and intra-segment operations.

Our natural gas and gas condensate refining operations consist of the operations of our principal refining facilities owned by our wholly owned subsidiaries, primarily Gazprom Pererabotka, OOO Gazprom dobycha Astrakhan, OOO Gazprom dobycha Orenburg and Vostokgazprom Group. Gazprom Neft processes most of our crude oil at the Omsk refinery ("Omsk Refinery") and Moscow refinery ("Moscow Refinery"), refining facilities of Slavneft and refineries of NIS. Our subsidiary, OOO Sibmetahim, coordinates our methanol production. As of September 30, 2012, our total annual installed processing and refining capacity was approximately 53 bcm of natural gas and 75 million tons of unstable gas condensate and crude oil.

Processing of oil, natural gas and gas condensate

The following table sets out total hydrocarbon feedstock input we used at refining facilities for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009[1]
Natural gas, bcm	**23.8**	**24.8**	**33.2**	**33.6**	**30.4**
Unstable gas condensate and crude oil, million tons	**42.7**	**40.5**	**53.5**	**50.2**	**44.3**
including gas processing subsidiaries	10.0	9.6	13.0	12.3	10.9
including Gazprom Neft in Russia	29.8	29.1	38.1	35.0	31.0
including Gazprom Neft abroad	2.9	1.8	2.4	2.9	2.4

Notes:

(1) The results of NIS and Moscow Refinery are included for the periods following their consolidation on February 1, 2009 and June 23, 2009, respectively.

Our gas refining facilities process natural gas for pipeline transportation and stabilize and refine gas condensate. As part of the refining process, these refining facilities engage in the removal of hazardous and corrosive substances from natural gas. They also produce a broad range of refined products based on extracted hydrocarbons.

The following table sets out information on our principal natural gas and gas condensate refineries, oil processing and petrochemical plants as of September 30, 2012. As of the date of this Base Prospectus, there have been no significant changes in this information.

Name	Company	Location	Year of establishment	Annual installed capacity of processing/ Product range production	Product range
Gas and gas condensate processing plants					
Astrakhan gas processing plant (GPP)	OOO Gazprom dobycha Astrakhan	Astrakhan	1986	• 12.0 bcm of gas • 7.3 million tons of gas condensate (stabilization)	Dry natural gas, stable condensate, liquefied gas, wide fraction of light hydrocarbons (WFLH), motor gasoline, diesel fuel, heating oil, sulfur
Orenburg GPP	OOO Gazprom dobycha Orenburg	Orenburg	1974	• 37.5 bcm of gas • 6.3 million tons of gas condensate and crude oil (stabilization)	Dry natural gas, stable condensate, liquefied gas, WFLH, gas sulfur, odorants
Orenburg helium plant	OOO Gazprom dobycha Orenburg	Orenburg	1978	• 15.0 bcm of gas	Helium gaseous and liquefied, dry natural gas, liquefied gas, ethane, WFLH, PHF
Sosnogorsky GPP	OOO Gazprom pererabotka	Sosnogorsk, Komi republic	1946	• 3 bcm of gas, • 1.25 million tons of unstable condensate (stabilization)	Dry natural gas, stable gas condensate, liquefied gas, motor gasoline, technical carbon
Urengoy condensate preparation plant	OOO Gazprom pererabotka	Urengoy	1985	• 13.7 million tons of unstable condensate (deethanization and stabilization)	De-ethanized gas condensate, stable gas condensate, liquefied gas, motor gasoline, diesel fuel, gas condensate light distillate (GCLD)
Surgut condensate stabilization plant	OOO Gazprom pererabotka	Surgut	1985	• 8.05 million tons of unstable condensate (stabilization)	Stable gas condensate (oil), motor gasoline, diesel fuel, TS-1 engine jet fuel, liquefied gas, WFLH, PHF, GCLD
Methanol production plant	OOO Sibmetahim	Tomsk	1983	• 750 thousand tons of methanol	Methanol, formalin, amino-formaldehyde resin
Gazprom Neft					
Omsk Refinery	OJSC Gapromneft-Omskyi NPZ	Omsk	1955	• 21.4 million tons of oil	Motor and technical gasoline, diesel fuel, jet fuel, heating oil, lubricants, marine fuels, aromatic hydrocarbons, hydrocarbon liquefied gases, oil bitumen, sulfur, coke
Moscow Refinery	OAO Gazpromneft-MNPZ	Moscow	1938	• 12.15 million tons of oil	Motor and technical gasoline, diesel fuel, jet fuel, heating oil, marine fuels oil asphalt, hydrocarbon liquefied gases, sulfur
Oils and lubricants producing plant in Bari	Gazpromneft Lubricants Italia S.p.A.	Bari (Italy)	1976	• 30 thousand tons of oils and 6 thousand tons of lubricants	Motor and technical oils, lubricants
Oil refinery in Panchevo and Novi Sad	NIS	Panchevo (Serbia) Novi Sad (Serbia)	1968	• 7.3 million tons of oil	Motor and technical gasoline, diesel fuel, jet fuel, heating oil, odorants, hydrocarbon liquefied gases, liquid bitumen, sulfur, propylene
Moscow Lube Plant	ZAO "Gazprom neft MZSM"	Fryazino	2001	• 40 thousand tons of oils and technical fluids	Motor, transmission and industrial oils and technical fluids
Synthetic Oil Complex at the Omsk Refinery	OOO "Gazprom neft—Lubricants"	Omsk	2011	• 180 thousand tons (first stage)	Motor and industrial oils

In addition, Gazprom Group has an access to capacities of OAO Slavneft-Yaroslavnefteorgsintez as a joint venture partner in Slavneft:

Name	Company	Location	Year of establishment	Annual capacity of processing/ Product range production	Product range
Yaroslavnefteorgsintez	OAO NGK Slavneft	Yaroslavl	1958-1961	• 15.0 million tons of oil	Motor and technical gasoline, diesel fuel, jet fuel, heating oil, lubricants, stove oil, liquefied hydrocarbon gases, oil asphalt, sulfur, sulfuric acid, paraffin and wax products

Gazprom Neft processes its crude oil mainly at the Omsk Refinery, which we believe is one of the most technologically advanced refineries in Russia and has a leading position in the industry in terms of volumes and depth of crude oil processing. Gazprom Neft also processes crude oil at the Moscow Refinery, which it controls, and at Slavneft's refineries, which it and TNK-BP own equally. Gazprom Neft has access to the processing capacity of Slavneft's refineries in proportion to its interest.

Between April 2009 and February 2011, Gazprom Neft acquired an interest of 100% in Sibir Energy. The total cost of the acquisition amounted to U.S.$3.2 billion. Sibir Energy is a vertically integrated oil production company with production operations in the Khanty-Mansiysk Autonomous Region (western Siberia). See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)." Sibir Energy is a major shareholder in MNGK and indirectly controls OAO "Moscow Petroleum Company" and OAO "Mosnefteproduct" that own over 134 fuel stations in Moscow and the Moscow region. As a result of the acquisition of Sibir Energy, Gazprom Neft acquired control over Moscow Refinery with an effective interest of 77.72%.

In February 2009, we acquired a 51% interest in the Serbian oil company NIS for RR18.5 billion (400 million euro) including refineries in Panchevo and Novi Sad with an aggregate annual capacity of 7.3 million tons of oil. NIS refined 2.36 million tons and 2.85 million tons of crude oil in 2011 and 2010, respectively, and 1.46 million tons and 1.76 million tons of crude oil in the nine months ended September 30, 2012 and 2011, respectively. Pursuant to the purchase agreement we fully performed our obligations to invest 547 million euro in the reconstruction and modernization of NIS's refinery facilities through 2012. In November 2012, Gazprom Neft put into operation new light hydrocracking and hydrotreating refining facilities in Panchevo to ensure compliance with the European fuel quality standards and to increase the efficiency of oil refining by NIS. We expect that the refinery in Panchevo will start producing gasoline and diesel fuel in accordance with Euro 5 in the beginning of 2013, with a total output of up to 0.6 million tons and 1.2 million tons, respectively. We believe this not only will confirm NIS as the largest producer of high-quality fuel in the region, but will also allow us to begin exporting to the other Balkan countries. In March 2011, the Group, under the terms of a mandatory offer, acquired from the shareholders of the Serbian company, NIS, an equity stake constituting 5.15% of its charter capital. As a result, the Group's interest amounts to 56.15% of the company's charter capital.

In April 2009, Gazprom Neft acquired an oil and lubricant producing facility from Chevron Global Energy in Italy for euro 5 million. The production capacity of the plant is up to 30 thousand tons of oils and six tons of lubricants annually. The plant was substantially refurbished in 2005. Gazprom Neft expects to achieve marketing and production synergies between this facility and the assets of NIS that were purchased by Gazprom Neft early in 2009.

The following table sets out the total production of our refining facilities for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009[1]
Stable condensate and oil, thousand tons	3,386.7	3,401.3	4,595.1	3,828.3	3,408.2
Stripped dry gas, bcm	18.5	19.2	25.7	26.2	24.2
Liquefied hydrocarbon gases, thousand tons	2,236.6	2,236.0	2,972.7	3,119.3	2,806.6
Motor gasoline, thousand tons	8,056.1	7,933.6	10,253.3	9,368.8	8,648.8
Technical gasoline, thousand tons	2,057.5	1,661.1	1,148.0	1,620.1	2,129.9
Diesel fuel, thousand tons	9,242.6	9,863.2	12,771.6	12,830.9	11,214.2
Jet fuel, thousand tons	2,300.4	2,209.0	2,735.5	2,598.1	2,276.0
Furnace fuel oil, thousand tons	6,303.0	6,301.6	8,642.5	8,176.4	6,355.6
Lubricants, thousand tons	277.0	296.0	391.0	367.1	371.4
Sulfur, thousand tons	3,885.9	4,022.6	5,391.5	5,252.4	4,404.6
Helium, thousand cubic meters	3,543.2	2,827.7	3,526.4	4,856.1	4,892.6
Odorant, thousand tons	2.3	2.4	3.4	3.3	3.0
Wide fraction of light hydrocarbons, thousand tons	683.8	506.6	697.4	491.7	454.0
Ethane, thousand tons	294.4	294.0	391.8	384.1	362.1
Technical carbon, thousand tons	23.6	23.7	31.4	31.6	21.1
Methanol, thousand tons	554.5	526.6	690.4	663.2	419.0
Pentane-hexane fraction, thousand tons	112.5	115.1	145.1	151.5	35.2

Notes:

(1) The results of NIS and Moscow Refinery are included for the periods following their consolidation on February 1, 2009 and June 23, 2009, respectively.

Projects in refining

In 2011, we adopted a comprehensive program of reconstruction and re-equipping of gas and liquid hydrocarbons processing assets for 2011-2015. Under the program we have implemented investment projects for the reconstruction and expansion of production capacities of gas processing and gas producing subsidiaries (Astrakhan GPP, Orenburg GPP and Surgut condensate stabilization plant). The implementation of the program will enable us to expand our product range, increase the depth of refining and comply with the European product quality standards and current industrial and environmental safety requirements. In 2011 and 2012, we upgraded and reconstructed the refining capacities in Omsk Refinery, Moscow Refinery and Yaroslavnefteorgsintez owned by our associated company, Slavneft.

In 2011, we completed work at Astrakhan GPP to enable it to comply with the requirements of technical regulations relating to the quality of various types of fuel and launched the production of gasoline in compliance with Euro 3 standards. As a result, we resumed our supplies, which were suspended in 2011, from Astrakhan GPP to the more profitable domestic market.

We continue to prioritize our investments into oil refining via a program focused on the quality of motor fuel. In accordance with this program, we have started the construction of new facilities and the reconstruction of existing facilities. We designed a program to achieve compliance with the requirements of technical regulations, including the Euro 5 motor fuel standard, by the Omsk Refinery and the Moscow Refinery in 2013. We have also designed a program to improve processing depth that is expected to result in a processing depth of 95.6% and 94.1% and a light product yield of 80.1% and 79.8% at the Omsk Refinery and the Moscow Refinery, respectively.

Novy Urengoy Chemical Complex. Currently, we are implementing a project for the production of low density polyethylene at the Novy Urengoy Chemical Complex. Currently, we are at the final stage of construction of a 35 km product pipeline and power lines to supply electricity to the complex. We have installed turbine generators and ancillary systems for a gas turbine electric power plant. We expect to commission the electric power plant in 2013. We have completed preparatory work for putting the Ethylene railway station into operation. The Novy Urengoy Chemical Complex is expected to produce

400,000 tons per year of low density polyethylene in the course of processing 1.4 million tons of de-ethanized gas per year from the Urengoy Condensate Preparation Plant. Depending on the quality of raw materials, we also plan to produce 200 to 400 thousand tons of natural gas liquids per year and 900 to 1,500 mmcm of methane per year at the complex.

Gazprom neftekhim Salavat. In 2008, we acquired a 50% plus one share interest in OAO Gazprom neftekhim Salavat ("Gazprom neftekhim Salavat"), formerly OAO Salavatnefteorgsintez. In 2011 and 2012, we acquired additional stakes in Gazprom neftekhim Salavat, increasing our interest to 97.57% as of September 30, 2012. Gazprom neftekhim Salavat is a leader in the oil and gas processing industry in Russia. Its annual processing capacity amounts to 6 million tons of crude oil and 4 million tons of gas condensate. The company is one of the largest producers of butyl alcohol, gasoline, ethylene, propylene, polyethylene and other petrochemicals in Russia. It also produces diesel fuel, fuel oil, bitumen, solvents, aromatic hydrocarbons, olefins, sterol, polysterol, carbamide, ammonia and nitrogen fertilizers. With the anticipated increase in production of hydrocarbons, including gas condensate, in western Siberia, we believe that the acquisition of Gazprom neftekhim Salavat will enable us to expand our processing capacity in the region.

Associated gas refinery. The increased usage of associated gas is consistent with our national strategies of increasing our processing capabilities and decreasing our impact on the environment. In February 2008, Gazprom Neft adopted a program to increase the utilization rate of associated gas up to 95% in 2014 from the level of 35% in 2007. Gazprom Neft achieved a utilization rate of 65.3% in the nine months ended September 30, 2012.

Karachaganak gas processing. KazRosGaz, in which we hold a 50% stake, annually purchases over 8 bcm of natural gas produced at the Karachaganak field in Kazakhstan from the field operator, Karachaganak Petroleum Operating B.V. ("KPO"), to process this gas at our Orenburg gas chemical complex. In June 2007, we entered into an agreement with KazMunaiGaz establishing the principles for a joint venture to operate the assets of the Orenburg chemical complex as equal partners. KPO and KazRosGaz have also signed a 15-year purchase and sale agreement for Karachaganak gas. The annual volume of gas purchases will be up to 16 bcm. It is expected that KazRosGaz will acquire gas from the operator of the Karachaganak gas field and will deliver it for processing to the joint venture. We believe that delivering additional gas from Karachaganak will enable us to utilize the capacity of the Orenburg gas chemical complex and allow us to modernize the facility and to increase its capacity.

Distribution

This section sets forth information relating to our Distribution segment which sells gas mostly to third parties in Russia and abroad, to our Transport segment for own needs and to our Electric and heat energy generation and sales segment as well.

The following table sets forth selected financial data with regard to our Distribution segment as defined in our financial statements prepared in accordance with IFRS.

	Gas supplies				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	1,130,517	1,079,906	1,223,035	1,048,594	874,339
Share of Group's total assets	10%	10%	11%	11%	10%
Sales[(1)], million RR	1,822,776	1,982,325	2,807,792	2,179,811	1,974,253
Share of Group's total sales	53%	59%	60%	60%	64%
Capital additions, million RR	28,329	20,408	48,802	37,578	27,185
Share of Group's total capital additions	4%	3%	4%	4%	4%

Note:

(1) Excluding inter-segment and intra-segment operations.

We believe that we are the world's largest exporter of natural gas. We export natural gas (as well as gas condensate, crude oil, oil products, liquefied associated gas and other refined products) mainly through our wholly owned subsidiary, Gazprom Export. We also sell these products domestically to end consumers, including sales of natural gas through Gazprom mezhregiongaz and our regional gas sales companies.

The following table sets out our natural gas sales volumes by geographical market for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012[1]	2011[1]	2011[1]	2010[1]	2009[1]
Natural gas sales					
Russia	183.0	194.5	280.7	277.3	273.5
FSU[2]	47.9	62.5	81.7	70.2	56.7
Europe and Other Countries[2]	111.4	114.8	156.6	148.1	148.3
Total	**342.3**	**371.8**	**519.0**	**495.6**	**478.5**

Notes:

(1) Net of trading activity without supplies of natural gas.

(2) Our sales to the FSU countries and to Europe and Other Countries include both export from Russia, and sales of gas purchased outside Russia.

According to the Gas Export Law, as the owner of the UGSS we have the exclusive right to export gas or liquefied natural gas produced in any hydrocarbon field within Russia. See "Risk Factors—Risks Relating to Our Business—We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers."

The natural gas market

Natural gas has been gaining an increasing share of the world energy market in recent years, in part because it is an effective and environmentally clean fuel. According to the BP Statistical Review of World Energy (June 2012) (the "BP Review"), global natural gas production increased by approximately 32% from 2001 through 2011. Volumes of traded natural gas, including through pipelines and LNG, were also increasing during that period. These increases were attributable to the growth in natural gas-fired power generating capacity, an increase in the use of natural gas for residential consumption (particularly in central and eastern Europe), a decline in the attractiveness of nuclear power, and environmental considerations (which have reduced the attractiveness of fuels such as coal). In 2011, developments in energy sector were largely driven by a recovery of the global economy. According to the BP Review, the world primary energy consumption—including oil, natural gas, coal, nuclear, hydro power and renewable resources increased by 2.5% in 2011, with natural gas consumption rising by 2.2%. In 2011, natural gas consumption accounted for approximately 24% of primary energy consumption in Europe and approximately 50% in the FSU.

The following table sets out primary energy and natural gas consumption in our principal markets for 2011, 2006 and 2001 as well as the percentage of natural gas consumed as a proportion of primary energy consumption in such markets for such years:

	2011	2006	2001
	(mtoe, except percentages)		
Europe[1]			
Primary energy consumption[2]	1,849	1,950	1,867
Gas consumption	444	466	421
Gas consumption as a percentage of primary energy consumption	24%	24%	23%
FSU (except Russia)[3]			
Primary energy consumption[2]	300	302	284
Gas consumption	150	152	149
Gas consumption as a percentage of primary energy consumption	50%	50%	52%
Russia			
Primary energy consumption[2]	686	670	623
Gas consumption	382	368	330
Gas consumption as a percentage of primary energy consumption	56%	55%	53%

Source: BP Statistical Review of World Energy (June 2012).

Notes:

(1) Defined for the purposes of this table to consist of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Luxembourg, Republic of Ireland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia.

(2) Primary energy consumption comprises commercially traded fuels only, including renewables required for electricity production.

(3) Defined for the purposes of this table to consist of Azerbaijan, Belarus, Kazakhstan, Lithuania, Turkmenistan, Ukraine and Uzbekistan.

According to the BP Review, natural gas consumption in Europe (as defined in footnote (1) to the table above) represented 15% of worldwide natural gas consumption in 2011 as compared to 19% in 2001. In the period from 2001 through 2011, the proportion of natural gas in primary energy consumption in Europe rose from 23% to 24% and the consumption of natural gas increased from 421 mtoe in 2001 to 444 mtoe in 2011.

Europe and Other Countries

We are currently the only supplier of Russian natural gas to Europe. We supplied 27% of the volume of natural gas consumed in Europe in 2011 according to CEDIGAZ's statistical survey Natural Gas Year in the World 2012 (October 2012). Germany, Turkey, Italy, France and the United Kingdom were our largest export markets in Europe for that year. We are actively seeking to increase our European export efficiency and have entered into various joint ventures abroad, such as WIEH, WIEE and WINGAS in Germany. See "—Transportation—International projects in gas transportation" and "—Gas storage." These joint ventures allow us to capture a margin from sales of gas to industrial, energy and utility sectors as well as to households, in addition to receiving export proceeds from deliveries at the borders of the markets we serve. In November 2012, we signed an asset swap agreement with Wintershall Holding, which among other things, provides for an increase of our stakes in WIEH, WIEE and WINGAS up to 100%. See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Urengoyskoye field". See "—Reserves and Production—Exploration, Development and Production regions—Western Siberia (Urals federal district)—Urengoyskoye field". Since 2005, we have also participated in LNG trading transactions worldwide.

In 2010, the European market experienced a sharp upturn of gas consumption levels. According to our estimates, gas consumption declined by more than 9% in 2011. The decline of gas consumption is primarily attributed to a relatively mild winter and cold summer in many European countries. Traditional exporters of pipeline gas decreased their supplies to the European market. Domestic production of gas by European producers also decreased. The production decline results from both the natural depletion of reserves and rising market competition.

Amidst the overall decline in gas consumption, our market share in the European gas market increased by 4 percentage points, which was primarily due to the implementation of measures to improve the competitive position of Russian gas in 2010 and 2011. In addition, the natural disaster in Japan in 2011 resulted in an increase in demand and prices for the LNG supplies to the Asia-Pacific region. Suppliers sought to redirect free volumes of LNG from Europe to the Asia-Pacific region. Due to shortage of LNG supply in the European spot market, spot prices increased as compared to 2010, which made our pipeline gas supplies more competitive.

In 2012, the European gas market was affected primarily by warm weather conditions and economic slowdown. Reduced industrial production, stagnating economies of certain European countries and growing renewable energy consumption resulted in weakened demand for gas and a general decline in gas consumption in Europe.

In 2012, a portion of free spot volumes of LNG was redirected from Europe to the premium markets in the Asia-Pacific region which relieved downward pressure on gas prices on trading floors in Europe.

For the nine months ended September 30, 2012 and 2011, our gas sales to Europe and Other Countries accounted for approximately 33% and 31% of the volume of natural gas we sold and for 51% and 52% of our natural gas net sales revenues for the periods indicated, respectively.

The following table sets out our natural gas sales volumes to Europe and Other Countries for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
Country	**2012[1],[2]**	**2011[1],[2]**	**2011[1],[2]**	**2010[1],[2]**	**2009[1],[2]**
				(bcm)	
Austria	4.0	3.9	5.4	5.6	5.4
Belgium	0.0	0.0	0.0	0.5	0.5
Finland	2.7	3.2	4.2	4.8	4.4
France	6.4	7.0	8.5	8.9	8.3
Germany	25.4	25.0	34.1	35.3	33.5
Greece	1.8	2.1	2.9	2.1	2.1
Italy	10.3	11.6	17.1	13.1	19.1
Switzerland	0.2	0.2	0.3	0.3	0.3
The Netherlands	2.6	3.9	4.5	4.3	4.3
Denmark	0.2	0.0	0.0	0.0	0.0
Ireland	0.3	0.0	0.0	0.0	0.0
Turkey	20.2	18.3	26.0	18.0	20.0
United Kingdom	8.4	8.1	12.9	10.7	11.9
Bosnia and Herzegovina	0.2	0.2	0.3	0.2	0.2
Bulgaria	1.9	1.9	2.5	2.3	2.2
Croatia	0.0	0.0	0.0	1.1	1.1
Czech Republic	6.5	6.4	8.2	9.0	7.0
Hungary	3.7	4.6	6.3	6.9	7.6
Macedonia	0.0	0.1	0.1	0.1	0.1
Poland	9.4	8.0	10.3	11.8	9.0
Romania	1.9	2.9	3.2	2.6	2.5
Serbia	1.3	1.5	2.1	2.1	1.7
Slovakia	3.2	4.5	5.9	5.8	5.4
Slovenia	0.3	0.4	0.5	0.5	0.5
Total sales to Europe	**110.9**	**113.8**	**155.3**	**146.0**	**147.1**
Other[3]	0.5	1.0	1.3	2.1	1.2
Total sales to Europe and Other Countries[4]	**111.4**	**114.8**	**156.6**	**148.1**	**148.3**

Notes:

(1) Management estimates.

(2) Net of trading activity without supplies of natural gas.

(3) Includes LNG sales.

(4) Totals may not sum due to rounding.

Europe

We export natural gas to Europe mostly pursuant to long-term contracts, which generally include the following terms:

- price-setting mechanisms that are based on prices for alternative forms of energy such as oil products;
- price adjustment clauses pursuant to which the formulas for determining the price of natural gas under the contracts is generally reviewed once every three years if market conditions have changed significantly;
- clauses that prevent unilateral termination except in instances of prolonged force majeure;
- extension clauses that provide for the automatic extension of the contract upon expiration unless one of the parties objects; and
- "take-or-pay" provisions that provide that: (i) off-takers who have purchased less than the minimum contracted-for annual volume of natural gas at year's end are required to pay for some portion (but generally not all) of the shortfall; and (ii) such payment is credited to the off-taker if, in a subsequent year, the off-taker purchases more than the minimum contracted-for volume of natural gas.

We are a party to long-term supply contracts with major western European customers, which generally have duration periods through at least 2022-2035.

We are paid in U.S. dollars, pounds sterling and euro for the natural gas we export to Europe. Currently, approximately 37% of our Europe and Other Countries net sales are denominated in euro.

Long-term supply contracts have historically been the basis for stability in the European natural gas market. By providing multi-year guarantees for natural gas supply and offtake, long-term contracts meet both suppliers' and consumers' strategic interests.

With change in the balance between the demand and supply in the European gas market and a sharp decline in spot natural gas prices compared to prices tied to oil in early 2010, some of our European customers filed requests with Gazprom Export to revise prices under long-term contracts due to the oversupply of natural gas in Europe and the considerable gap between spot and long-term contractual prices. We are working to amend our export contracts with European customers in order to improve the competitive position of our natural gas in our customers' markets and to preserve, to the extent possible, the economic principles of cooperation with our customers and the structure of our long-term contracts, including a link of our prices to prices of certain oil products.

From 2010 through 2012, we revised pricing with EGL, ERG, Premium Gas, Edisson (gas supplied through a joint venture Promgas), Sinergie Italiane, GDF Suez, WIEH, WINGAS, SPP, E.ON Ruhrgas, Econgas, Eni, GWH Gashandel GmbH, Shell Energy Europe, GasTerra, Centrex, PGNiG, DONG, and Vemex. We are currently negotiating with RWE Transgas, as well as ongoing arbitration proceedings. See "Gazprom—Litigation and Investigations." In addition, in January 2013, GDF Suez, Econgas, WINGAS and WIEH sent us requests for revision of our contract prices for periods starting from 2013. Currently, we are engaged in negotiations with these companies.

In 2010, in response to changes in the European gas market and to improve our competitive position, we amended some of our long-term gas supply contracts with European customers to link prices for certain volumes supplied under our long-term contracts to trading floor quotations for the price of gas. In 2011 and 2012, we developed alternative pricing mechanisms. While we are including trading floor quotations in some of our contracts, we generally consider this pricing mechanism to be less secure for the customers under our long-term contracts compared to prices linked to the prices of oil products due to the volatility and lack of predictability of trading floor quotations.

In the nine-month period ended September 30, 2012 we reduced the amount of our sales by approximately RR133.2 billion due to the recognition of retroactive gas price adjustments relating to volumes of gas delivered in 2010 and 2011. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Sales."

Over the recent period, we have extended a number of our existing export contracts through 2027-2035 and entered into new agreements, including those for additional gas deliveries through the Nord Stream pipeline and direct access to end consumers in certain European countries, including Italy, France,

the Czech Republic and the United Kingdom. As a result of these extensions and on the basis of other currently existing long-term gas supply contracts with European customers, we have contracted a minimum amount of gas deliveries to Europe of 158 bcm annually for the period from 2020 to 2025.

Further, in accordance with our marketing strategy, we are aiming to increase the volume of gas sales that are made directly to end consumers in Europe. The total volume of our gas sales to end consumers of the United Kingdom, France and the Czech Republic amounted to 4.0 bcm, 3.4 bcm and 3.5 bcm in 2012, 2011 and 2010, respectively (in 2012 and 2010 we also made direct sales in the Netherlands). Our associated and joint companies also make direct supplies to end consumers in Bulgaria, Germany, Italy, Romania, Serbia, Turkey and Finland.

European gas markets are undergoing significant restructuring. In particular, the Gas Directives have sought to deregulate and liberalize the EU gas market by introducing greater competition into the market, reducing gas prices for the end-user and proposing vertical disintegration of gas producers and suppliers from operators of gas transportation networks. See "—Competition—Europe." Recently, the European Commission initiated a formal antitrust investigation into our operations in the EU following inspections at the premises of several of our affiliates in central and eastern Europe. There can be no assurances that the outcome of this investigation will be favorable to us. As of the date of this Base Prospectus, it is not possible to assess the potential negative impact of the investigation on our operations in Europe, including on the prices we charge to our European customers, or on our financial position as a whole.

In accordance with our development strategy, we expand our trading operations in the international energy markets. We conduct our trading operations in the deregulated natural gas markets through our subsidiary GM&T. Since its establishment in 1999, GM&T has been engaged in spot and short-term trade of natural gas, retail operations, operations in power, crude oil and oil product markets and greenhouse gases emission quotas trading. Currently, GM&T operates through its subsidiaries in the United Kingdom, Belgium, France, Germany, the Netherlands, Ireland and other countries. In 2006, Gazprom Marketing & Trading USA was established to operate in the United States. In 2009, Gazprom Marketing & Trading Singapore, which became an important link between offices in the United States and the United Kingdom, started trading operations in Asia and allowed us to conduct day-and-night operations in the foreign exchange and crude oil markets.

We are participating in a bidding process in connection with the privatization of Public Gas Corporation Group (the "DEPA Group"), a Greek company engaged in trading, transportation, distribution and deliveries of natural gas to end-consumers in Greece. We have submitted our non-binding bid to acquire a 100% interest in the DEPA Group, which will not include Hellenic Gas Transmission System Operator S.A., an affiliated gas transporting entity. We are currently awaiting the results of the bidding process.

Asia

Since 2004, we have signed a number of documents with our Chinese partners, in general, summarizing the results of, and further prospects for, our negotiations on the terms of supplying gas to China. In September 2010, we signed the Extended General Conditions for Gas Supply with the China National Petroleum Corporation under the terms of which gas sale and purchase contracts are expected to be entered into. The parties may proceed to construct the Russian and Chinese sections of the pipeline after they sign the sale and purchase contracts. We continue commercial negotiations with the China National Petroleum Corporation with respect to the terms of supplies of Russian gas to China. Gas supplies through the western and eastern corridors may amount up to 30 bcm and 38 bcm per annum, respectively. We are also considering supplying LNG to China from our LNG projects in the Russian Far East.

In September 2008, we signed a memorandum of understanding with KOGAS, a Korean gas company, regarding delivery of Russian natural gas to the Republic of Korea. In 2011, we signed a memorandum of understanding with the Ministry of Oil Industry of the Democratic People's Republic of Korea and a roadmap with KOGAS with respect to natural gas supplies from the Russian Federation to the Republic of Korea through the territory of the Democratic People's Republic of Korea. We have started negotiating the terms of gas supplies with KOGAS based on the roadmap conditions. The deliveries may amount up to 10 bcm per annum and are expected to commence in 2017. Currently, KOGAS purchases LNG from the Sakhalin II project.

LNG

One of our foreign trade priorities has been the gradual implementation of our strategic plan for the production, maritime transportation and marketing of LNG. In the first stage of the development of our LNG business, we performed occasional LNG spot purchase and sale transactions and swap transactions, exchanging our pipeline gas for LNG. Beginning in September 2005, LNG has been delivered to the markets in the Asia-Pacific region, North America and Europe. In 2008, we established Gazprom Global LNG to further increase the volume of LNG trading by Gazprom Group and develop marketing.

The table below sets forth the volumes of our LNG transactions for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
			(million tons)		
LNG Sales	0.9	1.9	2.3	1.9	1.4

We are seeking to increase our spot trading and further develop medium-term trading operations in the LNG market. In order to expedite entering the LNG market, we joined the Sakhalin II project. Since February 2009, our associated company Sakhalin Energy, in which we hold a 50% plus one share interest, produces and sells LNG from Sakhalin to the consumers of the Asia-Pacific region. In May 2009, Gazprom Global LNG signed agreements for the purchase and sale of LNG from Sakhalin Energy. The agreements provide for the sale of 1 million tons of LNG annually to each of the purchasers under the agreements between 2009 and 2028. As part of the transaction, our subsidiary received capacity in Sempra's Energy Costa Azul LNG import terminal in Baja California, Mexico and pipeline capacity to enable gas to be transported to Southern California, USA. Due to current market conditions, Gazprom Global LNG does not currently supply LNG to the USA and delivers all LNG available under the contract to customers primarily in the Asia-Pacific region under short and medium term contracts. The decrease of our LNG sales volumes in 2012 compared to 2011 and 2010 was primarily due to the fact that in 2010 and 2011 Gazprom Global LNG purchased additional volumes of LNG from Sakhalin Energy to make up for the amount of LNG not delivered by Sakhalin Energy in 2008 and 2009 above the contracted for volumes for 2010 and 2011. Our sales of LNG to third parties were also negatively affected by a decrease in the volumes of LNG available for purchase in the market in 2012 as compared to 2011.

In May and June 2011, our subsidiary, GM&T, signed memoranda of understanding with four Indian companies for the annual supply of 10 million tons of LNG to India within 25 years. In October 2012, GM&T Singapore and GAIL, a leading gas transportation and distribution company in India, entered into an LNG sale and purchase agreement providing for annual supplies of LNG of 2.5 million tons within 20 years. We continue to negotiate terms of supply agreements pursuant to existing memoranda of understanding.

In July 2012, our subsidiary, GM&T Singapore, and Petrovietnam Gas signed a memorandum of understanding regarding cooperation in LNG supplies to Vietnam.

Our priority is the development of new LNG projects in Russia. We are performing pre-investment studies relating to the development of the LNG production capacities in the Russian Far East aimed at the Asia-Pacific markets, in particular, through the construction of a third LNG production line at the Sakhalin LNG plant, with an annual projected capacity of approximately 5 million tons, and a new LNG plant in Vladivostok. We are also contemplating LNG production in the Murmansk region on the basis of the Shtokmanovskoye field.

In 2011, pursuant to our agreement of cooperation with the Agency for Natural Resources and Energy under the Japanese Ministry of Economy, Trade and Industry and our agreement with Japan Far East Gas Co., we completed a joint feasibility study of the alternatives of natural gas utilization in the Vladivostok region, transportation of natural gas and gas chemicals from the Vladivostok region and the sale of such natural gas and gas chemicals to potential customers in the Asia-Pacific countries. In June 2012, the Ministry of Energy of the Russian Federation and the Ministry of Economy, Trade and Industry of Japan signed a memorandum of understanding affirming mutual intentions of the governments to support the implementation of the Vladivistok-LNG project. In September 2012, we signed a memorandum on the Vladivostok-LNG project with the Agency for Natural Resources and Energy under the Ministry of Economy, Trade and Industry of Japan which provides for comprehensive cooperation to promote the Vladivistok-LNG project, including its financing and gas marketing aspects. We are currently conducting a pre-investment study of the project.

In January 2013, we signed an agreement to establish a joint venture with Novatek for the construction of LNG production capacities on the Yamal Peninsula. See "Joint ventures and Alliances—Novatek."

We also consider entering into LNG projects abroad in order to increase our LNG marketing business. See "Strategy—Diversification of products and activities."

Russia

For the nine months ended September 30, 2012 and 2011 our natural gas sales to Russia accounted for approximately 53% and 52% of the volume of natural gas we sold and for 28% and 25% of our natural gas net sales revenues for the periods indicated. For the years ended December 31, 2011 and 2010 our natural gas sales to Russia accounted for approximately 54% and 56% of the volume of natural gas we sold and for 26% and 29% of our natural gas net sales revenues for the periods indicated.

Domestic market conditions. Among all domestic fuel resources, the Government currently regulates prices only for natural gas produced by us and our affiliates. The market determines prices for crude oil, oil refined products, coal and gas produced by independent producers. The regulated wholesale prices for gas that are currently in effect are set below those which are economically viable. As of late August 2012, average gas prices of one toe for an end consumer were approximately 44.1% higher than power station coal and 2.7 times lower than fuel oil.

The electricity sector is the main natural gas consumer in Russia. In 2011, our natural gas supplied to electricity generation companies' accounted for approximately 28% of the volume of our domestic natural gas supplies (excluding sales to our energy generating subsidiaries). Natural gas is also heavily used in the metallurgical, agro-chemical, construction and other sectors, as well as in households (housing and utility services). Regulated prices are differentiated by consumer groups (household and industrial consumers), as well as by price bands based on the relative distance from the gas production region to the consumer. The regulated wholesale prices for households are 22% lower than those for industrial consumers. The regulated wholesale gas prices, currently in effect, are differentiated by 60 price bands based on the distance the gas travels from production fields to consumers.

The following table presents the growth rates of weighted average wholesale regulated natural gas prices for industrial and household consumers.

	2012	2011	2010
Average price increase for households (average for the year, as compared to the previous year)	10.7%	17.0%	26.5%
Average price increase for industrial consumers (average for the year, as compared to the previous year)	7.6%	15.6%	26.7%

The following table presents the weighted average wholesale regulated natural gas price for industrial and household consumers for the periods indicated.

	2012	2011	2010
Weighted annual average for industrial consumers and households (RR per mcm)[1]	2,971.6	2,745.1	2,392.0
Weighted annual average for industrial consumers (RR per mcm)[2]	3,105.0	2,885.0	2,495.3
Weighted annual average for households (RR per mcm)[2]	2,434.1	2,199.6	1,880.6

Notes:

(1) Calculated as the combined weighted average prices to industrial and household consumers for the year indicated. Weighting is based on actual volumes delivered to each price zone for household and industrial consumers for 2010 and 2011 and based on plan for 2012. Exclusive of gas volumes supplied pursuant to Resolution No. 333.

(2) Weighting is based on actual volumes delivered to each price zone for each group of consumers separately, industrial consumers and households for 2010 and 2011 and based on plan for 2012 (exclusive of gas volumes supplied pursuant to Resolution No. 333).

In order to promote market principles in the domestic gas market, the Government issued Resolution No. 333 dated May 28, 2007 "On improvement of gas prices regulation" ("Resolution No. 333"). Pursuant to Resolution No. 333, for the period from July 1, 2007 through January 1, 2011, we were allowed to sell natural gas to specific categories of customers at prices negotiated with our counterparties from a defined price range. These principles also applied to the new end use gas consumers and consumers purchasing

natural gas volumes in excess of those stipulated in gas supply contracts for 2007. Pursuant to Resolution No. 333, the minimum price level of the price range was defined as the regulated wholesale gas price set by the Federal Tariff Service of the Russian Federation. The maximum price level was defined as the regulated wholesale gas price level plus 60% in 2007, 50% in 2008, 40% from January 1, 2009, 30% from July 1, 2009, 20% from January 1, 2010, and 10% from July 1, 2010 through January 1, 2011. In 2010 and 2009, gas sales to these categories of customers amounted to 25.1 bcm and 12.9 bcm, with an average negotiated price which was 6% and 15% higher than the respective wholesale regulated price, respectively. In the years ended December 31, 2011 and 2010, gas sales to these categories of customers amounted to 27 bcm and 25 bcm, with an average negotiated price which was 4% and 6% higher than the respective wholesale regulated price, respectively. In the nine months ended September 30, 2012 and 2011, gas sales to these categories of customers amounted to 23.1 bcm and 19.5 bcm, with an average negotiated price which was 4% and 3% higher than the respective wholesale regulated price, respectively.

Resolution No. 1205 provides for (i) a phased increase of regulated wholesale gas prices during a transitional period from 2011 through 2014 in order to achieve parity in terms of profitability as between domestic sales and exports and (ii) the transitioning to a market pricing mechanism for all domestic gas consumers except households. During the transition period from 2011 to 2014, the regulated wholesale gas price for consumers (other than households) will be calculated on the basis of a price formula that provides for equal profitability with respect to supplies to the domestic market and exports subject to decreasing coefficients and regional differentiation. Changes of the price so calculated in 2013 and 2014 are limited to a range determined as the actual weighted average price for previous year increased pursuant to the parameters of annual changes in wholesale prices for gas approved by the Government of the Russian Federation, plus or minus three percentage points. Moreover, Resolution No. 1205 amended Resolution No. 333 whereby from January 1, 2011 the price determined as set out above plus a 10% margin was set as the upper limit of the admissible price range for gas volumes in excess of volumes stipulated by 2007 supply contracts.

The Economic Development Scenarios in Russia, developed by the Ministry of Economic Development provide for the following domestic weighted average wholesale price increase rates for the period from 2013 to 2015: See "Risk Factors—Risks Relating to Our Business—We are required to supply a significant portion of natural gas to customers in Russia at prices that are regulated by the Government."

	2015	2014	2013
	(Annual increase from previous year, %)		
Average regulated wholesale prices for all categories of Russian consumers (excluding households)	14.5–15.0	15.0	15.0
Average regulated wholesale prices for household consumers	15.0	15.0	15.0

We are performing substantial work with federal state authorities to resume gas trading operations on electronic trading floors and commodity exchanges. Government Resolution No. 323 dated April 16, 2012, for the purpose of development of the market pricing principles, permitted us to sell on commodity exchanges up to 15 bcm of gas in 2012 and 17.5 bcm of gas in 2013. The regulated wholesale prices do not apply to the volumes sold in accordance with this Resolution, but the volumes of gas we are permitted to sell in accordance with this Resolution cannot exceed the volumes of gas sold by independent producers on commodity exchanges.

We are currently participating in discussions with the Ministry of Energy of the Russian Federation in relation to the start of commodity exchange trading. The negotiations relate, among other things, to providing access to commodity exchange trading to the market participants and the arrangements with respect to granting access to the GTS to the market participants. We intend to continue our work with the governmental authorities to receive permission to sell gas not only on commodity exchanges but also through electronic trading floors as provided by Federal Law No.325-FZ "On Organized Trading" dated November 21, 2011 and related legislation. We generally believe that these two forms of gas trading supplement each other and are essential for the development of the Russian gas market.

We continue discussions with Government authorities to introduce commodity exchange trading of physical volumes of gas along with trading of gas derivatives.

Domestic sales. We sell our products domestically mainly through our wholly owned subsidiary Gazprom mezhregiongaz, which sells gas to regional gas sales companies in Russia. Regional gas sales companies contract directly with and collect payments from the end customers, including households.

Our acquisitions of controlling interests in various gas distribution companies have enabled us to capture the transportation tariffs that are payable to them in respect of the transportation services they provide. The gas distribution companies own and operate low- and medium-pressure pipelines that transport gas to end consumers. Regional gas sales companies receive a fixed price for supply and distribution services. We hold controlling interests in more than 50% of the gas distribution companies in Russia. In order to increase the efficiency of our regional gas distribution system, we consolidate our shares in gas distribution companies under a holding company, Gazprom gazoraspredeleniye.

We sign both one year and long-term gas supply contracts with our Russian customers. In accordance with Government Resolution No. 816 dated October 17, 2009, our contracts require customers to make full payment (excluding any advance deposits) for the natural gas they received as follows: 35% of the payment shall be made on or before the eighteenth day of the month of delivery, 50% of the payment shall be made by the end of the month of delivery and the final payment shall be made by the twenty fifth day of the month immediately following the month of delivery.

Due to expiration of the long-term contracts with Russian customers in late 2012, which account for 40% of all such long-term contracts, we are working to enter into new long-term contracts. We expect to complete this work at the beginning of 2013. See "—Competition."

We also sell gas through our network of NGV-refueling compressor stations. As of September 30, 2012, we owned a network consisting of 208 NGV-refueling compressor stations. In the nine-month periods ended September 30, 2012 and 2011, we sold 247.5 mmcm and 230.7 mmcm of compressed natural gas through our NGV-refueling compressor stations. In 2011, we sold 316.0 mmcm of compressed natural gas through our NGV-refueling compressor stations as compared to 300.4 mmcm in 2010.

Payments for gas deliveries in Russia

Gross accounts receivable for natural gas supplied to Russian customers amounted to RR156,381 million, RR119,743 million, RR163,875 million, RR148,544 million and RR90,645 million as of September 30, 2012 and 2011 and December 31, 2011, 2010 and 2009, respectively (including Russian VAT).

The FSU

In the nine months ended September 30, 2012 and 2011 our gas sales to the FSU countries accounted for approximately 14% and 17% of the volume of gas we sold and for 21% and 23% of our gas net sales revenues during the same periods, respectively. In the years ended December 31, 2011 and 2010 our gas sales to the FSU countries accounted for approximately 16% and 14% of the volume of gas we sold and for 23% and 21% of our gas net sales revenues during the same periods, respectively. We supply a significant proportion of the volume of natural gas consumed in the FSU countries. Ukraine and Belarus are the largest consumers of the volumes of natural gas we supply to the FSU.

The following table sets out our natural gas sales volumes to the FSU countries for the periods indicated.

Country	For the nine months ended September 30,		For the year ended December 31,		
	2012[1],[2]	2011[1],[2]	2011[1],[2]	2010[1],[2]	2009[1],[2]
			(bcm)		
Armenia	1.2	1.1	1.6	1.4	1.7
Belarus	13.9	17.1	23.3	21.6	17.6
Estonia	0.3	0.6	0.7	0.4	0.8
Georgia	0.1	0.2	0.2	0.2	0.1
Kazakhstan	2.4	2.4	3.3	3.4	3.1
Latvia	0.9	1.1	1.2	0.7	1.1
Lithuania	2.3	2.3	3.2	2.8	2.5
Moldova	2.2	2.2	3.1	3.2	3.0
Ukraine	24.6	35.5	44.8	36.5	26.8
Uzbekistan	0.0	0.0	0.3	0.0	0.0
Total[3]	**47.9**	**62.5**	**81.7**	**70.2**	**56.7**

Notes:

(1) Management estimates.

(2) Net of trading activity without supplies of natural gas.

(3) Totals may not sum due to rounding.

Sales to the FSU countries are primarily made directly by Gazprom, though we also make sales through Gazprom Export and its subsidiaries. Currently, on average, the annual contract prices for the natural gas we supply to the FSU countries are higher than the Russian domestic prices but lower than our prices in Europe.

In December 2008, RosUkrEnergo stopped supplying re-purchased central Asian gas to Ukraine. Since January 2009, we sell gas directly to Ukraine.

We are finalizing the gradual increase of the prices for sales in the FSU countries to provide equal profitability (taking into account transportation costs) for sales in the FSU and European markets. Due to our implementation of this price policy, our average natural gas sales price to the FSU countries increased from RR1,716.1 per mcm in 2005 to RR9,531.0 per mcm in the nine months ended September 30, 2012, or by 455.4%. We have reached equal profitability with respect to our sales in Latvia, Lithuania, Estonia, Moldova and Ukraine, compared to Europe and Other Countries. However, on average, our current annual contract prices for the natural gas we supply to Armenia, Georgia, Kazakhstan, Uzbekistan and Belarus are still below the level that would provide equal profitability (taking into account transportation costs and difference in customs duties charged on our supplies to customers in the FSU and Europe and Other Countries) to sales in Europe and Other Countries.

We have agreed on gas price formulas to supply gas to most FSU countries which correspond to the European price level, however, several FSU countries continued to receive discounts on prices through the end of 2012. The formulas are based on the gas quality rating and take into account the changes in oil product price quotations in Europe.

In January 2009, Gazprom and Naftogaz entered into a gas supply contract for the period from 2009 to 2019 ending our dispute with Ukraine and pursuant to which we agreed to provide natural gas supply to Ukraine in the amount of 40.0 bcm in 2009 and 52.0 bcm per year thereafter. The price for gas is calculated quarterly using a formula that takes into account changes in price indexes on fuel and gas oil. In November 2009, we signed a supplemental agreement to the gas supply contract which provided for natural gas supply to Ukraine in the amount of 33.75 bcm in 2010 and waived penalties for low intake of natural gas by Ukraine in 2009 given difficult economic conditions caused by the global economic crisis. In April 2010, the contract was revised to provide for the increase in gas supply to Ukraine up to 36.5 bcm in 2010. In 2011, we supplied 44.8 bcm of natural gas to Ukraine. As no supplemental agreement in respect of volume of supplies in 2012 had been signed, we supplied gas pursuant to principal terms and conditions of the gas supply contract in 2012, which provided for the supply of 52.0 bcm to Naftogaz in 2012. The minimum quantity of gas to have been either offtaken or paid for by Naftogaz amounted to 41.6 bcm. Various

representatives of Naftogaz have recently publicly stated that Naftogaz was going to purchase lower volumes of natural gas in 2012 and 2013 than stipulated by our contract with Naftogaz. In December 2011, we amended our agreements for the supply and transit of gas with Naftogaz which provided for the use of Russian Rubles or U.S. dollars as alternative currencies of payment under the agreements. In 2012, we supplied 24.9 bcm of natural gas to Naftogaz. In January 2013, we issued an U.S.$7.09 billion invoice to Naftogaz for the failure to purchase 16.7 bcm of natural gas in 2012 calculated at the factual annual weighted average price. "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas".

In 2011, we supplied 23.3 bcm of natural gas to Belarus. In November 2011, the Russian Federation and the Republic of Belarus signed a series of intergovernmental agreements and Gazprom and Beltransgaz signed several contracts setting out the terms of the supply and transit of gas in 2012-2014. We also signed an agreement setting forth the terms and conditions of our acquisition of the remaining 50% of the shares of Beltransgaz. We supplied 13.9 bcm of gas to Belarus pursuant to the contract in the nine months ended September 30, 2012. The contract provides for annual supplies of 21.9 bcm, 22.1 bcm and 23.0 bcm in 2012, 2013 and 2014, respectively, but under the contract these volumes may be adjusted.

In December 2012, we extended our existing contracts for supply and transit of gas with AO "Moldovagas" to the end of 2013.

Debt settlement. The failure of a number of FSU customers to pay us for supplies of natural gas has resulted in substantial debts to us. The following table sets out accounts receivable due from customers in the FSU countries for sales of natural gas (before deduction for bad debt provisions) as of the dates indicated.

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
		(million RR)		
Ukraine	101,031	71,338	58,106	73,906
Belarus	11,643	30,426	14,405	8,323
Moldova	110,448	97,030	72,021	55,533
Other	4,919	6,786	6,466	4,985
Total	**228,041**	**205,580**	**150,998**	**142,747**

As of September 30, 2012, 39% of accounts receivable from Moldavian customers were overdue, while customers in Ukraine, Belarus or other FSU countries had no overdue accounts receivable.

We have taken specific measures to reduce arrears in payments for natural gas owed by FSU customers, including those discussed below.

Between 2006 and 2008, Naftogaz failed to make timely payments to RosUkrEnergo for gas we supplied. Naftogaz's payments were between 1 to 4 months late in this period. As a result, RosUkrEnergo incurred indebtedness to Gazprom Group. In January 2009, in accordance with the contracts between Gazprom and Naftogaz, a part of the fees for the transit of gas through Ukraine in 2009 was paid to Naftogaz in advance. Naftogaz transferred these funds received to Gazprom and Gazprom Export as payment for receivables which were assigned by RosUkrEnergo to Gazprom. Since 2009, Naftogaz has been paying for gas supplied to Ukraine on time. As of the date of this Base Prospectus, RosUkrEnergo has no outstanding indebtedness to Gazprom Group.

To date, our efforts to obtain repayment of the debt and assure full payments for current gas deliveries to the Transdnestria region of Moldova, which is under separate administration, have been unsuccessful. Since the beginning of 2009, Transdnestria has not made any cash payments for the gas delivered to customers in the region. We are limited in our ability to decrease gas deliveries to the Transdnestria region because doing so may adversely affect our deliveries to Balkan countries.

In the first half of 2009, Belarus had difficulty making full payments to us for gas supplies. As of December 31, 2010, Belarus fulfilled its contractual obligations for payment of purchased gas. During the first half of 2010, we were engaged in a dispute with Beltransgaz regarding terms and payment for gas supplies, and in this connection, we suspended our supplies of natural gas to Belarus on June 21, 2010. On June 23, 2010, after Beltransgaz had repaid its debt for the period from January to April 2010, we resumed

supply of natural gas to Belarus. In November 2011, we entered into a supplemental agreement to the gas supply contract that provided for payments in arrears with respect to gas supplied in the second half of 2011. The deferred payments are due in 2012. Currently, Belarus complies with all of its payment obligations.

Cooperation with FSU countries in gas marketing

As part of our strategy to maintain our natural gas export sales while production from our mature fields declines, we have signed medium- and long-term agreements to purchase natural gas from central Asia. A significant element of our policy in central Asia is the development of the gas, oil and energy infrastructure in the region to ensure effective industrial cooperation, established during the time of the USSR. In this respect, we began to assess and implement a number of joint investment projects in production, processing and transportation of hydrocarbons in the central Asian region. See "—Joint Ventures and Alliances—Central Asia" and "—Transportation—International projects in gas transportation—Central Asia."

In December 2012, we signed a contract with NKhK Uzbekneftegaz for the purchase of Uzbek gas in the amount of 7.5 bcm per annum and an agreement for gas transportation through the territory of Uzbekistan in 2013 through 2015.

Our amended and restated long-term contract with GK Turkmengaz signed in December 2009 provides for our annual purchase of up to 30 bcm of Turkmen natural gas.

We also purchase natural gas in Kazakhstan through our joint venture KazRosGaz. We process purchased gas at our Orenburg GPP and sell it in Kazakhstan and in other countries. See "—Refining—Projects in refining—Karachaganak gas processing."

In December 2012, we signed an agreement with AK Uztransgaz which expires in 2015 and provides for the transportation of natural gas from Turkmenistan through Uzbekistan. We have also signed an agreement with AO Intergas Central Asia which expires in 2016 and provides for the transportation of natural gas from Turkmenistan and Uzbekistan through Kazakhstan. The agreements are an important part of our strategy to increase the reliability of gas supplies from the region.

In March 2008, our partners from Kazakhstan, Uzbekistan and Turkmenistan notified us of their intention to begin supplying us gas at European market prices (less transit costs) starting from 2009. The prices set forth in the contracts for 2009 and subsequent periods are tied to European gas market prices.

In June 2009, we signed an agreement with the State Oil Company of Azerbaijan (SOCAR) regarding the basic terms of our gas purchases from Azerbaijan. The agreement provides for our annual purchases of not less than 0.5 bcm gas for the period from 2010 to 2015, with an option to increase the volume of gas purchased. We purchased 1.5 bcm of gas from Azerbaidjan in 2011. In January 2012, we signed a supplement to the agreement providing for an increase of our purchases of Azerbaijanian gas to 3 bcm in 2012 and for an amount of purchases in excess of 3 bcm starting in 2013. The purchase price of Azerbaijan gas is determined under a formula tied to the price of oil products.

The following table sets out the volumes of gas purchased by us in the FSU countries for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Turkmenistan	8.2	8.4	11.5	10.7	11.8
Kazakhstan	8.8	9.0	11.9	12.4	10.1
Uzbekistan	8.9	7.7	10.4	13.8	15.4
Azerbaijan	0.9	1.2	1.5	0.8	—
Total	**26.8**	**26.2**	**35.3**	**37.7**	**37.3**

Sales of liquid hydrocarbons and refined products

This section sets forth information relating to our Production of crude oil and gas condensate segment and Refining segment as they relate to sales of liquid hydrocarbons and refined products, each as defined in our financial statements prepared in accordance with IFRS. For information relating to exploration and

production of oil and gas condensate, see "Reserves and Production", for information relating to processing of oil, gas condensate and other hydrocarbons, see "Refining."

Our sale of liquid hydrocarbons and refined products in Russia is principally conducted by Gazprom and Gazprom Neft. Exports are made through Gazprom Export and Gazprom Neft Trading, a subsidiary of Gazprom Neft.

The following table sets out sales volumes of crude oil and gas condensate for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
			(million tons)		
Russia[(1)]	3.3	2.6	4.1	3.3	3.2
Europe and Other Countries	10.2	9.5	13.5	16.3	16.1
FSU countries	1.9	2.2	3.0	3.0	3.3
Total	**15.4**	**14.3**	**20.6**	**22.6**	**22.6**

Note:

(1) Excluding supplies under swap contracts.

The declining export sales of crude oil and gas condensate in 2011 as compared with 2010 are tied to the increased refining of crude oil in our oil refineries.

The following table sets out sales volumes of refined products (excluding helium) for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
			(million tons)		
Russia	26.7	24.5	32.4	28.6	24.4
Europe and Other Countries	15.9	15.5	20.5	19.7	16.5
FSU countries	2.1	2.0	2.5	3.8	3.3
Total	**44.8**	**42.0**	**55.4**	**52.1**	**44.2**

We sell helium primarily in Russia. Our sales volumes of helium amounted to 3.7 mmcm and 2.8 mmcm in the nine months ended September 30, 2012 and 2011, respectively, and 3.5 mmcm, 4.9 mmcm and 4.9 mmcm in the years ended December 31, 2011, 2010 and 2009, respectively.

Our net sales of oil and stable gas condensate increased by 20.1% in 2011 compared to 2010 and amounted to RR235,432 million. In the nine months ended September 30, 2012, our net sales of oil and stable gas condensate increased by 21.8% compared to the same period in 2011 and amounted to RR200,269 million.

In 2010 and 2011, we primarily supplied Urals crude oil to our major export markets in northwestern, southern, and central Europe. We supplied crude oil to the FSU countries including Belarus (to the Mozyr Oil Refinery) and Kazakhstan (to the Pavlodar Oil Refinery). The prices for our supplies are based on formulas tied to price of Urals crude oil. The price of Urals crude oil was rising in the international market throughout 2010, having increased to approximately U.S.$90 per barrel, or by approximately 17% by the end of 2010. In 2011, the oil prices exhibited significant volatility and increased to approximately U.S.$109 per barrel in late 2011. In the nine-month period ended September 30, 2012, the average price for Urals crude oil was approximately U.S.$111 per barrel.

As we implement our own oil refining and export programs, our crude oil sales in Russia (excluding supplies under swap contracts) are insignificant.

Our net sales of refined products increased by 37% in 2011, compared to 2010 and amounted to RR973,026 million. The increase mainly resulted from an increase in world prices for refined products and an increase in the volumes of refined products sold. Our net sales of refined products increased by 21.7% in the nine months ended September 30, 2012, compared to the same period in 2011 and amounted to RR873,583 million.

In 2009, a sharp decrease in demand and prices for most refined products occurred in our major refined product markets accompanied by a long-term decline in trading activities. In the first half of 2009, prices for the majority of products dropped from 2 to 3 times or more compared to the same period in 2008. The sales volume of and prices for certain refined products also decreased in the domestic market. In 2010, the refined product markets, following the recovery in the oil markets, experienced a partial recovery in demand and prices. This trend continued in 2011, and the prices for our main refined products experienced a significant increase. In 2011, our marketing policy focused on the high-margin domestic market, and our oil products sales in the domestic market increased by 13.4% to 32.4 million tons. 2012 was characterized by a general increase in prices for our main refined products as compared to 2011, except for sulfur price that dropped due to declined prices for fertilizers.

In 2011, the requirements of the technical regulations "On requirements to motor and aviation gasoline, diesel and marine fuels, jet engine fuel and furnace fuel" became effective, prohibiting the marketing of gasoline below the Euro 3 standard in the Russian Federation. Due to this ban, all gasoline produced by Astrakhan GPP in the first half of 2011 was exported. Upon completion of refurbishment in August 2011, the Astrakhan GPP commenced the production of gasoline in compliance with the Euro 3 standard. As a result, we resumed our supplies to the more profitable domestic market. In 2012, all our motor fuels fully complied with the technical regulations.

Distribution Networks

As of September 30, 2012, our subsidiary, Gazprom Neft, operated a network of 1,519 gasoline stations, including 540 gasoline stations outside of Russia. In 2011 and 2010, Gazprom Neft sold approximately 6.2 million tons and 4.9 million tons of oil products through its gasoline station network, respectively. In the nine months ended September 30, 2012 and 2011, Gazprom Neft sold approximately 5.9 million tons and 4.4 million tons of oil products through its gasoline station network, respectively.

In Russia, we sell liquid hydrocarbons pursuant to long-term contracts and spot deliveries to consumers at market prices. The prices for liquefied associated gases for domestic needs are regulated by the Government.

Gazprom Neft distributes its refined products through one of the largest distribution networks in Russia operated by its 19 subsidiaries. Sixteen distribution subsidiaries are engaged in both small-scale wholesale distribution from petroleum bases and retail distribution of refined products through a network of gasoline stations.

Recent acquisitions of gasoline stations in a number of Russian regions have allowed Gazprom Neft to acquire a significant portion of the many of markets in which it competes. During the period from April 2009 to February 2011, Gazprom Neft acquired 100% of the shares of Sibir Energy and thus indirectly acquired control over Moscow Refinery, OAO Moscow Petroleum Company and OAO Mosnefteproduct which own a chain of more than 134 gasoline stations in Moscow and the Moscow Region. In 2011, we acquired a network of 36 gasoline stations and 2 petroleum bases in the Chelyabinsk region, 16 gasoline stations and a petroleum base in Novosibirsk, 25 gasoline stations and a petroleum base in the Nizhniy Novgorod region, 21 gasoline stations and a petroleum base in the Krasnodar region. In 2011, we also acquired gasoline stations in Yekaterinburg, the Leningrad region, the Novgorod region, the Moscow region and the Tyumen region. In the nine-month period ended September 30, 2012, we acquired a total of six gasoline stations in Kurgan, the Leningrad region, the Krasnoyarsk region and the Altai region.

Gazprom Neft has also developed its retail network in the FSU. We started retail sales in Tajikistan after acquiring 19 gasoline stations in 2009 and in Kazakhstan in 2010 after acquiring TOO Arna Petroleum's gasoline stations network of 20 stations. In 2009, Gazprom Neft and TNK-BP completed the division of a joint venture ZAO Slavneft-Start owned by Slavneft. As a result of the division, Gazprom Neft established IOOO Gazpromneft-Belnefteproduct, a subsidiary which owns 36 gasoline stations and 5 petroleum bases. In 2011 and 2012, Gazprom Neft acquired 5 gasoline stations in Kazakhstan. In 2012, four Gazprom Neft branded gasoline stations started operation under franchising contracts in Ukraine. Our subsidiary, NIS, acquired 6 gasoline stations in Bulgaria and 2 gasoline stations in Serbia. In 2011, NIS established its affiliates in Romania, Bulgaria and in Bosnia and Herzegovina to expand our crude oil, liquified hydrocarbon gases and fuel and lubricant sales markets in south-eastern Europe.

We have completed re-branding our gasoline stations to create a universal brand "Gazprom Neft."

Electric and heat energy generation and sales

Our Electric and heat energy generation and sales segment sells electric and heat energy to third parties.

The following table sets forth selected financial data with regard to our Electric and heat energy generation and sales segment as defined in our financial statements prepared in accordance with IFRS.

	Electric and heat energy generation and sales				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	563,692	529,640	560,182	487,046	470,221
Share of Group's total assets	5%	5%	5%	5%	5%
Sales[(1)], million RR	243,745	240,595	349,028	295,436	196,740
Share of Group's total sales	7%	7%	7%	8%	6%
Capital additions, million RR	31,163	43,863	69,447	46,239	26,139
Share of Group's total capital additions	4%	6%	5%	5%	4%

Note:

(1) Excluding inter-segment and intra-segment operations.

The following table sets out electric power and heat generated by the Group for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
			(billion kWh)		
Electric power generated					
Russia	121.9	127.0	172.8	174.7	137.9
Europe and Other Countries	—	—	—	—	—
FSU countries	0.2	0.3	0.4	0.4	0.6
Total	**122.1**	**127.3**	**173.2**	**175.1**	**138.5**
			(million Gcal)		
Heat generated					
Russia	66.6	67.5	98.8	105.5	72.1
Europe and Other Countries	—	—	—	—	—
FSU countries	1.0	1.0	1.4	1.4	1.3
Total	**67.6**	**68.5**	**100.2**	**106.9**	**73.4**

The primary reason for the increase in the electric and thermal energy production ratios of the Gazprom Group during 2010 was the consolidation of TGK-1, which took place in December 2009. In addition, our electricity generating subsidiaries improved both operating and financial performance due to an increase in demand for electric power in the regions where such companies operated, which was in turn caused by the recovery in industrial production in Russia in 2010. A modest decline in our electric power generation in 2011 as compared to 2010 was due to the extremely low temperatures during the 2010 heating season. In 2012, the decrease in our electric power and heat generation was caused by a decrease in demand for electric power in Russia.

Russia

In the course of the power industry reform in Russia and as a result of subsequent acquisitions, we acquired substantial power generation assets in Russia, which are mostly consolidated in and managed by OOO "Gazprom energoholding" ("Gazprom energoholding").

In 2007, we acquired control over Mosenergo, the largest TGK in terms of total capacity and a key producer of electricity and heat energy in the Moscow region.

In the middle of 2008, we consolidated generation companies OGK-2 and OGK-6. In June 2011, the shareholders of OGK-2 and OGK-6 approved a merger of the two companies by exchanging shares in OGK-6 for shares in OGK-2 with an exchange ratio of 1 share of OGK-2 for 1.2141 shares of OGK-6. In November 2011, we completed the merger, all assets and liabilities of OGK-6 were transferred to OGK-2, and OGK-6 was dissolved. As a result of the merger, OGK-2 became the largest thermal power generating company in Russia.

From 2008 through 2009, we acquired a 51.8% interest in TGK-1 and obtained control over the company. TGK-1 operates in the northwestern region of Russia. The hydropower generation comprises about 40% of installed capacity of TGK-1.

In addition, Gazprom Energoholding owns interests in other companies in the Russian electricity sector that are not our core assets.

In September 2008, we signed an agreement with Inter RAO UES pursuant to which we constructed the second block of the Kaliningrad thermal power plant with a design capacity of 450 MW. The block was commissioned in December 2010. The total investments in the power plant amounted to approximately RR21 billion (including VAT). In May 2011, we sold the second block of the Kaliningrad thermal power plant to Inter RAO UES. The final payment by Inter RAO UES in connection with the sale is due in 2014.

In September 2008, we entered into an agreement for the construction of the Adler thermal power plant in the Krasnodarsky region and put it on stream in January 2013. The design capacity of the block is 360 MW.

The following table sets out electric power and heat generating capacity of the major Russian generation companies controlled by the Group as of September 30, 2012.

Electric power generating capacity, GW	
Mosenergo	12.3
OGK-2	18.1
TGK-1	6.8
Heat generating capacity, thousand Gcal/h	
Mosenergo	35.1
OGK-2	4.2
TGK-1	14.7

In 2010, we finalized the approval process with the power market regulators in relation to our generating companies' commitments regarding the scope and schedules for new generating facilities being constructed under installed capacity supply contracts. The launch in 2011 of the long-term capacity market and the market liberalization initiative will ensure returns for new power-generating units that are to be commissioned pursuant to commitments made under installed capacity supply contracts. We intend to increase the aggregate capacity of our three major power generation subsidiaries to approximately 44 GW by 2020 from 37.2 GW as of September 30, 2012. In 2011 and 2010, we commissioned approximately 2.0 GW and 1.1 GW (including 450 MW at the second block of the Kaliningrad thermal power plant) of new installed generating capacity in Russia, respectively. Currently, we are constructing approximately 4 GW of new power generating capacities.

FSU and Europe and Other Countries

We have entered into an agreement with the Armenian government, pursuant to which ArmRosGazprom, our subsidiary in which we hold an 80% interest, constructed Razdan-5. Razdan-5 is the fifth energy unit of the Razdan thermal power plant, a major thermal power plant in Armenia with designed capacity of 1,100 MW. In January 2012, Razdan-5 started supplying electricity domestically.

We carry out electric power trade operations at European trading platforms and supply electric power to end consumers. In 2011, the total volume of such trading operations amounted to 255 billion kWh and the supplies to end consumers in Germany and the United Kingdom amounted to 1.4 billion kWh.

In accordance with our strategy, we intend to develop our electric energy business in European countries. We are considering different projects for obtaining and/or constructing gas-fired power stations in Europe.

In April 2011, we signed a memorandum of intent with respect to cooperation in gas-fired electricity generation with DONG Energy. We are considering participating in a partnership to operate two gas-fired

power plants in western Europe. Currently, we are conducting due diligence on the projects and are negotiating commercial terms.

In December 2011, we signed a roadmap for cooperation in power generation and gas supply with the Federal State of Bavaria (Germany). The document sets out the intentions of Gazprom and the Federal State of Bavaria to cooperate in power generation in Bavaria. In particular, the parties agreed to identify prospective projects for the construction of gas-fired power plants, facilitate their implementation and generally promote gas-fired power production. We have joined our efforts with the Bavarian officials to introduce changes in regulation that would promote investments in constructing new gas-fired power plants.

In June 2012, we signed an agreement with EDF relating to potential cooperation in gas-fired power generation in Europe. The agreement contemplates the potential joint construction of gas-fired power plants and the acquisition of existing gas-fired power generating facilities in equal shares. The agreement also names us as the exclusive supplier of gas to the joint power plants. In accordance with the agreement, we are considering the acquisition of certain power generating assets in Europe.

We are also considering participation in electric power plants owned by Enel.

In addition, our subsidiary, NIS, is considering participation in two projects for the construction of gas-fired power plants in Novi-Sad and Panchevo with capacities of 480 MW and 179 MW, respectively.

We own a 99.5% interest in ZAO Kaunaskaya Teplofikatsionnaya Elektrostansiya (“Kaunas Heating and Electrical Station”), which produces heat and electricity in Lithuania. As of September 30, 2012, the electric power generating capacity of the station and its heat generating capacity amounted to 170 MW and 894 Gcal/h, respectively. In September 2011, Gazprom’s Board of Directors decided to sell our interest in the Kaunas Heating and Electrical Station. We expect to complete the sale in the first quarter of 2013.

All other segments

Because of the broad geographic range of our core business, the remoteness of our fields and the relatively undeveloped infrastructure in the regions in which we produce natural gas, we operate our own communication business as well as various other activities, such as food processing and procurement and transportation (including road transport and aviation), to support our operations in the exploration, production, and transportation of our gas. We also have interests in various companies that conduct other activities supporting our main business.

Financial highlights

The following table sets forth selected financial data with regard to our All other segments segment which combines operating segments that are not separately disclosed in our financial statements prepared in accordance with IFRS.

	All other segments				
	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
Assets, million RR	573,446	637,580	472,028	643,132	546,336
Share of Group’s total assets	5%	6%	4%	7%	6%
Sales[(1)], million RR	174,110	149,500	224,101	174,962	146,702
Share of Group’s total sales	5%	4%	5%	5%	5%
Capital additions, million RR	7,612	19,219	31,074	22,153	20,959
Share of Group’s total capital additions	1%	3%	2%	2%	3%

Note:

(1) Excluding inter-segment and intra-segment operations.

Insurance

Exploration, production, refining and transportation of natural gas, gas condensate and crude oil carry numerous operational risks.

The Group maintains insurance coverage to cover the substantial operations of the Group and to minimize the volume of financial resources directed to the mitigation of consequences resulting from natural and technogenic accidents and other undesired events.

The Group maintains insurance policies covering the following: (i) fixed assets, including pipelines, compressor and gas distribution stations, gas processing plants, wells and field equipment against "all risks" with a per incident coverage limit of U.S.$116 million (U.S.$150 million with respect to gas processing plants); (ii) business interruption risks as a result of property damage to gas processing plants with a per incident coverage limit of U.S.$50 million; (iii) full value insurance of offshore drilling units and ships; (iv) full value insurance of builder's risks with respect to new construction, reconstruction and modernization projects; (iv) full value insurance of material and technical resources used for the construction, reconstruction and modernization of major production facilities during a transportation period; and (v) liability insurance for members of Gazprom's Management Board and Board of Directors with respect to potential unintentional erroneous actions while carrying out management activity, with a total indemnity cover of U.S.$100 million.

In accordance with legislation relating to the maintenance of obligatory liability insurance, the Group also maintains insurance policies covering: (i) mandatory liability insurance of owners of dangerous objects resulting from incidents on production facilities of the Group and (ii) civil liabilities of automobile owners.

In addition, the employees of the Group and their family members are insured under our voluntary medical insurance programs and our accident and illness insurance programs.

Gazprom Neft maintains insurance policies covering: (i) the production fixed assets of its production companies with a coverage limit of U.S.$60.0 million per incident including coverage limit of U.S.$25.0 million against risk of terrorism and "risks of car and equipment breakage" of U.S.$5.0 million; (ii) the production fixed assets of refining companies with a per incident coverage limit up to U.S.$1,200 million (depending on the company) including coverage limit of U.S.$50.0 million against risk of terrorism; (iii) business risks (revenue losses and necessary fixed costs caused by an interruption of operation) combined with property damage with a per incident coverage limit of up to U.S.$1,200 million for oil processing subsidiaries; (iv) export products, such as oil, refined and petrochemical products, with insurance coverage of up to U.S.$100 million for each shipment; (v) risks relating to construction, reconstruction and modernization of fixed assets (of more than U.S.$20 million); (vi) fueling vehicle liability with a coverage limit of U.S.$500 million per incident; (vii) certain risks required by applicable law to be insured against, including liabilities of enterprises exploiting dangerous production facilities and civil liabilities of automobile owners; and (viii) medical insurance for employees and partial accident insurance.

Unless otherwise provided by the terms and conditions of a contract or an agreement, Gazprom Neft does not maintain insurance covering third-party civil liability risks.

We purchase our insurance policies mainly from OAO Sogaz ("Sogaz") insurance company, one of the leaders in the Russian insurance market. Gazprom Neft also obtains insurance through OAO Rosgosstrakh. Pursuant to the requirements of Federal Law "On Purchase of Goods, Works and Services by Certain Legal Entities" No. 223-FZ dated July 18, 2011 (the "Procurement Law"), we are required to select the insurers following an open competitive tendering process. The Group's risks are reinsured on the international and domestic insurance markets with insurance and reinsurance companies with high ratings of reliability.

Competition

The oil and gas industry is currently subject to several important influences that impact the industry's competitive landscape. These include the following:

Consolidation. In the past few years, the strategic and competitive landscapes of the oil and gas markets have been transformed by mergers and acquisitions, driven mainly by aspirations for greater profits and intensified competition to capture the growing potential of new, attractive business opportunities.

Technological advances. Technological innovations in the oil and gas industry have improved the efficiency in exploring and developing hydrocarbon resources. Active and effective application of advanced technology has helped to improve geological exploration success rates, to increase field life and recovery rates from existing fields and to reduce full project cycle costs. In general, there is comparable access to

technology across the industry, and to achieve our strategic and financial goals, we seek to compete by applying available technology to complex projects.

Environmental and social concerns. Oil and gas companies worldwide are also facing increasing demands to conduct their operations in a manner consistent with environmental protection and social goals. Investors, customers and governments are more actively following companies' performance with respect to environmental responsibility, human rights and the development of alternative and renewable fuel resources. As a result, we expect competition to intensify in the markets we serve.

Increased competition in our core markets. The excessive supply of natural gas in the European market during 2010 increased competition and drove spot prices for natural gas down. This caused an unprecedented gap between the spot price and the prices determined under our long-term contracts. In order to prevent a significant deviation of our prices of gas from those offered by our competitors, our long-term contracts underwent a step-by-step adaptation in 2010, including the introduction of a limited spot component in pricing. However, the fundamental provisions of the contracts defining the balance of interests between the buyer and the seller remained unchanged.

Europe

The table below shows the proportion of European natural gas consumption attributable to each supplier of natural gas to Europe in 2011:

Country	% of European natural gas consumption in 2011
Russia (Gazprom Group)	27
Norway	18
Algeria	9
Qatar	8
Nigeria	3
Other imports	4
Other production	31

Source: CEDIGAZ's statistical survey Natural Gas Year in the World 2012 (October 2012).

Natural gas supplies to Europe have outpaced demand in the past several years, and, according to specialists from the International Energy Agency, this trend will continue for several years. As a result, we expect our natural gas export volumes to Europe to be close to the minimum amounts defined in our export contracts over this period. Furthermore, over the long term, we expect production in European countries (except for Norway) to continue to decline due to the depletion of explored natural gas reserves in the region. We expect imports from Russia and Algeria, together with Norway's production, to increase in importance in proportion to consumption.

European gas markets have been undergoing significant restructuring in the recent years. In particular, the Gas Directives have sought to deregulate and liberalize the EU gas market by introducing greater competition into the market, reducing gas prices for the end-user and proposing vertical disintegration of gas producers and suppliers from operators of gas transportation networks. See "Gazprom—Litigation and Investigations." Although we believe that the majority of natural gas imported into Europe is likely to continue to be supplied under long-term export contracts, in response to the changes in the European market, we have been increasingly involved in short-term gas transactions, including those on trading boards. In addition, we have entered into a number of marketing joint ventures, including joint ventures in Austria, Finland, Germany, Hungary and Italy.

Russia and the FSU

In Russia, we face competition from other crude oil and natural gas suppliers, in particular from Russian independent suppliers. The independent suppliers (the largest of which include Novatek, Itera Holding, TNK-BP Holding and Rosneft) have historically been, and continue to be, our competitors. The competitive position of alternative suppliers is limited by the relatively small size of their reserves base and production volumes, the relatively high costs of production and their dependence on access to our transportation network. However, wholesale gas prices we realize in Russia are regulated by the

Government. As a result, we yield a higher profit margin from export sales. Independent suppliers increased their combined market share from 21% in 2009 to 23% in 2011, and their market share may continue to increase as well as their share of sales to consumers in Russia.

Research and Development

We have pursued a policy of investing in research and development in a number of scientific and technical areas. In June 2011, the Board of Directors adopted a program for innovation development of Gazprom, which provides guidelines for planning and implementing research and development projects starting from 2012. In general, our research and development focuses on:

- forecasting and development planning;
- maintaining high levels of hydrocarbon resources;
- insuring ongoing hydrocarbon production;
- insuring security of supplies to customers;
- increasing competitiveness of our products and services in the Russian and international markets;
- insuring safety of our operations; and
- improving our investment and public appeal.

For the year ended December 31, 2011, the costs in relation to innovative research and development that were financed by the Gazprom Group amounted to RR7.9 billion (compared to RR7 billion and RR7.4 billion for the years ended December 31, 2010 and 2009, respectively). For the nine months ended September 30, 2012, the costs in relation to innovative research and development that were financed by the Gazprom Group amounted to RR2.4 billion (compared to RR2.4 billion for the nine months ended September 30, 2011).

Health, Safety and Environment

The Gazprom Group's businesses primarily involve the intensive use of natural resources. Therefore, our operations in Russia are subject to environmental, sanitation-and-epidemiological and industrial safety laws and regulations. These laws govern, among other things, regulations on the composition of emissions into the atmosphere, wastewater discharges and discharges to the sea, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination, pollution of the geological environment, conservation of biodiversity and human health and industrial safety. We believe that our business is in compliance with the requirements of Russian and international laws and regulations.

Because we are a production company, environmental, health and safety risks are inherent in our operations. See "Risk Factors—Risks Relating to Our Business—As an energy company we may incur material costs to comply with, or as a result of, environmental, health and safety laws and regulations" and "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Environmental requirements." We have developed and continue to improve a system for monitoring harmful emissions and the quality of air, water and soil, including the sea shelf and regions where our GTS facilities are deployed. In a number of regions of Russia, this system is integrated with regional ecological monitoring systems. We are implementing our systems of environmental management in our subsidiaries in accordance with the ISO 14001:2004 standard. Our core gas production, transportation, storage, gas processing and oil refining, and our principle power generating subsidiaries have adopted and comply with ISO 14001:2004. In December 2011 and October 2012, an independent certifying entity, Det Norske Veritas, confirmed that our system of environmental management complied with the ISO 14001:2004 standard. Currently, our operations have not caused any serious accident or malfunction that has resulted in significant damage to the environment.

We are aligning our existing comprehensive system of labor and industrial safety to ensure that it complies with the requirements of the OHSAS18001 standard and preparing our core subsidiaries for certification. The purpose of implementing the OHSAS18001 standard is to ensure labor and industrial safety while maintaining the reliability of our operations.

Russian environmental legislation establishes mandatory payments for the negative impact on the environment and provides for the full compensation of damage caused to the environment. According to these requirements, we make statutory payments to state budgets of various levels. We insure our industrial

and ecological risks. We finance scientific research of the environmental protection technology. Further, we incur operating costs related to various environmental protection measures and the maintenance and upkeep of relevant property, plant and equipment. In 2011 and from the beginning of 2012, there were no material violations of Russian environmental laws by Gazprom Group companies as per the results of various state audits that were conducted. The amount of fines imposed on us in connection with the violation of environmental laws in 2010 was insignificant. The sanctions we paid for the violation of the environmental requirements in 2011 amounted to RR4.6 million.

The table below shows environmental costs of Gazprom Group for the periods indicated:

	For year ended December 31,		
	2011	2010	2009
		(RR million)	
Current expenditures	11,232.7	10,289.8	10,376.5
Expenditures on refurbishment of fixed assets related to environmental protection	2,571.8	1,243.2	962.7
Payment for environmental pollution	1,017.2	1,234.4	1,218.4
Capital expenditures related to environmental protection and rational use of natural resources	9,785.7	7,744.4	6,323.6
Total	**24,607.4**	**20,511.8**	**18,881.2**

Inspections of field development facilities in the Russian Federation, including Gazprom Group facilities, carried out recently by the state environmental authorities have not identified any significant environmental violations with respect to Gazprom.

We have made provisions in our consolidated financial statements prepared in accordance with IFRS for such environmental liabilities where it was probable that an obligation exists and the amount could be reasonably estimated. Such provisions have been made in accordance with what we believe is a reasonable and prudent policy that takes into account payments made in prior years, among other factors. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. We periodically evaluate our obligations under environmental regulations. As such obligations are determined, they are recognized immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be reliably estimated, but could be material. In the current enforcement climate under existing legislation, our management believes that we have no significant liabilities for environmental damage, other than amounts that have been accrued in the consolidated financial statements.

Litigation and Investigations

We are from time to time the subject of legal proceedings and other investigations in the ordinary course of our business. Except as disclosed below, neither Gazprom nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Gazprom is aware) during the twelve months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Gazprom Group.

On April 3, 2008, Moncrief Oil International, Inc. (“Moncrief”) filed a lawsuit against Gazprom, Gazprom Marketing & Trading USA and Pace Global Energy Services LLC in the District Court of Tarrant County, Texas U.S.A. On January 15, 2009, Moncrief filed an amended petition adding Gazprom Export, Gazprombank, Gazprom Marketing & Trading, Ltd. and CC Pace Resources, LLC as defendants. Moncrief’s amended petition alleges that defendants (i) tortiously interfered with an existing business agreement between Moncrief and Occidental Petroleum Corporation, (ii) misappropriated Moncrief’s confidential trade secrets related to the re-gasification of liquid natural gas, and (iii) were involved in an unlawful conspiracy to commit the foregoing acts. This amended petition estimates Moncrief’s damages at “hundreds of millions of dollars” without specifying the exact amount. Gazprom, along with each of its co-defendants, responded to the petition by filing a special appearance, which is a Texas procedural mechanism for objecting to the Court’s personal jurisdiction over Gazprom. In the alternative, Gazprom filed a motion to transfer the case to the District Court of Harris County (Houston), Texas. On September 18, 2009, the District Court of Tarrant County granted the motion of Gazprom, Gazprom Export, Gazprom Marketing & Trading Ltd. and Gazprombank to dismiss the proceedings against the

defendants due to lack of jurisdiction. On January 13, 2010, Moncrief filed an appeal against this decision. On November 24, 2010, the court dismissed the appeal. On January 10, 2011, Moncrief filed a petition to rehear the appeal *en banc* which was denied on February 3, 2011. On April 20, 2011, Moncrief filed a petition for review in the Supreme Court of Texas. An oral hearing in the Supreme Court of Texas is scheduled for February 6, 2013.

In August 2010, Gazprom Export initiated arbitration proceedings before the ICC International Court of Arbitration in Paris (the seat of the arbitration is Vienna, Austria) against RWE Transgas for the failure by RWE Transgas to fulfill its "take-or-pay" obligations. In October 2012, the arbitral tribunal upheld the validity of a provision of the gas supply contract between Gazprom Export and RWE Transgas allowing a Czech arm of RWE Transgas to reduce its "take-or-pay" obligations by the volume of gas that Gazprom Group intends to supply to the Czech Republic directly. In addition, the arbitral tribunal invalidated a clause in the gas supply contract providing for Gazprom Export's right to increase the "take-or-pay" obligations of RWE Transgas by the volume of gas that RWE Transgas exports from the Czech Republic to the markets where we operate. On January 8, 2013, Gazprom Export filed a petition to the Commercial Court of Austria to set aside the arbitral award as contrary to public policy, particularly the antimonopoly laws of Austria and the European Union.

In December 2010, RWE Transgas filed a claim in the ICC International Court of Arbitration in Paris (the seat of the arbitration is Vienna, Austria) against Gazprom Export, demanding a review of long-term contract prices. The matter is currently pending before the ICC International Court of Arbitration and negotiations with RWE Transgas on the contract prices are in progress. Hearings in the case were held in October 2012. The arbitral award is expected to be rendered by May 2013. The hearings to determine the final arguments of the parties and agree on the procedure for the appointment of an expert took place in December 2012. The parties have submitted evidence and selected two independent experts to be appointed by the arbitral tribunal to be able to determine the contractual price and render the award. We are currently unable to assess potential damages for the Gazprom Group if the arbitral tribunal adjudicates against us.

In February 2011, Erdgas Import Salzburg GmbH brought a claim against GWH Gashandel GmbH in the International Arbitration Centre of the Austrian Federal Economic Chamber (Vienna, Austria) seeking a review of long-term contract prices. The hearings were held between 19 and 22 March 2012. The parties settled the claim on October 1, 2012 and terminated the arbitral proceedings on November 15, 2012.

In July 2011, E.ON Ruhrgas filed a claim in an *ad hoc* international arbitral tribunal (with the venue of the proceedings being in Stockholm, Sweden) against Gazprom Export demanding a revision of long-term contract prices. On July 3, 2012, we signed an agreement relating to the settlement of our dispute with E.ON Ruhrgas. The settlement represents a compromise solution and includes a retroactive contract price revision for the period since the fourth quarter of 2010. The arbitration has been terminated.

In August 2011, we submitted a request for arbitration to the ICC Arbitration in Stockholm against the Ministry of Energy of Lithuania, acting on behalf of the Republic of Lithuania. We believe that a claim brought by the Ministry of Energy of Lithuania in spring 2011 in the Vilnius District Court violated the shareholders' agreement in respect of Lietuvos Dujos, and that the Vilnius District Court did not have jurisdiction to resolve disputes between the shareholders. The claim before the Vilnius District Court sought to investigate operations of Lietuvos Dujos, a joint venture of Gazprom, E.ON Ruhrgas and the Government of Lithuania, and to remove three members of the governing body from their posts, two of which represented Gazprom as shareholder. We are seeking to stay the proceedings in the Vilnius District Court and to recover damages. In July 2012, the arbitral tribunal upheld most of our claims and declared that initiation and prosecution of the proceedings in the Vilnius District Court by the Ministry of Energy of Lithuania against Lietuvos Dujos and its senior management was partially in breach of the arbitration clause contained in the shareholders' agreement. The arbitral tribunal found that the shareholders' agreement governs the procedure for the negotiation of agreements to be entered into between Lietuvos Dujos and Gazprom, and that the Ministry of Energy of Lithuania cannot resort to state courts to order Lietuvos Dujos to renegotiate the terms that it previously agreed upon with Gazprom regarding the purchase and transit of natural gas. The arbitral tribunal ordered the Ministry of Energy of Lithuania to withdraw its key requests brought before the Vilnius District Court. Because the Ministry of Energy of Lithuania has not voluntarily complied with the award, we filed an application for recognition and enforcement of the arbitral award with the Court of Appeal of the Republic of Lithuania in August 2012. On December 17, 2012, the Court of Appeal denied recognition and enforcement of the arbitral award. On

January 2, 2013, we filed a cassation appeal from the decision of the Court of Appeal with the Supreme Court of the Republic of Lithuania.

In October 2012, the Ministry of Energy of Lithuania submitted a request for arbitration to the ICC Arbitration in Stockholm against us alleging a breach of the shareholders' agreement in respect of Lietuvos Dujos on our part and demanding recovery of damages in an amount of 5 billion Lithuanian Litas. In November 2012, we submitted our answer to the request for arbitration. Currently, the panel of arbitrators is being formed.

On October 28, 2011, within the framework of the third Gas Directive, the government of Lithuania adopted a resolution approving a plan of separation of operations and control over the undertakings that do not comply with the law of the Republic of Lithuania "On Natural Gas". The law provides for the separation of such operations into several companies by operating segment by October 31, 2014. Currently, we continue to discuss the application of the Third Energy Package in relation to Lietuvos Dujos and are working on the "road map" with respect to cooperation in the gas industry. We currently hold a 37% interest in Lietuvos Dujos. In March 2012, we initiated an UNCITRAL arbitration against the Lithuanian Government to protect our investments in the Republic of Lithuania. The panel of arbitrators has been formed. The seat of arbitration will be Zurich, Switzerland. We submitted our statement of claim on January 24, 2013, and the Republic of Lithuania has six months to respond. On May 28, 2012, the shareholders of Lietuvos Dujos convened an extraordinary shareholders meeting and approved the principles of the separation of the operations relating to gas transmission from the distribution of gas. While we cast our vote in favor of the plan, we did so primarily to avoid adverse consequences, including the possibility of sanctions brought by the Lithuanian state authorities against Lietuvos Dujos, its management and shareholders. We have reserved our arbitration rights with respect to this issue.

In November 2011, PGNiG AG filed a claim in an *ad hoc* international arbitral tribunal (with the venue of the proceedings being in Stockholm, Sweden) against Gazprom and Gazprom Export demanding a review of their long-term contract prices. In November 2012, we came to terms with PGNiG AG with respect to the contract price and signed a supplemental agreement to the gas supply contract adjusting the pricing mechanism applied to our gas supplies to Poland. The agreed price takes into account current market prices for natural gas and oil products. The "take-or-pay" clause and a link of the contract price to prices for oil products remained unchanged. We do not intend to introduce a spot pricing component in the contract. Following the agreement, the parties terminated the arbitration proceedings.

In March 2012, we submitted a request for arbitration to the ICC Court of Arbitration in Paris against the Republic of Lithuania in relation to the violation by the Republic of Lithuania of the Agreement between the Government of the Russian Federation and the Government of the Republic of Lithuania on the Promotion and Reciprocal Protection of the Investments dated June 29, 1999, that involved an imposition of a mandatory tariff for heat energy for our subsidiary, Kaunas Heating and Electrical Station. As a result, we sustained substantial losses as we could not apply the price of heat energy set forth in the heat supply agreement between Kaunas Heating and Electrical Station and AO Kauno Energija, a company controlled by the municipality of Kaunas. The panel of arbitrators has been formed.

On May 30, 2011, we became aware that R.E.D.I. Holdings (Cyprus) Limited ("REDI"), which holds a 49% interest in Nortgaz, filed a request for arbitration against Gazprom with the LCIA. REDI alleged that Gazprom had violated its obligations under the settlement agreement in respect of Nortgaz dated June 10, 2005 and sought to recover unspecified damages. On November 28, 2012, REDI filed a request with the LCIA to withdraw its claim.

Within the framework of Council Regulation (EC) No 1/2003 of December 16, 2002 on the implementation of the rules on competition set forth in Articles 101 and 102 of the Treaty of Rome, on September 27, 2011, the EU commenced inspections at the premises of our affiliates in central and eastern Europe, in particular, GAZPROM Germania GmbH (Germany), EuroPolGas S.A. (Poland), VEMEX s.r.o (the Czech Republic), GWH Gashandel GmbH (Austria), Overgas Inc. AD (Bulgaria), Panrusgas Co. (Hungary), Latvijas Gaze JSC (Latvia), Eesti Gaas AS (Estonia), Lietuvos Dujos AB (Lithuania). In September 2012, the European Commission moved to a formal antitrust investigation into our operations in the EU. We have been notified by the European Commission that the investigation relates to alleged violations of antimonopoly laws of several European countries, in particular, allegations of segmenting the European gas market, imposing unfair prices on customers and obstructing competition. Conducting inspections or initiating a formal investigation does not imply any recognition of an antitrust offense or an accusation of the same. Moreover, we have always supported competition in the gas market and duly complied with all international laws and regulations in countries where we operate. Terms and conditions

of our contractual relationships with customers are determined by international legal obligations, commercial interests and the relevant market conditions. We have always been open to dialogue with the relevant authorities of any EU member state, as well as, the European Commission. However, there can be no assurance that the conclusion of the aforementioned investigation will be favorable to us. We continue to cooperate with the European Commission with respect to the investigation. As of the date of this Base Prospectus, it is impossible to assess the potential negative impact of the investigation on our operations in Europe or on our financial position as a whole. In accordance with Russian law, our actions taken in response to certain requirements of foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states are subject to the prior approval of the Russian Ministry of Energy of the Russian Federation. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Foreign Investments".

Since 2008, Gazprom Export has been a plaintiff in several proceedings before the Moscow Arbitration Court, the Ninth Arbitration Appellate Court and the Federal Arbitration Court of the Moscow Region relating to the assessment of its customs payments against the Central Energy Customs. Since 2008, we have been involved in more than 190 cases against the Central Energy Customs for the aggregate amount of RR40 billion. Currently, the most extensive category of cases comprises twenty five cases for the total amount of RR1.7 billion relating to the appeal of the upward adjustment of the customs value assigned by the Central Energy Customs with respect to gas supplied to EAD "Bulgartransgaz" to ensure uninterrupted transit of Russian natural gas through Bulgaria, Turkey, Greece, Serbia and Macedonia. The Moscow Arbitration Court has heard twenty three cases, the Ninth Arbitration Appellate Court ruled in eighteen cases and the Federal Arbitration Court of the Moscow Region rendered judgment in eleven cases. In three cases, supervisory appeals were submitted to the Supreme Arbitration Court of the Russian Federation, two of which were denied to be submitted to the Presidium of the Supreme Arbitration Court of the Russian Federation. All cases were decided in favor of Gazprom Export.

In June 2012, Gazprom Export filed a lawsuit with the Moscow Arbitration Court to invalidate a decision of a tax authority imposing additional profit tax obligations, fines and penalties on Gazprom Export in an amount of approximately RR4 billion. In making the contested decision, the tax authority alleged that the selling price of natural gas was not equivalent to an arm's length price. The case is being considered by the court of first instance.

Employees

For the years ended December 31, 2011, 2010 and 2009, we had a weighted average of approximately 401,000, 393,000 and 386,000 employees, respectively.

We have a trade union, the Gazprom Inter-Regional Trade Union Organization of Oil, Gas and Construction of the Russian Federation, to which more than 270,000 of our employees belonged as of December 31, 2011. We have never experienced any strikes, work stoppages, labor disputes or actions that have affected the operation of our business and we consider our relationship with our employees to be good. In November 2012, we signed a new collective agreement for the period from 2013 to 2015. The collective agreement applies to the employees of Gazprom and its fully-owned subsidiaries engaged in natural gas production, transportation, processing, storage and marketing, as well as the employees of the Gazprom's Interregional Trade Union Council and the trade unions of our subsidiaries. The key objective of the collective agreement is balancing the interests of employers and employees in the form of a social partnership and, to the extent possible, providing additional guarantees, benefits, healthcare plans and compensation to employees. We have developed and operate a unified labor protection and industrial safety management system. The union monitors our compliance with the terms of the collective agreement.

We sponsor a defined benefit plan which covers the majority of our employees. The benefits provided by this plan include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and certain benefits tied to the period of employment that are provided to our employees at their retirement date.

We apply material incentive plans to motivate our employees, in particular, payment of year-end bonuses, bonuses for carrying out work being of particular importance to Gazprom, as well as bonuses for field discovery, for putting production facilities and completed facilities into operation, for supply of gas for export, and for introducing new technology, and other bonuses in accordance with internal company regulations.

To encourage our managers to contribute to our success and increased capital efficiency, we also use additional motivation systems. The annual bonus system takes into account the achievement of corporate and individual key performance indicators in a respective reporting period, and the program for rewarding shares as a bonus is aimed at ensuring long-term motivation of key management staff and depends upon an increase in OAO Gazprom's shareholder value.

MANAGEMENT OF GAZPROM

Members of Gazprom's Board of Directors are elected annually at Gazprom's General Meeting of Shareholders. The current members of Gazprom's Board of Directors as of September 30, 2012 were as follows:

Name	Position	Year of Birth
V. Zubkov	Chairman of Gazprom's Board of Directors and Special Representative of the President of the Russian Federation on Cooperation with Gas Exporting Countries Forum	1941
A. Miller	Deputy Chairman of Gazprom's Board of Directors and Chairman of Gazprom's Management Committee	1962
A. Akimov	Chairman of the Management Board, Gazprombank (Open Joint-stock Company)	1953
F. Gazizullin	Former Minister for Property Relations of the Russian Federation	1946
E. Karpel	Head of the Pricing and Economic Expert Analysis Department	1944
T. Kulibaev	Chairman of the Management Board, Samruk-Kazyna National Welfare Fund (Joint Stock Company)	1966
V. Markelov	Deputy Chairman of Gazprom's Management Committee	1963
V. Mau	Rector of the Russian Presidential Academy of National Economy and Public Administration (Federal Budget-Funded Educational Institution of Higher Professional Education)	1959
V. Musin	Head of the Civil Procedure Law Department of the Saint Petersburg State University	1939
M. Sereda	Deputy Chairman of Gazprom's Management Committee and Head of Administration of Gazprom's Management Committee	1970
I. Yusufov	Special Representative of the President of the Russian Federation for International Energy Cooperation and Ambassador-at-large of the Ministry of Foreign Affairs of the Russian Federation	1956

The current members of Gazprom's Management Committee are as follows:

Name	Position	Year of Birth	Term expires
A. Miller	Chairman of Gazprom's Management Committee	1962	May 2016
V. Golubev	Deputy Chairman of Gazprom's Management Committee	1952	April 2013
S. Khomyakov	Deputy Chairman of Gazprom's Management Committee and Director-General of Gazprom's Corporate Security Service Branch in Moscow	1953	March 2017
A. Kozlov	Deputy Chairman of Gazprom's Management Committee	1952	March 2015
A. Kruglov	Deputy Chairman of Gazprom's Management Committee and Head of the Finance and Economics Department	1969	June 2017
V. Markelov	Deputy Chairman of Gazprom's Management Committee	1963	January 2017
A. Medvedev	Deputy Chairman of Gazprom's Management Committee and General Director of Gazprom Export	1955	September 2017
E. Vasilieva	Deputy Chairwoman of Gazprom's Management Committee and Chief Accountant	1959	November 2016
O. Aksyutin	Head of the Gas Transportation, Underground Storage and Utilization Department	1967	November 2013
N. Dubik	Head of the Legal Department	1971	June 2013
I. Fyodorov	Director General of Gazprom komplektatsiya	1965	January 2017
Y. Golko	Head of the Investment and Construction Department	1961	January 2017

Name	Position	Year of Birth	Term expires
V. Markov	Head of the Department for Relations with the Russian Federation Authorities	1955	January 2017
E.Mikhailova	Head of the Asset Management and Corporate Relations Department	1977	January 2017
V. Cherepanov	Head of the Gas, Gas Condensate and Oil Production Department	1966	March 2015
V. Rusakova	—	1953	September 2013
K. Seleznev	Head of the Gas and Liquid Hydrocarbons Marketing and Processing Department and Director General of Gazprom mezhregiongaz	1974	September 2017

The business address for Gazprom's Board of Directors and Management Committee is 16 Nametkina Street, 117997 Moscow, Russian Federation.

Director Biographies

V. Zubkov. Viktor Alexeevich Zubkov has been Chairman of Gazprom's Board of Directors since June 27, 2008. Mr. Zubkov was appointed Special Representative of the President of the Russian Federation on Cooperation with Gas Exporting Countries Forum in June 2012. He previously served as the First Deputy Prime Minister of the Russian Federation (May 2008-May 2012), Prime Minister of the Russian Federation (September 2007-May 2008), Head of the Federal Financial Monitoring Service (2004-2007). From 2008 until 2011, Mr. Zubkov served as Chairman of the Supervisory Board of OAO "Rosselhozbank". From 2008 until 2012, Mr. Zubkov served as a member of the Supervisory Board of GK "Vnesheconombank".

A. Miller. Alexei Borisovich Miller has been Deputy Chairman of Gazprom's Board of Directors since June 2002 and Chairman of Gazprom's Management Committee since May 2001. He was appointed to his position as Chairman of Gazprom's Management Committee by the Government, Gazprom's controlling shareholder. Mr. Miller is also a member of the supervisory and administrative bodies of Gazprombank, Sogaz, Gazprom Neft, Gazprom Media Holding, Gazfund, Shtokman Development AG, OAO Rosippodromy, OAO Rosgeologiya, South Stream Transport AG and Gazprom Neft International S.A. In 2008 and 2009, Mr. Miller served as a member of the Board of Directors of Gazprom EP International B.V.

A. Akimov. Andrey Igorevich Akimov has been a member of Gazprom's Board of Directors since June 2011. Since 2002, Mr. Akimov has served as the Chairman of the Management Board of Gazprombank. He is also a member of the board of directors of OAO Novatek, Carbon Trade & Finance SICAR S.A, OOO Congress-Center "Konstantinovsky", a member of the board of the Association of Russian Banks. Since 2008, Mr. Akimov has served as a member of the Board of Directors of Gazprom EP International B.V. Gazprom Germania GmbH. Since 2009, he has been the Chairman of the Supervisory Board of Gazprombank (Switzerland) Ltd. Since 2011, he has been Chairman of the Board of Directors of OAO ROSNEFTEGAZ. Since 2011, he has been the Chairman of the Supervisory Board of State enterprise Rossiyskiye avtomobilnye dorogi. In 2007 and 2008 he was a member of the board of directors of ZAO FC Zenit, OJSC Sibur-Fertilizers, RAO UES. In 2007 and 2008 he served on the advisory board of Gazprom Germania GmbH. From 2007 until 2011 he served on the board of directors of ZAO Gerosgaz.

F. Gazizullin. Farit Rafikovich Gazizullin has been a member of Gazprom's Board of Directors since June 1998. Mr. Gazizullin previously served as Minister for Property Relations of the Russian Federation until 2004.

E. Karpel. Elena Evgenyevna Karpel has been a member of Gazprom's Board of Directors since June 2004. She has been Head of Gazprom's Economic and Appraisal Department since 1997. Ms. Karpel also serves as a member of the supervisory and administrative bodies of Latvijas Gaze, ArmRosGazprom, AO Overgaz Inc. From 2007 until 2009, she was a member of the Board of Directors of OAO Severneftegazprom.

T. Kulibaev. Timur Askarovich Kulibaev has been a member of Gazprom's Board of Directors since June 2011. Since 2007 he has served as a freelance advisor to the President of the Republic of Kazakhstan.

Since 2007 he has been the Chairman of Association KAZENERGY. Since 2010, he has been the Chairman of the Presidium of Association "National Business Chamber of Kazakhstan Atameken." From 2012 he has been a vice-president and a member of the executive committee of the International Boxing Association (AIBA). In 2007, he was a deputy chairman of the management committee of AO Samruk. From 2008 until 2011 he served as the chairman of the board of directors of AO Kazakhstan Electricity Grid Operating Company (KEGOC). From 2009 until 2011 he served as the chairman of the board of directors of AO Samruk-Energo. From 2009 until 2011 he was the chairman of the board of directors of JSC "NC "KTZ". From 2008 until 2011 he was a deputy chairman of the management committee of AO Joint Stock Company Sovereign Wealth Fund Samruk-Kazyna and served on the board of directors in 2011. From 2008 until 2012 he was the chairman of the board of directors of JSC "NAC "Kazatomprom". From 2008 until 2012 he served as the chairman of the board of directors of AO NK KazMunaiGas.

V. Markelov. Vitaliy Anatolievich Markelov has been Deputy Chairman of Gazprom's Management Committee since 2012. From 2012 he has been a member of the boards of directors of JSC "USC". From 2012 he serves as a member and a chairman of the board of directors of Joint Stock Company "Gazprom Space Systems". He was the director general of OOO Gazprom transgas Tomsk (2007-2011) and OOO Gazprom invest Vostok (2011). From 2009 until 2012 he was the general director and a member of the board of directors of PJSC "Daltransgaz". From 2009 until 2012 he served as a member of the board of directors of OAO "Kamchatgasprom".

V. Mau. Vladimir Alexandrovich Mau has been a member of Gazprom's Board of Directors since June 2011. From 2002 until 2010, Mr. Mau served as rector of the Academy of National Economy under the Government of Russian Federation. Since 2008 he has served on the supervisory board of Sberbank. Since 2010, he has served as rector of the Russian Presidential Academy of National Economy and Public Administration.

V. Musin. Valery Abramovich Musin has been a member of Gazprom's Board of Directors since June 2009. Since 1989, Mr. Musin has served as the Head of the Civil Procedure Department, Faculty of Law at St. Petersburg State University. Mr. Musin is also a senior partner in the Russian-British law firm "Musin, Ibragimov and Partners," which is associated with the English law firm Clyde & Co.

M. Sereda. Mikhail Leonidovich Sereda has been a member of Gazprom's Board of Directors since 2002. Mr. Sereda has served as Head of the Administration of Gazprom's Management Committee and Deputy Chairman of Gazprom's Management Committee-Head of the Administration of Gazprom's Management Committee since 2004, although he is not a member of Gazprom's Management Committee. Mr. Sereda is also a member of the supervisory and administrative bodies of WIEH GmbH, WINGAS, Gazprom UK Ltd., Gazprombank, Vostokgazprom, ZAO Gazprom telekom (formerly ZAO Gaztelekom), OOO Temryukmortrans ("Temryukmortrans"), OAO Tsentrenergogaz, OAO Tsentrgaz, OAO Tomskgazprom, OAO Gazpromtrubinvest, OAO Gazprom Kosmicheskiye Sistemy (formerly OAO Gazkom) and OAO Gazprom tsentrremont and he is a member of the executive body of AO Panrusgaz. In 2007 and 2008 he was a member of the Board of Directors of OAO Gazmash. From 2007 until 2009 he was a member of the Board of Directors of OAO Krasnodargazstroy. From 2007 until 2009 he was the Chairman and a member of the Board of Directors of OAO Volgogradneftemash. From 2007 until 2009 he was a member of the Board of Directors of GWH Gas und Warenhandels GmbH. From 2007 until 2009 he was the deputy Chairman and a member of the Board of Directors of OAO Stroytransgaz.

I. Yusufov. Igor Khanukovich Yusufov has been a member of Gazprom's Board of Directors since June 2003. From 2004 through 2011, Mr. Yusufov was Special Representative of the President of the Russian Federation for International Energy Cooperation and Ambassador-at-Large of the Ministry of Foreign Affairs of the Russian Federation.

Management Committee Biographies

A. Miller. See "—Director Biographies."

V. Golubev. Valeri Alexandrovich Golubev has been Deputy Chairman of the Management Committee since late 2006. Mr. Golubev has been a member of Gazprom's Management Committee since June 2003. Mr. Golubev is a member of the supervisory and administrative bodies of OAO Tsentrgaz, OAO Volgogradneftemash, ZAO Gazprom Zarubegneftegaz (formerly ZAO Zarubegneftegaz), KazRosGaz, NP Russian Gas Community, AO Moldovagaz, OOO International Gas Transmission, Mosenergo, OOO Gazpromtrans, ArmRosGazprom, Gazprom Neft, OOO Gazprom investproekt (formerly OOO Russkiye

Energeticheskiye Proekty), and OAO Gazprom-Yuzhnaya Ossetia, a member of the executive bodies of the Kaunas Heating and Electrical Station and OAO Lietuvos Dujos. From 2009 he has been a Co-Chairman of the Production Sharing Supervisory Boards, a member of the Board of Directors of Sakhalin Energy Investment Company Ltd. From 2007 until 2012 he was a member and the chairman of the supervisory board of OAO Beltransgaz. He served as the Chairman of the Board of Directors of DOAO Spetsgazavtotrans OAO Gazprom (2007), OAO Krasnodargazstroy (2007), OAO Gyprospetsgas (2007), OAO YuzhNIIgyprogas (2007-2009), OAO VNIPIgazdobycha (2007). He was a member of the Board of Directors of Gazpromtrubinvest (2007), OAO Severneftegazprom (2007-2009), Temryukmortrans (2007), OAO Sibur Holding (2007-2011). In 2007, he was the Chairman of the Board of Directors of OOO Gaztechleasing, ZAO Yamalgazinvest, ZAO Gazpromstroyengineering and OAO Zapsibgazprom.

S. Khomyakov. Sergey Fedorovich Khomyakov has been Deputy Chairman and a member of Gazprom's Management Committee since 2007, and Director General of Gazprom's Corporate Security Service Branch in Moscow since 2008. He served as Director General of Gazprom's Security Service in 2007 and 2008. He served as First Deputy Director General of Gazprom Security Service from 2003 through 2007. He is also a member of the supervisory and administrative bodies of Gazprom Kosmicheskiye Sistemy (formerly OAO Gazkom) and OOO Gazprom investproekt (formerly OOO Russkiye Energeticheskiye Proekty). From 2007 until 2009 he served as the Chairman of the Board of Directors of DOAO Gazproektengineering. In 2008 and 2009, he was the Chairman of the Supervisory Board of the Gazpromipoteka Fund, a non-commercial organization.

A. Kozlov. Aleksander Nikolaevich Kozlov has been Deputy Chairman of Gazprom's Management Committee and a member of Gazprom's Management Committee since March 2005. Mr. Kozlov is also a member of the Supervisory and Administrative Body of OAO Druzhba and OAO Lazurnaya. Mr. Kozlov was a member of the Supervisory and Administrative Body of Gazpromipoteka Fund, a non-commercial organization from 2009 to 2012.

A. Kruglov. Andrei Vyacheslavovich Kruglov has been Deputy Chairman of Gazprom's Management Committee and Head of the Finance and Economics Department since 2004. He has been a member of Gazprom's Management Committee since 2002 and Head of the Finance and Economics Department of Gazprom since 2003. Mr. Kruglov is also a member of the supervisory and administrative bodies of Gazprombank, Vostokgazprom, OAO Tomskgazprom, OAO Belgazprombank, Gazprom Neft, Sogaz, OAO Gazpromtsentrremont, Gazprom Germania GmbH, Gazprom Marketing and Trading Ltd., Gazprom EP International B.V., OOO Gazprom investproekt (formerly OOO Russkiye Energeticheskiye Proekty), AO Overgaz Inc. and Gazprom Neft Finance B.V. From 2007 until 2010 he was a member of the Board of Directors of ZAO Gazenergoprombank. From 2007 until 2010 he was the Chairman of the Board of Directors of DOAO Tsentrenergogaz OAO Gazprom. He served as a member of the Board of Directors of OAO Zapsibgazprom (2007), OAO Severneftegazprom (2007-2008), and ZAO Gerosgas (2009).

V. Markelov. See "—Director Biographies."

A. Medvedev. Alexander Ivanovich Medvedev has been Director General of Gazprom Export (formerly Gazexport) and a member of Gazprom's Management Committee since 2002 and Deputy Chairman of Gazprom's Management Committee since 2005. Mr. Medvedev is a member of the supervisory and administrative bodies of WIEH GmbH, WINGAS, AO GazKop, VTB Bank (Austria) (formerly Donau Bank), AO Prometheus Gaz, ZAO Gazprom Zarubezhneftegaz (formerly ZAO Zarubezhneftegaz), AO Overgaz Inc., Severneftegazprom, KazRosGaz, Blue Stream Pipeline Company B.V., ZAO Gaztranzit, GM&T, AO EuRoPol GAZ, Gazprom UK, ZAO Khokkeiny klub SKA (formerly ZAO SKA St. Petersburg), Shtokman Development AG, Gazprom EP International B.V., Gazprom Germania GmbH, OOO KHL, CEA Centrex Energy and Gas GmbH (formerly CEA Centrex Energy and Gas AG), Sakhalin Energy, South Stream Greece S.A., Erdgasspeicher Peissen GmbH, South Stream Transport AG and South Stream Austria GmbH. He is also a member of the executive bodies of AO Panrusgaz, AO YugoRosGaz. Since 2011 he has served as the chairman of the managing committee and the chairman of the board of founders of ANO "KHL". From 2011 he has served as the chairman of the managing committee of NP "MHL". Since 2012 he has served as a member of the executive committee of a non-governmental educational organization for supplemental professional education "KHL Corporate Institute". Mr. Medvedev was an executive director of South Stream Bulgaria AD in 2010-2011. In 2007 he was a member of the supervisory board of AO Gas Trading. From 2007 until 2009, he was a member of the Board of Directors of GWH Gas und Warenhandels GmbH. From 2007 until 2011, he served as the President of the Supervisory Board of AO Fragas. He was a member of the Managing Committee of AO

Slovrusgas (2002-2008). He served as a member of the Board of Directors of GPB (OJSC) (formerly AB Gazprombank (ZAO)) (2007-2008). He was the Chairman of the Board of Directors of OAO ARCTICGAZ (2009-2010), OAO Neftegaztechnologiya (2009-2010), ZAO Urengoil Inc. (2009-2010). From 2007 until 2010, he served as the Chairman of the Board of Directors and deputy Chairman of the Board of Directors of ZAO Gerosgaz. From 2007 until 2009, he was a member of the Board of Directors and deputy Chairman of the Board of Directors of AKB Sovfintrade (from November 1, 2008 known as AB GPB Ipoteka (OAO)). In 2009 and 2010 he was a member and the chairman of the board of directors of SeverEnergia. From 2009 until 2012 he was the chairman of the board of directors of South Stream Serbia AG. From 2010 until 2012, he was a member of the board of directors of South Stream Hungary Zrt.

E. Vasilieva. Elena Alexandrovna Vasilieva has been Deputy Chairman of Gazprom's Management Committee, Gazprom's Chief Accountant and a member of Gazprom's Management Committee since September 2001. Ms. Vasilieva is also a member of the supervisory and administrative bodies of Yamalgazinvest, Gazprombank, OAO Lazurnaya, Gazprom UK Ltd., Vostokgazprom and OOO Gazprom investproekt (formerly OOO Russkiye Energeticheskiye Proekty). In 2007 and 2008, she was a member of the Control Council of AO Slovrusgas.

O. Aksyutin. Oleg Evgenievich Aksyutin has been a member of Gazprom's Management Committee and the Head of Gazprom's Gas Transportation, Underground Storage and Utilization Department since 2008. He has been a member of the Supervisory Board of OAO Beltransgaz and PGS Banatski Dvor d.o.o. since 2012. Mr. Aksyutin was Chief Engineer and First Deputy Director General of Kavkaztransgaz from 2002 to 2007. He served as Director General of OOO Gazprom dobycha Nadym (formerly OOO Nadymgazprom) from 2007 through 2008.

N. Dubik. Nikolai Nikolaevich Dubik has been a member of Gazprom's Management Committee since June 25, 2008; he has been the Head of Gazprom's Legal Department since May 2008. Mr. Dubik is also a member of the supervisory and administrative bodies of AO Moldovagaz, Sogaz, RosUkrEnergoAG, Gazprom Neft, AO EvRoPol Gaz, OAO Lazurnaya, OAO Gazprom Media Holding, Shtokman Development AG, Beltransgaz and Gazprom Neft International S.A. He was a member of the Board of Directors of Gazprom Neft Orenburg (formerly ZAO Stimul) (2007-2012), OOO Irkutskgazprom (formerly OAO Irkutskgazprom) (2007-2008), OOO Gazprommedservice (2008-2011). In 2007 and 2008, he was a deputy Head of the Legal Department and the first deputy Head of the Legal Department of OAO Gazprom. From 2007 until 2009, he was executive director of Gazprom Finance B.V.

I. Fyodorov. Igor Yuryevich Fyodorov has been Director General of OOO Gazprom komplektatsiya (formerly OOO Gazkomplektimpex) since late 2006 and a member of the Management Committee since January 2007. In 2007 and 2008, he was the Chairman of the Board of Directors of OOO Gaztechleasing.

Y. Golko. Yaroslav Yaroslavovich Golko has been Head of Gazprom's Investment and Civil Construction Department since 2006 and a member of the Management Committee since January 2007. Mr. Golko is also a member of the supervisory and administrative bodies of ZAO Gazprom Invest Yug (formerly ZAO Gazpromstroiengineering), ZAO Yamalgazinvest, Beltransgaz and OOO Gazpromtrans. He is also a President of Gazprom's Association of Project Organizations. Since 2007, he has been the Chairman of the Board of Directors and a member of the Board of Directors of OAO Zapsibgazprom (2007-2008), OAO Krasnodargazstroy (2007-2008), DOAO Spetsgazavtotrans of OAO Gazprom (2007-2008), OAO Gyprospetsgas (2007-2009), OAO Lengazspetsstroy (2007-2008), OAO Volgogas (2007-2008), OAO Gyprogaztsentr (2007-2009), OAO VNIPIgasdobycha (2007-2009), OAO Spetsgazremstroy of OAO Gazprom (2007-2008), ZAO FNPTs NefteGazAeroKosmos (2007-2012). He was a member of the Board of Directors of OAO Gazpromtrubinvest (2007-2008), OAO Gazavtomatika of OAO Gazprom (2007-2010), Temryukmortrans (2007-2008), OAO Tsentrgas (2007-2012). From 2007 until 2010 he was a member of the Managing Committee of AO Turusgaz. From 2007 until 2011, he was a deputy Chairman of the Board of trustees of a non-commercial organization, Gazpromipoteka Fund. In 2007 and 2008, he served as the Chairman of the Supervisory Board of AO Peter Gaz B.V.

V. Markov. Vladimir Konstantinovich Markov has been a member of Gazprom's Management Committee and Head of the Department of Relations with Regional Authorities of the Russian Federation since 2012. Since 2009 he has been of the supervisory board of NP RGO. Since 2012 he has been a member of JSC "Gazprom distribution", OJSC "Insurance company "SOGAZ—Med", and ZAO "Yamalgazinvest". From 2007 until 2011, he was a deputy of the State Duma of the Russian Federation

and a member of the energy committee. In 2011, Mr. Markov was a deputy Head of the Department of Relations with Regional Authorities of the Russian Federation in OAO Gazprom.

E. Mikhailova. Elena Vladimirovna Mikhailova has been a member of the Managing Committee and Head of Gazprom's Asset Management and Corporate Relations Department since 2012. She has been a member of the board of directors of JSC "Gazprom distribution", (from 2007), OJSC Gazprom Gazenergoset (from 2007), Gazprom neftekhim Salavat (from 2008), JSB "Sobinbank" (from 2009), OOO Gazprom investproekt (from 2012), Gazprom Neft (from 2012), Nortgaz (from 2012), Mosenergo (from 2012), Severneftegazprom (from 2012), ZAO Leader (from 2012). She has been the chairman of the board of directors of OAO Neftyanoy Dom (from 2009). From 2007, she has been a deputy of the director general in charge of corporate and property relations in OOO Gazprom mezhregiongaz (formerly—OOO Mezhregiongaz). From 2008 until 2012, she served as the chairman of the board of directors of ZAO Gazprom mezhregiongaz Kazan. She was the chairman of the board of directors of OOO Kaliningradregionservice (2007-2008), OOO Gazprom mezhregiongaz Vologda (2007-2010), ZAO Gazprom mezhregiongaz Astrakhan (2007-2010), OOO Astrakhanregiongas (2007-2010), ZAO Gazprom mezhregiongaz Saint Petersburg (2007-2010), OOO Petersburgregiongas (2007-2010), OOO Gazprom mezhregiongaz Pskov (2007-2010), OOO Gazprom mezhregiongaz Samara (2007-2010), OAO Regiongasholding (2007-2012). She was a member of the board of directors of Gazenergoprombank (2007-2010), OAO Astrakhanoblgas (2007-2011), and OAO "Kalmgas" (2007-2011).

V. Cherepanov. Vsevolod Vladimirovich Cherepanov has been a member of Gazprom's Management Committee and Head of Gazprom's Gas, Gas Condensate and Oil Production Department since 2010. He is also a member of the supervisory and administrative bodies of ZAO Achimgaz, ZAO Gazprom Zarubegneftegaz, OOO TsentrCaspNeftegaz, Shtokman Development AG, Gazprom EP International B.V., Gazprom Neft, Gazpromviet and OAO Severneftegazprom, Sakhalin Energy Investment Company Ltd. Previously Mr. Cherepanov was a senior geologist (2005-2008) and Deputy Director General, senior geologist (2008-2010) of OOO Gazprom dobycha Nadym (formerly OOO Nadymgazprom). From 2010 until 2012, he was the Chairman of the Board of Directors of ZAO Gazprom Neft Orenburg.

V. Rusakova. Vlada Vilorikovna Rusakova has been a member of Gazprom's Management Committee since 2012. She served as the Head of Gazprom's Prospective Development Department until December 2012. She is also a member of the supervisory and administrative bodies of AO Latvijas Gaze, OAO Gazprom promgas, South Stream Hungary Zrt, South Stream Greece S.A and South Stream Austria GmbH. From 2007 until 2012, she was a member of Gazprom's Management Committee and Head of Gazprom's Strategic Development Department. She was a member of the Board of Directors of South Stream Bulgaria AD from 2010 to 2011 and has been a member of the Board of Directors of South Stream Serbia AG since 2012.

K. Seleznev. Kirill Gennadievich Seleznev has been a member of Gazprom's Management Committee and Head of Gazprom's Gas and Liquid Hydrocarbons Processing and Marketing Department since 2002. Since 2003, he has served as Director General of Gazprom mezhregiongaz. Mr. Seleznev is also a member of the supervisory and administrative bodies of Latvijas Gaze, KazRosGaz, Vostokgazprom, Nortgaz, Gazprom Neft, OAO Gazprom neftekhim Salavat, OAO Tomskgazprom, OAO Gazprom gazoraspredeleniye, Novatek, ZAO Zenit Football Club, Russian Gas Community, a non-commercial partnership, OAO Mosenergo, OAO TGK-1, OAO Inter Rao UES, OAO AB Rossiya and Gazprombank. He also serves as a member of the executive bodies of Lietuvos Dujos, Kaunas Heating and Electrical Station. He was the Chairman of the Board of OOO Sevmorneftegaz (2007), ZAO Gazenergoprombank (2007-2010). He was a member of the Board of Directors OAO Sibur Holding (2007-2011), OAO RAO Energeticheskiye Systemy Vostoka (2009-2010), RAO UES (2007-2008), ZAO SKA Saint-Petersburg (2007). In 2007 and 2008, he was a member of the Council of Participants of OOO Mezhdunarodniy Gazotransportniy Consortium. From 2007 until 2009, he was the Chairman of the Board of Directors of OAO SIBUR—mineralnye udobreniya.

Description of Gazprom's Management

In accordance with the Joint Stock Companies Law and Gazprom's Charter, Gazprom's operations are governed by Gazprom's General Meeting of Shareholders, Board of Directors, Management Committee and the Chairman of the Management Committee. The General Meeting of Shareholders is Gazprom's highest governing body and, among other things, elects Gazprom's Board of Directors. Gazprom's Board of Directors is responsible for formulating the strategy and the executive bodies (the

Management Committee and the Chairman of the Management Committee) are responsible for implementing the strategy and managing Gazprom on a day-to-day basis. All the governing bodies act in accordance with the laws of the Russian Federation, Gazprom's Charter and the regulations of these governing bodies which were approved by the General Meeting of Shareholders of Gazprom on June 28, 2002.

General Meeting of Shareholders

The General Meeting of Shareholders takes place annually, usually in June. The following decisions, among others, can be taken only by the General Meeting of Shareholders: amendments to the Charter, Gazprom's reorganization or liquidation, the election of the members of Gazprom's Board of Directors and Audit Committee, the determination of the quantity, category and nominal price of authorized shares as well as rights arising out of the ownership of shares, increases in the charter capital (when such decision is reserved for the General Meeting of Shareholders by the Charter in accordance with provisions of the Joint Stock Companies Law), reduction of the charter capital, approval of the annual report and annual accounts, approval of large transactions and transactions that involve interested parties (where such decision is within the authority of the General Meeting of Shareholders in accordance with the Joint Stock Companies Law), as well as making other decisions in accordance with the terms of the Joint Stock Companies Law and the Charter.

Board of Directors

Gazprom's Board of Directors is responsible for the general management of Gazprom's activities. The General Meeting of Shareholders determines the number of members of Gazprom's Board of Directors, which cannot be less than nine. Currently, there are 11 members of Gazprom's Board of Directors. A total of six members of Gazprom's current Board of Directors were nominated by the Government, including the Chairman of the Management Committee. The other members of Gazprom's Board of Directors consist of one member of the Management Committee, two members of Gazprom's management and two other members.

The powers of Gazprom's Board of Directors include determining the priorities of Gazprom's operations, approving annual budgets, calling General Meetings of Shareholders and determining the agenda for such meetings, determining the record date for Gazprom's General Meetings of Shareholders, increasing Gazprom's charter capital (except where such increase is within the authority of the General Meeting of Shareholders), issuing bonds or other securities in accordance with the Joint Stock Companies Law, appointing Gazprom's executive bodies (such as the Management Committee and the Chairman of the Management Committee), deciding on early termination of the powers of these bodies, approving candidates nominated by the Chairman of the Management Committee for the position of Deputy Chairman of the Management Committee, determining the remuneration of the Chairman and members of the Management Committee, recommending the size of dividends for approval by the General Meeting of Shareholders, using the reserve and other funds, creating branch and representative offices, specifying the means of effecting transactions, adopting decisions on major transactions and certain "interested party" transactions (except for those major or "interested party" transactions for which approval is within the competence of the General Meeting of Shareholders), establishing the terms of cooperation with subsidiaries and organizations of which Gazprom holds stock and equity participations, and other matters.

In 2002, Gazprom's Board of Directors adopted a resolution whereby all transactions, involving: (i) interests or participations that Gazprom or its subsidiaries hold in other companies; (ii) loans or other borrowings including guarantees by Gazprom having a value greater than 0.3% of Gazprom's balance sheet assets determined under Russian accounting principles; and (iii) purchases or disposals of Gazprom's fixed assets having a value greater than 0.3% of its balance sheet assets determined under Russian accounting principles, require approval by Gazprom's Board of Directors. Similar documents were adopted by all of Gazprom's significant joint-stock subsidiaries with respect to their activities.

Members of Gazprom's Board of Directors are elected by the General Meeting of Shareholders by a system of cumulative voting for a term lasting until the next annual General Meeting of Shareholders and may be re-elected an unlimited number of times. The General Meeting of Shareholders may also terminate the authority of all members of Gazprom's Board of Directors before the expiration of their terms. Members of the Management Committee may not comprise more than one-quarter of Gazprom's Board of Directors. The Chairman of Gazprom's Board of Directors is elected from and by the members of Gazprom's Board of Directors by a majority vote and may be re-elected at any time by a special resolution

requiring at least a two-thirds majority. The Chairman of the Management Committee cannot simultaneously serve as the Chairman of Gazprom's Board of Directors.

Audit Committee

The Audit Committee under the Gazprom Board of Directors is primarily focused on assessing the nominations for Gazprom's auditor, the auditor's report, and the effectiveness of Gazprom's internal control procedures, as well as the evaluation of proposals on their improvement. The Audit Committee members are elected pursuant to the guidelines in relation to the formation and functioning of the Audit Committee that have been adopted by the Gazprom Board of Directors. The authority of the Committee Members expires simultaneously with the expiry of the authority of the Board of Directors that formed the relevant Audit Committee. Currently, Valery Musin is the Chairman of the Audit Committee, and Farit Gazizullin and Mikhail Sereda are the other members of the Audit Committee.

Management Committee

The Management Committee and the Chairman of the Management Committee are Gazprom's executive bodies. The Chairman and other members of the Management Committee are each appointed by Gazprom's Board of Directors for a term of five years. Gazprom's Board of Directors has the right to terminate the authority of any member of the Management Committee as well as the Chairman of the Management Committee.

The authority of the Management Committee includes (i) developing forward-looking plans and principal programs for approval by Gazprom's Board of Directors, including Gazprom's annual budget and Investment Programs, and preparing reports on the implementation of those programs; (ii) organizing gas flow management and management of the GTS; (iii) organizing control over the development of Gazprom's current and prospective plans and programs; (iv) approving the rules governing the organization and reliability of Gazprom's bookkeeping accounts and the timely preparation of the annual report and other financial reports; and (v) presenting information about Gazprom's activities for the use of shareholders, creditors, and the media.

The Management Committee meets, in general, at least twice every month in accordance with a schedule that is approved by the Chairman of the Management Committee.

Chairman of the Management Committee

The Chairman of the Management Committee has authority to act in Gazprom's name without power of attorney, presents Gazprom's interests, approves staff, issues orders and decrees, gives instructions to be carried out by all of Gazprom's employees and issues internal documents with respect to the current activities, with the exception of internal documents which are within the authority of Gazprom's other management bodies.

Additional Information about Gazprom's Directors and Management Committee Members

Directors' and officers' compensation

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR1,795 million, RR1,561 million and RR1,382 million for the years ended December 31, 2011, 2010 and 2009, respectively. Such amounts include personal income tax and compulsory insurance contributions into extra-budgetary funds. The Chairman of the Board of Directors, as a Government official, does not receive remuneration from the Group. Compensation of key management personnel (other than remuneration for serving as directors of a company of the Group) is determined by the terms of the employment contracts.

Share ownership by directors and Management Committee members

Members of the Board of directors who simultaneously hold managing positions, members of the Managing Committee and other managers of Gazprom are entitled to purchase Gazprom's shares pursuant to the Management Remuneration Program.

As of December 31, 2012, the aggregate direct ownership of Gazprom's shares by the members of Gazprom's Management Committee and Board of Directors was 0.010033%.

Conflicts of Interest

Gazprom is not aware of any potential conflicts of interest between any duties of the members of its Board of Directors or Management Committee owed to it and their own private interests and/or other duties.

SHAREHOLDING STRUCTURE OF GAZPROM

Gazprom's charter capital amounts to RR118,367,564,500, consisting of 23,673,512,900 common shares with a nominal value of RR5 each.

The Russian Federation currently controls over 50% of our shares. As our controlling shareholder, the Russian Federation has a strong influence over the major decisions made at our shareholder meetings and, as the nominating party for a majority of the members of Gazprom's Board of Directors, is able to determine our strategy, make policy decisions in relation to the main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Minority shareholders of Gazprom enjoy protections provided under the applicable corporate laws of the Russian Federation to which Gazprom and the Russian Federation, as its controlling shareholder, strictly adhere. For a summary of these protections, see "Description of Share Capital and Certain Requirements of Russian Legislation". We are also a "natural monopoly" in the transportation of natural gas under Federal Law No. 147 FZ, dated August 17, 1995 (the "Natural Monopoly Law"), which means that the tariffs we charge for gas transportation through our trunk pipelines are subject to regulation by the Government.

As of May 10, 2012, the number of Gazprom's registered shareholders was 517,639. Gazprom's common shares are traded at the leading Russian stock exchanges, including the Moscow Interbank Currency Exchange, the Russian Trading System Stock Exchange and the Saint Petersburg Stock Exchange.

In April 2006, Gazprom converted the then Regulation S ADS facility to a Level I ADS facility, which provides for the conversion of Gazprom Shares into ADSs and vice versa. The Bank of New York Mellon acts as the Depositary and at present, Gazprom's Level I ADSs are freely tradeable on the over-the-counter stock market in the United States, the regulated market of the London Stock Exchange under the symbol OGZD and on other European exchanges such as the Berlin-Bremen Stock Exchange and the Frankfurt Stock Exchange. Further, Gazprom has previously issued Rule 144A ADSs in the United States to QIBs. The maximum volume of the Shares subject to the Level I ADSs and the Rule 144A ADSs may not exceed 35% of Gazprom's charter capital. ADSs for Gazprom's shares issued in 1996 pursuant to a private placement were automatically converted into ADSs and remain listed on the London Stock Exchange.

The following table sets forth information regarding the beneficial ownership of Gazprom shares as of December 31, 2012:

Shareholders	(%)
Interest controlled by the Russian Federation[1]	>50.0
ADS holders (through The Bank of New York Mellon)	27.0
Other entities[2]	23.0
Total	**100**

Notes:

(1) The interest controlled by the Russian Federation consists of 38.4% owned by the Federal Agency For State Property Management, 10.7% owned by OAO Rosneftegaz and 0.9% owned by OAO Rosgazifikatsiya, each of which is controlled by the Russian Federation. In the aggregate, the Russian Federation controls 50.002% of Gazprom shares.

(2) Includes 3.1% of Gazprom shares owned by Gazprom subsidiaries.

CERTAIN TRANSACTIONS

Interested Party Transactions under Russian Law

The Joint Stock Companies Law sets forth certain requirements with respect to transactions involving interested parties. An interested party is any of the following: (i) a member of the board of directors, (ii) a person performing functions of the sole executive body (e.g., the Chairman of the Management Committee), (iii) a member of the collective executive body (e.g., the Management Committee), (iv) a shareholder who owns, together with any of its affiliates, at least 20% of the company's voting shares, or (v) any person who has the right to issue mandatory instructions to the company, so long as any of the abovementioned persons and/or their spouse, parents, children, adoptive parents or children, brothers or sisters or their affiliates:

- is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- owns, individually or collectively, at least 20% of the shares of a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- holds offices in any of the company's management bodies (or in any management body of the managing company of such company) that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; and
- in other cases, provided by the charter of the company.

The Joint Stock Companies Law requires that an interested party transaction must be approved by a majority vote of the directors who are not interested in the transaction or by a shareholders meeting.

For companies with more than 1,000 shareholders, an interested party transaction must be approved by a majority vote of the disinterested independent directors of the company. For purposes of this rule, an ''independent director'' is a member of the board of directors who is not, and within the year preceding the decision to approve the transaction was not:

- a member of any executive body of the company; or
- a member of any management body of the company's management organization; or
- a person whose spouse, parents, children, adoptive parents or children, brothers or sisters held positions on management bodies of the company or the managing company or were sole manager of such company; or
- an affiliate of the company, except for being its director.

An interested party transaction must be approved by a decision of the majority of disinterested shareholders holding voting shares, if:

- all members of the board of directors are interested parties, and/or none of them is an independent director; or
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- the value of such a transaction, or series of related transactions, is two percent or more of the balance sheet value of the company's assets as of the last reporting date; or
- the transaction, or series of interrelated transactions, involves the issuance by subscription or disposal of, ordinary shares in an amount exceeding two percent of the earlier issued existing ordinary shares or securities convertible into such shares; or
- the transaction, or series of related transactions, involves the issuance by subscription of securities convertible into shares, which may be converted into ordinary shares, in an amount exceeding two percent of the earlier issued existing ordinary shares or ordinary shares into which the above-mentioned convertible securities may be converted.

Approval of an interested party transaction by a majority of disinterested shareholders may not be required if such transaction is substantially similar to transactions entered into by a company and the interested party in the ordinary course of business before such party became an interested party with

respect to the transaction. This exemption is effective only within a period from the date when such party became an interested party with respect to the transaction and until the next annual general shareholders' meeting.

The approval of interested party transactions of an open joint stock company is not required if:

- the company has only one shareholder that simultaneously performs the functions of the unilateral executive body of a company;
- all shareholders are interested in such transactions;
- the transactions arise from the shareholders executing their pre-emptive rights to purchase newly issued shares and other securities convertible into such shares;
- the company is purchasing or buying out its issued shares;
- the company is undergoing reorganization in the form of a merger or accession; or
- the company is required by federal legislation to enter into the transactions, and settlements under such transactions are made pursuant to fixed tariffs and prices established by the Government or competent state authorities authorized by the Government.

Any interested party transaction must be approved prior to its execution. An interested party transaction entered into in breach of the aforementioned rules may be invalidated by a court pursuant to an action of a company or any of its shareholders. However, pursuant to the Joint Stock Companies Law, a court shall dismiss the claim seeking to invalidate an interested party transaction entered into in breach of the abovementioned requirements in the following instances:

- the vote of the disinterested shareholder who brought a claim contesting the validity of an interested party transaction that was subject to approval of the general shareholders' meeting could not have affected the outcome of the voting;
- it is not proved that execution of the interested party transaction in question caused or could cause losses to, or have other adverse effect on, the company or the shareholder challenging the interested party transaction;
- evidence of a subsequent approval of the challenged interested party transaction pursuant to the Joint Stock Companies Law is provided by the time of the hearing of the claim by a court; or
- it has been proven before the court that the counterparty to the interested party transaction in question did not know and could not have known that the transaction is entered into in violation of the respective requirements of the Joint Stock Companies Law.

Currently, Gazprom enters into many interested party transactions approved by the Board of Directors or a general meeting of shareholders, as provided for by the Joint Stock Companies Law.

Related Party Transactions Under IFRS

For purposes of our consolidated financial statements and consolidated interim condensed financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of September 30, 2012 and 2011, and December 31, 2011 and 2010 are described below. For further information about our significant transactions and balances with related parties, please see Note 27 to our consolidated interim condensed financial information for the nine months ended September 30, 2012 and Note 39 to our consolidated financial statements for the year ended December 31, 2011.

Government

The Government of the Russian Federation has an interest of over 50% in Gazprom and is the ultimate controlling party of the Group. In the normal course of business the Group enters into transactions with other entities under the Government's control. Prices of natural gas sales and electricity tariffs in Russia are regulated by the FTS. Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

In the nine months ended September 30, 2012 and 2011, transactions with the Government and entities under the Government's control resulted in income of approximately RR168 billion and RR157 billion, respectively, and expenses of RR762 billion and RR620 billion, respectively. In the years ended December 31, 2011, 2010 and 2009, transactions with the Government and entities under the Government's control resulted in income of approximately RR225 billion, RR195 billion and RR139 billion, respectively, and expenses of RR840 billion, RR662 billion and RR526 billion, respectively. These expenses include current tax on profits, compulsory insurance contributions into extra-budgetary funds, other taxes, accrued interests, and expenses relating to oil transportation.

Associated undertakings and jointly controlled entities

The Group's transactions with associated undertakings and jointly controlled companies occur in the ordinary course of business and include the sale and purchase of gas, gas condensate, crude oil and refined products, as well as gas transportation services and refining. Such companies include, but are not limited to Beltransgaz (before consolidation as subsidiary in December 2011), RosUkrEnergo, WIEH, WINGAS, Slavneft, Tomskneft, ZAO Panrusgaz, ZAO Gazprom YRGM Trading, ZAO Gazprom YRGM Development, AO Gazum, KazRosGaz and WIEE. In the nine months ended September 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009, these transactions resulted in revenues of approximately RR369 billion, RR458 billion, RR633 billion, RR581 billion and RR527 billion, respectively, and expenses of approximately RR326 billion, RR376 billion, RR474 billion, RR313 billion and RR255 billion, respectively.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR1,795 million, RR1,561 million and RR1,382 million for the years ended December 31, 2011, 2010 and 2009, respectively. Such amounts include personal income tax and compulsory insurance contributions into extra-budgetary funds.

FACILITY AGREEMENT

The following is the text of the Amended and Restated Facility Agreement to be entered into between us and the Issuer. In the context of each Series of Notes and the corresponding Loan, this Amended and Restated Facility Agreement should be read in conjunction with, and is qualified in its entirety by, the relevant Loan Supplement for such Series and Loan.

This Amended and Restated Facility Agreement is made on 7 December 2005 **between:**

(1) **OPEN JOINT STOCK COMPANY GAZPROM**, a company established under the laws of the Russian Federation whose registered office is at 16 Nametkina Street, 117884 Moscow, Russian Federation ("**Gazprom**"); and

(2) **GAZ CAPITAL S.A.**, a société anonyme established under the laws of Luxembourg whose registered office is at 2, Boulevard Konrad Adenauer L-1115 Luxembourg, registered with the Register of Commerce and Companies, Luxembourg under registered number B-95071 (the "**Lender**").

Whereas:

(A) Pursuant to a Facility Agreement dated 22 September 2003, (the "**Original Facility Agreement**"), the Lender, at the request of Gazprom, agreed to make available to Gazprom a loan facility in the maximum amount of the Programme Limit (as defined below) on the terms and subject to the conditions of the Original Facility Agreement, as amended and supplemented in relation to each Loan by a loan supplement dated the Closing Date substantially in the form set out in the Schedule thereto (each, a "**Loan Supplement**").

(B) It was intended that, concurrently with the extension of any Loan under the Original Facility Agreement, the Lender would issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Loan.

(C) It has been agreed in the Principal Trust Deed (as defined below) that if following the assignment by the Lender of its rights and obligations under any Loan Agreement, the Trustee or any person receiving payments under the direction of the Trustee in accordance with Clause 2.8 of the Principal Trust Deed is no longer a resident of a state with which the Russian Federation has a double taxation treaty providing for a zero withholding tax rate on income in the form of interest, then the Trustee shall use its best endeavours (using its powers under the Principal Trust Deed) to select a new trustee or co-trustee, appoint an agent or nominee, delegate any of its functions or take such other measures that it deems advisable or necessary so that payments obtain the benefit of a zero withholding tax rate on payments in the form of interest.

(D) The parties hereto wish to amend and restate the Original Facility Agreement as set out below.

Now it is hereby agreed as follows:

1 Definitions and Interpretation

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"**Account**" means an account in the name of the Lender with the Principal Paying Agent as specified in the relevant Loan Supplement.

"**Administrative Services and Domiciliation Agreement**" means the administrative services and domiciliation agreement between the Lender and Deutsche Bank Luxembourg S.A. as amended and restated on 8 June 2005.

"**Affiliates**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the amended and restated paying agency agreement relating to the Programme dated 7 December 2005 between the Lender, Gazprom, the Trustee and the agents named therein.

"**Arrangers**" mean Deutsche Bank AG, London Branch and UBS Limited or any additional or replacement arranger appointed, and excluding any Arranger whose appointment has terminated pursuant to the Dealer Agreement.

"**Business Day**" means (save in relation to Clause 4) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating and (d) in relation to a Loan corresponding to a Series of Notes to be sold pursuant to Rule 144A under the Securities Act, banks and foreign exchange markets are open for business generally in New York City.

"**Calculation Agent**" means, in relation to a Loan, Deutsche Bank AG, London Branch or any person named as such in the relevant Loan Supplement or any successor thereto.

"**Closing Date**" means the date specified as such in the relevant Loan Supplement.

"**Consolidated Net Tangible Assets**" means the total of all assets less (i) total liabilities, (ii) goodwill, trade names, trade marks, service marks, patents, licences, organisational expenses, research and development expenses, unamortised debt discount and expense, unamortised deferred charges and all other like intangible assets, (iii) all write-ups of fixed assets, net of accumulated depreciation thereon, after the most recent consolidated balance sheet of Gazprom and its consolidated Subsidiaries immediately preceding the relevant Closing Date prepared in accordance with IFRS, as consistently applied, excluding, for the avoidance of doubt, any restatement for changes in the general purchasing power of the Rouble in accordance with IFRS 29 "Financial Reporting in Hyperinflationary Economies" and revaluations supported by an independent appraisal completed by an appropriately qualified firm and (iv) preferred stock, if any, all as set forth on the most recent consolidated balance sheet of Gazprom and its consolidated Subsidiaries prepared in accordance with IFRS, as consistently applied.

"**Day Count Fraction**" has the meaning specified in the relevant Loan Supplement.

"**Dealer Agreement**" means the amended and restated dealer agreement relating to the Programme dated 7 December 2005 between the Lender, Gazprom, the Arrangers and the other dealers appointed pursuant to it.

"**Dollars**", "**$**" and "**U.S.$**" means the lawful currency of the United States of America.

"**Early Redemption Amount**" has the meaning specified in the relevant Loan Supplement.

"**Encumbrance**" means any mortgage, charge, pledge, lien (other than a lien arising solely by operation of law which is discharged within 45 calendar days of arising) or other security interest securing any obligation of any Person or any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Environmental Law**" means any applicable law in any jurisdiction in which any member of the Group conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

"**euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome, as amended.

"**Event of Default**" has the meaning assigned to such term in sub-clause 11.1 hereof.

"**Fees and Expenses Side Agreement**" means, in relation to each Series, the agreement defined as such in the relevant Subscription Agreement.

"**Final Terms**" means, in relation to a Loan, final terms issued specifying the relevant issue details of such Loan, substantially in the form of Schedule C of the Dealer Agreement.

"**Financial Indebtedness**" means any obligation for the payment of money in any currency, other than an obligation for the payment of money in the lawful currency for the time being of the Russian Federation payable to any person domiciled, resident or having its head office or principal place of business in the Russian Federation, whether sole, joint or several, and whether actual or contingent, in respect of:

(a) moneys borrowed or raised (including the capitalised value of obligations under financial leases and hire purchase agreements and deposits, but excluding moneys raised by way of the issue of share capital (whether or not for a cash consideration) and any premium on such share capital) and interest and other charges thereon or in respect thereof;

(b) any liability under any debenture, bond, note, loan stock or other security or under any acceptance or documentary credit, bill discounting or note purchase facility or any similar instrument;

(c) any liability in respect of the deferred acquisition cost of property, assets or services to the extent payable after the time of acquisition or possession thereof by the party liable, but not including any such liability in respect of normal trade credit for a period not exceeding six months for goods or services supplied;

(d) any liability under any interest rate or currency hedging agreement;

(e) any liability under or in respect of any bonding facility, guarantee facility or similar facility; and

(f) (without double counting) any guarantee or other assurance against financial loss in respect of such moneys borrowed or raised, interest, charges or other liability (whether the person liable in respect of such moneys borrowed or raised, interest, charges or other liability is or is not a member of the Group),

but not where the same relates to or is in connection with any Project Financing.

"**Fixed Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Floating Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Gazprom Account**" means an account in the name of Gazprom as specified in the relevant Loan Supplement for receipt of Loan funds.

"**Gazprom Agreements**" means this Agreement, the Agency Agreement, the Dealer Agreement, the Trustee and Agents Fee Side Letter and together with, in relation to each Loan, the relevant Final Terms, Subscription Agreement and Loan Supplement.

"**Group**" means Gazprom and its Subsidiaries taken as a whole.

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time).

"**Interest Payment Date**" means the dates specified as such in the relevant Loan Supplement.

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Lead Manager(s)**" means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement.

"**Lender Agreements**" means the Dealer Agreement, this Agreement, the Agency Agreement, the Principal Trust Deed, the Administrative Services and Domiciliation Agreement, the Trustee and Agents Side Letter and together with, in relation to each Loan, the relevant Final Terms, Subscription Agreement, Loan Supplement and Supplemental Trust Deed and Fees and Expenses Side Agreement.

"**Loan**" means each loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Loan Supplement and includes each Fixed Rate Loan and Floating Rate Loan.

"**Loan Agreement**" means this Agreement and (unless the context requires otherwise), in relation to a Loan means this Agreement as amended and supplemented by the relevant Loan Supplement.

"**Make Whole Premium**" has the meaning specified in the relevant Loan Supplement.

"**Material Adverse Effect**" means a material adverse effect on (a) the financial condition or operations of Gazprom and the Group taken as a whole or (b) Gazprom's ability to perform its obligations under a Loan Agreement or (c) the rights or remedies of the Lender under a Loan Agreement.

"**Notes**" means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Loan and in relation to a Loan as defined in the relevant Loan Supplement.

"**Noteholder**" means, in relation to a Note, the person in whose name such Note is registered in the register of the noteholders (or in the case of joint holders, the first named holder thereof).

"**Officer's Certificate**" means a certificate signed by an officer of Gazprom who shall be the principal executive officer, principal accounting officer or principal financial officer of Gazprom in the form of Schedule 2.

"**Opinion of Counsel**" means a written opinion from international legal counsel who is acceptable to the Lender.

"**Permitted Encumbrance**" means:

(i) any Encumbrance existing on the date of the relevant Loan Agreement;

(ii) any Encumbrance existing on any property, income or assets of any corporation at the time such corporation becomes a Subsidiary of Gazprom and not created in contemplation of such event, provided that no such Encumbrance shall extend to any other property, income or assets of such corporation or the Group;

(iii) any Encumbrance on any property, income or assets of any corporation existing at the time such corporation is merged or consolidated with or into Gazprom or any Subsidiary of Gazprom and not created in contemplation of such event, provided that no such Encumbrance shall extend to any other property, income or assets of the Group;

(iv) any Encumbrance on any property or assets securing Financial Indebtedness of Gazprom or any Subsidiary of Gazprom incurred or assumed for the purpose of financing all or part of the cost of acquiring, purchasing, constructing or developing such property or assets, provided that no such Encumbrance shall extend to any other property or assets of the Group, the principal amount of the Financial Indebtedness secured by such Encumbrance shall not exceed the cost of acquiring, purchasing, constructing or developing such property or assets, and such Encumbrance attaches to such property or assets concurrently with or within 90 calendar days after the acquisition or purchase, or the commencement of the construction or development, thereof;

(v) any Encumbrance on any property or assets securing Financial Indebtedness of Gazprom or any Subsidiary of Gazprom incurred or assumed for the purpose of financing all or part of the cost of repairing or refurbishing such property or assets of the Group, provided that no such Encumbrance shall extend to any other property or assets, the principal amount of the Financial Indebtedness secured by such Encumbrance shall not exceed the cost of such repairs or refurbishments, and such Encumbrance attaches to such property or assets concurrently with or within 90 calendar days after the commencement of such repairs or refurbishments;

(vi) any Encumbrance existing on any property, income or assets prior to the acquisition thereof by Gazprom or any Subsidiary of Gazprom and not created in contemplation of such acquisition, provided that no such Encumbrance shall extend to any other property, income or assets of the Group;

(vii) any Encumbrance on the property, income or assets of any Subsidiary of Gazprom securing intercompany Financial Indebtedness of such Subsidiary of Gazprom owing to Gazprom or another Subsidiary of Gazprom;

(viii) any Encumbrance securing Financial Indebtedness incurred in connection with a Project Financing if the Encumbrance is solely on the property, income, assets or revenues of the project for which the financing was incurred;

(ix) any Encumbrance securing Financial Indebtedness not exceeding 50 per cent. of Gazprom's Consolidated Net Tangible Assets at any time of determination;

(x) any Encumbrance arising out of the refinancing, extension, renewal or refunding of any Financial Indebtedness of Gazprom or any Subsidiary of Gazprom secured by any Permitted Encumbrance, provided that such Financial Indebtedness is not increased and, if the property, income or assets securing any such Financial Indebtedness are changed in connection with any such refinancing, extension, renewal or refunding, the value of the property, income or assets securing such Financial Indebtedness is not increased;

(xi) any Encumbrance over any goods or products, or documents, insurance policies or sale contracts in relation to any goods or products, arising in the ordinary course of trading in connection with the provision of a letter of credit or any similar transaction where such Encumbrance secures only so much of the acquisition cost or selling price (and amounts incidental thereto) of such goods or products which is required to be paid within 120 calendar days after the date upon which liability in respect of the same was first incurred; and

(xii) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, company, firm, trust, organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"**Potential Event of Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Principal Subsidiary**" means at any relevant time a Subsidiary of Gazprom:

(i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent not less than 5 per cent. of the total consolidated assets or the gross consolidated revenues of Gazprom and its Subsidiaries, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) (in each case, produced on the basis of IFRS, consistently applied) of such Subsidiary and the then latest audited consolidated accounts of Gazprom (produced on the basis of IFRS, consistently applied) and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary.

"**Principal Trust Deed**" means the amended and restated principal trust deed dated 7 December 2005 between the Lender and the Trustee as amended, varied or supplemented from time to time in accordance with its terms.

"**Programme**" means the programme for the issuance of loan participation notes.

"**Programme Limit**" means U.S.$15,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement.

"**Project Financing**" means any financing of all or part of the costs of the acquisition, construction, development or operation of any asset or project if the person or persons providing such financing expressly agrees to limit its recourse solely to the asset or project financed and the revenues derived from such asset or project as the principal source of repayment for the moneys advanced.

"**Put Settlement Date**" has the meaning specified in the relevant Loan Supplement.

"**Rate of Interest**" has the meaning assigned to such term in the relevant Loan Supplement.

"**Relevant Time**" means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in euro, Brussels time.

"**Repayment Date**" means the date specified as such in the relevant Loan Supplement.

"**Roubles**" means the lawful currency of the Russian Federation.

"**Same-Day Funds**" means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby.

"**Series**" means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.

"**Side Letter**" means the letter specified as such in the relevant Loan Supplement.

"**Specified Currency**" means the currency specified as such in the relevant Loan Supplement.

"**Sterling**" means the lawful currency of the United Kingdom.

"**Subscription Agreement**" means the agreement specified as such in the relevant Loan Supplement.

"**Subsidiary**" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50 per cent. of the total voting power entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or any combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"**Supplemental Trust Deed**" means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 10 of the Principal Trust Deed).

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof.

"**Taxes**" means any taxes (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation, Luxembourg or any taxing authority thereof or therein provided, however, that for the purposes of this definition the references to Luxembourg shall, upon the occurrence of the Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to any jurisdiction in which the Trustee is domiciled or resident for tax purposes; and the term "Taxation" shall be construed accordingly.

"**Trust Deed**" means the trust deed specified as such in the relevant Loan Supplement.

"**Trustee**" means Deutsche Bank Trust Company Americas, as trustee under the Trust Deed and any successor thereto as provided thereunder.

"**Trustee and Agents Side Letter**" means a side letter between Gazprom, the Trustee and the Agents (as named therein) dated on or around 7 December 2005.

"**Warranty Date**" means the date hereof, each Trade Date, the date of each Loan Supplement, each Closing Date, each date on which the Base Prospectus or any of the Lender Agreements is amended, supplemented or replaced and each date on which the Programme Limit is increased.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the Notes, the Agency Agreement or the Dealer Agreement shall have the meanings assigned to such terms therein.

1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 All references to "Clause" or "sub-clause" are references to a Clause or sub-clause of this Agreement.

1.3.2 The terms "hereof", "herein" and "hereunder" and other words of similar import shall mean the relevant Loan Agreement as a whole and not any particular part hereof.

1.3.3 Words importing the singular number include the plural and vice versa.

1.3.4 All references to "taxes" include all present or future taxes, levies, imposts and duties of any nature and the terms "tax" and "taxation" shall be construed accordingly.

1.3.5 The table of contents and the headings are for convenience only and shall not affect the construction hereof.

1.3.6 Any reference herein to a document being in "agreed form" means that the document in question has been agreed between the proposed parties thereto, subject to any amendments that the parties may agree upon prior to the Issue Date.

1.3.7 All references to "this Agreement" are references to this Amended and Restated Facility Agreement.

1.4 Amendment and Restatement

The parties hereto agree that this Agreement amends and restates the Original Facility Agreement. Any Loans made on or after the date hereof shall be made pursuant to, and have the benefit of, this Agreement. The amendments set out herein do not affect any Loans made prior to the date of this Agreement which shall be subject to the Original Facility Agreement or any Loans made in respect of loan participation note issues fungible with any such issue already outstanding which will be documented under the Original Facility Agreement.

2 Loans

2.1 Loans

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, the Lender hereby agrees to make available to Gazprom Loans up to the total aggregate amount equal to the Programme Limit.

2.2 Purpose

The proceeds of each Loan will be used for general corporate purposes, but the Lender shall not be concerned with the application thereof.

2.3 Separate Loans

It is agreed that with respect to each Loan, all the provisions of this Agreement and the Loan Supplement shall apply *mutatis mutandis* separately and independently to each such Loan and the expressions "**Account**", "**Closing Date**", "**Day Count Fraction**", "**Interest Payment Date**", "**Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Loan shall be construed as referring to those of the particular Loan in question and not of all Loans unless expressly so provided, so that each such Loan shall be made pursuant to this Agreement and the relevant Loan Supplement, together comprising the Loan Agreement in respect of such Loan and that, unless expressly provided, events affecting one Loan shall not affect any other.

3 Drawdown

3.1 Drawdown

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on the Closing Date thereof the Lender shall make a Loan to Gazprom and Gazprom shall make a single drawing in the full amount of such Loan.

3.2 Loan Fees and Expenses

In consideration of the Lender making a Loan to Gazprom, Gazprom hereby agrees that it shall, one Business Day before each Closing Date, pay to the Lender, in Same-Day Funds, an amount equal to the reasonable documented reimbursable expenses incurred by the Lender in a total amount to be specified in the relevant Loan Supplement.

3.3 Disbursement

Subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on each Closing Date the Lender shall transfer the amount of the relevant Loan to the Gazprom Account specified in the relevant Loan Supplement.

3.4 Programme Fees and Expenses

In consideration of the Lender establishing and maintaining the Programme and agreeing to make Loans to Gazprom, Gazprom shall pay on demand to the Lender each year an amount to reimburse the Lender for its reasonable documented expenses relating to its management and operation in servicing the Loans as set forth to Gazprom in an invoice from the Lender.

4 Interest

4.1 Rate of Interest for Fixed Rate Loans

Each Fixed Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Loan Supplement.

4.2 Payment of Interest for Fixed Rate Loans

Interest at the Rate of Interest shall accrue on each Fixed Rate Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid in arrear not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date.

4.3 Interest for Floating Rate Loans

4.3.1 *Interest Payment Dates:* Each Floating Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, such interest being payable in arrear not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention:* If any date referred to in the relevant Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Loans:* The Rate of Interest in respect of Floating Rate Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Loan Supplement.

(i) ISDA Determination for Floating Rate Loans

Where ISDA Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the relevant Loan Supplement;

(b) the Designated Maturity is a period specified in the relevant Loan Supplement; and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Loan Supplement.

For the purposes of this sub-paragraph (i), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Loans

(a) Where Screen Rate Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Loans is specified in the applicable Loan Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Loans will be determined as provided in the applicable Loan Supplement.

(b) if the Relevant Screen Page is not available or if, sub-paragraph (a)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (a)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(c) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of Gazprom and the Lender suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

4.4 Accrual of Interest

Interest shall cease to accrue on each Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as

before judgment) at the applicable Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

4.5 Margin, Maximum/Minimum Rates of Interest and Rounding

4.5.1 If any Margin is specified in the relevant Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Clause 4.3 above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

4.6 Calculations

The amount of interest payable in respect of any Loan for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Loan by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the relevant Loan Supplement in respect of such period, in which case the amount of interest payable in respect of such Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.7 Determination and Publication of Rates of Interest and Interest Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of such Floating Rate Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Gazprom, the Trustee, the Lender, each of the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Clause 4.3.2, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of Gazprom and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Loan becomes due and payable under Clause 11, the accrued interest and the Rate of Interest payable in respect of such Floating Rate Loan shall nevertheless continue to be calculated as previously in accordance with this Clause but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Lender otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.8 Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Loan, the Lender and Gazprom agree that such determination or calculation may be made by or at the direction of the Trustee as set out in the conditions of the corresponding Series of Notes and such determination or calculation shall be deemed to have been made by the Calculation Agent. The parties acknowledge that in doing so, the Trustee shall apply or shall have applied the foregoing provisions of this Clause, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

4.9 Definitions

In this Clause 4, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "TARGET Business Day"); and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/365" or "Actual/Actual-ISDA" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "30E/360" or "Eurobond Basis" is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "Actual/Actual-ICMA" is specified in the relevant Loan Supplement:

(a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(I) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(II) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date specified in the relevant Loan Supplement or, if none is so specified, the Interest Payment Date.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Loans, means the Fixed Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Closing Date or such other date as may be specified in the relevant Loan Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Loan Supplement.

"**ISDA Definitions**" means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Loan Supplement.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Loan Supplement.

"**Reference Rate**" means the rate specified as such in the relevant Loan Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Loan Supplement.

4.10 Calculation Agent

The Lender shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Loan Supplement and for so long as any amount remains outstanding under a Loan Agreement. Where more than one Calculation Agent is appointed in respect of a Loan, references in the relevant Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement, the Lender shall (with the prior approval of Gazprom) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both Gazprom and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to each particular Series.

5 Repayment and Prepayment

5.1 Repayment

Except as otherwise provided herein and in the applicable Loan Supplement, Gazprom shall repay each Loan not later than 10.00 a.m. (Relevant Time) one Business Day prior to the Repayment Date therefor.

5.2 Special Prepayment

If, as a result of the application of or any amendments to or change in the double tax treaty between the Russian Federation and Luxembourg or the laws or regulations of the Russian Federation or Luxembourg or of any political sub-division thereof or any authority therein or the enforcement of the security provided for in any Trust Deed, Gazprom would thereby be required to make or increase any payment due pursuant to any Loan Agreement as provided in sub-clauses 6.2 or 6.3, or if (for whatever reason) Gazprom would have to or has been required to pay additional amounts pursuant to Clause 8, then Gazprom may (without premium or penalty), upon not less than 10 days' notice to the Lender (which notice shall be irrevocable), prepay the relevant Loan in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Loan, or at any time, in the case of a Fixed Rate Loan.

5.3 Illegality

If, at any time after the date of the relevant Loan Supplement, by reason of the introduction of, or any change in any applicable law or regulation or regulatory requirement or directive of any agency of any state the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by Gazprom) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the relevant Loan or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Loan, then upon notice by the Lender to Gazprom in writing (setting out in reasonable detail the nature and extent of the relevant circumstances), Gazprom and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 calendar days of the date on which it so notified Gazprom. If such a basis has not been determined within the 30 calendar days, then upon notice by the Lender to Gazprom in writing, Gazprom shall prepay such Loan in whole (but not in part) on the next Interest Payment Date therefor, in the

case of a Floating Rate Loan, or, in the case of a Fixed Rate Loan, on such date as the Lender shall certify to be necessary to comply with such requirements.

5.4 Payment of Other Amounts

If a Loan is to be prepaid by Gazprom pursuant to any of the provisions of Clauses 5.2 or 5.3, Gazprom shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual receipt of payment by the Lender and all other sums payable by Gazprom pursuant to the relevant Loan Agreement.

5.5 Optional Prepayment under Call Option

If Call Option is specified in the relevant Loan Supplement, Gazprom may, at its option at any time prior to the Repayment Date on giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer, in whole or in part, repay the Loan at the Early Redemption Amount plus the Make Whole Premium. The notice to be given shall specify the date for repayment of the Loan and the date for the redemption of the Notes (the "**Call Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan. Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. The Loan shall be repaid on the date specified in such notice.

5.6 Optional Prepayment under Put Option

If Put Option is specified in the relevant Loan Supplement, following notification from the Issuer, Gazprom shall prepay the Loan (without premium or penalty), to the extent of the aggregate principal amount of the Notes to be properly redeemed in accordance with Condition 6 of the terms and conditions of the Notes, two Business Days prior to the Put Settlement Date.

5.7 Provisions Exclusive

Gazprom may not voluntarily prepay any Loan except in accordance with the express terms of the relevant Loan Agreement. Any amount prepaid may not be reborrowed.

6 Payments

6.1 Making of Payments

All payments of principal and interest to be made by Gazprom under each Loan Agreement shall be made to the Lender not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date or the Repayment Date (as the case may be) in Same-Day Funds to the relevant Account. The Lender agrees with Gazprom that it will not deposit any other moneys into such Account and that no withdrawals shall be made from such Account other than as provided for and in accordance with the relevant Trust Deed and the Paying Agency Agreement.

6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by Gazprom under each Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes. If Gazprom shall be required by applicable law to make any deduction or withholding from any payment under a Loan Agreement for or on account of any Taxes, it shall increase any payment due under such Loan Agreement to such amount as may be necessary to ensure that the Lender receives a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes, Gazprom shall reimburse the Lender in the Specified Currency for such payment on demand. For the avoidance of doubt, this Clause 6.2 shall not be prejudiced by the failure (if any) by the Lender to satisfy its obligation to obtain a certificate from the competent Luxembourg authorities pursuant to Clause 10.7.1.

6.3 Withholding on Notes

If the Lender notifies Gazprom (setting out in reasonable detail the nature and extent of the obligation with such evidence as Gazprom may reasonably require) that it has become obliged to make any withholding or deduction for or on account of any Taxes from any payment which it is obliged to make under or in respect of a Series of Notes in circumstances where the Lender is required to pay additional amounts pursuant to Condition 8 of such Series of Notes, Gazprom agrees to pay to the Lender, not later than 10.00 am (Relevant Time) one Business Day prior to the date on which payment is due to the Noteholders of such Series in Same-Day Funds to the relevant Account, such additional amounts as are equal to the said additional amounts which the Lender must pay pursuant to Condition 8 of such Series of Notes; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any sums paid pursuant to this provision, to the extent that the Noteholders of such Series, as the case may be, are not entitled to such additional amounts pursuant to the Conditions of such Series of Notes, repay such additional amounts to Gazprom (it being understood that neither the Lender, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder of such Series is entitled to such additional amount).

6.4 Reimbursement

To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which Gazprom has made a payment pursuant to this Clause 6 or obtains any reimbursement from the Trustee pursuant to the terms of any Trust Deed, it shall pay to Gazprom so much of the benefit it received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by Gazprom pursuant to this Clause 6 or had no reimbursement been paid to the Lender pursuant to such Trust Deed; provided, however, that the question of whether any such benefit has been received, and accordingly, whether any payment should be made to Gazprom, the amount of any such payment and the timing of any such payment, shall be determined solely by the Lender. The Lender shall use its best endeavours to obtain any credits or refunds available to it, and the Lender shall disclose to Gazprom any information regarding its tax affairs or computations requested by Gazprom and notify Gazprom of any tax credit or allowance or other reimbursement it receives from the Trustee pursuant to such Trust Deed.

6.5 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of Gazprom to make any deduction, withholding or payment as described in sub-clauses 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or Gazprom's obligations, under such Clauses, such party shall promptly upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances. Gazprom agrees to reimburse the Lender for all properly incurred costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause.

7 Conditions Precedent

7.1 Documents to be Delivered

The obligation of the Lender to make each Loan shall be subject to the receipt by the Lender on or prior to the relevant Closing Date of evidence that the persons mentioned in sub-clauses 14.10.5 and 14.10.6 hereof have agreed to receive process in the manner specified therein.

7.2 Further Conditions

The obligation of the Lender to make each Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by Gazprom in Clause 9 shall be true and accurate as if made and given on such Closing Date with respect to the facts and circumstances then existing, (b) no event shall have occurred and be continuing that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default, (c) Gazprom shall not be in breach of any of the terms, conditions and provisions of the relevant Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed and the Paying Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in sub-clauses 3.2 and 3.4, if due and payable, above, as specified in the relevant Loan Supplement.

8 Change in Law or Increase in Cost

8.1 Compensation

In the event that after the date of a Loan Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof, which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on such Loan or any other amount payable under such Loan Agreement (other than any Taxes payable by the Lender on its overall net income or any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on such Loan or any other amount payable under such Loan Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.3 imposes or will impose on the Lender any other condition affecting such Loan Agreement or such Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining such Loan is increased; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender under such Loan Agreement is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from Gazprom hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of such Loan, then subject to the following, and in each such case:

(a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to Gazprom, together with a certificate signed by two directors of the Lender or by any person empowered by the board of directors of the Lender to sign on behalf of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the

basis on which such amount has been calculated, and all relevant supporting documents evidencing the matters set out in such written notice; and

(b) Gazprom, in the case of clauses (i) and (iii) above, shall on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return,

provided that this sub-clause 8.1 will not apply to or in respect of any matter for which the Lender has already been compensated under sub-clauses 6.2 or 6.3.

8.2 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to sub-clause 8.1:

8.2.1 the Lender shall consult in good faith with Gazprom and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, Gazprom's obligations to pay any additional amount pursuant to such sub-clause; and

8.2.2 Gazprom may, only in accordance with Clause 17 of the Principal Trust Deed (including with the consent of the Trustee thereunder), require the substitution of the Lender as lender under the relevant Loan Agreement(s) and as issuer of the corresponding Series of Notes, except that nothing in this sub-clause 8.2 shall obligate the Lender to incur any costs or expenses in taking any action hereunder unless Gazprom agrees to reimburse the Lender such costs or expenses.

9 Representations and Warranties

9.1 Gazprom's Representations and Warranties

Gazprom does, and on each Warranty Date shall be deemed to, represent and warrant to the Lender as follows, to the intent that such shall form the basis of each Loan Agreement:

9.1.1 Gazprom is duly organised and incorporated and validly existing under the laws of the Russian Federation and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under each Loan Agreement and to borrow Loans; Gazprom has taken all necessary corporate, legal and other action required to authorise the borrowing of Loans on the terms and subject to the conditions of each Loan Agreement and to authorise the execution and delivery of each Loan Agreement and all other documents to be executed and delivered by it in connection with each Loan Agreement, and the performance of each Loan Agreement in accordance with its terms.

9.1.2 The Loan Agreement, including each Loan Supplement in relation thereto, has been duly executed and delivered by Gazprom and constitutes a legal, valid and binding obligation of Gazprom enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) with respect to the enforceability of a judgment whether there is a treaty in force relating to the mutual recognition of foreign judgments; and (iii) to the fact that the gross-up provisions contained in sub-clause 6.2 or 6.3 may not be enforceable under Russian law.

9.1.3 The execution, delivery and performance of each Loan Agreement, including each Loan Supplement in relation thereto, by Gazprom will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial or public body or authority in the Russian Federation, (ii) the constitutive documents, rules and regulations of Gazprom or (iii) any agreement or other undertaking or instrument to which Gazprom is a party or which is binding upon Gazprom or any of its assets.

9.1.4 All consents, authorisations or approvals of, or filings with, any governmental, judicial and public bodies and authorities of the Russian Federation required by Gazprom in connection with the execution, delivery, performance, legality, validity, enforceability, and, subject to Russian legal requirements, admissibility in evidence of each Loan Agreement have been obtained or effected and are in full force and effect.

9.1.5 No event has occurred that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default or a default under any agreement or instrument evidencing any Financial Indebtedness of Gazprom, and no such event will occur upon the making of a Loan.

9.1.6 Except as disclosed in the base prospectus dated 7 December 2005 relating to the Programme (as amended or supplemented from time to time, the "Base Prospectus") there are no judicial, arbitral or administrative actions, proceedings or claims pending or, to the knowledge of Gazprom, threatened, against Gazprom or any of its Principal Subsidiaries, the adverse determination of which has or would be reasonably likely to have a Material Adverse Effect.

9.1.7 Except for Encumbrances of the types referred to in the definition of Permitted Encumbrances in sub-clause 1.1 hereof, Gazprom and each of its Principal Subsidiaries has the right of ownership (as that expression is defined under the laws of the Russian Federation) to its property free and clear of all Encumbrances which if created would be reasonably likely to have a Material Adverse Effect and Gazprom's obligations under the Loans will rank at least *pari passu* with all its other unsecured and unsubordinated Financial Indebtedness (apart from any obligations mandatorily preferred by law).

9.1.8 The most recent audited consolidated financial statements of Gazprom:

(i) were prepared in accordance with IFRS, as consistently applied; and

(ii) save as disclosed therein, present fairly in all material respects the assets and liabilities as at that date and the results of operations of Gazprom during the relevant financial year.

9.1.9 Except as disclosed in the Base Prospectus, there has been no material adverse change since the date of the last audited consolidated financial statements of Gazprom in the financial condition, results of business operations or prospects of Gazprom and the Group taken as a whole.

9.1.10 The execution, delivery and enforceability of each Loan Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein.

9.1.11 Neither Gazprom nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Loan Agreement.

9.1.12 Gazprom is in compliance in all material respects with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect.

9.1.13 Neither Gazprom, nor any of its Principal Subsidiaries has taken any corporate action nor, to the best of the knowledge and belief of Gazprom, have any other steps been taken or legal proceedings started or threatened in writing against Gazprom or any of its Principal Subsidiaries (except for those which, being contested in good faith and which are capable of being discharged or stayed within 45 Business Days, the Lender reasonably considers to be frivolous or vexatious) for its or their bankruptcy, winding-up, dissolution, external administration or re-organisation related thereto (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its or their assets or revenues.

9.1.14 In any proceedings taken in the Russian Federation in relation to each Loan Agreement, the choice of English law as the governing law of each Loan Agreement and any arbitration award obtained in England pursuant to Clause 14.10 in relation to each Loan

Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedural rules and all other legal requirements in the Russian Federation.

9.1.15 Subject to sub-clause 10.7.1, under the laws of the Russian Federation, it will not be required to make any deduction or withholding from any payment it may make hereunder.

9.1.16 Its execution of each Loan Agreement will constitute, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes.

9.1.17 It has no overdue tax liabilities which would be reasonably likely to have a Material Adverse Effect other than those which it has disclosed to the Lender prior to the date hereof or which it is contesting in good faith.

9.1.18 All licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable Gazprom and any of its Principal Subsidiaries to own its assets and carry on its business are in full force and effect and, if not, the absence of which would be reasonably likely to not have a Material Adverse Effect.

9.1.19 Gazprom, and each of its Principal Subsidiaries, is in compliance with all Environmental Law except where failure to do so could not have a Material Adverse Effect.

9.2 Lender's Representations and Warranties

The Lender represents and warrants to Gazprom as follows:

9.2.1 The Lender is duly incorporated under the laws of and is a resident for Luxembourg taxation purposes in Luxembourg and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same.

9.2.2 The execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Luxembourg or the constitutive documents, rules and regulations of the Lender or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety.

9.2.3 The Lender Agreements constitute legal, valid and binding obligations of the Lender.

9.2.4 All authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect.

9.2.5 So long as any amount remains outstanding under a Loan Agreement, it will comply with the provisions of Clause 14.14 of the Principal Trust Deed.

10 Covenants

So long as any amount remains outstanding under a Loan Agreement:

10.1 Negative Pledge

Neither Gazprom nor any Principal Subsidiary will create or permit to subsist any Encumbrance (other than a Permitted Encumbrance) upon or in respect of any of its undertakings, property, income, assets or revenues, present or future, to secure any Financial Indebtedness unless, at the same time or prior thereto, Gazprom's obligations hereunder are secured equally and rateably therewith or benefit from such other security or other arrangement, as the case may be, in each case to the satisfaction of the Trustee.

10.2 Maintenance of Authorisations

Gazprom shall take all necessary action to obtain, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation for the execution, delivery or performance of such Loan Agreement or for the validity or enforceability thereof.

10.3 Mergers

Gazprom shall not, without the prior written consent of the Lender, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed by applicable Russian legislation), or participate in any other type of corporate reconstruction and Gazprom shall ensure that no Principal Subsidiary enters into any reorganisation (whether by way of a merger, accession, division, separation or transformation as these terms are construed by applicable Russian legislation), or participate in any other type of corporate reconstruction if such reorganisation or other type of corporate reconstruction could have a material adverse effect on Gazprom's ability to perform its payment or other material obligations under such Loan Agreement or the validity or enforceability of such Loan Agreement or the rights or remedies of the Lender under such Loan Agreement.

10.4 Disposals

10.4.1 Gazprom shall not and Gazprom shall ensure that no member of the Group shall, without the prior written consent of the Lender, (disregarding (i) sales in the ordinary course of business and assignments of or other arrangements over the rights or revenues arising from contracts for the sale of gas, gas condensate, crude oil or any other hydrocarbon products, (ii) any lease or related transaction, (iii) dispositions of assets or rights not related to the extraction, production, transportation, marketing or supply of gas and (iv) assignments or other arrangements by way of security permitted under Clause 10.1) sell, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets (which for the avoidance of doubt excludes payments of cash, or other consideration, for the acquisition of any asset on normal commercial terms) which have an aggregate value in excess of U.S.$3,000,000,000 or the equivalent thereof to a Person that is not a member of the Group.

10.4.2 Sub-clause 10.4.1 does not apply to disposals of assets in exchange for other assets comparable or superior as to type, value and quality.

10.5 Maintenance of Property

Gazprom and any Principal Subsidiary will cause all property used in the carrying on by it of its business for the time being to be kept in good repair and working order as, in the judgment of Gazprom or such Principal Subsidiary, may be reasonably necessary so that the business may be carried on and the failure to keep such property in such condition would have a Material Adverse Effect.

10.6 Payment of Taxes and Other Claims

Gazprom shall pay or discharge or cause to be paid or discharged, before the same shall become overdue, all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of Gazprom; provided that Gazprom shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS as consistently applied or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, does not in the aggregate exceed U.S.$500,000,000.

10.7 Withholding Tax Exemption

10.7.1 The Lender shall provide Gazprom, as soon as practicable but in any event not later than 21 calendar days after 1 January in each calendar year with a certificate, issued and/or certified by the competent Luxembourg authorities, confirming that the Lender is resident in Luxembourg, provided that the Lender shall not be liable for any failure to provide, or any delays in providing, such residency certificate as a result of any action or inaction of the competent Luxembourg authorities, but shall notify Gazprom without delay about any such failure or delay with a written description of the actions taken by the Lender to obtain such residency certificate. In the event that the Lender has not complied with its duty to provide such certificate as set out in this sub-clause, Gazprom has a right of recourse against the Lender in respect of such non compliance. Such certificate shall be appropriately apostilled and a certified translation supplied.

10.7.2 Gazprom and the Lender agree that, should the Russian legislation regulating the procedure for obtaining an exemption from Russian income tax withholding change then the procedure referred to in sub-clause 10.7.1 will be deemed changed accordingly.

10.8 Maintenance of Insurance

Gazprom and any Principal Subsidiary shall keep those of their properties which are of an insurable nature insured with insurers who implement good business practices and are believed by Gazprom or such Principal Subsidiary, as the case may be, to be responsible against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated, except where the failure to maintain such insurance could not have a Material Adverse Effect.

10.9 Reports

10.9.1 Gazprom will furnish to the Lender, within 9 months of the relevant year-end, each set of audited annual financial statements prepared in accordance with IFRS as consistently applied, including a report thereon by Gazprom's certified independent accountants.

10.9.2 On each Interest Payment Date, Gazprom shall deliver to the Lender a written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred and shall be continuing, what action Gazprom is taking or proposes to take with respect thereto.

10.9.3 Gazprom will on request of the Lender provide the Lender with such further information, other than information which Gazprom determines in good faith to be confidential, about the business and financial condition of Gazprom and its Subsidiaries as the Lender may reasonably require (including pursuant to Clauses 14.5 and 14.12 of the Principal Trust Deed).

10.9.4 At any time after Gazprom or any subsidiary of Gazprom shall have purchased any Notes and retained such Notes for its own account or for the account of any other company, Gazprom will notify the Lender to that effect and thereafter deliver to the Lender as soon as practicable after being so requested in writing by the Lender a certificate of Gazprom setting out the total number of Notes which, at the date of such Note, are held by Gazprom for its own account or for the account of any other company or any subsidiary of Gazprom for its own account or for the account of any other company.

10.10 Compliance with Terms of Trust Deed

The Lender agrees that it will observe and comply with its obligations set out in the relevant Trust Deed and will not agree to any amendment to the terms of such Trust Deed without prior consultation, if reasonably practicable, with Gazprom. In addition, the Lender agrees that it will only exercise its power to appoint a new Trustee pursuant to Clause 26.1 of the Principal Trust Deed with the consent of Gazprom (such consent not to be unreasonably withheld or delayed).

11 Events of Default

11.1 Events of Default

11.1.1 Gazprom fails to pay within three Business Days any amount payable under a Loan Agreement as and when such amount becomes payable in the currency and in the manner specified therein, provided that such default will not be an Event of Default if (i) it occurs by reason only of administrative or technical difficulties affecting the transfer of the funds due from Gazprom, (ii) Gazprom issued the appropriate transfer and payment instructions in sufficient time to permit the transfer and payment of the amount due to be made on its due date and (iii) the Lender receives from Gazprom that amount within six Business Days after the due date for payment.

11.1.2 Gazprom fails to perform or observe any of its other obligations under a Loan Agreement and (except where in any such case that failure is not capable of remedy when no such notices as is hereinafter mentioned will be required) that failure continues for the period of 45 calendar days (or such longer period as the Lender may permit) next following the submission by the Lender to Gazprom of notice in writing requesting the same to be remedied.

11.1.3 Any representation or warranty of Gazprom or any statement deemed to be made by Gazprom in a Loan Agreement or in any other document, certificate or notice delivered to the Lender in connection with such Loan Agreement or the issue of the corresponding Series of Notes proves to have been inaccurate, incomplete or misleading in any material respect at the time it was made or repeated or deemed to have been made or repeated and the failure to render such representation or warranty true, correct and not misleading could have a Material Adverse Effect and such representation or warranty shall not have been rendered true, correct and otherwise not misleading in any material respect within 30 calendar days following the submission by the Lender to Gazprom of notice in writing requesting the same to be remedied.

11.1.4 Gazprom or any Principal Subsidiary (i) fails to pay any of its Financial Indebtedness as and when such Financial Indebtedness becomes payable, taking into account any applicable grace period or (ii) fails to perform or observe any covenant or agreement to be performed or observed by it contained in any other agreement or in any instrument evidencing any of its Financial Indebtedness if, as a result of such failure, any other party to such agreement or instrument has exercised the right to accelerate the maturity of any amount owing thereunder and such amount becomes so accelerated; provided, that the total amount of such Financial Indebtedness unpaid and accelerated exceeds U.S.$20,000,000 (or its equivalent in another currency); provided however that this sub-clause 11.1.4 shall not apply to foreign currency Financial Indebtedness owed to Russian Persons (being Russian citizens or legal entities organised under Russian law or having their chief place of business in the Russian Federation).

11.1.5 Gazprom or any Principal Subsidiary commences negotiations with its creditors generally with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors generally; provided that the same could have a Material Adverse Effect.

11.1.6 Gazprom or any Principal Subsidiary takes any corporate action or any order is made by a competent court for its winding-up, dissolution, external administration or re-organisation whether by way of voluntary arrangement, scheme of arrangement or otherwise or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of all or a material part of its revenues and assets; provided that the same could have a Material Adverse Effect.

11.1.7 Gazprom or any Principal Subsidiary (i) fails or is unable to pay its debts generally as they become due (ii) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights as is similar to bankruptcy law, or (iii) a bankruptcy (insolvency) petition in respect of Gazprom or any Principal Subsidiary is accepted by any competent court and bankruptcy proceedings are initiated by such competent court and are not dismissed within 30 calendar days, or any action is brought in and accepted by any competent court for the liquidation of Gazprom

or any Principal Subsidiary or a Russian federal law that provides for the liquidation of Gazprom as operator of the Unified Gas Supply System is adopted and comes into effect provided that the same could have a Material Adverse Effect.

11.1.8 Any governmental authorisation necessary for the performance of any obligation of Gazprom under a Loan Agreement fails to be in full force and effect and such failure has not been remedied within 30 calendar days after the occurrence thereof.

11.1.9 Any governmental authority or court takes any action that has a material adverse effect on Gazprom's ability to perform its obligations under a Loan Agreement or the validity or enforceability of a Loan Agreement or the rights or remedies of the Lender under a Loan Agreement, save where such action is being contested in good faith by Gazprom and is not removed, paid out, stayed or discharged within 45 calendar days of such action being taken.

11.1.10 Any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any material part of, the assets of Gazprom or any event occurs which under the laws of any jurisdiction has a similar or analogous effect and the same could have a Material Adverse Effect unless such execution, distress, enforcement of an Encumbrance or similar or analogous event is being contested in good faith by Gazprom and is not removed, paid out, stayed or discharged within 45 calendar days of such execution, distress being levied, taking of possession or similar or analogous act, as the case may be.

11.1.11 There are unsatisfied final judgments, decrees or orders of courts of competent jurisdiction or other appropriate and competent law-enforcement bodies for the payment of money against Gazprom and its Principal Subsidiaries which could have a Material Adverse Effect and there is a period of 30 calendar days following the entry thereof during which the relevant judgment, decree or order is not appealed, discharged, waived or the execution thereof stayed and such default continues for 10 calendar days after the notice specified in sub-clause 11.2.

11.1.12 Any seizure, compulsory acquisition, expropriation or nationalisation after the date of a Loan Agreement by or under the authority of a government authority of all or part (the book value of which is fifteen per cent. (15 per cent.) or more of the book value of the whole) of the assets or all or more than fifteen per cent. (15 per cent.) of the voting or non-voting shares of Gazprom or any Principal Subsidiary is made by any person.

11.1.13 Gazprom or any of its Principal Subsidiaries ceases to carry on the principal business it carries on at the date of a Loan Agreement; provided that, in the case of a Principal Subsidiary, the same could have a Material Adverse Effect.

11.1.14 At any time it is or becomes unlawful for Gazprom to perform or comply with any or all of its (in the opinion of the Lender) material obligations under a Loan Agreement or any of such material obligations (subject as provided in sub-clause 9.1.2) are not, or cease to be, legal, valid, binding and enforceable.

11.1.15 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs, subject to the same thresholds and cure periods as set out in the relevant paragraph.

11.2 Notice of Default

Gazprom shall deliver to the Lender and the Trustee, (i) promptly upon becoming aware thereof, or (ii) within 10 days of any written request by the Lender, written notice in the form of an Officers' Certificate substantially in the form of Schedule 2, stating whether any event which is a Potential Event of Default or an Event of Default has occurred, its status and what action Gazprom is taking or proposes to take with respect thereto.

11.3 Default Remedies

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to Gazprom, (a) declare the obligations of the Lender under the relevant Loan Agreement to be immediately terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Loan Agreement by Gazprom that would otherwise be due after the date of

such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all expressly waived by Gazprom; provided, however, that if any event of any kind referred to in sub-clause 11.1.7 occurs, the obligations of the Lender under such Loan Agreement shall immediately terminate, and all amounts payable under such Loan Agreement by Gazprom that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are especially waived by Gazprom.

11.4 Rights Not Exclusive

The rights provided for in each Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

12 Indemnity

12.1 Indemnification

Gazprom undertakes to the Lender that if the Lender or any director, officer, employee or agent (other than the Principal Paying Agent or any of the Paying Agents) of the Lender (each an "**Indemnified Party**") incurs any loss, liability, cost, claim, charge, expense (including all legal fees properly incurred) demand or damage (a "**Loss**") which may be properly incurred in respect of a Loan Agreement (or enforcement thereof), and/or the issuance, constitution, sale, listing and/or enforcement of the corresponding Series of Notes and/or the Notes of such Series being outstanding (excluding a Loss that is the subject of the undertakings contained in Clauses 8 and 13 and sub-clause 14.6 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss)) Gazprom shall pay to the Indemnified Party on demand an amount equal to such Loss (as evidenced by an invoice distributed to Gazprom by the Lender in accordance with sub-clause 14.4) unless, in any such case, such Loss was either caused by such Indemnified Parties' negligence or wilful misconduct or arose out of a breach of the representations and warranties of the Lender contained herein or in the Dealer Agreement; provided that this sub-clause 12.1 will not apply to or in respect of any Taxes with respect to payments of principal and interest on the Loan or any other amount payable under such Loan Agreement. It is understood and agreed that any payment to be made by Gazprom pursuant to this Clause 12.1 shall be made through the Lender acting as paying agent pursuant to a paying agent agreement dated 7 December 2005 between Gazprom and the Lender, provided that any obligation of Gazprom to pay any amount pursuant to this Clause 12.1 shall only be discharged to the extent that payments of such amount is actually received by the relevant Indemnified Party. It is understood that the amount of Loss that is to be paid pursuant to the preceding provisions of this paragraph, provided such amount is duly documentarily evidenced, will be paid by Gazprom on the basis of an invoice distributed to Gazprom by the Lender and a delivery and acceptance act signed by the parties.

12.2 Notice and Payment of Loss, Defence of Action and Settlement

If any proceeding (including a governmental investigation), claim or demand shall be instituted involving an Indemnified Party, it shall promptly notify Gazprom in writing and Gazprom shall have the right to assume the defence thereof and appoint lawyers which are acceptable to the Indemnified Party (acting reasonably in assessing acceptability) and shall be liable to pay the fees and expenses of such lawyers related to such proceeding. In any proceeding, the Indemnified Party shall have the right to retain its own lawyers, but the fees and expenses of such lawyers shall be at the expense of the Indemnified Party unless (i) Gazprom and the Indemnified Party shall have mutually agreed to the retention of such lawyers or (ii) the named parties to any such proceeding (including any joined parties) include Gazprom and the Indemnified Party and representation of both parties by the same lawyers (in the reasonable opinion of the Indemnified Party) would be inappropriate due to actual or potential differing interests between them or (iii) pursuant to the previous sentence Gazprom has elected to assume the defence itself but has within a reasonable time after the notification of the institution of such action failed to appoint lawyers as contemplated above or (iv) pursuant to the previous sentence Gazprom has elected not to assume such defence itself and the Indemnified Party has assumed such defence and retained lawyers in respect thereof. It is understood that Gazprom shall reimburse such fees and expenses as they are

incurred in respect of (i), (ii), (iii) and (iv) above. Gazprom shall not be liable for any settlement of any such proceeding, claim or demand effected without its written consent (provided that such consent shall not be unreasonably withheld or delayed), but if settled with such consent (or without such consent in circumstances where such consent shall have been unreasonably withheld or delayed as aforesaid) or if there be a final judgment for the Indemnified Party, Gazprom agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Gazprom will not settle any proceeding in respect of which indemnity may be sought pursuant to Clause 12.1 without the written consent of the relevant Indemnified Party, unless such settlement includes an unconditional release of each Indemnified Party from all liability arising out of such proceeding, claim or demand.

12.3 Independent Obligation

Sub-clause 12.1 constitutes a separate and independent obligation of Gazprom from its other obligations under or in connection with each Loan Agreement or any other obligations of Gazprom in connection with the issuance of Notes by the Lender and shall not affect, or be construed to affect, any other provision of a Loan Agreement or any such other obligations.

12.4 Evidence of Loss

A certificate of the Lender, supported by relevant documentation, setting forth the amount of losses, expenses and liabilities described in sub-clause 12.1 and specifying in full detail the basis therefor shall be prima facie evidence of the amount of such losses, expenses and liabilities.

12.5 Survival

The obligations of Gazprom pursuant to sub-clauses 6.2, 6.3 and 12.1 shall survive the execution and delivery of each Loan Agreement and the drawdown and repayment of the relevant Loan, in each case by Gazprom.

13 Expenses

13.1 Reimbursement of Front-end Expenses

Gazprom shall, pursuant to sub-clause 3.2 hereof and the relevant Loan Supplement, reimburse the Lender in the Specified Currency for all reasonable documented costs and expenses properly incurred by the Lender in connection with the negotiation, preparation and execution of each Loan Agreement. Reimbursement shall be made pursuant to invoices submitted by the Lender to Gazprom.

13.2 Payment of Ongoing Expenses

In addition, Gazprom hereby agrees to pay to the Lender on demand in the Specified Currency all reasonable documented ongoing commissions, costs, fees and expenses (including, without limitation, enforcement costs), payable by the Lender under or in respect of the Lender Agreements. Gazprom shall also reimburse the Lender for any indemnification or other payment obligations of the Lender under or in respect of the Lender Agreements, (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of the corresponding Series of Notes). Payments to the Lender referred to in this sub-clause 13.2 shall be made by Gazprom on the basis of an invoice submitted to Gazprom by the Lender and a delivery and acceptance act signed by the parties at least two Business Days before the relevant payment is to be made or expense incurred.

14 General

14.1 Evidence of Debt

The entries made in the relevant Account shall, in the absence of manifest error, constitute prima facie evidence of the existence and amounts of Gazprom's obligations recorded therein.

14.2 Stamp Duties

14.2.1 Gazprom shall pay all stamp, registration and documentary taxes or similar charges (if any) imposed on Gazprom by any Person in the Russian Federation, Luxembourg or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by Gazprom to pay such taxes or similar charges.

14.2.2 Gazprom agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes or similar charges (if any) imposed by any person in the Russian Federation, the United States of America or Luxembourg which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and any documents related thereto as well as Notes of corresponding Series and any documents related thereto, Gazprom shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses connected with the payment of such amounts.

14.3 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or Gazprom, any right, power to privilege under any Loan Agreement and no course of dealing between Gazprom and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

14.4 Notices

All notices, requests, demands or other communications to or upon the respective parties to each Loan Agreement shall be given or made in the English language by facsimile transmission or otherwise in writing and shall be deemed to have been duly given or made to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Loan Agreement:

(a) if by way of hand or courier, when such communications have been signed for or a receipt has been issued or some similar delivery confirmation has been given; and

(b) if sent by facsimile transmission, when confirmation to its transmission has been recorded by the sender's fax machine at the end of the communication,

such notice, request, demand or other communication to be addressed as follows:

14.4.1 if to Gazprom:

Open Joint Stock Company Gazprom
16 Nametkina Street
117884 Moscow
Russian Federation
Fax: (7 495) 718 6393
Attention: Financial and Economic Department

14.4.2 if to the Lender:

Gaz Capital S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Fax: (352) 421 22 718
Attention: The Directors

or to such other address or facsimile number as any party may hereafter specify in writing to the other.

14.5 Assignment

14.5.1 Each Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Loan Agreement. Any reference in a Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender or the giving of an opinion by the Lender, following the enforcement of the security and/or assignment referred to in sub-clause 14.5.2 below, shall be references to the exercise of such rights or discretions or the giving of an opinion by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any discussions between the Lender and Gazprom or any agreements of the Lender or Gazprom pursuant to sub-clauses 6.4 or 6.5 or Clause 8.

14.5.2 Gazprom shall not assign or transfer all or any part of its rights or obligations hereunder to any other party.

14.5.3 The Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under any Loan Agreement except pursuant to (i) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of the Lender's rights and benefits under such Loan Agreement and (ii) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under such Loan Agreement, in each case, pursuant to Clause 6 of the relevant Supplemental Trust Deed.

14.6 Currency Indemnity

To the fullest extent permitted by law, the obligation of Gazprom in respect of any amount due in the Specified Currency under a Loan Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Specified Currency that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in the Specified Currency that may be so purchased for any reason falls short of the amount originally due (the "Due Amount"), Gazprom hereby agrees to indemnify and hold harmless the Lender against any deficiency in the Specified Currency. Any obligation of Gazprom not discharged by payment in the Specified Currency shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided the relevant Loan Agreement, shall continue in full force and effect. If the amount in the Specified Currency that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to Gazprom.

14.7 Prescription

Subject to the Lender having received such amounts from Gazprom, the Lender shall forthwith repay to Gazprom as redundant payments the amount equal to the principal amount or the interest amount thereon, respectively, of any Series of Notes upon any Notes of such Series becoming void pursuant to Condition 11 of such Notes. The Lender and Gazprom shall, at such time, enter into an amendment to the relevant Loan Agreement providing for such repayment and the corresponding reduction of the relevant Loan in form satisfactory to Gazprom.

14.8 Contracts (Rights of Third Parties) Act 1999

A person who is not a party to a Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Loan Agreement.

14.9 Choice of Law

Each Loan Agreement shall be governed by, and construed in accordance with, the laws of England.

14.10 Jurisdiction

14.10.1 For the exclusive benefit of the other party, each of Gazprom and the Lender hereby irrevocably agrees that the courts of England shall have jurisdiction to settle any disputes

which may arise out of or in connection with any Loan Agreement and that accordingly any suit, action or proceeding (collectively, "Proceedings") arising out of or in connection with such Loan Agreement may be brought in such courts.

14.10.2 Each of the parties irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any Proceedings in any such court referred to in this Clause 14 and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a final and conclusive judgment in any Proceedings brought in the English courts with competent jurisdiction shall be conclusive and binding and may be enforced in the courts of any other jurisdiction.

14.10.3 Nothing contained in any Loan Agreement shall limit the right of any party to take Proceedings against another party in any other court of competent jurisdiction to the extent permitted by any applicable law, nor shall the taking of Proceedings in connection with such Loan Agreement in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction or in any other court of competent jurisdiction in connection with such Loan Agreement to the extent permitted by any applicable law.

14.10.4 Each of the parties hereby agrees that, at the option of the other party, any dispute, controversy, claim or cause of action brought by any party against another party or arising out of or relating to any Loan Agreement may be settled by arbitration in accordance with the Rules of the LCIA (formerly the London Court of International Arbitration) (the "**LCIA**"), which rules are deemed to be incorporated by reference into this Clause. The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall not be interested in the dispute or controversy, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If a dispute, claim controversy or cause of action shall involve more than two parties, the parties thereto shall attempt to align themselves on two sides (i.e. claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such dispute, claim controversy or cause of action. If such alignment and appointment shall not have occurred within twenty (20) calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within thirty (30) calendar days of the selection of the second arbitrator, the Arbitration Court of the LCIA shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

Fees of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

14.10.5 The Lender agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Deutsche Bank Luxembourg S.A., c/o Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB or its other principal place of business in England for the time being or at any other address for the time being at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on the written demand of Gazprom, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 calendar days, Gazprom shall be entitled to appoint such a

person by written notice to the Lender. Nothing in this Clause shall affect the right of Gazprom to serve process in any other manner permitted by law.

14.10.6 Gazprom agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Gazprom (U.K.) Limited at its registered office being at 41 Vine Street, London EC3N 2AA or its other principal place of business in England for the time being or at any other address for the time being at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on Gazprom's behalf, Gazprom shall, on the written demand of the Lender, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 calendar days, the Lender shall be entitled to appoint such a person by written notice to Gazprom. Nothing in this Clause shall affect the right of the Lender to serve process in any other manner permitted by law.

14.10.7 Gazprom irrevocably and unconditionally:

(i) waives all rights of immunity in respect of it or its assets;

(ii) agrees not to claim immunity from proceedings brought by the Lender against it in relation to any Loan Agreement and to ensure that no such claim is made on its behalf; and

(iii) consents generally to the giving of any relief or the issue of any process in connection with these proceedings.

14.11 Counterparts

Each Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

14.12 Language

The language which governs the interpretation of each Loan Agreement is the English language.

14.13 Amendments

Except as otherwise provided by its terms, each Loan Agreement may not be varied except by an agreement in writing signed by the parties.

14.14 Partial Invalidity

The illegality, invalidity or unenforceability to any extent of any provision of each Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

SCHEDULE 1

FORM OF LOAN SUPPLEMENT

This Loan Supplement is made on ● **between**:

(1) **GAZ CAPITAL S.A.**, a société anonyme established under the laws of Luxembourg whose registered office is at 2, Boulevard Konrad Adenauer L-1115 Luxembourg, registered with the Register of Commerce and Companies, Luxembourg under number B-95071 (the "**Lender**") and

(2) **OPEN JOINT STOCK COMPANY GAZPROM,** a company established under the laws of the Russian Federation whose registered office is at 16 Nametkina Street, 117997 Moscow, Russian Federation ("**Gazprom**").

Whereas:

(A) Gazprom has entered into an amended and restated facility agreement dated 7 December 2005 (the "**Facility Agreement**") with the Lender in respect of Gazprom's U.S.$30,000,000,000 Programme for the Issuance of loan participation notes (the "**Programme**").

(B) Gazprom proposes to borrow ● (the "**Loan**") and the Lender wishes to make such Loan on the terms set out in the Facility Agreement and this Loan Supplement.

It is agreed as follows:

1 Definitions

Capitalised terms used but not defined in this Loan Supplement shall have the meaning given to them in the Facility Agreement save to the extent supplemented or modified herein.

2 Additional Definitions

For the purpose of this Loan Supplement, the following expressions used in the Facility Agreement shall have the following meanings:

"**Account**" means the account in the name of the Lender with the Principal Paying Agent (account number ● , ●);

"**Base Prospectus**" means ● ;

["**Calculation Agent**" means Deutsche Bank AG, London Branch;]

"**Closing Date**" means ● ;

["**Early Redemption Amount**" means ● per ● amount of the Loan, plus accrued interest, if any, to the Redemption Date;]

"**Gazprom Account**" means the account in the name of Gazprom (account number ●);

"**Loan Agreement**" means the Facility Agreement as amended and supplemented by this Loan Supplement;

["**Make Whole Premium**" means the excess, if any (as reported in writing to the Issuer and the Trustee by a reputable financial institution operating in ● market in ● selected by the Issuer and approved in writing by the Trustee (the "**Financial Adviser**") (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)), of (a) the value at the Redemption Date of the principal amount of the Loan, plus all required interest payments that would otherwise be due to be paid on the Loan during the period between the Redemption Date and the Repayment Date, excluding accrued but unpaid interest at the Redemption Date, calculated using a discount rate equal to ● basis points above the Treasury Rate over (b) the outstanding principal amount of the Loan;]

"**Notes**" means ● per cent. [Floating Rate] Loan Participation Notes due ● issued by the Lender as Series ● under the Programme;

["**Put Settlement Date**" means ● ;]

"**Repayment Date**" means ● ;

"**Side Letter**" means ● ;

"**Specified Currency**" means ● ;

"**Subscription Agreement**" means an agreement between the Lender, Gazprom and ● dated ● relating to the Notes;

["**Treasury Rate**" means a rate equal to the yield, as published by the ● , on actively traded ● with a maturity comparable to the remaining life of the Loan, as selected by the Financial Adviser. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary ● dealers in ● selected by the Financial Adviser. The Treasury Rate will be calculated on the third day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business generally in ● preceding the Redemption Date; and]

"**Trust Deed**" means the Amended and Restated Principal Trust Deed between the Lender and the Trustee dated 7 December 2005 as amended and supplemented by a Supplemental Trust Deed to be dated on or about ● constituting and securing the Notes.

3 Incorporation by Reference

Except as otherwise provided, the terms of the Facility Agreement shall apply to this Loan Supplement as if they were set out herein and the Facility Agreement shall be read and construed, only in relation to the Loan constituted hereby, as one document with this Loan Supplement.

4 The Loan

4.1 Drawdown

Subject to the terms and conditions of the Loan Agreement, the Lender agrees to make the Loan on the Closing Date to Gazprom and Gazprom shall make a single drawing in the full amount of the Loan on that date.

4.2 Interest

The Loan is a [Fixed Rate][Floating Rate] Loan [and the Notes comprise a Rule 144A Series]. Interest shall be calculated, and the following terms used in the Facility Agreement shall have the meanings, as set out below:

4.2.1	**Fixed Rate Loan Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Interest Commencement Date:	●
(ii)	Rate[(s)] of Interest:	● per cent. per annum payable [annually/semi-annually] in arrears
(iii)	Interest Payment Date(s):	● in each year
(iv)	Fixed Amount[(s)]:	● per ● in principal amount
(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount[(s)]*]]
(vi)	Day Count Fraction (Clause 4.9):	[30/360/Actual/Actual (ICMA/ISDA)/ other]
(vii)	Determination Date(s) (Clause 4.9):	● in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*]
(viii)	Other terms relating to the method of calculating interest for Fixed Rate Loans:	[Not Applicable/*give details*]

4.2.2	**Floating Rate Loan Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Commencement Date:	●
	(ii)	Interest Period(s):	●
	(iii)	Specified Interest Payment Dates:	●
	(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
	(v)	Business Centre(s) (Clause 4.9):	●
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
	(vii)	Interest Period Date(s):	[Not Applicable/*specify dates*] *(will be not applicable unless different from Interest Payment Date)*
	(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	
	(ix)	Screen Rate Determination (Clause 4.3.3): —Reference Rate: —Interest Determination Date(s): —Relevant Screen Page:	
	(x)	ISDA Determination (Clause 4.3.3): —Floating Rate Option: —Designated Maturity: —Reset Date:	●
	(xi)	Margin(s):	● per cent. per annum
	(xii)	Minimum Rate of Interest:	● per cent. per annum
	(xiii)	Maximum Rate of Interest:	● per cent. per annum
	(xiv)	Day Count Fraction (Clause 4.9):	●
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Loans, if different from those set out in the Facility Agreement:	●
4.2.3	**Put/Call Options**		[Put Option/Call Option/Not Applicable]

5 Fees and Expenses

Pursuant to Clause 3.2 of the Facility Agreement and in consideration of the Lender making the Loan to Gazprom, Gazprom hereby agrees that it shall, one Business Day before the Closing Date, pay to the Lender, in Same-Day Funds, the amount of the reasonably documented reimbursable

expenses incurred by the Lender in connection with such Loan, [which expenses shall include the amount of all of the commissions, fees, costs and expenses as set forth in sub-clauses [5.1] and [5.2] of the Subscription Agreement, paragraphs 1 and 4 of the Fee Side Letter and sub-clauses 3.2 and 13.1 of the Facility Agreement] pursuant to an invoice submitted by the Lender to Gazprom in the total amount of ● .

6 Governing Law

This Loan Supplement shall be governed by and construed in accordance with English law. This Loan Supplement has been entered into on the date stated at the beginning.

SCHEDULE 2

FORM OF OFFICERS' CERTIFICATE

To: Gaz Capital S.A.
Deutsche Bank Trust Company Americas

From: Open Joint Stock Company Gazprom

Dated:

Dear Sirs

Open Joint Stock Company Gazprom—U.S.$30,000,000,000 Amended and Restated Facility Agreement dated 7 December 2005 (the "Loan Agreement")

1 We refer to the Loan Agreement. This is an Officers' Certificate for the purposes of Clause 11.2 of the Loan Agreement.

2 We confirm that no Potential Event of Default or Event of Default has occurred since the date of our last certification, or if none, the Closing Date(1).

Terms used but not defined herein shall have the meanings given to them in the Loan Agreement.

For and on behalf of Open Joint Stock Company Gazprom

Signed: _____
[principal executive officer/ principal accounting officer/principal financial officer] of Open Joint Stock Company Gazprom

Signed: _____
[officer] of Open Joint Stock Company Gazprom

(1) If this statement cannot be made, the certificate should identify any Potential Event of Default or Event of Default that is continuing and the steps, if any, being taken to remedy it.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of Part A of the relevant Final Terms) will be attached to the Notes in definitive form, if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with Part A of the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified hereon (the "**Supplemental Trust Deed**") supplemental to an amended and restated principal trust deed (as further amended or supplemented as at the Issue Date, the "**Principal Trust Deed**") dated December 7, 2005, each made between Gaz Capital S.A. (the "**Issuer**") and Deutsche Bank Trust Company Americas (the "**Trustee**", which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee and successors thereof for the holders of the Notes (the "**Noteholders**"). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the "**Trust Deed**".

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a loan (the "**Loan**") as specified hereon to Open Joint Stock Company Gazprom (the "**Borrower**"). The Issuer and the Borrower have recorded the terms of the Loan in an amended and restated facility agreement (the "**Facility Agreement**") dated December 7, 2005, as supplemented on the Issue Date specified hereon by a loan supplement (the "**Loan Supplement**") each between the Issuer and the Borrower (together, the "**Loan Agreement**").

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement.

The Issuer has charged by way of charge in favour of the Trustee for the benefit of the Noteholders as security for its payment obligations in respect of the Notes and under the Trust Deed (a) all principal, interest and other amounts payable by Gazprom to the Issuer as lender under the Loan Agreement, (b) the right to receive all sums which may be or become payable by Gazprom under any claim, award or judgment relating to the Loan Agreement and (c) all the rights, title and interest in and to all sums of money now or in the future deposited in an account with Deutsche Bank AG, London Branch in the name of the Issuer (the "**Account**") and debts represented thereby, including interest from time to time earned on the Account (other than any rights and benefits constituting Reserved Rights and amounts relating to the Reserved Rights (as defined in the Trust Deed)) (the "**Charge**") and has assigned absolutely certain other rights under the Loan Agreement to the Trustee (the "**Assignment**" and together with the Charge, the "**Security Interests**"). At any time following the occurrence of an Event of Default (as defined in the Loan Agreement) or a Relevant Event (as defined in the Trust Deed) and subject as provided in the Trust Deed and Condition 9, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to, an amended and restated paying agency agreement (the "**Agency Agreement**") dated December 7, 2005 and made between the Issuer, Deutsche Bank Luxembourg S.A. as paying agent and Luxembourg registrar, Deutsche Bank Trust Company Americas as paying agent and U.S. registrar (together with Deutsche Bank Luxembourg S.A. in such capacity, each a "**Registrar**", which expressions shall include any successors), Deutsche Bank AG, London Branch as the principal paying agent (the "**Principal Paying Agent**") and calculation agent, Deutsche International Corporate Services (Ireland) Limited as paying agent and Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A. as

transfer agents (the "**Transfer Agents**"), which expressions shall include any additional or successor transfer agents), the Borrower and the Trustee.

Copies of the Trust Deed, the Loan Agreement, the Agency Agreement and the Final Terms are available for inspection at the principal office of the Trustee being, at the date hereof, at 60 Wall Street, New York, NY 10005, United States of America, at the specified office of the Principal Paying Agent and at the specified office of the Paying Agent in Ireland.

The statements contained in these Terms and Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Final Terms, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and certain provisions of the Agency Agreement.

All capitalised terms used but not otherwise defined in these Terms and Conditions have the meanings given to them in the Trust Deed.

1 Status

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and other amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or other amounts (if any) pursuant to the Loan Agreement will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of set-off or counterclaim that may arise out of other transactions between the Issuer or the Trustee and the Borrower.

Noteholders have notice of, and have accepted, these Terms and Conditions, the Final Terms and the contents of the Trust Deed and the Loan Agreement, and have hereby accepted that:

1.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph 1.6 below, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any other amounts) due or to become due from the Borrower under the Loan Agreement;

1.2 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of the Borrower;

1.3 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;

1.4 neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, any of the Paying Agents, the Registrar or the Transfer Agent of their respective obligations under the Agency Agreement;

1.5 the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes a legal, valid and binding obligation of the Borrower; and

1.6 the Issuer and the Trustee shall be entitled to rely on a certificate signed by a duly authorised officer of the Borrower confirming that the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will

not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security; the Trustee has no responsibility for the value of such security.

1.7 Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

1.8 In the event that the payments under the Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will pro tanto satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the Assigned Rights granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured to its satisfaction.

2 Form, Denomination and Title

The Notes will be issued in fully registered form, and in the Specified Denomination shown hereon or integral multiples thereof, without interest coupons; provided that the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 and further provided that all Notes will have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of those Notes).

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples of the Tradeable Amounts in excess thereof provided in the relevant Final Terms.

A Note issued under the Principal Trust Deed may be a Fixed Rate Note, a Floating Rate Note, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified hereon.

3 Register, Title and Transfers

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the "holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly. A Note will be issued to each Noteholder in respect of its registered holding.

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

A Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

Subject to the last paragraph of this Condition 3, within five business days of the surrender of a Note in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Note to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office.

The transfer of a Note will be effected without charge but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

4 Restrictive Covenants

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee, agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee shall not, *inter alia*, incur any other indebtedness for borrowed moneys, engage in any other business (other than acquiring and holding the Charged Property in respect of each Series, issuing Notes, entering into Loans and performing any act incidental to or necessary in connection with the foregoing), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these conditions and the Trust Deed), issue any shares, give any guarantee or assume any other liability, or subject to the laws of Luxembourg, petition for any winding-up or bankruptcy.

5 Interest

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified hereon which shall be equal to the rate per annum at which interest under the Loan accrues. Accordingly, on each Interest Payment Date the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the

preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and as set out in the Loan Agreement.

(c) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(d) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction as specified hereon and in the Loan Agreement, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(e) **Publication of Rates of Interest and Interest Amounts:** The Calculation Agent shall, as soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date as set out in the Loan Agreement, cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, Gazprom, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Clause 11 of the Facility Agreement, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by

the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(f) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount pursuant to the Loan Agreement, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply or shall have applied the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

6 Redemption

Unless previously prepaid or repaid pursuant to Clause 5.2 or 5.3 of the Facility Agreement, the Borrower will be required to repay the Loan one Business day prior to its Repayment Date (as defined in the Loan Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will be redeemed or repaid by the Issuer in the relevant Specified Currency on the Maturity Date specified hereon at their Final Redemption Amount (which, unless otherwise specified hereon, is 100% of the principal amount thereof).

If the Loan should become repayable (and be repaid) pursuant to the Loan Agreement prior to its Repayment Date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their Early Redemption Amount (which, unless otherwise specified hereon is par together with interest accrued to the date of redemption) and the Issuer will endeavour to give not less than eight days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights) following acceleration of the Loan pursuant to clause 11 of the Loan Agreement, the Issuer shall pay an amount equal to and in the same currency as such amounts on the Business Day following receipt of such amounts, subject as provided in Condition 7.

The Issuer, subject to the Borrower's written consent (which consent shall not be unreasonably withheld or delayed), may compel any beneficial owner of Notes initially sold pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and also a qualified purchaser (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940).

If Call Option is specified hereon, then pursuant to Clause 5.5 of the Facility Agreement and the relevant Loan Supplement, the Borrower may, at its option at any time prior to the Repayment Date specified hereon on giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer, in whole or in part, repay the Loan at the Early Redemption Amount specified hereon plus the Make Whole Premium specified hereon (the "**Call Option**"). The notice to be given (the "**Call Option Notice**") shall specify the date for repayment of the Loan and the date for the redemption of the Notes (the "**Call Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan. Immediately on receipt of the Call Option Notice, the Issuer shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. If the Loan should become repayable following exercise of the Call Option by the Borrower (and be repaid) prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of such amounts from the Borrower under the Loan, redeem the Notes on the Call Redemption Date. In the case of a partial redemption, the Notes shall be redeemed *pro rata* and otherwise in such manner as the Trustee deems appropriate, subject to compliance with any applicable laws and stock exchange or other regulatory requirements. The Issuer's obligations in respect of this Condition 6 to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Redemption Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

If Put Option is specified hereon, the Issuer shall, at the option of any Noteholder redeem such Note on the Put Settlement Date specified hereon (the "**Put Option**") at its principal amount together with accrued interest. To exercise such option a Noteholder must deposit the Note or Notes to be

redeemed with any Paying Agent together with a duly completed put redemption notice in the form obtainable from any of the Paying Agents, not more than 60 but not less than 30 days prior to the Put Settlement Date. No Note so deposited may be withdrawn. Provided, however, that if, prior to the Put Settlement Date, a Relevant Event has occurred or, upon due presentation of any Note on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note shall, without prejudice to the exercise of the Put Option, be returned to the Noteholder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Issuer shall notify the Borrower, not more than three Business Days after receipt of notice thereof from the Paying Agent, of the amount of the Loan to be prepaid as a consequence of the exercise by Noteholders of the option contained in this Condition 6. Subject to timely receipt of the relevant amounts from the Borrower under the Loan Agreement, the Issuer shall redeem the Notes in accordance with this Condition 6 on the Put Settlement Date, subject as provided in Condition 7.

7 Payments and Agents

Payments of principal shall be made against presentation and surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of any Transfer Agent or of the Registrar and in the manner provided in the paragraph below.

Interest shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest shall be made in the Specified Currency by cheque drawn on a bank in the principal financial centre for the Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System (a "**Bank**") and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank, or by transfer to an account in the Specified Currency maintained by the payee with, a Bank in the principal financial centre of such Specified Currency or in the case of euro, a Bank specified by the payee or at the option of the payee, by a euro-cheque and (in the case of interest payable on redemption) upon surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If the due date for payments of interest or principal is not a business day, a Noteholder shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon, and (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a TARGET Business Day.

The names of the initial Paying Agents and their initial specified offices are set out below. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Principal Paying Agent or any of the Paying Agents, and appoint additional or other paying agents provided that (i) so long as the Notes are listed and/or admitted to trading on any stock exchange or market or admitted to listing by any other relevant authority, there will be a paying agent and transfer agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or market or other relevant authority and (ii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such Directive. Any such variation, termination or appointment

shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified hereon shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

Save as otherwise directed by the Trustee at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to clause 6 of the Agency Agreement require the Borrower to make all payments of principal and interest to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer (the "Account"). Under the Charge, the Issuer will charge by way of charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of the Noteholders.

8 Taxation

All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Russian Federation or Luxembourg or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives an equivalent amount from the Borrower under the Loan Agreement. To the extent that the Issuer receives a lesser additional amount from the Borrower, the Issuer will account to each Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable in respect of any Note:

8.1 to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable for such taxes or duties by reason of his having some connection with the Russian Federation or Luxembourg other than the mere holding of such Note or the receipt of payments in respect thereof;

8.2 in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;

8.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

8.4 in respect of a Note presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used herein, "**Relevant Date**" (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any other amounts which may be payable in accordance with the Trust Deed and this

Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Enforcement

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after an Event of Default (as defined in the Facility Agreement) or of a Relevant Event (as defined in the Trust Deed) has occurred and is continuing, the Trustee may, at its discretion and without notice and shall, if requested to do so by Noteholders owning 25% in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, institute such proceedings as it may think fit to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (in the case of an Event of Default), or enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

10 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will vote *pro rata* according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes and the Trust Deed or, following the creation of the Security Interests, the Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Terms and Conditions of the Notes or the Trust Deed or, following the creation of the Security Interests, by the Borrower of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (as a class). Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be promptly notified to the Noteholders.

The Trust Deed contains provisions to the effect that the Issuer may, and at the request of the Borrower shall, having obtained the consent of the Borrower (if such substitution is not to be made at the request of the Borrower) and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such reasonable requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to

the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11 Prescription

Notes will become void unless presented for payment of principal within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

12 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into contracts or transactions with the Issuer and/or the Borrower and any entity related to the Issuer and/or the Borrower without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Loan Agreement.

The Trustee has no obligation to take any action (or step) which would or might in its opinion result in it incurring liabilities of any nature unless it is indemnified to its satisfaction in respect of the same and in forming any such opinion the Trustee shall be entitled to rely on legal advice or other advice received by it (as provided for by the Trust Deed) as to the existence and extent of such liabilities without liability to Noteholders for so doing regardless of whether and the extent to which the taking of any action or step by the Trustee is thereby delayed.

Nothing contained in these Conditions shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has reasonable grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

13 Replacement of Notes

If any Note shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and stock exchange requirements, be replaced at the specified office of any Registrar or the Paying Agent in Ireland on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14 Notices

All notices to the Noteholders shall be deemed to have been duly given if (i) posted to such holders at their respective addresses as shown on the Register and (ii) so long as the Notes are listed and/or admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, published in a daily newspaper of general circulation in Ireland approved by the Trustee, currently expected to be The Irish Times. Any such notice shall be deemed to have been given on the first date on which both conditions shall have been met.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

15 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest) so as to be consolidated and form a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on substantially the same terms as the Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Notes). The Issuer will provide a further fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign absolutely certain of its rights under such loan agreement which will secure both the Notes and such further Notes and which will supplement the Security Interests in relation to the existing Notes of such Series.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law

The Notes, the Agency Agreement and the Trust Deed are governed by, and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the exclusive jurisdiction of the courts of England and has appointed an agent for the service of process in England. The provisions of articles 86 to 94-8 of the Luxembourg law of August 10, 1915, as amended, on commercial companies are excluded.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Definitive Note and the Global Notes the names and Specified Offices of the Registrars, the Paying Agents and the Transfer Agents as set out at the end of this Base Prospectus.

GAZ CAPITAL S.A.

Gaz Capital S.A. (the "Issuer") was incorporated as a *société anonyme* on July 23, 2003 for an unlimited duration with limited liability under the laws of the Grand Duchy of Luxembourg. Its Articles of Incorporation have been published in the Mémorial, Recueil des Sociétés et Associations on August 21, 2003. It is registered with the Register of Commerce and Companies, Luxembourg under number B 95 071.

The Issuer's registered office is located at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, and its telephone number is +352 421 22 243.

The Issuer is a special purpose vehicle whose subscribed share capital amounts to euro 31,000 divided into 31 registered shares with a par value of euro 1,000 each. All of the shares are fully paid up. Thirty shares are owned by Stichting Gaz Capital and one share by Stichting Participatie DITC Amsterdam.

Deutsche Bank Luxembourg S.A. is the domiciliation agent of the Issuer. Its duties include the provision of certain administrative and related services. It may terminate its appointment at any time upon giving not less than two months' prior notice in writing, provided that any such termination shall not be effective until a replacement acceptable to the Issuer and the Trustee has been suggested by Deutsche Bank Luxembourg S.A.

Principal Activities

The corporate objects of the Issuer, as described in Article 3 of its Articles of Incorporation, are:

- the issue of Notes and other debt securities under the Programme for the purpose of financing Loans to Gazprom;
- the granting of Loans to Gazprom;
- the granting of Security Interests over its assets to the Trustee in relation to the issuance of Notes; and
- the making of deposits at banks or with other depositaries.

The Issuer may carry out any transactions, whether commercial or financial which are directly or indirectly connected with its corporate objectives except for any banking activities.

In general the Issuer may carry out any operation which it may deem useful or necessary in the accomplishment and the development of its corporate purpose.

Board of Directors

The Issuer has a board of directors, currently consisting of three directors. The directors at present are:

- Daniel Bley, employee, having his professional address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg;
- Erik van Os, employee, having his professional address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg; and
- Heike Kubica, employee, having her professional address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

Financial Statements

The Issuer's fiscal year ends on December 31 of each year. The Issuer's audited financial statements as of and for the three years ended December 31, 2011, 2010 and 2009 were prepared in accordance with Luxembourg legal and regulatory requirements applicable to the preparation of financial statements.

PricewaterhouseCoopers, Société coopérative (formerly PricewaterhouseCoopers S.à r.l.), having its registered office at 400, Route d'Esch, B.P. 1443, L-1014, Luxembourg was appointed to act as approved independent auditor of the Issuer for the years ended December 31, 2011, 2010 and 2009. PricewaterhouseCoopers, Société coopérative is a member of the Luxembourg body of registered auditors ("Institut des Réviseurs d'Entreprises").

The Issuer is fully consolidated into Gazprom's consolidated financial statements prepared in accordance with IFRS.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes within the United States, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A (a "QIB") that is also a qualified purchaser as defined in Section 2(a)(51) of the Investment Company Act (a "QP"), (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acting for its own account, or for the account of a QIB that is also a QP, (e) not formed for the purpose of investing in the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.

(4) It understands that the Issuer has the power under the Trust Deed and Condition 6 to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honor the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

(5) It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940 (A "QP") THAT (A) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (B) IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (C) IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN U.S.$200,000, (D) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OF THIS NOTE, (E) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (F) WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. A TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER

ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER, SUBJECT TO THE BORROWER'S (AS DEFINED IN THE TRUST DEED) WRITTEN CONSENT (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED) HAS THE RIGHT UNDER THE TRUST DEED TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH BENEFICIAL OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT BY ITS PURCHASE AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE, (2) IF IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING CONSIDERED PLAN ASSETS OF SUCH GOVERNMENTAL PLAN AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

(6) At the time of its purchase and throughout the period in which it holds such Notes or any interest therein (a) it is not and will not be (i) an employee benefit plan as described in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, (ii) a plan to which Section 4975 of the U.S. Tax Code applies, or (iii) an entity whose underlying assets include plan assets by reason of an investment in the entity by a person described in (i) or (ii) above or otherwise, (b) if it is a governmental plan, as defined in Section 3(32) of ERISA, the purchase, holding and disposition of the Notes or any interest therein does not and will not violate any statute, regulation, administrative decision, policy or any other legal authority applicable to such governmental plan and the purchase, holding and disposition of the Notes or any interest therein does not and will not result in the assets of the Issuer being considered plan assets of such governmental plan and (c) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining the same foregoing representations, warranties and covenants from that person.

(7) It acknowledges that the Issuer, Gazprom, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, Gazprom and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(8) It understands that the Rule 144A Notes will be evidenced by a global Note (the "Rule 144A Global Note"). Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, Gazprom or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It acknowledges that the Issuer, Gazprom, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, Gazprom and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(4) It understands that the Regulation S Notes will be evidenced by a global Note (the "Regulation S Global Note"). Before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

(5) At the time of its purchase and throughout the period in which it holds such Notes or any interest therein (a) it is not and will not be (i) an employee benefit plan as described in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, (ii) a plan to which Section 4975 of the U.S. Tax Code applies or (iii) an entity whose underlying assets include plan assets by reason of an investment in the entity by a person described in (i) or (ii) above or otherwise, (b) if it is a governmental plan, as defined in Section 3(32) of ERISA, the purchase, holding and disposition of the Notes or any interest therein does not and will not violate any statute, regulation, administrative decision, policy or any other legal authority applicable to such governmental plan and the purchase, holding and disposition of the Notes or any interest therein does not and will not result in the assets of the Issuer being considered plan assets of such governmental plan and (c) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining the same foregoing representations, warranties and covenants from that person.

CLEARING AND SETTLEMENT

The Global Notes

Each Series of Notes will be evidenced on issue by a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and, in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "—Book-Entry Procedures for the Global Notes." By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day distribution compliance period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note (if applicable). See "Transfer Restrictions." Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "—Book-Entry Procedures for the Global Notes." By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "Transfer Restrictions."

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "Transfer Restrictions." A beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note in denominations greater than or equal to the minimum denominations applicable to interests in a Rule 144A Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "Definitive Notes"). The Notes are not issuable in bearer form.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples of the Tradeable Amount in excess thereof specified in the relevant Final Terms or Series Prospectus, as the case may be.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- **Payments.** Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.
- **Notices.** So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes provided that for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange and the Guidelines for Asset Backed Securities (the "Guidelines") so require, notices will also be filed at the Companies Announcements Office of the Irish Stock Exchange.
- **Meetings.** For the purposes of any meeting of Noteholders, the holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as being entitled to one vote in respect of each integral currency unit of the specified currency of the Notes.
- **Trustee Powers.** In considering the interests of Noteholders while the Global Notes are held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note and may consider such interests as if such accountholders were the holders of any Global Note.
- **Cancellation.** Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Exchange for Definitive Notes

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive form if: (i) a Global Note is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer or by any person(s) empowered by the board of directors of the Issuer to sign on behalf of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or the Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of a Global Note may surrender such Global Note to or to the order of the Registrar or Transfer Agent. In exchange for such Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in Part 1 of Schedule 2 of the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes; provided that any such transfer shall be made in accordance with the Trust Deed.

"Exchange Date" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Borrower (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions."

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "Transfer Restrictions," or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book-Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "—Settlement and Transfer of Notes."

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("Direct Participants") or indirectly ("Indirect Participants" and together with Direct Participants, "Participants") through organizations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a

member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerized book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organizations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "—Exchange for Definitive Notes," DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have an ISIN, Common Code and a CUSIP number and will be deposited with a custodian (the "Custodian") for and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "Beneficial Owner") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement ("SDFS") system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Paying Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the

Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Closing Date should consult their own advisors.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated December 7, 2005 (the "Dealer Agreement") between the Issuer, Gazprom, the Permanent Dealers and the Arrangers, the Notes will be offered from time to time by an Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

Each of the Issuer and Gazprom has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the corresponding Loans have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States or the securities laws of any other jurisdiction. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that:

- the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- except as permitted by the Dealer Agreement it will not offer or sell the Notes of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of such Series of Notes sold to or through more than one Dealer on a syndicated basis, by any Dealer acting as lead manager), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this section have the meanings given to them by Regulation S.

Notes offered and sold outside the United States to non-U.S. persons may be sold in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not a participant-directed employee plan, such as a 401(k) plan; (d) they are acting for their own account, or the account of another QIB who is a QP; (e) they are not formed for the purpose of investing in the Issuer; (f) each account for which they are purchasing will hold and transfer at least U.S.$200,000 in principal amount of Notes at any time; (g) they understand the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (h) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

In addition, until 40 days after commencement of the offering of any identifiable Series of Notes, an offer or sale of such Notes within the United States by a dealer (whether or not participating in the

offering of such Series of Notes) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States and for the listing of Notes on the Irish Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP (a "QIB/QP") and to whom an offer has been made directly by one of the Dealers or its U.S. broker-affiliate. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB/QP in the United States to any U.S. person or to any other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QP with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QP, is prohibited.

United Kingdom

Each Dealer has represented and agreed that (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of FSMA by the Issuer, (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer, and (iii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each of the Dealers has agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any person (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law; it being understood and agreed that the Dealers may distribute this Base Prospectus and(or) the Final Terms or Series Prospectus to persons in the Russian Federation in a manner that does not constitute advertisement or offering of the Notes in Russia (each as defined in Russian securities laws) and may sell the Notes to Russian persons in a manner that does not constitute "offering", "placement" or "circulation" of the Notes in the Russian Federation (as defined in Russian securities laws) and otherwise not in breach of Russian law.

General

Each Dealer has agreed that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which they offer, sell or deliver Notes or distribute this Base Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or Gazprom.

The Arrangers, the Dealers and their respective affiliates have engaged and are engaged in transactions with Gazprom and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business. The Arrangers and the Dealers performed various investment banking, financial advisory, and other services for Gazprom, for which they received customary fees, and the Arrangers, the Dealers and their respective affiliates may provide such services in the future.

These selling restrictions may be modified by the agreement of the Issuer, Gazprom and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms, or Series Prospectus, as the case may be, issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and the Loans and does not purport to be a comprehensive discussion of the tax treatment of the Notes or the Loans.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences arising in their particular circumstances under the tax laws of countries of which they are residents of the purchase, ownership, holding and disposition of any series of Notes, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of Notes.

The information and analysis contained within this section are limited to tax issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes or the Loans.

Russian Federation

The following is a general summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of any Series of the Notes as well as taxation of interest and some other payments on the corresponding Loans.

The summary is based on the laws of the Russian Federation as in effect on the date of this Base Prospectus (whereas they are subject to changes which could occur frequently, at short notice and could apply retrospectively). The summary does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia or tax implications arising for the Noteholders applying special tax regimes available under Russian tax legislation. Similarly this summary does not seek to address the availability of double tax treaty relief to, and the eligibility for, double tax relief of any Noteholder in respect of income payable to that Noteholder on any Series of the Notes, or practical difficulties connected with claiming such double tax treaty relief. The analysis set out herein does not include any comments on tax implications which could arise for the Noteholders in connection with entering into REPO or stock lending transactions with any Series of the Notes or into term deals, derivatives and/or any similar types of transactions with any Series of the Notes.

Many aspects of Russian tax laws and regulations are subject to significant uncertainty and lack of interpretive guidance resulting in differing interpretations and inconsistent application thereof by the various authorities in practice. Further, the substantive provisions of Russian tax laws and regulations applicable to financial instruments may be subject to more rapid and unpredictable changes (possibly with the retroactive effect) and inconsistent interpretations as compared to jurisdictions with more developed capital markets and tax systems. The interpretation and application of such provisions will, in practice, to a large extent rest substantially with local tax inspectorates and such interpretations may often be inconsistent or may often change.

In practice, interpretation and application of tax laws and regulations by different tax inspectorates in Russia and their representatives may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. Furthermore, court rulings on tax or other related matters adopted by different courts relating to the same or similar circumstances may be also inconsistent or contradictory.

Prospective investors should consult their own tax advisors regarding tax consequences of investing in the Notes that will arise in their own particular circumstances. No representation with respect to Russian tax consequences relevant to any particular Noteholder is made hereby.

Taxation of the Notes

General

For the purposes of this summary, the term "**Resident Noteholder**" means:

- a Russian legal entity or an organization which acquires, holds and disposes the Notes, and a legal entity or an organization, in each case organized under a non-Russian law, which acquires, holds and disposes the Notes through its permanent establishment in Russia the ("**Resident Noteholder—Legal Entity**").
- a Noteholder who is an individual and satisfies the criteria for being a Russian tax resident. A "Russian tax resident" is an individual who is actually present in Russia for an aggregate period

of 183 calendar days or more in any period comprised of 12 consecutive months, who acquires, holds and disposes of the Notes (the "**Resident Noteholder—Individual**").

For the purposes of this summary, the term "**Non-Resident Noteholder**" means:

- a legal entity or an organization in each case not organized under Russian law which acquires, holds and disposes of the Notes other than through a permanent establishment in Russia (the "**Non-Resident Noteholder—Legal Entity**"); or
- a Noteholder who is an individual and does not satisfy the criteria for being a Russian tax resident as defined above (the "**Non-Resident Noteholder—Individual**")

For the purposes of this summary, the definitions of "Resident Noteholder" and "Non-Resident Noteholder" in respect of individuals are taken at face value based on the wording of Russian tax law as currently written. In practice, however, the application of the above formal residency definition by the tax authorities may differ depending on their position in each case. The law is currently worded in a way that implies the potential for a split year residency for individuals. However, both the Russian Ministry of Finance and the tax authorities have expressed the view that an individual should be either tax resident or non-resident in Russia for the full calendar year. Consequently, if the travel pattern dictates a differing tax residency status for a part of the tax year, the application of Russian personal income residency tax rate may in practice be disallowed. This situation may be altered by the introduction of amendments to the provisions of the Russian Tax Code dealing with taxation of individuals, a change in the position of the tax authorities or by outcomes of tax controversy through the courts.

Tax residency rules and Russia's rights with regard to taxation may be affected by the applicable double tax treaty. The Russian tax treatment of interest payments made by Gazprom to the Issuer (or to the Trustee, as the case may be) under any Loan Agreement may affect the Noteholders (see "*Taxation of Interest Payments on the Loans*" below).

Resident Noteholders

The Resident Noteholders will be subject to all applicable Russian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposal of the Notes (including interest received on the Notes).

The Resident Noteholders should consult their own tax advisors with respect to the effect that the acquisition, holding and/or disposal of any Series of the Notes may have on their tax position.

Non-Resident Noteholders

Taxation of the Non-Resident Noteholders—Legal Entities

Acquisition of the Notes

Acquisition of the Notes by the Non-Resident Noteholders—Legal Entities (whether upon their issue or in the secondary market) should not constitute a taxable event under Russian tax law. Consequently, acquisition of the Notes should not trigger any Russian tax implications for the Non-Resident Noteholders—Legal Entities.

Interest on the Notes

The Non-Resident Noteholders—Legal Entities generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes of any Series may however be affected by the taxation treatment of interest on any Loan (see "*Taxation of Interest Payments on the Loans*" below).

Sale or other Disposal of the Notes

In the event that proceeds from the sale or other disposition of the Notes of any Series are received by a Non-Resident Noteholder—Legal Entity from a source within Russia, there should be no Russian tax on any gain on the sale or other disposition of the Notes of any Series imposed on such Non-Resident Noteholder—Legal Entity. Historically, there was some uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to the accrued interest on the Notes. The risk of withholding tax was substantially mitigated by the recent changes to the Russian Tax Code (i.e. the Law No. 97-FZ). The Law No. 97-FZ applies retrospectively starting January 1, 2007 and, in this context,

should remove any uncertainty that existed in respect of taxation by withholding tax of sales or disposal proceeds paid on any Series of the Notes from January 1, 2007.

Redemption of the Notes

The Non-Resident Noteholders—Legal Entities generally should not be subject to any Russian taxes in respect of repayment of principal on the Notes received from the Issuer.

Taxation of the Non-Resident Noteholders—Individuals

Acquisition of the Notes

Acquisition of the Notes by the Non-Resident Noteholders—Individuals may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of the acquisition of securities (taking into account that the Notes will be initially issued at par, these provisions are likely to be relevant for the acquisitions of the Notes in the secondary market only). In particular, if the acquisition price of the Notes is below the lower margin of the fair market value of the Notes calculated based on specific procedure for the determination of market prices of securities for Russian personal income tax purposes, the difference may become subject to Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of acquisition), which is, arguably, subject to reduction or elimination under the applicable double tax treaty.

Under the Russian tax legislation, taxation of income of the Non-Resident Noteholders—Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Since the Russian Tax Code does not contain any provisions in relation to how the related material benefit should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased "in Russia." In the absence of any guidance as to what should be considered as a purchase of securities "in Russia," the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including looking at the place of conclusion of the aqusition transaction, the location of the issuer, or similar criteria. There is no assurance therefore that as a result any material benefit received by the Non-Resident Noteholders—Individuals in connection with the acquisition of the Notes will not become taxed in Russia.

Interest on the Notes

The Non-Resident Noteholders—Individuals generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes of any Series may however be affected by the taxation treatment of interest on any Loan (see "*Taxation of Interest Payments on the Loans*" below).

Sale or other Disposal of the Notes

Subject to any available tax treaty relief, if receipt of any proceeds from the sale or other disposal of the Notes by a Non-Resident Noteholder—Individual is classified as income from Russian sources for Russian personal income tax purposes, these proceeds will become subject to Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of payment). Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources, in practice the Russian tax authorities may infer that such income should be considered as Russian source income, if the Notes are sold or disposed "in Russia". In absence of any additional guidance as to what should be considered as a sale or other disposal of securities "in Russia", the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, or other similar criteria. There is no assurance therefore that as a result sales or disposal proceeds received by the Non-Resident Noteholders—Individuals will not become taxed in Russia.

The tax will apply to the gross amount of sales or disposal proceeds received upon the disposition of any Series of the Notes (including accrued and paid interest on the any Series of the Notes) decreased by the amount of any duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes) provided that such documentation is duly executed and is available to the person obliging to calculate and withhold the tax in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities or the person remitting the respective

income to the Non-Resident Noteholders—Individuals (where such person is considered as the tax agent obliging to calculate and withhold Russian personal income tax and remit it to the Russian budget), the deduction will be disallowed and the tax will apply to the gross amount of the sales or disposal proceeds.

Under certain circumstances, if sales and/ or disposal proceeds (including accrued and paid interest on the any Series of the Notes) are paid to a Non-Resident Noteholder—Individual by a licensed broker or an asset manager that is a Russian legal entity or organization carrying out operations for the benefit of the Non-Resident Noteholder—Individual under an asset management agreement, a brokerage agreement, an agency agreement, a commission agreement or a commercial mandate agreement, the applicable Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of payment) will be withheld at source by that person considered as the tax agent.

In the context of deducting duly documented costs, if the Notes were acquired beyond the relationship with the tax agent who is currently obliged to calculate and withhold Russian personal income tax, then these original duly documented acquisition costs may be taken into account by the tax agent upon written application of the Noteholder.

When the Notes are sold to other legal entities, organizations (other than licensed brokers or asset managers mentioned in preceding paragraph) or individuals, generally no Russian personal income tax should be withheld at source by these persons. The Non-Resident Noteholder—Individual will be then required to file a personal income tax return individually, report on the amount of income realized to the Russian tax authorities and apply for a deduction in the amount of the acquisition and other expenses related to the acquisition, holding and the sale or other disposal of the Notes confirmed by the supporting documentation. The applicable personal income tax will then have to be paid by the Non-Resident Noteholder—Individual on the basis of the filed personal income tax return.

Under certain circumstances gains received and losses incurred by a Non-Resident Noteholder—Individual as a result of the sale or other disposal of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for Russian personal income tax purposes which would affect the total amount of personal income tax payable by a Non-Resident Noteholder—Individual in Russia.

There is also a risk that any gains derived by a Non-Resident Noteholder—Individual from the sale or other disposal of the Notes may be affected by changes in the exchange rate between the currency of the acquisition of the Notes, the currency of the sale or other disposal of the Notes and rubles.

Non-Resident Noteholders—Individuals should consult their own tax advisors with respect to tax consequences of the purchase of the Notes, sale or other disposition of the Notes, including the receipt of sales proceeds from a source within Russia following the disposition of the Notes.

Tax Treaty Relief

The Russian Federation has concluded double tax treaties with a number of countries and honors some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions allowing to reduce or eliminate Russian taxes applicable to income received by a Non-Resident Noteholder from Russian sources in connection with the acquisition, holding, sale and disposal of the Notes.

In order to obtain the benefits available under the respective double tax treaty, a Non-Resident Noteholder—Individual must comply with the the certification, information, and reporting requirements which are in force in the Russian Federation (relating, in particular, to the confirmation of the entitlement and eligibility for treaty benefits).

Under Russian domestic law, in order to enjoy benefits of the applicable double tax treaty, a Non-Resident Noteholder—Individual will have to provide the Russian tax authorities with a tax residency certificate issued by the competent authorities in his/her country of tax residence and a confirmation from the relevant foreign tax authorities on income received and the tax payment made by that Non-Resident Noteholder—Individual outside Russia in relation to income with respect to which the respective double treaty benefits are claimed.

Technically, these requirements may mean that a Non-Resident Noteholder—Individual would not be able to rely on any double tax treaty until he or she pays the tax with respect to that income in the jurisdiction of his or her tax residency. Individuals in practice would not be able to obtain the advance treaty relief in relation to income derived by them from Russian sources, as it is very unlikely that the

supporting documentation required for the treaty relief purposes would be provided to the Russian tax authorities and, consequently, approval from the latter would be obtained, before the receipt of income by a Non-Resident Noteholder—Individual occurs.

The Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures for obtaining such relief with respect to any Russian taxes imposed in respect of interest income on the Notes or any income received in connection with the acquisition and the sale or other disposal of the Notes of any Series.

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder—Legal Entity was withheld at source, despite the domestic release of such income from Russian withholding tax, the right of such Non-Resident Noteholder—Legal Entity to rely on benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income, a claim for a refund of the tax that was excessively withheld at source can be filed by that Non-Resident Noteholder—Legal Entity with the Russian tax authorities within three years following the year in which the tax was withheld, provided that such Non-Resident Noteholder—Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income.

If Russian personal income tax on income derived from Russian sources by a Non-Resident Noteholder—Individual was withheld at source despite the right of this Non-Resident Noteholder—Individual to rely on benefits of the applicable double tax treaty allowing not to pay the tax in Russia or allowing to pay the tax at a reduced tax rate in relation to such income, a claim for application of the benefits of the applicable double tax treaty may be filed with the Russian tax authorities, together with the supporting documents envisaged by this double tax treaty confirming the right of the Non-Resident Noteholder to such benefits, within one year following the tax year in which the tax was withheld. Provided that such claim has been made in a timely manner, an application for a refund of Russian personal tax which was excessively withheld at source may be filed with the tax agent within three years from the date the tax was withheld. In the absence of the tax agent who withheld the Russian personal income tax under consideration (e.g. when the tax has been paid on the basis of the tax return), such an application may be filed with the Russian tax authorities within the same period (three years) accompanied by the Russian tax return from the date when the tax was paid. There can be no assurance that the tax agent and/or the tax authorities will refund this tax in practice.

Although the Russian Tax Code arguably contains exhaustive list of documents and information which have to be provided by the foreign person to the Russian tax authorities for the tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming a right of a Non-Resident Noteholder to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may to a large extent depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian income taxes which were excessively withheld at source is likely to be a time consuming process requiring many efforts and no assurance can be given that such refund will be granted to the Non-Resident Noteholders in practice.

The Non-Resident Noteholders should consult their own tax advisors regarding procedures required to be fulfilled in order to obtain refund of Russian income taxes, which were excessively withheld at source.

Taxation of Interest Payments on the Loans

In general, payments of interest on borrowed funds made by a Russian entity to a non-resident legal entity or organization having no registered presence and/or no permanent establishment in Russia are subject to Russian withholding tax at the rate of 20%, which could be potentially reduced or eliminated under the terms of an applicable double tax treaty subject to timely compliance with the respective treaty clearance formalities by the interest recipient.

In particular, the Russia-Luxembourg double tax treaty establishes that Russian withholding tax could be eliminated provided certain criteria specified in the treaty are satisfied by the recipient of income.

The application of the tax benefits under the Russia-Luxembourg double tax treaty could be affected by changes in the interpretation by the Russian tax authorities of the concept of factual/beneficial owner of income. Specifically, on December 30, 2011 the Russian Ministry of Finance issued letter No. 03-08$^{13}/_{1}$ (the

"Letter") addressed to the Federal Tax Service, in which the Ministry of Finance asserted that in the context of a very specific Eurobond structure, which is not the same as the structure of the transaction described in this Base Prospectus, a foreign issuer of Eurobonds cannot benefit from the provisions of the Russia-Ireland double tax treaty in respect of interest paid by the Russian borrower because, in the view of the Ministry, such foreign issuers of Eurobonds may not be considered as the beneficial owners of interest income. Conversely, the Letter says that holders of the notes could apply the provisions of the respective tax treaty (if any) concluded between Russia and the country of residency of each holder of the notes. We cannot exclude the possibility that the Russian tax authorities might apply the same approach to the payments made under the structure of the Programme as described in this Base Prospectus.

Notwithstanding anything to the contrary above, no withholding tax should arise in Eurobond structures by virtue of the exemption envisaged by the Law No. 97-FZ. The Law No. 97-FZ provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that the following conditions are all met:

(1) interest is paid on debt obligations of Russian entities that arose in connection with the placement by foreign entities of "issued bonds," which are defined as bonds or other debt obligations (a) listed and/or admitted to trading on one of the specified foreign exchanges and/or (b) that have been registered in foreign depository/clearing organizations;

    The lists of qualifying foreign exchanges and foreign depositary/clearing organizations were approved by Order No. 12-91/pz-n dated October 25, 2012 of the Federal Financial Markets Service of the Russian Federation which came into force on December 30, 2012. Before the adoption of the above-mentioned lists, any foreign exchanges or foreign depositary/clearing organizations could have qualified for the purposes of the test mentioned above. The Irish Stock Exchange and Euroclear are included in the above-mentioned lists. DTC is not expressly mentioned in the lists, but its holding company, the Depository Trust & Clearing Corporation, is mentioned in the lists. We believe that the aforementioned conditions provided by the Law No. 97-FZ are satisfied because, among other things, the Rule 144A Global Notes, if any, will be deposited with Deutsche Bank Trust Company Americas as custodian for DTC, and Deutsche Bank Trust Company Americas is included in the lists.

    The connection between the loan and the issued bonds should be evident and supported with certain documents, which are set forth in the Law No. 97-FZ.

(2) there is a double tax treaty between Russia and the jurisdiction of tax residence of the Loan interest income recipient (i.e., the Issuer) which can be confirmed by a tax residency certificate.

The release from the obligation to withhold tax from interest and other payments described herein will apply retrospectively to income paid since 2007 and will continue to be available in respect of issued bonds (such as each and any Series of the Notes) that are issued before January 1, 2014.

We believe that it should be possible to satisfy conditions established by the Law No. 97-FZ and obtain a release from the obligation to withhold tax from payments of interest and certain other amounts, as the case may be, on each Loan to the Issuer, which satisfies the conditions set forth above.

Importantly, the Law No. 97-FZ does not provide exemption to the foreign interest income recipients from Russian withholding tax, although currently there is no requirement in the Russian tax legislation for the foreign income recipients being the legal entities to self-assess and pay the tax to the Russian tax authorities. The Ministry of Finance acknowledged in its information letter published on its website that the release from obligation to act as a tax agent means, in effect, that tax at source within Russia should not arise in connection with Eurobonds, since there is neither a mechanism nor obligation for a non-resident to independently calculate and pay such tax. There can be no assurance that such rules will not be introduced in the future or that the tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under the Law No. 97-FZ is available to the Trustee. There is a potential risk that Russian withholding tax in respect of payments of interest and some other amounts to the Trustee at the rate of 20% (or such other tax rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30% (or such other tax rate that may be effective at the time of payment) may be deducted by Gazprom upon making such payments to the Trustee. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty under such

circumstances. In addition, while some Noteholders that are foreign persons not residing in Russia for tax purposes may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of the respective taxes under applicable double tax treaties entered into between their countries of tax residence and the Russian Federation, there is no assurance that any treaty relief will be available to them in practice under such circumstances.

If any payments under any Loan become subject to Russian withholding tax (as a result of which the Issuer will be required to reduce payments made by it under the corresponding Series of the Notes by the amount of such withholding tax) we will be obligated (subject to certain conditions) under the terms of the relevant Loan Agreement to increase payments made under the relevant Loan, as may be necessary so that the net payments received by the Issuer will be equal to the amounts they would have received in absence of such withholding tax.

It is currently unclear whether provisions of the relevant Loan Agreements obliging us to gross-up any payments under the Loans will be enforceable under Russian law as currently in effect. There is a risk that gross-up for Russian withholding tax will not take place and that payments made by us under the respective Loans will be reduced by the amount of Russian income tax or Russian personal income tax withheld by us at source.

If we are obligated to increase any payments under any Loan or to make additional payments on any or all Loans as described above, we may (without premium or penalty), subject to certain conditions, prepay the relevant Loan in full. In such case, all outstanding Notes of the corresponding Series will each be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment.

No VAT will be payable in Russia in respect of interest and principal payments under each Loan.

European Union

The Council of the European Union has adopted Council Directive 2003/48/EC (the "Savings Directive") regarding the taxation of savings income in the form of interest payments. The Savings Directive entered into force on July 1, 2005. The term "Paying Agent" as used below has to be understood in the sense laid down by the Savings Directive. The Savings Directive provides that certain interest payments made by a Paying Agent situated within a European Union member state to an individual resident in another EU member state will either have to be reported to the tax authorities of the country of establishment of the Paying Agent or will be subject to a withholding tax depending on the location of the Paying Agent. For most EU countries, the tax authorities of the country of establishment of the Paying Agent will report relevant information to the tax authorities of the country of residence of the individual. For a transitional period, Luxembourg and Austria will apply a withholding tax. The applicable withholding tax rate will be 35% until the end of the transitional period. However, for the countries applying a withholding tax, there exist some procedures to avoid the withholding tax, i.e. a procedure providing an exchange of information or a procedure providing the presentation of a tax certificate to the Paying Agent.

A number of non-EU countries and territories have adopted similar measures, some of which involve a withholding tax system.

Noteholders and potential investors are advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Notes under the laws of their country of incorporation, establishment, citizenship, residence or domicile. The above statements on taxation are based on the laws and practices in force at the date of this Base Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position at the time of an investment will endure indefinitely.

Luxembourg

Luxembourg tax residency of the Noteholders

A Noteholder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Taxation of Luxembourg non-residents

Under the Luxembourg laws dated June 21, 2005 implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependent or associated territories of the EU, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident or certain residual entities established in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or, in case of an individual beneficiary, for the tax certificate procedure. "Residual entities" as defined in Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories are entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, which are not and have not opted to be treated as UCITS recognized in accordance with the Council Directive 85/611/EEC as replaced by the Council Directive 2009/65/EC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands.

The current withholding tax rate is 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Taxation of Luxembourg residents

In accordance with the law of December 23, 2005, as amended by the law of July 17, 2008, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognized in accordance with the Council Directive 85/611/EEC as replaced by the Council Directive 2009/65/EC or for the exchange of information regime) are subject to a 10% withholding tax (the "10% Luxembourg Withholding Tax").

Taxation of the Noteholders

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realized upon disposal or repayment of the Notes.

Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

Pursuant to the Luxembourg law of December 23, 2005 as amended by the law of July 17, 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10% tax (the "10% Tax") on interest payments made after December 31, 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an international agreement directly related to the Savings Directive. The 10% Luxembourg Withholding Tax (see "—Withholding tax—Taxation of Luxembourg residents") or the 10% Tax represents the final tax liability on interest received for the Luxembourg resident individuals receiving the payment in the course of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include interest income in their taxable basis. The 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of the Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 10% Withholding Tax or to the 10% Tax (if the Luxembourg resident individuals opt for the 10% Tax). Individual Luxembourg resident Noteholders receiving the interest as business income must also include the portion of the price corresponding to this interest in their taxable income. The 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident companies

Luxembourg resident corporate Noteholders (*société de capitaux*) or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Notes is connected, must include in their taxable income any interest (including accrued but unpaid interest) and the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident companies benefiting from a special tax regime

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as family wealth management companies subject to the law of May 11, 2007, undertakings for collective investment subject to the law of December 17, 2010 or specialized investment funds subject to the law of February 13, 2007) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a corporate Noteholder, unless (a) such Noteholder is a Luxembourg resident other than a Noteholder governed by (i) the laws of December 17, 2010 and February 13, 2007 on undertakings for collective investment; (ii) the law of March 22, 2004 on securitization; (iii) the law of June 15, 2004 on the investment company in risk capital; or (iv) the law of May 11, 2007 on family estate management companies, or (b) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

Other Taxes

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg.

There is no Luxembourg VAT payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg VAT may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg VAT purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg VAT does not apply with respect to such services.

No Luxembourg inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax will be levied on the transfer of the Notes by way of gift unless the gift is registered in Luxembourg.

United States

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below) and, to the extent discussed below under "Foreign Tax Account Compliance," a non-U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms or Series Prospectus, as the case may be, will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that (i) are U.S. Holders, (ii) that will hold the Notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") and (iii) acquired the Notes upon their initial issuances at the original offering price. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign tax laws, any income tax treaties, or other tax laws, including U.S. federal estate and gift tax laws. Prospective U.S. Holders should consult their own tax advisor with regard to the application of any non-U.S. or U.S. federal, state, and local tax and tax treaties, including income, gift and estate tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, banks, regulated investment companies, U.S. expatriates, investors liable for the alternative minimum tax, individual retirement accounts and other tax deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, partnership or other business entity created or organized under the laws of the United States, any state or political subdivision thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes and partners in such partnership should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

As used in this discussion, a "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder.

The summary is based on the tax laws of the United States including the U.S. Tax Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterization of the Notes

No authority directly addresses the U.S. federal income tax characterization of securities like the Notes and the Issuer has not and will not seek a ruling from the U.S. Internal Revenue Service ("IRS") as to their characterization for such purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for such purposes and this discussion assumes that treatment is correct. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterization of the Notes that is contrary to this discussion. One possible alternative characterization is treatment of the Notes as beneficial ownership of the Loans, the U.S. federal income tax consequences of which should be no less favorable than holding Notes of the Issuer. Another alternative characterization may be as equity in the Issuer. In that event, because the Issuer is a passive foreign investment company ("PFIC"), such characterization generally would result in adverse U.S. federal income tax consequences to the U.S. Holders and may require additional filings by U.S. Holders with the IRS. Prospective investors should seek advice from their own tax advisors as to the consequences to them of alternative characterizations of the Notes for U.S. federal income tax purposes.

The following discussion assumes that the Notes will be treated as indebtedness for U.S. federal income tax purposes.

Payments of Interest

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Cash basis U.S. Holders, including most individuals, will include interest with respect to a Note in income in the year in which they receive an interest payment. Accrual basis U.S. Holders generally will include interest with respect to a Note in income during the year in which it is earned or accrued, without regard to when an actual interest payment is received. Interest paid by the Issuer on the Notes generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

General

This summary assumes that the Notes will not be issued at a premium or with original issue discount ("OID"). Generally, a Note will be treated as issued with OID if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to maturity).

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Purchase, Sale and Retirement of Notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. A U.S. Holder's tax basis in a Note will generally be its U.S. dollar cost. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent attributable to changes in exchange rates (as discussed below) and except for gain representing accrued interest not previously included in income, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. The ability of U.S. Holders to offset capital losses against ordinary income is limited. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income.

Additional Tax on Net Investment Income

Recently enacted legislation generally imposes a tax of 3.8% on the "net investment income" of certain U.S. Holders that are individuals, trusts or estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

In the case of an accrual basis U.S. Holder, upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale or Retirement

As discussed above under "—Purchase, Sale and Retirement of Notes", a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased

by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (i) on the date of sale or retirement and (ii) on the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of interest on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

"Specified Foreign Financial Asset" Reporting

Under legislation enacted in 2010, individuals who own "specified foreign financial assets" with an aggregate value in excess of $50,000 (or, in some cases, higher thresholds) are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution.

Penalties apply to any failure to file a required report. Additionally, in the event a U.S. Holder does not file the information report relating to disclosure of specified foreign financial assets, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close before such information is filed. You should consult your own tax advisor as to the possible application to you of this information reporting requirement and the related statute of limitations tolling provision.

Foreign Tax Account Compliance

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("FATCA"), the Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after December 31, 2016 in respect of any Notes issued or materially modified on or after the later of (a) January 1, 2014, and (b) the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register. Under existing guidance, which has not been finalized, this withholding tax may be triggered on payments on the Notes if (i) the Issuer is a foreign financial institution ("FFI") (as defined in FATCA) which enters into

and complies with an agreement with the U.S. Internal Revenue Service ("IRS") to provide certain information on its account holders (making the Issuer a "Participating FFI"), (ii) the Issuer is required to withhold on "foreign passthru payments", and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. In particular, Luxembourg may enter into an intergovernmental agreement with the United States (the "US-Luxembourg IGA") to help implement FATCA for certain entities in Luxembourg. The full impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is unclear. The Issuer may be required to report certain information on its U.S. account holders to the government of Luxembourg in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Luxembourg law. It is not yet certain how the United States and the Luxembourg will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, investors may receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified on or after the later of (a) January 1, 2014, and (b) the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register may be addressed in supplementary prospectus to this Base Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

CERTAIN U.S. EMPLOYEE BENEFIT PLAN CONSIDERATIONS

Notes are not permitted to be acquired or held by employee benefit plans as described in Section 3(3) of ERISA that are subject to Title I of ERISA (collectively, "ERISA Plans"), plans not subject to ERISA but subject to Section 4975 of the U.S. Tax Code, including IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans which cover only the owners of a business (collectively, "Section 4975 Plans"), or by entities whose underlying assets include plan assets by reason of an investment in the entity by ERISA Plans or Section 4975 Plans or otherwise (collectively, "Plan Asset Entities"). ERISA Plans, Section 4975 Plans and Plan Asset Entities are collectively referred to as "Benefit Plan Investors." Subject to certain restrictions described below, Notes are permitted to be acquired and held by governmental plans and non-electing church plans that are not subject to ERISA or Section 4975 of the U.S. Tax Code (collectively, "Non-ERISA Plans").

ERISA imposes fiduciary standards and certain other requirements on ERISA Plans and on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 Plans are subject to certain restrictions similar to ERISA's prohibited transaction rules. Non-ERISA Plans are subject to applicable state, local or federal law, as well as the restrictions of duties of common law, and may also be subject to prohibited transaction provisions that operate similarly to those under ERISA.

Under the regulations issued by the U.S. Department of Labor ("DOL"), as modified by Section 3(42) of ERISA (the "Plan Assets Regulations"), unless certain exceptions apply, if a Benefit Plan Investor invests in an "equity interest" of an entity, the Benefit Plan Investor's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. This "look through" rule will only apply where Benefit Plan Investors own 25% or more of the value of any class of equity interest in the entity. For purposes of this 25% determination, the value of equity interests held by persons (other than Benefit Plan Investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features.

If the underlying assets of an entity are deemed to be plan assets, those with discretionary authority or control over the entity would be fiduciaries with respect to the entity's assets. The assets of the entity would also be subject to the prohibited transaction rules of ERISA and Section 4975 of the U.S. Tax Code, as well as other rules applicable to plan assets.

The Issuer believes that the Notes should be treated as debt rather than equity for purposes of the Plan Assets Regulations. The DOL, however, may take a contrary view or may view the Notes as having substantial equity features. Further, the Issuer will not be able to monitor the Noteholders' status as Benefit Plan Investors. Accordingly, the Notes are not permitted to be acquired or held by any Benefit Plan Investor.

Non-ERISA Plans and entities that include the assets of Non-ERISA Plans are permitted to acquire and hold the Notes subject to certain restrictions described below. If the Non-ERISA Plan is a governmental plan, as defined in Section 3(32) of ERISA, the Non-ERISA Plan will be deemed to have represented and warranted that the acquisition, holding and disposition of the Notes does not and will not violate any statute, regulation, administrative decision, policy or other legal authority applicable to the Non-ERISA Plan and the purchase, holding and disposition of the Notes or any interest therein does not and will not result in the assets of the Issuer being considered plan assets of such Non-ERISA Plan. Non-ERISA Plans are generally not subject to ERISA nor do the prohibited transaction provisions of ERISA or Section 4975 of the U.S. Tax Code apply to these types of plans. However, such plans are subject to prohibitions on related-party transactions under Section 503 of the U.S. Tax Code, which prohibitions operate similarly to the prohibited transaction rules under ERISA or Section 4975 of the U.S. Tax Code. In addition, the fiduciary of a Non-ERISA Plan must consider applicable state or local laws, if any, imposed upon such plan before purchasing and holding a Note or any interest therein.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE U.S. TAX CODE APPLIES OR (C) AN ENTITY WHOSE

UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE, (2) IF IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING CONSIDERED PLAN ASSETS OF SUCH GOVERNMENTAL PLAN AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON WITHOUT FIRST OBTAINING THIS SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

The foregoing is not intended to be exhaustive and the law governing investments by Benefit Plan Investors and Non-ERISA Plans is subject to extensive administrative and judicial interpretations. The foregoing discussion should not be construed as legal advice. Any potential purchaser or holder of Notes should consult counsel with respect to issues arising under ERISA, the U.S. Tax Code and other applicable laws and make their own independent decisions.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Series, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated ●

Open Joint Stock Company Gazprom

Issue of [Aggregate Principal Amount of Series][Title of Loan Participation Notes]
by Gaz Capital S.A. for the purpose of financing a Loan to Open Joint Stock Company Gazprom
under a **U.S.$30,000,000,000 Programme for the Issuance of Loan Participation Notes**

Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated ● [and the supplemental Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on Gazprom, the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus][is][are] available for viewing at [address][and][website] and copies may be obtained from [address].]

[The following alternative language applies if the first issuance of a Series which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the [Base Prospectus] dated [*original date*][and the supplemental Base Prospectus dated ●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) and must be read in conjunction with the Base Prospectus dated [current date][and the supplemental Base Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [*original date*][and the supplemental Base Prospectus dated ●] and are attached hereto.]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the [Base Prospectuses] dated [original date] and [current date][and the supplemental Base Prospectuses dated ● and ●]. [The [Base Prospectuses][and the supplemental Base Prospectuses] are available for viewing at [address][and][website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1	(i) Issuer:	Gaz Capital S.A.
	(ii) Borrower:	Open Joint Stock Company Gazprom
2	Series Number:	●
	[(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.*)	●]
3	Specified Currency:	●
4	Aggregate Principal Amount of Notes admitted to trading:	●
5	Issue Price:	●per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]

6	Specified Denominations:		●
			●
7	(i)	Issue Date:	●
	(ii)	Interest Commencement Date:	●
8	Maturity Date:		[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis:		[● per cent. Fixed Rate] [Floating Rate](further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest or Redemption/Payment Basis:		[Applicable] [Not Applicable]
12	(i)	Status and Form of the Notes:	Senior, Registered
	(ii)	[Date Board approval for issuance of Notes and borrowing of Loan obtained:	[ ][and [ ], respectively]]*(N.B. Only relevant where Board (or similar) authorization is required for the particular Series of Notes or related Loan)*]
13	Method of distribution:		[Syndicated/Non-syndicated]
14	Financial Centres (Condition 7):		●
15	Loan:		●
16	Put/Call Options:		[Put Option/Call Option/Not Applicable][(further particulars specified below)]

PROVISIONS RELATING TO INTEREST PAYABLE UNDER THE LOAN

17	Fixed Rate Note Provisions:		[Applicable/Not Applicable]*(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate [(s)] of Interest:	● per cent. Per annum payable [annually/semi-annually] in arrear
	(ii)	Interest Payment Date(s):	● in each year
	(iii)	Fixed Coupon Amount [(s)]:	● per ● in principal amount of Notes in each case payable [annually/semi-annually] in arrear [in equal instalments]
	(iv)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*[*(s)*]]
	(v)	Day Count Fraction (Condition 5):	[30/360/Actual/Actual(ICMA/ISDA)]
	(vi)	Determination Date(s) (Condition 5):	● in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
18	Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	●

	(ii) Specified Interest Payment Dates:	●
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Business Centre(s):	●
	(v) Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Interest Period Date(s):	[Not Applicable/*specify dates*] (*will be not applicable unless different from Interest Payment Date*)
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	●
	(viii) Screen Rate Determination:	[Yes][No]
	(ix) ISDA Determination:	[Yes][No]
	(x) Margin(s):	[+/●] per cent. per annum
	(xi) Minimum Rate of Interest:	● per cent. per annum
	(xii) Maximum Rate of Interest:	● per cent. per annum
	(xiii) Reference Rate:	[LIBOR] [LIBID] [LIMEAN] or [EURIBOR]
	(xiv) Day Count Fraction (Condition 5):	[Actual/Actual] [Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]

PROVISIONS RELATING TO REDEMPTION

19	Final Redemption Amount of each Note:	[● per Note of ● specified denomination in principal amount of Notes]
20	Early Redemption Amount(s) of each Note payable if the Loan should become repayable under the Loan Agreement prior to the Maturity Date:	[● per Note of ● specified denomination in principal amount of Notes, plus accrued interest, if any, to the Redemption Date]
21	Call Option:	[Applicable/Not Applicable]/(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount:	●
	(ii) Make Whole Amount:	●
22	Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Put Settlement Date(s):	●

DISTRIBUTION

23	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
24	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading on the Main Securities Market of the Irish Stock Exchange the issue of Notes described herein pursuant to the U.S.$30,000,000,000 Programme for the Issuance of Loan Participation Notes of Gazprom.]

RESPONSIBILITY

The Issuer and Gazprom accept responsibility for the information contained in these Final Terms. [● has been extracted from ● . Each of the Issuer and Gazprom confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by ● , no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:_____
Duly authorized

By:_____
Duly authorized

Signed on behalf of Gazprom:

By:_____
Duly authorized

By:_____
Duly authorized

Part B—Other Information

1 LISTING

(i) Listing:	[Irish Stock Exchange/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List (the "Official List") and trading on its regulated market (the "Main Securities Market") with effect from ●][Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	●

2 RATINGS

Ratings:	The Notes to be issued have been rated: ● [[*Insert credit rating agency*] is established in the European Community and has applied for registration under Regulation (EC) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.][[*Insert credit rating agency*] is established in the European Community and registered under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No 1060/2009 but is endorsed by [*insert credit rating agency*] which is established in the European Union and registered under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.] A rating must be issued by a credit rating agency established in the European Community and registered under the Regulation (EC) No 1060/2009 (the "CRA Regulation") unless the rating is provided by a credit rating agency that operated in the European Community before 7 June 2010 and which has submitted an application for registration in accordance with the CRA Regulation and such application for registration has not been refused. (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3 [NOTIFICATION

The Central Bank has provided the competent authority(ies) of [insert details of relevant Host Member State(s)] with a certificate of approval attesting that the [Base Prospectus—insert details of relevant Base Prospectus] has been drawn up in accordance with the Prospectus Directive 2003/71/EC and Commission Regulation (EC) No809/2004.]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE[ISSUE/OFFER]

If applicable a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest is to be included. This may be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer	[ ] (See *"Use of Proceeds" wording in Base Prospectus-if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*] ●
[(ii)] Estimated net proceeds:	(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
[(iii)] Estimated total expenses:	● [Include breakdown of expenses.] (*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)]
6 [Fixed Rate Notes only-YIELD Indication of yield:	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 OPERATIONAL INFORMATION

ISIN Code (Reg S Notes):	●
ISIN Code (Rule 144A Notes):	●
Common Code (Reg S Notes):	●
Common Code (Rule 144A Notes):	●
Rule 144A CUSIP number:	●
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme [or DTC] and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s*[*and addresses*])]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	

8 GENERAL

Tradeable Amount:	● So long as the Notes are represented by a Global Note, the Notes will be tradeable only in principal amounts of at least the Specified Denomination and integral multiples of the Tradeable Amount in excess thereof.

9 THE LOAN

The following terms used in the Facility Agreement shall have the following meanings:

Terms of the Loan

(i) Drawdown:	● [*Closing Date*]
(ii) Closing Date:	●
(iii) Early Redemption:	● per ● amount of the Loan, plus accrued interest, if any, to the Redemption Date
(iv) Make Whole Premium:	the excess, if any (as reported in writing to the Issuer and the Trustee by a reputable financial institution operating in ● market in ● selected by the Issuer and approved in writing by the Trustee (the "Financial Adviser") (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)), of (a) the value at the Redemption Date of the principal amount of the Loan, plus all required interest payments that would otherwise be due to be paid on the Loan during the period between the Redemption Date and the Repayment Date, excluding accrued but unpaid interest at the Redemption Date, calculated using a discount rate equal to ● basis points above the Treasury Rate over (b) the outstanding principal amount of the Loan
(v) Put Settlement Date:	●
(vi) Repayment Date:	●
(vii) Specified Currency:	●
(viii) Treasury Rate:	a rate equal to the yield, as published by the ●, on actively traded ● with a maturity comparable to the remaining life of the Loan, as selected by the Financial Adviser. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary ● dealers in ● selected by the Financial Adviser. The Treasury Rate will be calculated on the third day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business generally in ● preceding the Redemption Date
(ix) Governing Law:	the Loan shall be governed by and construed in accordance with English law
(x) Put/Call Options:	[Put Option/Call Option/Not Applicable]

Interest

The Loan is a [Fixed Rate][Floating Rate] Loan [and the Notes comprise a Rule 144A Series]. Interest shall be calculated as set out below:

Fixed Rate Loan Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Interest Commencement Date:	●

(ii)	Rate[(s)] of Interest:	● per cent. per annum payable [annually/ semi-annually] in arrears
(iii)	Interest Payment Date(s):	● in each year
(iv)	Fixed Amount[(s)]:	● per ● in principal amount
(v)	Broken Amount:	[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount[(s)]]
(vi)	Day Count Fraction (Clause 4.9):	[30/360/Actual/Actual (ICMA/ISDA)]
(vii)	Determination Date(s) (Clause 4.9):	● in each year. [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)]
Floating Rate Loan Provisions		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Interest Commencement Date:	●
(ii)	Interest Period(s):	●
(iii)	Specified Interest Payment Dates:	●
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
(v)	Business Centre(s) (Clause 4.9):	●
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Interest Period Date(s):	[Not Applicable/specify dates] (will be not applicable unless different from Interest Payment Date)
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	
(ix)	Screen Rate Determination (Clause 4.3.3):	
	—Reference Rate:	
	—Interest Determination Date(s):	
	—Relevant Screen Page:	
(x)	ISDA Determination (Clause 4.3.3):	
	—Floating Rate Option:	
	—Designated Maturity:	
	—Reset Date:	●
(xi)	Margin(s):	● per cent. per annum
(xii)	Minimum Rate of Interest:	● per cent. per annum
(xiii)	Maximum Rate of Interest:	● per cent. per annum
(xiv)	Day Count Fraction (Clause 4.9):	●

OVERVIEW OF THE RUSSIAN GAS INDUSTRY, CLASSIFICATION OF RESERVES AND CERTAIN APPLICABLE REGULATORY MATTERS

The information set forth in this section is based on publicly available information, including Russian legislation and regulatory acts. Each of the Issuer and Gazprom accepts responsibility for accurately reproducing such information and as far as Gazprom or the Issuer is aware no facts have been omitted which would render such information misleading, but neither Gazprom, nor the Issuer accepts any further responsibility in respect of such information. Such information may include approximations or use rounded numbers.

General

The Russian natural gas industry developed during the Soviet era and expanded rapidly after the discovery in the 1960s of significant reserves in the exceptionally large natural gas fields of western Siberia. Russia experienced a profound crisis in the early 1990s as a result of the dissolution of the Soviet Union, suffering a decline in industrial production and GDP.

During the transition period, the Russian natural gas industry was one of the most stable and effective segments of the Russian energy complex, accounting for over 20% of foreign exchange revenues and approximately 25% of tax revenue contributions to the federal budget and providing approximately 50% of the fuel used in generating electricity in Russia.

Despite the crisis and structural transformation of the economy from 1990 through 1999, total natural gas production in Russia declined by only 7.9%, whereas the production of oil and coal declined by 40.8% and 37.1%, respectively. The share of gas in the total amount of energy resources consumption increased from 42% to 50%, primarily because domestic natural gas prices were maintained at a low level.

We currently account for the majority of natural gas production in Russia. In 2011, 2010 and 2009, we produced 513.2 bcm, 508.6 bcm and 461.5 bcm of natural gas, accounting for approximately 77%, 78% and 79% of total natural gas production in Russia, respectively (based on Gazprom figures). We expect that production by independent companies as a share of total natural gas production in Russia will continue to increase. The current Russian gas market is also characterized by minimal competition and a significant level of government regulation.

Classification of Reserves

DeGolyer and MacNaughton have evaluated our reserves of natural gas, gas condensate and crude oil according to PRMS Standards. In addition, certain evaluations were prepared in accordance with the Russian reserves system, which differs in certain material respects from PRMS Standards and standards applied by the SEC.

Russian Reserves System

The Russian reserves system is based on an analysis of the geological attributes of reserves and takes into account the actual presence of, and the probability of the presence of, hydrocarbons in the applicable geological formations. Explored reserves are represented by categories A, B and C_1, preliminary estimated reserves are represented by category C_2, potential resources are represented by category C3, and forecasted resources are represented by categories D1 and D2.

In accordance with the Russian reserves system, natural gas reserves in categories A, B and C_1 are considered to be fully extractable. For reserves of crude oil and gas condensate, a predicted coefficient of extraction is calculated based on geological and technical factors.

Russian methods for calculating and classifying reserves differ from generally accepted practices in the United States and other countries. Reserves that are calculated using different methods cannot accurately be reconciled.

The estimation of reserves of natural gas, gas condensate and crude oil can be broken down into two components: (i) geological reserves, or the quantities of natural gas, gas condensate and crude oil contained in the subsoil; and (ii) extractable reserves, or the portion of geological reserves the extraction of which from the subsoil as of the date the reserves are calculated is economically efficient given market conditions and rational use of modern extraction equipment and technologies and taking into account compliance with the requirements of subsoil and environmental protection. The following paragraphs describe the categories of the Russian reserves system in more detail.

Category A reserves are calculated on the part of a deposit drilled in accordance with an approved development project for the oil or natural gas field. They represent reserves that have been analyzed in sufficient detail to define comprehensively the type, shape and size of the deposit, the level of hydrocarbon saturation, the reservoir type, the nature of changes in the reservoir characteristics, the hydrocarbon saturation of the productive strata of the deposit, the content and characteristics of the hydrocarbons, and the major features of the deposit that determine the conditions of its development (mode of operations, well productivity, strata pressure, natural gas, gas condensate and oil balance, hydro- and piezo-conductivity and other features).

Category B represents the reserves of a deposit (or portion thereof) the oil or gas content of which has been determined on the basis of commercial flows of oil or gas obtained in wells at various hypsometric depths. The type, shape and size of the deposit, the effective oil and gas saturation depth and type of the reservoir, the nature of changes in the reservoir characteristics, the oil and gas saturation of the productive strata of the deposit, the composition and characteristics, of oil, gas and gas condensate under in-situ and standard conditions and other parameters, and the major features of the deposit that determine the conditions of its development have been studied in sufficient detail to draw up a project to develop the deposit.

Category B reserves are computed for a deposit (or a portion thereof) that has been drilled in accordance with either a trial industrial development project in the case of a natural gas field or an approved technological development scheme in the case of an oil field.

Category C_1 represents the reserves of a deposit (or a portion thereof) the crude oil or gas content of which has been determined on the basis of commercial flows of crude oil or gas obtained in wells (with some of the wells having been probed by a formation tester) and positive results of geological and geophysical exploration of non-probed wells.

The type, shape and size of the deposit and the formation structure of the oil-and gas-bearing reservoirs have been determined from the results of drilling exploration and production wells and by those geological and geophysical exploration techniques that have been field-tested for the applicable area. The lithological content, reservoir type and characteristics, oil and gas saturation, oil displacement ratio and effective oil and gas saturation depth of the productive strata have been studied based on drill cores and geological and geophysical exploration techniques. The composition and characteristics of oil, gas and gas condensate under in situ and standard conditions have been studied on the basis of well testing data. In the case of an oil and gas deposit, the commercial potential of its oil-bearing fringe has been determined. Well productivity, hydro- and piezo-conductivity of the stratum, stratum pressures and oil, gas and gas condensate temperatures and yields have been studied on the basis of well testing and well exploration results. The hydro-geological and geocryological conditions have been determined on the basis of well drilling results and comparisons with neighboring explored fields.

Category C_1 reserves are computed on the basis of results of geological exploration work and production drilling and must have been studied in sufficient detail to yield data from which to draw up either a trial industrial development project in the case of a natural gas field or a technological development scheme in the case of an oil field.

Category C_2 reserves are preliminary estimated reserves of a deposit calculated on the basis of geological and geophysical research of unexplored sections of deposits adjoining sections of a field containing reserves of higher categories and of untested deposits of explored fields. The shape, size, structure, level, reservoir types, content and characteristics of the hydrocarbon deposit are determined in general terms based on the results of the geological and geophysical exploration and information on the more fully explored portions of a deposit. Category C_2 reserves are used to determine the development potential of a field and to plan geological, exploration and production activities.

Category C_3 resources are prospective resources prepared for the drilling of (i) traps within the oil- and gas-bearing area, delineated by geological and geophysical exploration methods tested for such area and (ii) the formation of explored fields which have not yet been exposed by drilling. The form, size and stratification conditions of the assumed deposit are estimated from the results of geological and geophysical research. The thickness, the reservoir characteristics of the formations, the composition and the characteristics of hydrocarbons are assumed to be analogous to those for explored fields. Category C_3 resources are used in the planning of prospecting and exploration work in areas known to contain other reserve bearing fields.

Category D_1 resources are calculated based on the results of regional geological, geophysical and geochemical research and by analogy with explored fields within the region being evaluated. Category D_1 resources are reserves in lithological and stratigraphic series that are evaluated within the boundaries of large regional structures confirmed to contain commercial reserves of oil and gas.

Category D_2 resources are calculated using assumed parameters on the basis of general geological concepts and by analogy with other, better studied regions with explored oil and gas fields. Category D_2 resources are reserves in lithological and stratigraphic series that are evaluated within the boundaries of large regional structures not yet confirmed to contain commercial reserves of oil and gas. The prospects for these series to prove to be oil- and gas-bearing are evaluated based on geological, geophysical and geochemical research.

The evaluation of gas reserves in newly discovered natural gas or oil-and-gas deposits is carried out under the Russian reserves system using the volume method. The volume method determines the volume of reserves by examining the filtration and capacitive parameters of the deposit based on (i) the area of the deposit, (ii) the effective depth of hydrocarbon saturation, and (iii) the porousness of the deposit and the level of saturation of the hydrocarbons, taking into account thermobaric conditions.

The evaluation of natural gas reserves in deposits already under development is carried out under the Russian reserves system using both the volume method and the material balance method. The material balance method takes into account temporal changes in the effective reservoir pressure as a result of the extraction of the hydrocarbons and the resultant influx of water.

PRMS Standards

While the Russian reserves system focuses on the actual physical presence of hydrocarbons in geological formations, and reserves are estimated based on the probability of such physical presence, PRMS Standards take into account not only the probability that hydrocarbons are physically present in a given geological formation but also the economic viability of recovering the reserves (including such factors as exploration and drilling costs, ongoing production costs, transportation costs, taxes, prevailing prices for the products, and other factors that influence the economic viability of a given deposit).

Under PRMS Standards, reserves are classified as "proved," "probable" and "possible."

Proved reserves include reserves that are confirmed with a high degree of certainty through an analysis of the development history and/or volume method analysis of the relevant geological and engineering data. Proved reserves are those that, based on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced.

Probable reserves are those reserves in which hydrocarbons have been located within the geological structure with a lesser degree of certainty because fewer wells have been drilled and/or certain operational tests have not been conducted. Probable reserves are those reserves that, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced.

Possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the Proved plus Probable plus Possible reserves estimate.

An evaluation of proved, probable and possible natural gas reserves naturally involves multiple uncertainties. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the audit date, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas, gas condensate or crude oil may also affect our proved and probable reserves estimates, as well as estimates of our future net revenues and present worth, because the reserves are evaluated, and the future net revenues and present worth are estimated, based on prices and costs as of the audit date.

Differences between PRMS Standards and SEC Standards

PRMS Standards differ in certain material respects from SEC Standards. The SEC has recently adopted revisions to the SEC Standards that make such regulations more consistent with PRMS Standards

in certain respects. These revisions became effective on January 1, 2010. The principal differences between PRMS Standards and the current SEC Standards include the following:

Certainty of existence. Under PRMS Standards, reserves in undeveloped drilling sites that are located more than one well location from a commercial producing well may be classified as proved reserves if there is "reasonable certainty" that they exist. Under current SEC Standards, it must be "demonstrated with certainty" that reserves exist before they may be classified as proved reserves. The revisions to the SEC Standards establish a uniform standard of "reasonable certainty" that applies to all proved reserves, regardless of location or distance from producing wells.

Duration of license. Under PRMS Standards, proved reserves are projected for the period of the efficient development of the evaluated fields. Under SEC Standards, crude oil and gas deposits may not be classified as proved reserves if they will be recovered after the expiration of a current license period unless the license holder has the right to renew the license and there is a demonstrated history of license renewal. The absence of an absolute legal right to an extension and lack of historical support prevents us from concluding that the extractable reserves in our fields for periods past the expiration of the primary terms of these licenses could be considered proved under SEC Standards. We have not reviewed our fact pattern with the SEC and therefore do not have definitive guidance on whether in our circumstances such extractable reserves could be considered proved under SEC Standards.

Accordingly, information relating to our estimated proved natural gas, gas condensate and crude oil reserves under PRMS Standards is not necessarily indicative of information that would be reported under SEC Standards. In addition, although the revised SEC Standards allow for voluntary disclosure of "probable" and "possible" reserves after January 1, 2010, current SEC Standards do not permit the presentation of reserves other than proved reserves.

If we applied SEC Standards, these differences could potentially cause the amount of estimated proved natural gas, gas condensate and crude oil reserves reported by us under SEC Standards to be lower than would otherwise be reported under PRMS Standards. An eventual decrease in the amount of natural gas, gas condensate and crude oil reserves reported by us could, if material, affect certain financial data reported by us in our consolidated financial statements in future periods.

Russian Regulation

The Russian legal system's rapid evolution during the last 15 years is particularly evident in the context of natural gas industry regulation. Below is a brief overview of some key aspects of the current regulatory regime for the natural gas and oil industries.

The regulation of legal and economic relations in the Russian natural gas industry is based on the following legislation: the Constitution, the Civil Code, the Subsoil Resources Law, the Natural Monopoly Law, the Gas Supply Law, the Gas Export Law and Federal Law "On the Continental Shelf of the Russian Federation" No. 187-FZ dated November 30, 1995, as amended (the "Continental Shelf Law"). The most important piece of legislation is the Gas Supply Law, which establishes a legal, economic and organizational framework for natural gas supply in the Russian Federation and is directed at meeting state needs for strategic energy resources.

Under the Gas Supply Law, Russian federal authorities have jurisdiction over natural gas supplies, including, among other things, the development and implementation of Government policy on natural gas supply, the regulation of strategic natural gas reserves, control over the industrial and environmental safety of the industrial sites of the natural gas supply systems, standardization, metrological support, and certification of natural gas supply.

With respect to gas supply, the Government has the authority to: (i) set the procedure for forming and approving the projected natural gas production and sales balance in Russia based on available gas resources, technical capacity of the gas transportation system and anticipated demand for energy supplies, (ii) determine the level of natural gas prices and natural gas transportation tariffs, (iii) regulate natural gas deliveries, (iv) approve gas utilization and gas supply regulations; (v) approve federal gasification programs in Russia, (vi) set procedures for providing independent organizations with access to the natural gas transportation and distribution networks, and (vii) determine the categories of customers to whom natural gas deliveries cannot be restricted or suspended.

The Ministry of Industry and Trade is a federal executive body responsible for, among other things, the development of governmental civil and military industrial policy, regulation of certain sectors of

industry, including the regulation of energy supply and the improvement of energy market efficiency, supporting exports of industrial products and the state regulation of foreign trade (except for tariff and customs regulation).

The Ministry of Energy is responsible for the development of governmental fuel and energy sector policy, regulation of the energy sector, provision of state services, management of state property in the energy sector and use of energy resources.

The Ministry of Natural Resources and Ecology is a federal executive body responsible for the development of governmental policy and regulation of the use, study, reproduction and protection of natural resources and environmental monitoring and protection.

The Federal Service for Environmental, Technological and Nuclear Supervision sets procedures for, and oversees compliance with, subsoil use and industrial safety and environmental rules and issues licenses for certain industrial activities and activities relating to safety and environmental protection.

The Constitution of the Russian Federation stipulates that subsoil legislation is under the joint jurisdiction of the federal and regional authorities.

Subsoil licensing

In 1992, the Subsoil Resources Law introduced a licensing system governing the geological survey, exploration and production of natural resources from the subsoil in Russia. Under the Subsoil Resources Law, licenses for fields and subsoil plots were awarded through auctions or tenders conducted by the Committee on Geology and the Use of Mineral Resources of the Government ("Geokom of Russia"), together with the legislative branch of the relevant constituent entity of the Russian Federation. Currently, licenses are generally awarded by the federal authority responsible for management of state property in the area of subsoil use, which in accordance with Governmental Resolution No. 293 of June 17, 2004, as amended, is the Federal Agency for Subsoil Use ("Rosnedra") of the Ministry of Natural Resources and Ecology of the Russian Federation.

The Subsoil Resources Law provides criteria for determining subsoil plots of federal importance and defines legal grounds for establishment and termination of rights to use subsoil plots of federal importance. Under the Subsoil Resources Law, subsoil plots of federal importance are awarded through auctions or without an auction procedure with respect to the subsoil plots of federal importance included in the list approved by the Government. The most important criterion for determining an auction winner is the amount of the proposed payment for the right to use the subsoil.

There are several categories of licenses applicable to the geological survey, exploration and production of natural resources, including: (i) licenses for geological survey; (ii) licenses for exploration and production of natural resources; and (iii) licenses for geological survey, exploration and production of natural resources (combined licenses). Under the Subsoil Resources Law, licenses are granted either for the term stipulated in the license or for an indefinite term. Geological survey licenses may have a maximum term of five years (and 10 years for geological survey of subsoil areas of internal sea waters, territorial seas and the continental shelf); exploration and production licenses may have a term of the expected operational life of the field based on a feasibility study that provides for rational use and protection of subsoil; production licenses for underground waters may have a maximum term of 25 years; licenses for the production of natural resources based on the short-term right to use subsoil plots may have a maximum term of one year. The Subsoil Resources Law allows the subsoil user to request an extension of the existing license in order to complete either the development of the field or the procedures necessary to vacate the land once the exploration, assessment and exploitation of the subsoil is complete, subject to compliance with the terms and conditions of the license. Indefinite term licenses (not related to production of natural resources) are provided, in particular, for the construction and operation of waste burial facilities and underground oil and gas storage facilities.

Licenses for subsoil use may be transferred only under certain limited circumstances that are identified in the Subsoil Resources Law, including the reorganization or merger of the license holder or in the event that an initial license holder transfers its license to a legal entity in which it has at least a 50% ownership interest, provided that the transferee possesses the equipment and authorizations necessary to conduct the exploration or production activity that is covered by the transferred license. A license shall be reissued when the right for subsoil use is transferred or if the legal name of a license holder has changed. In this case the terms and conditions of subsoil use set forth in the previous license are not subject to revision. A transfer of the right to use a subsoil plot and the re-issuance of the license, which has been

granted on the basis of a production sharing agreement, is regulated by Federal Law "On Production Sharing Agreements" No. 225-FZ of December 30, 1995, as amended (the "PSA Law").

The Gas Supply Law and the Subsoil Recourses Law set forth special requirements in relation to granting the right of subsoil use for gas fields to the owner of the UGSS. In particular, to maintain reliability of gas supplies in Russia, the Government may grant the right of subsoil use (combined licenses) for fields of federal importance to the owner of the UGSS without an auction.

Unless otherwise provided by law, the transfer of a subsoil area of federal importance is prohibited by any entity established in accordance with the Russian legislation that has participation of a foreign investor, or a group of entities that include a foreign investor, in which a foreign investor has the ability to (i) directly or indirectly control more than 10% of the entity's voting shares, (ii) control the entity's management by contract or otherwise, or (iii) appoint the entity's chief executive officer or more than 10% of its executive officers or members of the entity's board of directors or other management committee. In exceptional circumstances and in accordance with the Government's resolutions, the transfer of rights to use subsoil plots of federal importance to entrepreneurial entities indicated in the law may be permitted.

Under a licensing agreement, the licensee assumes certain undertakings, including obligations with respect to the period and volume of exploration, provision of pre-project and project documentation, payments for subsoil use, projected extraction volume of natural resources, compliance with environmental safety requirements, elimination of environmental pollution, and, in certain instances, assurance of employment and development of infrastructure. When a license expires, the licensee, at its own cost, shall restore the relevant subsoil plot to a condition which is adequate for future use. The licensee can be fined or the license can be revoked, suspended or limited if the licensee breaches material terms of a license, including timing and scope of works at a subsoil plot, submission of required reports, as well as in cases of direct threat to the lives or health of the people working or residing in the area where licensed activities are carried on, in case of emergency or other circumstances.

Most of the conditions provided by licensing agreements are based on mandatory provisions of Russian law; however, other provisions may be negotiated by the parties subject to mandatory provisions of the Subsoil Resources Law.

A holder of a license for subsoil use, including geological survey of natural resources, assessment and exploration of fields, must make one-off payments for subsoil use under certain conditions as may be provided in the license including one-off payments in the event of the change of subsoil area borders, and regular payments for subsoil use. The regular payments for subsoil use based on economic and geographic conditions, size of the subsoil area, type of natural resources, period of exploration, geological profile of the subsoil plot and degree of risk. Such payments are charged separately on each type of subsoil use works and with the account for the stage of geological process and pursuant to specific rates set by law.

Payments for subsoil are in addition to relevant tax obligations applicable to the license holder in accordance with general tax legislation.

Regulating the activities of natural monopolies

The Natural Monopoly Law defines "natural monopoly" as a condition of the commodities market in which the demand for products is satisfied more effectively in the absence of competition due to technological characteristics of the manufacturing process and in which another product cannot readily be substituted for the monopoly product, which makes demand for the monopoly product less responsive to the price movements than demand for other products. The Natural Monopoly Law sets out, among other things, a regime for the regulation of entities which have a natural monopoly over natural gas transportation. It also establishes an authority which supervises:

- transactions involving the acquisition by a natural monopoly entity of title to (or the rights to use) assets unrelated to the industry in which the natural monopoly entity operates ("durable means of production and distribution"), where the value of such assets exceeds 10% of the natural monopoly entity's equity capital (as calculated in accordance with its latest audited balance sheet);
- investments in production or distribution of goods, not related to the industry of the natural monopoly entity, whose value exceeds 10% of the natural monopoly entity's equity capital (as calculated in accordance with its latest audited balance sheet);

- sales, leases or other transactions whereby an entity purchases title to (or the rights to use) assets of a natural monopoly entity used in the industry in which a natural monopoly entity operates where the value of such assets exceeds 10% of the value of the natural monopoly entity's equity capital (as calculated in accordance with its latest audited balance sheet).

The Federal Antimonopoly Service (the "FAS") supervises the activities of natural monopolies. The FTS is charged with the authority to set tariffs.

The relevant authority can adopt binding decisions in the case of a breach of law and issue binding instructions to a natural monopoly to prevent a breach of law, including instructions on eliminating the consequences of a breach.

The principal methods of regulating the activities of natural monopolies by relevant supervising authorities are:

- price regulation by setting prices (tariffs) or price limits; and
- identifying consumers entitled to receive mandatory services and (or) setting natural monopoly minimum supply levels for such consumers (with a view to protecting the rights and legal interests of citizens, state security, the environmental and cultural values).

As a natural monopoly entity, we must submit ongoing reports on our activities and drafts of capital investment plans to the relevant supervisory authority pursuant to the Natural Monopoly Law.

Federal Law dated December 25, 2008 No. 281-FZ introduced changes to the Natural Monopoly Law. In order to promote transparency in activity and regulation, the changes require natural monopolies, including Gazprom, to grant free access to the information on their activity in accordance with the standards of disclosure approved by the Government. The information on the regulated activity of the natural monopolies include the following: (i) information on prices (tariffs) for regulated goods and services; (ii) information on principal operational and financial activity, which is regulated; (iii) information on basic consumer characteristics of the regulated goods and services; (iv) information on technical access to the regulated goods and services, or the lack thereof; (v) information on the terms and conditions of supply of the regulated goods and services; (vi) information on investment plans and performance reports, etc.

The supervisory authority has the authotity to: (i) regulate natural monopoly entities and to apply regulatory measures contemplated by the Natural Monopoly Law including price regulation; (ii) instruct natural monopoly entities to cease violations and mitigate its consequences, including by entering into contracts with the consumers entitled to the mandatory provision of services, instruct natural monopoly entities to make amendments to existing contracts or to transfer to federal budget profits from activities violating the Natural Monopoly Law; and (iii) perform other acts contemplated by federal laws.

The UGSS

The Gas Supply Law defines the UGSS as a centrally managed, technologically and economically regulated system of gas production, processing, transportation, storage and supply.

Gazprom is currently the owner of the UGSS. Under the Gas Supply Law, the owner of the UGSS has a number of responsibilities. To ensure reliable gas supply and compliance with international treaties of the Russian Federation and gas delivery contracts, Gazprom maintains and develops the network of UGSS facilities, monitors and manages the function of its facilities, procures the use of equipment and processes for power-saving and environmental safety at its industrial sites, takes action to ensure industrial and ecological safety within the UGSS and operates emergency management systems.

The Gas Supply Law does not permit the division of the UGSS. The liquidation of its owner can only be carried out if a federal law is passed permitting such liquidation. The Gas Supply Law was amended in December 2005 to eliminate the prohibition on foreign persons and companies from owning more than 20% of the owner of the UGSS's (i.e. Gazprom's) issued ordinary shares. As amended, the Gas Supply Law now requires that at least 50% plus one ordinary share of the company owning the UGSS must be owned by the Russian Federation or joint stock companies in which the Russian Federation owns at least a 50% plus one share interest, and may be disposed of by federal law. Currently, the Russian Federation controls more than 50% of Gazprom's shares.

Production sharing agreements

Production sharing agreements are commercial arrangements between the Russian Federation and investors relating to exploration and development and the sharing of production of mineral resources between parties. Under a production sharing agreement, an investor is exempted from a number of taxes and other mandatory payments in exchange for giving the Russian Federation a portion of its production, generally, after the investor has recovered its development costs.

The PSA Law came into force in January 1996. It established the principal legal framework for state regulation of production sharing agreements relating to oil and gas field development and production. The PSA Law contains rules purporting to protect investors against adverse changes in federal and regional laws and regulations.

The PSA Law provides that operations conducted under a production sharing agreement pursuant to the PSA Law will be governed by the production sharing agreement itself and will not be affected by contrary provisions of any other legislation with several exceptions. Furthermore, production sharing agreement entered into by the Russian Federation prior to the enactment of the PSA Law (e.g., Sakhalin I, Sakhalin II and Kharyaga) are "grandfathered" to the PSA Law so that their provisions will be effective even if they are inconsistent with the PSA Law.

In accordance with Order of the Government No. 1539-r dated September 6, 2011 we have been assigned the right of the Russian Federation to receive consideration in kind as a payment for production of natural resources (royalty) and a share in sales under the Sakhalin II production sharing agreement.

Transportation and supply of gas

The relationship between natural gas suppliers and off-takers is governed by the Gas Supply Law, the Regulation on Natural Gas Supplies in the Russian Federation approved by Government Resolution No. 162 dated February 5, 1998, as amended, and other regulations.

A right of priority to enter into natural gas supply agreements is given to off-takers that purchase natural gas for the Government, utility consumers and households, and certain off-takers wishing to extend their existing natural gas supply agreements.

Pursuant to Government Resolution No. 858 dated July 14, 1997, we provide independent suppliers with access to the GTS subject to the following requirements:

- availability of spare transport capacity for the time period proposed by the independent supplier;
- quality and technical parameters of the natural gas supplies;
- availability of input connections from suppliers and output connections to consumers and natural gas recovery and quality control stations; and
- availability of gas supply agreements and relevant customer demand for the proposed time period.

In accordance with the Gas Supply Law, consumers are obligated to pay for natural gas supplies and transportation services. If consumers fail to make such payments, suppliers have the right to limit or suspend natural gas supplies to such consumers in accordance with specific procedures provided for by a number of Government resolutions. Government Resolution No. 364 dated May 29, 2002 provides for special terms and conditions of gas delivery to institutions responsible for national security. The supplier may not suspend or limit gas supplies below the limits provided by the state-related customer for its affiliated institutions.

Gas exports

Pursuant to the Gas Export Law, as the owner of the UGSS, Gazprom has the exclusive right to export natural gas or liquefied natural gas produced in any hydrocarbon field within Russia. However, this exclusivity requirement does not apply to the export of gas produced under production sharing agreements that were entered into before the Gas Export Law came into effect.

Transportation of crude oil and petroleum products

The trunk pipelines for transportation of crude oil and petroleum products in Russia are controlled by Transneft which is a state-controlled monopoly. Pursuant to the Natural Monopolies Law, pipeline

terminal access rights are allocated among oil producers and their parent companies in proportion to the volumes of oil produced and delivered to the Transneft pipeline system (and not in proportion only to oil production volumes).

The Ministry of Energy approves quarterly plans that detail the precise volumes of oil that each oil producer can pump through the Transneft system. Once the access rights are allocated, oil producers generally cannot increase their allotted capacity in the export pipeline system, although they have limited flexibility in altering delivery routes. Oil producers are generally allowed to assign their access rights to others.

Prices and tariffs

Pricing of gas produced by Gazprom and its affiliates, as well as rates for gas transportation services through trunk gas pipelines operated by Gazprom, are regulated and supervised by the Russian Federation pursuant to the Gas Supply Law and the Natural Monopoly Law, as well as certain governmental regulations, such as Government Resolution No. 239 "On Measures to Stabilize State Regulation of Prices (Tariffs)" dated March 7, 1995, as amended, and Government Resolution No. 1021 "On State Regulation of Gas Prices and Tariffs for Gas Transportation in the Territory of the Russian Federation" dated December 29, 2000, as amended. In accordance with the Gas Supply Law, the Government is authorized, and has implemented such right, to substitute service tariffs for gas transportation through pipelines, which is a natural monopoly activity, with the regulation of wholesale natural gas prices for end users that can use it as fuel and raw material as well as tariffs on gas transportation services for independent organizations. Currently, the Government regulates wholesale natural gas prices, tariffs for gas transportation services through trunk pipelines for independent organizations, tariffs for gas transportation through pipelines, tariffs for gas transportation through supply networks, and payments for the supply and marketing services rendered by gas distribution companies to the population. Therefore, state agencies set prices (tariffs) throughout the whole system of gas supply for Russian users.

Tariffs charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines are established by the FTS. See "Gazprom—Transport." A tariff system consists of (i) a payment for the use of natural gas pipelines, which depends on the regions of input and output to and from the gas transportation system and (ii) a payment for transportation of mcm per 100 km.

Procurement Law

In accordance with the Procurement Law, certain categories of legal entities, including natural monopoly entities, their subsidiaries in which a natural monopoly entity holds more than 50% of the share capital (the "Direct Subsidiaries") and the subsidiaries of the Direct Subsidiaries in which any Direct Subsidiary holds more than 50% of the share capital (the "Indirect Subsidiaries"), are required to purchase goods, services and works through a competitive tender or public auction, subject to certain exemptions provided by the Procurement Law. Gazprom is a natural monopoly entity pursuant to Articles 3 and 4 of the Natural Monopoly Law. In accordance with the Procurement Law we enacted procurement regulations (the "Procurement Regulations") setting out rules and procedures for competitive purchase of goods, services and works by us, our Direct Subsidiaries and Indirect Subsidiaries and published them on our Internet website. We carry out procurement of goods, services and works pursuant to the Procurement Law and the Procurement Regulations.

Environmental requirements

Russian environmental legislation establishes a "pay-to-pollute" regime. The Federal Service for the Supervision of the Use of Natural Resources, which exercises supervision over the observance of environmental legislation (including legislation relating to handling of hazardous wastes), controls geological exploration, the rational use and protection of subsoil (including compliance with the relevant terms and conditions of subsoil licenses) and exercises land control.

Fees are assessed for both pollution within the limits agreed on emissions and effluents and for pollution in excess of these limits. There are additional fines for certain other breaches of environmental regulations. The environmental protection legislation contains an obligation to make compensation payments to the budget for all environmental losses caused by pollution. In the event of a dispute concerning losses caused by breaches of environmental laws and regulations, the prosecutor's office or other authorized governmental bodies may bring suit. Courts may impose clean-up obligations, subject to the agreement of the parties, in lieu of or in addition to imposing fines.

Subsoil licenses generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply and the clean-up requirements are generally low.

Health and Safety

The principal law regulating industrial safety is Federal Law No. 116-FZ dated July 21, 1997 "On Industrial Safety of Hazardous Industrial Facilities", as amended, (the "Safety Law"). The Safety Law applies, in particular, to industrial facilities and sites where certain activities related to exploration and production of gas, among other things, are carried out. The Safety Law also contains a comprehensive list of hazardous substances and their permitted concentrations, and extends to facilities and sites where these substances are used.

Our activities include operation of certain hazardous industrial sites regulated by the Federal Service for Environmental, Technological and Nuclear Supervision (the "Rostekhnadzor"). Project documentation relating to capital repairs, laying up or liquidation of a dangerous industrial site is subject to state industrial safety review. Project documentation in relation to reequipment of a dangerous industrial site has to be agreed with the Rostekhnadzor unless the documentation is subject to state review in accordance with the urban planning legislation. Any amendment of project documentation in the process of construction, reconstruction and liquidation of regulated industrial sites needs to be reviewed by a licensed state expert in accordance with the Russian urban-planning legislation. Any amendment of project documentation in the process of capital repairs, laying up or liquidation of regulated industrial sites is subject to state industrial safety review and needs to be approved by the Rostekhnadzor or it territorial body. Any reequipment has to be agreed with the Rostekhnadzor or it territorial body unless the change has been agreed with the urban planning authorities.

Companies that operate hazardous industrial sites have a wide range of obligations under the Safety Law and the labor legislation of the Russian Federation. In particular, they must limit access to such sites to certified specialists without any medical contra-indications, maintain industrial safety controls, carry insurance for third-party liability for injuries caused in the course of operating hazardous industrial sites and in some instances form financial and material reserves that could be used to contain or liquidate consequences of an accident on a hazardous industrial site. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services and conduct personnel training programs, create systems to cope with and inform respective state authorities of accidents and maintain these systems in good working order. In certain cases, companies operating hazardous industrial sites must also prepare declarations of industrial safety which would summarize the risks associated with operating a particular regulated industrial site and measures the company has taken and will take to mitigate such risks and use such site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein, and is subject to the state industrial safety review and registration with the Rostekhnadzor.

In case of an accident, a special commission led by a representative of the Rostekhnadzor conducts a technical investigation of the cause. The company operating the industrial facility where the accident took place must bear all costs of the investigation and provide the special commission with all necessary information required to conduct a thorough investigation of the accident. The Rostekhnadzor may suspend a company's operations or impose administrative liability on a company or its officials.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability and individuals may also incur criminal liability. A company that violates safety rules in a way that adversely impacts the health of an individual may also be liable to compensate the individual for lost earnings, as well as health-related damages.

Employment and Labor Regulation

Labor matters in Russia are primarily governed by the Labor Code. In addition to this core legislation, relationships between employers and employees are regulated by various federal laws. In respect to certain territories with harsh climatic conditions, Russian legislation establishes additional regulations to protect the interest of employees. Under Law of the Russian Federation No. 4520-1 "On State Guarantees and Compensations for Persons Working and Residing in the Far North Regions and Areas of Equal Status" dated February 19, 1993, as amended, the employees working in certain territories with harsh climatic conditions are entitled to certain additional benefits, including the regional coefficients pursuant to which the salary and other benefits of such employees are increased (the amount of coefficient differs for each territory) and additional vacation days.

Continental shelf and the exclusive economic zone

Offshore hydrocarbon operations in areas on the continental shelf are governed by the Continental Shelf Law and the Subsoil Resources Law.

The "exclusive economic zone" of the Russian Federation is the marine area located outside Russia's territorial sea and limited by the 200 nautical miles from the baselines from which the width of the territorial sea is measured (or as otherwise provided by international law or treaty), including all islands located within this area except for mountain rocks ineligible for living and economic activities. Oil and gas exploration and extraction activities that are carried out within the exclusive economic zone are governed by Federal Law No. 191-FZ "On the Exclusive Economic Zone of the Russian Federation," dated December 17, 1998, as amended (the "EEZ Law"), the Subsoil Resources Law, the Continental Shelf Law, the PSA Law and international treaties to which the Russian Federation is a party.

The EEZ Law focuses on protecting and monitoring the natural resources of the exclusive economic zone, including mineral resources. The EEZ Law establishes a framework of protective measures with respect to dumping, accidents at sea, and protection and conservation of ice-bound and other specially designated areas. Users of resources in the exclusive economic zone make certain payments in accordance with Russian legislation.

Foreign Investments

On April 29, 2008, Federal Law No. 57-FZ "On the Procedure for Making Foreign Investments in the Companies Of Strategic Importance for the Defense and State Security," as amended (the "Foreign Investment Law"), was adopted. The Foreign Investment Law sets forth certain restrictions relating to foreign investments in Russian companies of strategic importance for national defense and security. Among others, companies engaged in the geological exploration and/or extraction of minerals at the subsoil sites of federal significance are considered to be strategically important and foreign investments in such companies are subject to restrictions set out by the Foreign Investment Law.

Under the Foreign Investments Law, an acquisition by a foreign investor of direct or indirect control over a Russian company of strategic importance requires a permit of the special Governmental commission. In addition, an acquisition by a foreign investor or its group of companies of the shares (participation interests) in a company of strategic importance (directly or indirectly) exceeding certain thresholds (which vary from over 5% to over 50% of total voting rights in equity capital of a company of strategic importance, depending on type of the foreign investor and type of the company of strategic importance) requires obtaining a prior permit of the special Governmental commission. If the acquisition of interest over the relevant threshold happens without the requisite prior permit, the acquisition transaction is void under Russian law and the foreign investor and/or its group of companies may be held deprived from voting rights regarding the equity capital of a company of strategic importance.

For purposes of the Foreign Investment Law, Gazprom is a company of strategic importance for national defense and security, but we are exempted from the approval procedures contained therein because the Russian Federation directly or indirectly holds more than 50% of our voting shares.

Decree No. 1285 requires that companies listed as "strategic" by the Government, as well as their subsidiaries, (including Gazprom and its subsidiaries) obtain permission from an authorized governmental agency before engaging in certain activities with foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states.

Specifically, when requested "by the bodies of foreign states or by international organizations, unions of foreign states, or bodies (institutions) of these organizations and unions," such companies and their subsidiaries must not, without prior consent of the authorized governmental agency:

- provide to such "bodies, organizations or unions" information relating to their business activities;
- amend contracts entered into with foreign parties, or amend any other documents related to their business policies, including pricing policies, in foreign countries; or
- dispose of their (i) shares in foreign companies; (ii) rights to conduct business in foreign countries; or (iii) immovable property in foreign states.

Prior permission for aforementioned activities is not required if the information is provided pursuant to Russian legislation and in the course of the issuance, circulation and acquisition of securities.

Permission for such activities shall be refused if they could harm the economic interests of the Russian Federation.

The Ministry of Energy has been authorized to issue permissions to Gazprom and its subsidiaries pursuant to Decree No. 1285.

Regulation Abroad

Gas Directives

Directive 2003/55/EC (the "second Gas Directive") was adopted by the European Parliament and the Council of the European Union in June 2003, and effective July 1, 2004, replaced gas Directive 98/30/EC (the "first Gas Directive") adopted in 1998.

The second Gas Directive established common rules for the transmission, distribution, supply and storage of natural gas. The second Gas Directive set out rules for the organization of the natural gas sector (including LNG), access to the market, the operation of transmission and distribution systems, and the criteria and procedures for authorizing the transmission, distribution, supply and storage of natural gas in order to open domestic gas markets to competition. Since July 1, 2007, all customers have the right to choose their supplier. The second Gas Directive only provided for regulated access to gas transportation and distribution systems and to LNG terminals. Such access was supposed to be based on the tariffs that became effective only upon their publication and applicable uniformly to all consumers. The implementation of the second Gas Directive led to significant liberalization of the European natural gas market, going further than the second Gas Directive's minimum requirements.

According to CEDIGAZ's statistical survey Natural Gas Year in the World 2012 (October 2012), Russia is the largest exporter of natural gas to western Europe, followed by Norway, the Netherlands, Algeria and Qatar. EU projections show that in order to meet demand for natural gas and to compensate for the decline in the production of natural gas within the EU, there will be an increasing dependence upon imports from outside the EU. The electricity industry and other sectors of the economy are increasingly using natural gas because of its favorable ecological and technological characteristics, which has increased demand.

As a result of the liberalization of the EU natural gas market, short-term contracts and spot transactions involving natural gas have become more popular. Continued development of short-term contracts and spot transactions has had in the past and may continue to have a significant effect on the state of the market. The long-term "take-or-pay" contracts under which most of Europe's natural gas is supplied by the Group, however, provide for secure and stable natural gas supplies while at the same time balancing the interests of both exporters and importers. Such contracts are also the main element of major natural gas export financing projects, which provide producers with capital needed for investment in gas field exploration and development and transportation infrastructure. At the same time, these long-term contracts also ensure that gas importers have access to the required quantities of natural gas over long periods of time. In light of anticipated import demand for natural gas in the European countries and the liberalization of the gas market, long-term contracts are likely to be of continued importance.

In July 2009, the European Council adopted the Third Energy Package which included, in particular, the third Gas Directive and Directive 2009/72/EC (electricity) providing for further liberalization of the EU gas and electricity markets and repealing Directive 2003/55/EC (gas) and Directive 2003/54/EC (electricity), respectively. The directives envisaged three alternatives for the vertical disintegration of existing energy producers and suppliers from operators of relevant transportation networks. These alternatives establish various degrees of restriction on the participation of energy producers in ownership and management of the transportation networks, from certain restrictions in managing the networks imposed by a national regulator up to a mandatory disposition of assets or requirement to transfer control over assets to an independent operator. Despite the fact that not all of the EU states have incorporated provisions of the third Gas Directive into their respective legislation, the directive has been directly applied within the EU from March 2011. In addition, the European Commission announced its intention to initiate an investigation against 18 countries which delayed incorporating the third Gas Directive into their respective national law. Provisions of the Gas directive apply to all undertakings and transportation networks within the EU. As of now, we cannot predict with any certainty the impact the third Gas Directive may have on our joint ventures, which own transportation facilities and operate in the EU. It is also possible, however, that vertical disintegration would provide us an opportunity for additional access to consumers in the EU market.

GENERAL INFORMATION

(1) It is expected that the Base Prospectus will be approved on or before February 5, 2013. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be issued pursuant to the Programme which will not be listed on any stock exchange. The Listing Agent is not seeking admission to listing of the Notes on the Irish Stock Exchange for the purposes of the Prospectus Directive on its own behalf, but as agent on behalf of Gazprom and the Issuer. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or trading on its regulated market for the purposes of the Prospectus Directive.

(2) The establishment of the Programme was approved by a resolution of the Management Committee of Gazprom on July 31, 2003 and by a resolution of the Board of Directors of the Issuer on September 8, 2003; the update of the Programme was approved by a resolution of Gazprom's Board of Directors on December 13, 2012 and by the Board of Directors of the Issuer on February 4, 2013. Gazprom and the Issuer will obtain all necessary consents, approvals and authorizations in Russia and Luxembourg in connection with any Loan and the issue and performance of the corresponding Series of Notes.

(3) Except as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of Gazprom or the Group since September 30, 2012 and no material adverse change in the prospects of Gazprom or the Group since December 31, 2011.

(4) There has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuer since December 31, 2011.

(5) Except as disclosed in this Base Prospectus, neither Gazprom nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Gazprom is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Gazprom or the Group.

(6) The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

(7) ZAO PricewaterhouseCoopers Audit has rendered unqualified audit reports on the consolidated financial statements of Gazprom prepared according to IFRS as of and for the years ended December 31, 2011, 2010 and 2009. Gazprom publishes unaudited consolidated interim condensed financial information prepared in accordance with IAS 34, for the three-month period ended March 31, the six-month period ended June 30 and for the nine-month period ended September 30 in each year. Gazprom does not publish audited or unaudited interim or year-end consolidated or non-consolidated financial statements prepared in accordance with U.S. GAAP. ZAO PricewaterhouseCoopers Audit is a member of the Institute of Professional Accountants of Russia and the Audit Chamber of Russia.

(8) Certain information with respect to Gazprom's and Gazprom Neft's natural gas, gas condensate and crude oil reserves associated with their respective natural gas, gas condensate and crude oil properties is derived from the report of DeGolyer and MacNaughton, an internationally recognized firm of independent reservoir engineers, as of December 31, 2011, and has been included herein upon the authority of said firm as an expert with respect to the matters covered by such report and in giving such report.

(9) The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number ("ISIN") and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms or Series Prospectus, as the case may be.

(10) The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms or Series Prospectus of each Series, based on then prevailing market conditions. Gazprom and the Issuer do not intend to provide any post-issuance information in relation to any issues of Notes.

(11) For so long as the Programme remains in effect or any Notes remain outstanding, the following documents in physical form will be available from the date hereof, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Principal Paying Agent and Deutsche International Corporate Services (Ireland) Limited:

- the articles of association of the Issuer and the charter of Gazprom;
- the Trust Deed (which includes the form of the Global Notes and the Definitive Notes);
- the Agency Agreement;
- the Dealer Agreement;
- the Facility Agreement;
- the audited consolidated financial statements of Gazprom as of and for the years ended December 31, 2011, 2010 and 2009, in each case together with the audit reports thereon;
- the unaudited consolidated interim condensed financial statements of Gazprom as of and for the nine months ended September 30, 2012 and 2011;
- each Final Terms or Series Prospectus, as the case may be, for Notes which are listed on the Irish Stock Exchange or any other stock exchange (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, Gazprom and the Principal Paying Agent as to its holding of Notes and identity); and
- a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

(12) Any website referred to in this document does not form part of this Base Prospectus.

GLOSSARY OF SELECTED TERMS

"bbls"	Billions of barrels
"bboe"	Billon barrels of oil equivalent
"bcf"	Billion cubic feet
"bcm"	Billion cubic meters, as measured under one atmosphere of pressure at 20C°
"Board of Directors"	Gazprom's board of directors, consisting of 11 members and appointed pursuant to the Joint Stock Companies Law and the Charter
"boe"	Barrel of oil equivalent
"CBR"	Central Bank of the Russian Federation
"central and eastern Europe"	For the purposes of this Base Prospectus: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Former Yugoslav Republic of Macedonia, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia
"Charter"	Gazprom's Charter of May 31, 1996, as amended
"CIS"	The Commonwealth of Independent States. For the purposes of this Base Prospectus the CIS includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and excludes Russia
"Constitution"	The constitution of the Russian Federation adopted on December 12, 1993
"Customs Union"	A customs union of the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan established in accordance with the Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union of October 6, 2007
"Energy Charter Treaty"	Treaty between European states, the main objective of which is to assist in the development of the European energy market
"EU"	European Union
"Europe"	For the purposes of this Base Prospectus, central and eastern Europe and western Europe
"Europe and Other Countries"	For the purposes of this Base Prospectus, refers to countries other than Russia and the FSU countries
"FSU"	Excluding Russia, the countries which formerly comprised the Soviet Union: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan
"FTS"	Federal Tariffs Service of the Russian Federation, established pursuant to Decree No. 314 dated March 9, 2004 as the successor to, among other things, the domestic gas price and transport tariff regulation functions of the Federal Energy Commission
"Gas Directives"	Directive 2009/73/EC, Directive 2003/55/EC and Directive 98/30/EC adopted by the European Parliament and the Council in 2009, 2003 and 1998, respectively, and came into force in March 2011, July 2004 and August 1998, respectively, with the purpose of establishing common rules for the organization and functioning of the European natural gas market

"Gcal"	Giggacalories
"Gcal/h"	Giggacalories per hour
"General Meeting of Shareholders"	Gazprom's highest authority in accordance with its Charter, with exclusive power over various aspects of Gazprom's management
"GTS"	Gas Transportation System, a system of gas transportation and storage facilities including pipelines, compressor stations and UGSFs designed to deliver gas to points of delivery to gas distribution companies.
"GW"	Giggawatt
"IFRS"	International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"International Energy Agency"	A forum with 28 member countries that serves as a forum in which to share energy information, coordinate energy policies and cooperate in the development of energy programs, and is an authoritative source for energy statistics worldwide
"kW"	Kilowatt
"kWh"	Kilowatt hour
"Management Committee"	An executive body of Gazprom, which, along with the Management Committee Chairman, manages Gazprom's day-to-day affairs and implements the strategic plans of the Board of Directors
"mcf"	Thousand cubic feet
"mcm"	Thousand cubic meters, as measured under one atmosphere of pressure at 20C°
"mmbls"	Millions of barrels
"mmboe"	Million barrels of oil equivalent
"mmcm"	Million cubic meters, as measured under one atmosphere of pressure at 20C°
"mtoe"	Million metric tons of oil equivalent
"MW"	Megawatt
"NGV"	Natural gas vehicle
"OGKs"	Wholesale market generation companies
"Russia"	Russian Federation
"Russian Tax Code"	Federal Law No.146-FZ "Tax Code of the Russian Federation (part one)" dated June 31, 1998, as amended, and Federal Law No.117-FZ "Tax Code of the Russian Federation (part two)" dated August 5, 2000, as amended
"State Duma"	Lower chamber of the Russian parliament
"tcf"	Trillion cubic feet
"tcm"	Trillion cubic meters, as measured under one atmosphere of pressure at 20C°
"TGKs"	Territorial generation companies
"toe"	Metric ton of oil equivalent
"ton"	One metric ton

"UGSF"	Underground natural gas storage facility
"UGSS"	Unified Gas Supply System
"U.K."	United Kingdom
"U.S."	United States of America
"western Europe"	For the purposes of this Base Prospectus: Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Greenland, Iceland, Republic of Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, The Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey and the United Kingdom

CONVERSION TABLE

metric measure	U.S. measure
1 bcm	35,316,000,000 cubic feet
1 tcm	35,316,000,000,000 cubic feet
1 ton	1,000 kilos, 2,204.6 pounds, 7.33 barrels of crude oil, 8.18 barrels of gas condensate
1 kilometer	Approximately 0.62 miles
1 metric ton of oil equivalent	25.2 quadrillion btus (British Thermal Units), approximately 1,125 mcm of natural gas
1 barrel of gas condensate	1 barrel of oil equivalent (boe)
1 metric ton of gas condensate	8.18 barrels of gas condensate
1 mcm of natural gas	5.89 barrels of oil equivalent (boe)

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OAO GAZPROM

IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL INFORMATION
(UNAUDITED)

30 SEPTEMBER 2012

REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of OAO Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 30 September 2012 and the related consolidated interim condensed statements of comprehensive income for the three and nine month periods then ended, and of cash flows and of changes in equity for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

14 January 2013
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit
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OAO GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)

AS OF 30 SEPTEMBER 2012

(In millions of Russian Roubles)

Notes		30 September 2012	31 December 2011
	Assets		
	Current assets		
6	Cash and cash equivalents	471,428	501,344
6	Restricted cash	3,724	3,877
7	Short-term financial assets	20,918	23,991
8	Accounts receivable and prepayments	830,600	784,053
9	Inventories	484,594	407,530
	VAT recoverable	318,239	303,454
	Other current assets	206,788	216,044
		2,336,291	2,240,293
	Non-current assets		
10	Property, plant and equipment	7,323,898	6,718,575
11	Investments in associated undertakings and jointly controlled entities	637,604	715,966
12	Long-term accounts receivable and prepayments	577,816	517,097
13	Available-for-sale long-term financial assets	166,794	181,138
14	Other non-current assets	577,007	527,627
		9,283,119	8,660,403
	Total assets	**11,619,410**	**10,900,696**
	Liabilities and equity		
	Current liabilities		
	Accounts payable and accrued charges	889,350	804,644
	Current profit tax payable	5,688	44,036
	Other taxes payable	113,606	93,707
	Short-term borrowings, promissory notes and current portion of long-term borrowings	385,509	366,868
		1,394,153	1,309,255
	Non-current liabilities		
15	Long-term borrowings	1,247,403	1,173,294
22	Provisions for liabilities and charges	217,422	206,734
16	Deferred tax liabilities	400,162	402,728
	Other non-current liabilities	29,673	47,694
		1,894,660	1,830,450
	Total liabilities	3,288,813	3,139,705
	Equity		
17	Share capital	325,194	325,194
17	Treasury shares	(104,041)	(104,605)
	Retained earnings and other reserves	7,798,312	7,242,982
		8,019,465	7,463,571
	Non-controlling interest	311,132	297,420
	Total equity	8,330,597	7,760,991
	Total liabilities and equity	**11,619,410**	**10,900,696**

A.B. Miller
Chairman of the Management Committee
2013

E.A. Vasilieva
Chief Accountant
2013

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

OAO GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012

(In millions of Russian Roubles)

Notes		Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
18	Sales	1,120,937	949,585	3,351,303	3,296,656
	Net gain (loss) from trading activity	280	(601)	5,798	(837)
19	Operating expenses	(867,982)	(620,949)	(2,491,733)	(2,119,289)
	Operating profit	**253,235**	**328,035**	**865,368**	**1,176,530**
20	Finance income	99,340	10,247	252,733	117,012
20	Finance expense	(22,476)	(147,648)	(204,539)	(192,323)
11	Share of net income of associated undertakings and jointly controlled entities	55,001	9,213	126,690	71,779
	Gains (losses) on disposal of available-for-sale financial assets	43	10	(35)	841
	Profit before profit tax	**385,143**	**199,857**	**1,040,217**	**1,173,839**
	Current profit tax expense	(69,842)	(28,623)	(208,974)	(198,969)
	Deferred profit tax (expense) benefit	(7,702)	(15,609)	1,882	(34,043)
	Profit tax expense	(77,544)	(44,232)	(207,092)	(233,012)
	Profit for the period	**307,599**	**155,625**	**833,125**	**940,827**
	Other comprehensive income				
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	8,595	(17,711)	(13,424)	(20,100)
	Share of other comprehensive loss of associated undertakings and jointly controlled entities	(3,880)	(502)	(8,919)	(6,854)
	Translation differences	(28,716)	48,407	(20,679)	23,373
	Gains (losses) from cash flow hedges, net of tax	3,522	—	(2,518)	—
	Other comprehensive (loss) income for the period, net of tax	**(20,479)**	**30,194**	**(45,540)**	**(3,581)**
	Total comprehensive income for the period	**287,120**	**185,819**	**787,585**	**937,246**
	Profit attributable to:				
	owners of OAO Gazprom	305,054	151,978	813,721	923,647
	non-controlling interest	2,545	3,647	19,404	17,180
		307,599	**155,625**	**833,125**	**940,827**
	Total comprehensive income attributable to:				
	owners of OAO Gazprom	286,227	178,954	769,160	918,731
	non-controlling interest	893	6,865	18,425	18,515
		287,120	**185,819**	**787,585**	**937,246**
21	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**13.29**	**6.62**	**35.46**	**40.25**

A.B. Miller
Chairman of the Management Committee
2013

E.A. Vasilieva
Chief Accountant
2013

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

OAO GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(In millions of Russian Roubles)

Notes		Nine months ended 30 September 2012	2011
	Operating activities		
	Profit before profit tax	**1,040,217**	**1,173,839**
	Adjustments to profit before profit tax		
19	Depreciation	242,099	201,636
20	Net unrealised foreign exchange (gains) losses	(54,089)	67,663
20	Interest expense	26,075	21,292
20	Interest income	(20,173)	(13,452)
	Losses (gains) on disposal of available-for-sale financial assets	35	(841)
11	Share of net income of associated undertakings and jointly controlled entities	(126,690)	(71,779)
19	Charge for provisions	59,500	36,339
19	Derivatives loss (gain)	8,912	(1,258)
	Other	1,665	(660)
	Total effect of adjustments	137,334	238,940
	Increase in non-current assets	(2,106)	(3,307)
	Increase in non-current liabilities	2,909	2,146
	Total effect of working capital changes	25,974	(40,716)
	Profit tax paid	(220,937)	(303,150)
	Net cash provided by operating activities	**983,391**	**1,067,752**
	Investing activities		
	Capital expenditures	(956,529)	(1,066,253)
20	Interest paid and capitalised	(48,159)	(42,290)
	Net change in loans issued	(7,828)	(19,587)
23,26	Acquisition of interest in subsidiaries, net of cash acquired	(32,185)	(30,760)
	Proceeds from sale of interest in subsidiaries	—	6,715
	Investment in associated undertakings and jointly controlled entities	(14,647)	(6,834)
	Interest received	16,964	6,779
	Change in long-term available-for-sale financial assets	(1,662)	(2,175)
	Proceeds from associated undertakings and jointly controlled entities	159,284	83,419
	Other	1,816	1,632
	Net cash used for investing activities	**(882,946)**	**(1,069,354)**
	Financing activities		
	Proceeds from long-term borrowings	227,140	246,850
	Repayment of long-term borrowings (including current portion)	(142,061)	(177,498)
	Net proceeds (repayment) of short-term borrowings	5,725	(23,003)
	Net repayment of promissory notes	(43)	(154)
	Dividends paid	(196,953)	(85,288)
20	Interest paid	(16,458)	(18,790)
	Sales (purchase) of treasury shares	564	(601)
	Change in restricted cash	153	(168)
	Net cash used for financing activities	**(121,933)**	**(58,652)**
	Effect of exchange rate changes on cash and cash equivalents	(8,428)	1,216
	Decrease in cash and cash equivalents	**(29,916)**	**(59,038)**
6	Cash and cash equivalents, at the beginning of reporting period	501,344	440,786
6	**Cash and cash equivalents, at the end of reporting period**	**471,428**	**381,748**

A.B. Miller
Chairman of the Management Committee
2013

E.A. Vasilieva
Chief Accountant
2013

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

OAO GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(In millions of Russian Roubles)

Notes		Number of shares outstanding (billions)	Attributable to the owners of OAO Gazprom				Non-controlling interest	Total equity
			Share capital	Treasury shares	Retained earnings and other reserves	Total		
	Nine months ended 30 September 2011							
	Balance as of 31 December 2010	23.0	325,194	(103,986)	6,028,543	6,249,751	286,610	6,536,361
	Profit for the period		—	—	923,647	923,647	17,180	940,827
	Other comprehensive income:							
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		—	—	(20,100)	(20,100)	—	(20,100)
	Share of other comprehensive loss of associated undertakings and jointly controlled entities		—	—	(6,854)	(6,854)	—	(6,854)
	Translation differences		—	—	22,038	22,038	1,335	23,373
	Total comprehensive income for the nine months ended 30 September 2011		—	—	918,731	918,731	18,515	937,246
26	Purchase of non-controlling interest in subsidiaries		—	—	5,656	5,656	(29,451)	(23,795)
	Net treasury shares transactions	(0.1)	—	(601)	—	(601)	—	(601)
	Return of social assets to governmental authorities		—	—	(502)	(502)	—	(502)
	Dividends		—	—	(88,757)	(88,757)	(1,533)	(90,290)
	Balance as of 30 September 2011	22.9	325,194	(104,587)	6,863,671	7,084,278	274,141	7,358,419
	Nine months ended 30 September 2012							
	Balance as of 31 December 2011	22.9	325,194	(104,605)	7,242,982	7,463,571	297,420	7,760,991
	Profit for the period		—	—	813,721	813,721	19,404	833,125
	Other comprehensive income:							
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		—	—	(13,424)	(13,424)	—	(13,424)
	Share of other comprehensive loss of associated undertakings and jointly controlled entities		—	—	(8,919)	(8,919)	—	(8,919)
	Translation differences		—	—	(19,781)	(19,781)	(898)	(20,679)
	Losses from cash flow hedges, net of tax		—	—	(2,437)	(2,437)	(81)	(2,518)
	Total comprehensive income for the nine months ended 30 September 2012		—	—	769,160	769,160	18,425	787,585
23	Purchase of non-controlling interest in subsidiaries		—	—	(7,931)	(7,931)	(1,390)	(9,321)
	Net treasury shares transactions	0.1	—	564	—	564	—	564
	Return of social assets to governmental authorities		—	—	(33)	(33)	—	(33)
	Dividends		—	—	(205,866)	(205,866)	(3,323)	(209,189)
	Balance as of 30 September 2012	23.0	325,194	(104,041)	7,798,312	8,019,465	311,132	8,330,597

A.B. Miller
Chairman of the Management Committee
2013

E.A. Vasilieva
Chief Accountant
2013

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

1 NATURE OF OPERATIONS

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

The Group is involved in the following principal activities:

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

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

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Historically approximately 20% and 70% of total annual gas volumes are shipped in the three and nine months, ended 30 September, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

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

3 BASIS OF PRESENTATION

The consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This consolidated interim condensed financial information should be read together with the consolidated financial statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards ("IFRS").

The official Russian Rouble ("RR") to US dollar ("USD") exchange rates as determined by the Central Bank of the Russian Federation were 30.92 and 32.20 as of 30 September 2012 and 31 December 2011, respectively. The official RR to Euro exchange rates as determined by the Central Bank of the Russian Federation were 39.98 and 41.67 as of 30 September 2012 and 31 December 2011, respectively.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2011, except with respect to cash flow hedges, and revised, as appropriate, to give effect to the new accounting standards described below.

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

Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument. The Group has designated only cash flow hedges—hedges against the exposure to the variability of cash flow currency exchange rates on highly probable forecast transactions. The effective portion of changes in the fair value of derivatives which are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is ultimately recognised in profit and loss. Changes in the fair value of certain derivative instruments which do not qualify for hedge accounting are recognised immediately in profit and loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss on any associated hedging instrument that was reported in equity is immediately transferred to profit and loss.

New accounting developments

In 2012 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2012 and which are relevant to its operations.

(a) Standards, Amendments or Interpretations effective in 2012

Amendment to IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7"), issued in October 2010 and effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendments to IAS 12 "Income taxes: Recovery of Underlying Assets" ("IAS 12"), issued in December 2010 and effective for annual periods beginning on or after 1 January 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, "Income Taxes—Recovery of Revalued Non-Depreciable Assets", which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 "Property, Plant and Equipment" ("IAS 16") was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment did not materially affect the Group's consolidated financial statements.

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

All changes in the accounting policies have been made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" which requires retrospective application unless the new standard requires otherwise.

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

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

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

The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after 1 January 2013 to 1 January 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

IFRS 10 "Consolidated financial statements" ("IFRS 10"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation—special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

IFRS 11 "Joint arrangements" ("IFRS 11"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces IAS 31 "Interests in Joint Ventures" ("IAS 31") and SIC 13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently considering that some of its investments in jointly controlled companies might be

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

classified as investments in joint operations under IFRS 11. Thus effective 1 January 2013 the Group will cease application of the equity method of accounting with regard to those investments and will start recognizing the Group's share in assets, liabilities, revenues and costs of the joint operations. The application of IFRS 11 is not expected to materially affect the Group's financial position or total comprehensive income.

IFRS 12 "Disclosure of interest in other entities" ("IFRS 12"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

IFRS 13 "Fair value measurement" ("IFRS 13"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Amended IAS 27 "Separate Financial Statements" ("IAS 27"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" ("IAS 1"), issued in June 2011 and effective for annual periods beginning on or after 1 July 2012, changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Amended IAS 19 "Employee benefits" ("IAS 19"), issued in June 2011 and effective for periods beginning on or after 1 January 2013, makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The application of this standard will significantly increase the balance sheet liability of the Group due to the requirement for immediate recognition of actuarial gains and losses (remeasurements) in other

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

comprehensive income; future volatility of the balance sheet liability and other comprehensive income of the Group may also increase.

Remeasurements recognized in other comprehensive income will not be recycled through profit or loss in subsequent periods. In addition, all unrecognized past service cost will be immediately recognized as a part of the balance sheet liability of the Group as a result of application of the amended IAS 19. Other changes introduced by the amendment of IAS 19 will have a less significant impact on the Group's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2012 and effective for annual periods beginning on or after 1 January 2013. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") (i) clarifies that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) adds an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters.

Amendment to IAS 1 "Presentation of financial statements" ("IAS 1") clarifies that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes as required by IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8"), while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.

Amendment to IAS 16 "Property, plant and equipment" ("IAS 16") clarifies that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.

Amendment to IAS 32 "Financial instruments: Presentation" ("IAS 32") clarifies that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.

Amendment to IAS 34 "Interim financial reporting" ("IAS 34") brings its requirements in line with IFRS 8 "Operating segments". IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

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

5 SEGMENT INFORMATION

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

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

- Production of gas—exploration and production of gas;
- Transport—transportation of gas;
- Distribution—sales of gas within Russian Federation and abroad;
- Gas storage—storage of extracted and purchased gas in underground gas storages;

5 SEGMENT INFORMATION—(continued)

- Production of crude oil and gas condensate—exploration and production of oil and gas condensate, sales of crude oil and gas condensate;
- Refining—processing of oil, gas condensate and other hydrocarbons, and sales of refined products; and
- Electric and heat energy generation and sales.

Other activities have been included within "All other segments" column.

The inter-segment sales mainly consist of:

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

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

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

5 SEGMENT INFORMATION—(continued)

available-for-sale financial assets, and financial income and expenses are also not allocated to the operating segments.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Nine months ended 30 September 2012									
Total segment revenues	388,179	616,289	1,986,537	23,939	480,506	880,497	243,745	174,110	4,793,802
Inter-segment sales	381,559	525,975	163,761	23,059	280,237	6,914	—	—	1,381,505
External sales	6,620	90,314	1,822,776	880	200,269	873,583	243,745	174,110	3,412,297
Segment result	19,048	51,703	423,603	3,882	108,378	87,858	17,233	(4,720)	706,985
Depreciation	84,228	246,532	7,409	9,968	37,556	23,202	15,620	14,696	439,211
Share of net income (loss) of associated undertakings and jointly controlled	879	3,104	29,479	(206)	77,225	6,613	—	9,596	126,690
Nine months ended 30 September 2011									
Total segment revenues	299,684	559,459	2,144,055	21,918	397,184	722,965	240,595	149,500	4,535,360
Inter-segment sales	294,679	476,958	161,730	21,285	232,746	5,242	—	—	1,192,640
External sales	5,005	82,501	1,982,325	633	164,438	717,723	240,595	149,500	3,342,720
Segment result	40,204	54,701	720,621	3,888	82,568	106,643	30,369	(5,806)	1,033,188
Depreciation	66,195	198,713	5,248	7,338	32,661	18,420	14,137	13,672	356,384
Share of net income (loss) of associated undertakings and jointly controlled	906	(9,228)	13,041	—	48,557	2,103	—	16,400	71,779
Three months ended 30 September 2012									
Total segment revenues	126,511	231,054	629,894	9,386	178,915	331,982	66,609	64,790	1,639,141
Inter-segment sales	124,474	201,019	46,661	9,025	107,980	2,109	—	—	491,268
External sales	2,037	30,035	583,233	361	70,935	329,873	66,609	64,790	1,147,873
Segment result	7,577	29,405	105,919	2,346	40,662	38,333	(1,376)	(6,072)	216,794
Depreciation	29,344	81,971	2,239	3,318	12,702	8,243	5,443	5,128	148,388
Share of net income of associated undertakings and jointly controlled entities	300	1,199	19,011	32	29,101	1,618	—	3,740	55,001
Three months ended 30 September 2011									
Total segment revenues	96,048	211,754	556,856	8,602	124,832	267,552	58,444	52,682	1,376,770
Inter-segment sales	94,714	184,753	43,136	8,285	77,687	1,767	—	—	410,342
External sales	1,334	27,001	513,720	317	47,145	265,785	58,444	52,682	966,428
Segment result	12,224	36,880	171,552	1,750	18,288	50,789	1,149	(3,249)	289,383
Depreciation	22,626	65,172	2,102	2,457	10,193	6,761	5,292	4,910	119,513
Share of net income (loss) of associated undertakings and jointly controlled entities	110	(8,744)	4,189	—	15,945	(1,363)	—	(924)	9,213

5 SEGMENT INFORMATION—(continued)

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
Segment result	**216,794**	**289,383**	**706,985**	**1,033,188**
Difference in depreciation	65,148	51,796	197,112	154,748
(Expenses) gains associated with pension obligations	(4,287)	(6,000)	(13,708)	3,435
Finance income (expense), net	76,864	(137,401)	48,194	(75,311)
Gains (losses) on disposal of available-for-sale financial assets	43	10	(35)	841
Share of net income of associated undertakings and jointly controlled entities	55,001	9,213	126,690	71,779
Other	(24,420)	(7,144)	(25,021)	(14,841)
Profit before profit tax	**385,143**	**199,857**	**1,040,217**	**1,173,839**

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
External sales for reportable segments	1,083,083	913,746	3,238,187	3,193,220
External sales for other segments	64,790	52,682	174,110	149,500
Total external segment sales	**1,147,873**	**966,428**	**3,412,297**	**3,342,720**
Differences in external sales	(26,936)	(16,843)	(60,994)	(46,064)
Total sales per the statement of comprehensive income	**1,120,937**	**949,585**	**3,351,303**	**3,296,656**

Substantially all of the Group's operating assets are located in the Russian Federation. Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associated undertakings and jointly controlled entities, and inventories. Cash and cash equivalents,

5 SEGMENT INFORMATION—(continued)

restricted cash, VAT recoverable, financial assets and other current and non-current assets are not considered to be segment assets but rather are managed on a central basis.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
30 September 2012									
Segment assets	1,763,840	5,143,428	1,130,517	211,083	1,300,750	1,133,661	563,692	573,446	11,820,417
Investments in associated undertakings and jointly controlled entities	30,460	55,751	68,936	3,943	374,961	16,272	448	86,833	637,604
Capital additions	149,928	370,089	28,329	10,769	75,949	82,926	31,163	7,612	756,765
31 December 2011									
Segment assets	1,725,762	4,972,244	1,223,035	206,126	1,272,339	1,086,188	560,182	472,028	11,517,904
Investments in associated undertakings and jointly controlled entities	27,914	56,368	98,769	—	403,275	55,629	48	73,963	715,966
Capital additions	246,635	740,910	48,802	19,978	79,102	115,642	69,447	31,074	1,351,590

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

	30 September 2012	31 December 2011
Segment assets for reportable segments	11,246,971	11,045,876
Other segments' assets	573,446	472,028
Total segment assets	**11,820,417**	**11,517,904**
Differences in property, plant and equipment, net*	(1,887,983)	(2,085,209)
Loan interest capitalised	306,747	264,167
Decommissioning costs	76,468	75,484
Cash and cash equivalents	471,428	501,344
Restricted cash	3,724	3,877
Short-term financial assets	20,918	23,991
VAT recoverable	318,239	303,454
Other current assets	206,788	216,044
Available-for-sale long-term financial assets	166,794	181,138
Other non-current assets	577,007	527,627
Inter-segment assets	(663,707)	(801,796)
Other	202,570	172,671
Total assets per the balance sheet	**11,619,410**	**10,900,696**

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

Segment liabilities mainly comprise operating liabilities. Profit tax payable, deferred tax liabilities, provisions for liabilities and charges, short-term and long-term borrowings, including current portion of

5 SEGMENT INFORMATION—(continued)

long-term borrowings, short-term and long-term promissory notes payable and other non-current liabilities are managed on a central basis.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Segment liabilities									
30 September 2012	91,084	343,511	595,571	9,491	200,085	227,558	37,554	125,858	1,630,712
31 December 2011	129,348	421,721	468,773	7,940	263,581	172,594	33,046	137,388	1,634,391

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

	30 September 2012	31 December 2011
Segment liabilities for reportable segments	1,504,854	1,497,003
Other segments' liabilities	125,858	137,388
Total segments liabilities	**1,630,712**	**1,634,391**
Current profit tax payable	5,688	44,036
Short-term borrowings, promissory notes and current portion of long-term borrowings	385,509	366,868
Long-term borrowings	1,247,403	1,173,294
Provisions for liabilities and charges	217,422	206,734
Deferred tax liabilities	400,162	402,728
Other non-current liabilities	29,673	47,694
Dividends	2,251	1,888
Inter-segment liabilities	(663,707)	(801,796)
Other	33,700	63,868
Total liabilities per the balance sheet	**3,288,813**	**3,139,705**

6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

	30 September 2012	31 December 2011
Cash on hand and bank balances payable on demand	357,847	390,381
Term deposits with original maturity of three months or less	113,581	110,963
	471,428	**501,344**

Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings.

7 SHORT-TERM FINANCIAL ASSETS

	30 September 2012	31 December 2011
Financial assets held for trading	5,152	4,053
Available-for-sale financial assets	15,766	19,938
	20,918	**23,991**

7 SHORT-TERM FINANCIAL ASSETS—(continued)

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

Available-for-sale financial assets primarily comprise investments in money market funds, as well as debt securities, including third parties' promissory notes maturing within twelve months of the balance sheet date.

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2012	31 December 2011
Trade receivables	533,413	537,323
Prepayments and advances	156,804	131,271
Other receivables	140,383	115,459
	830,600	**784,053**

Accounts receivable and prepayments are presented net of impairment provision of RR 254,495 and RR 222,921 as of 30 September 2012 and 31 December 2011, respectively.

9 INVENTORIES

Inventories are presented net of provision for obsolescence of RR 4,568 and RR 4,331 as of 30 September 2012 and 31 December 2011, respectively.

10 PROPERTY, PLANT AND EQUIPMENT

	Total production assets (including production licences)	Social assets	Assets under construction	Total
As of 31 December 2010				
Cost	6,731,168	82,818	1,475,347	8,289,333
Accumulated depreciation	(2,775,058)	(27,846)	—	(2,802,904)
Net book value as of 31 December 2010	**3,956,110**	**54,972**	**1,475,347**	**5,486,429**
Nine months ended 30 September 2011				
Net book value as of 31 December 2010	3,956,110	54,972	1,475,347	5,486,429
Depreciation	(198,976)	(2,055)	—	(201,031)
Additions	51,727	1,281	750,851	803,859
Translation differences	2,869	6	1,282	4,157
Transfers	217,381	2,370	(219,751)	—
Disposals	(30,371)	(1,110)	(16,156)	(47,637)
Release of impairment provision	—	—	276	276
Net book value as of 30 September 2011	**3,998,740**	**55,464**	**1,991,849**	**6,046,053**
Three months ended 31 December 2011				
Net book value as of 30 September 2011	3,998,740	55,464	1,991,849	6,046,053
Depreciation	(74,358)	(728)	—	(75,086)
Additions	55,097	1,669	611,945	668,711
Acquisition of subsidiaries	79,041	49	763	79,853
Translation differences	80	(41)	(34)	5
Transfers	772,883	2,834	(775,717)	—
Disposals	(738)	(37)	(422)	(1,197)
Release of impairment provision	—	—	236	236
Net book value as of 31 December 2011	**4,830,745**	**59,210**	**1,828,620**	**6,718,575**
As of 31 December 2011				
Cost	7,880,332	89,055	1,828,620	9,798,007
Accumulated depreciation	(3,049,587)	(29,845)	—	(3,079,432)
Net book value as of 31 December 2011	**4,830,745**	**59,210**	**1,828,620**	**6,718,575**
Nine months ended 30 September 2012				
Net book value as of 31 December 2011	4,830,745	59,210	1,828,620	6,718,575
Depreciation	(240,950)	(1,895)	—	(242,845)
Additions	9,240	1,209	819,961	830,410
Acquisition of subsidiaries	32,738	—	15,789	48,527
Translation differences	(5,362)	(19)	(1,806)	(7,187)
Transfers	287,055	1,612	(288,667)	—
Disposals	(14,869)	(571)	(8,996)	(24,436)
Release of impairment provision	—	—	854	854
Net book value as of 30 September 2012	**4,898,597**	**59,546**	**2,365,755**	**7,323,898**
As of 30 September 2012				
Cost	8,193,891	91,200	2,365,755	10,650,846
Accumulated depreciation	(3,295,294)	(31,654)	—	(3,326,948)
Net book value as of 30 September 2012	**4,898,597**	**59,546**	**2,365,755**	**7,323,898**

10 PROPERTY, PLANT AND EQUIPMENT—(continued)

Production assets are shown net of provision for impairment of RR 54,387 as of 30 September 2012 and 31 December 2011. Assets under construction are presented net of provision for impairment of RR 92,558 and RR 93,538 as of 30 September 2012 and 31 December 2011, respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 812 and RR 901 as of 30 September 2012 and 31 December 2011, respectively.

11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

Notes			Carrying value as of 30 September 2012	Carrying value as of 31 December 2011	Group's share of the profit (loss) for the nine months ended 30 September 2012	Group's share of the profit (loss) for the nine months ended 30 September 2011
27	OAO NGK Slavneft and its subsidiaries	Joint venture	147,181	143,449	9,373	1,674
27,28	Sakhalin Energy Investment Company Ltd.	Associate	93,171	128,649	55,290	42,695
27	Gazprombank Group	Associate	71,821	60,868	8,838	15,666
27	OAO Tomskneft VNK and its subsidiaries	Joint venture	64,127	63,209	5,686	2,334
27	Salym Petroleum Development N.V.	Joint venture	44,296	41,300	6,885	2,280
27	W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)* and its subsidiaries	Associate	36,591	40,068	3,519	2,868
27,28	Nord Stream AG	Joint venture	34,476	36,692	1,917	(8,229)
	OOO Yamal razvitie and its subsidiaries	Associate	24,386	24,642	(256)	(1,483)
	Shtokman Development AG	Joint venture	22,244	20,784	(298)	157
27,28	SGT EuRoPol GAZ S.A.	Associate	17,244	16,253	590	832
	Wintershall AG	Associate	11,180	11,740	2,421	732
27	TOO KazRosGaz	Joint venture	10,561	35,663	6,070	6,548
	ZAO Nortgaz	Joint venture	6,051	5,521	530	531
28	ZAO Achimgaz	Joint venture	5,722	4,520	1,202	1,141
27	AO Latvijas Gaze	Associate	4,096	4,579	150	192
27	AO Gazum	Associate	3,899	4,123	259	546
27,28	Blue Stream Pipeline company B.V.	Joint venture	3,171	2,682	597	483
27	AO Lietuvos dujos	Associate	2,849	3,023	255	438
27	RosUkrEnergo AG**	Associate	—	—	15,999	—
23,27	OAO Gazprom neftekhim Salavat***	—	—	39,381	4,269	1,207
24,27	OAO Beltransgaz****	—	—	—	—	(2,314)
	Other (net of provision for impairment of RR 1,929 as of 30 September 2012 and 31 December 2011)		34,538	28,820	3,394	3,481
			637,604	**715,966**	**126,690**	**71,779**

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

** In June 2012 RosUkrEnergo AG announced dividends related to the results of its operations in 2011. Due to uncertainty regarding payment of these dividends the Group recognized its share of the 2011 profit only when the cash was received from RosUkrEnergo AG in July 2012. As of 30 September 2012 OAO Gazprom maintains a 50% interest in RosUkrEnergo AG with a carrying value of zero.

*** In May 2012 the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result the Group's share in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat. In September 2012, the Group acquired additional 10.06% of ordinary shares of OAO Gazprom neftekhim Salavat increasing its share in the company up to 97.57%.

Group's share in profit of OAO Gazprom neftekhim Salavat for the nine months ended 30 September 2012 includes gain on revaluation of previously held interest in the amount of RR 4,689 (see Note 23).

**** In December 2011 the Group acquired the remaining 50% interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz (see Note 24).

11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

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

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

	Percent of share capital held	Location	As of 30 September 2012		For the nine months ended 30 September 2012	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	38%	Russia	2,794,456	2,470,350	98,705	20,737
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	609,749	417,508	225,256	110,579
OAO NGK Slavneft and its subsidiaries	50%	Russia	603,768	313,814	149,937	18,812
Nord Stream AG	51%	Switzerland	308,718	239,092	17,034	3,761
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	218,848	182,553	320,097	18,445
OOO Yamal razvitie and its subsidiaries	50%	Russia	181,979	72,438	2,944	(1,005)
OAO Tomskneft VNK and its subsidiaries	50%	Russia	99,617	56,514	81,538	11,083
Blue Stream Pipeline company B.V.	50%	Netherlands	64,974	52,423	6,853	2,387
SGT EuRoPol GAZ S.A.	48%	Poland	47,649	11,724	9,049	1,388
Shtokman Development AG**	75%	Switzerland	46,663	3,016	—	(502)
Salym Petroleum Development N.V.	50%	Netherlands	40,392	13,347	58,526	14,304
Wintershall AG	49%	Germany	39,834	27,911	81,460	4,939
AO Latvijas Gaze	34%	Latvia	36,676	13,012	16,661	442
AO Gazum	25%	Finland	31,222	15,624	36,351	1,036
AO Lietuvos dujos	37%	Lithuania	29,939	6,293	15,426	689
ZAO Nortgaz	51%	Russia	29,405	17,541	6,767	1,216
TOO KazRosGaz	50%	Kazakhstan	23,254	2,134	32,734	12,182
ZAO Achimgaz	50%	Russia	16,186	4,745	4,085	2,368
OAO Gazprom neftekhim Salavat***	—	Russia	—	—	47,478	(606)

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

In February 2012 OAO Gazprom purchased 375,000 out of 4,534,500 ordinary shares of OAO Gazprombank placed in the course of additional share issue, registered by the Central Bank of the Russian Federation in December 2011. The rest of the shares issued were purchased by other bank's shareholders, and GK Vnesheconombank. As a result of this transaction, the effective Group's share in OAO Gasprombank as of 30 September 2012 decreased from 46% to 38%.

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

*** The revenue and loss of OAO Gazprom neftekhim Salavat for the nine months ended 30 September 2012 are disclosed until the date of acquisition of controlling share (see Note 23).

11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

	Percent of share capital held	Location	As of 30 September 2011		For the nine months ended 30 September 2011	
			Assets	Liabilities	Revenues	Profit (loss)
Gazprombank Group*	45%	Russia	2,059,328	1,818,523	94,226	34,958
Sakhalin Energy Investment Company Ltd.	50%	Bermuda	661,843	373,856	194,200	89,609
OAO NGK Slavneft and its subsidiaries	50%	Russia	599,065	320,230	118,429	3,357
Nord Stream AG	51%	Switzerland	275,608	199,378	—	(1,322)
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	50%	Germany	193,547	150,777	226,048	10,136
OOO Yamal razvitie and its subsidiaries	50%	Russia	154,511	47,470	—	(3,124)
OAO Tomskneft VNK and its subsidiaries	50%	Russia	122,594	66,840	76,117	4,440
OAO Gazprom neftekhim Salavat	50%	Russia	82,573	59,633	88,953	3,165
Blue Stream Pipeline company B.V.	50%	Netherlands	69,099	58,516	6,456	1,930
TOO KazRosGaz	50%	Kazakhstan	69,016	2,059	26,519	13,097
OAO Beltransgaz	50%	Belarus	50,717	32,476	122,607	(465)
SGT EuRoPol GAZ S.A.	48%	Poland	49,435	13,065	8,439	1,734
Wintershall AG	49%	Germany	49,162	35,688	19,766	1,494
Shtokman Development AG	51%	Switzerland	45,597	4,733	—	350
Salym Petroleum Development N.V.	50%	Netherlands	40,552	20,762	46,869	5,246
AO Lietuvos dujos	37%	Lithuania	32,841	7,012	15,440	1,182
AO Gazum	25%	Finland	32,678	16,242	39,706	2,186
AO Latvijas Gaze	34%	Latvia	31,855	10,938	14,579	566
ZAO Nortgaz	51%	Russia	14,082	3,791	4,450	1,334
ZAO Achimgaz	50%	Russia	11,429	3,040	4,265	2,281

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

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

	30 September 2012	31 December 2011
AO Latvijas Gaze	4,584	4,594
AO Lietuvos dujos	4,005	4,380
OAO Gazprom neftekhim Salavat	—	60,702

12 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2012	31 December 2011
Long-term accounts receivable and prepayments	191,592	186,414
Advances for assets under construction	386,224	330,683
	577,816	**517,097**

Long-term accounts receivable and prepayments are presented net of impairment provision of RR 15,300 and RR 18,220 as of 30 September 2012 and 31 December 2011, respectively.

13 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS

Available-for-sale long-term financial assets, in total amount of RR 166,794 and RR 181,138 are shown net of provision for impairment of RR 2,154 and RR 1,565 as of 30 September 2012 and 31 December 2011, respectively.

As of 30 September 2012 and 31 December 2011 long-term available-for-sale financial assets include OAO NOVATEK shares in the amount of RR 110,941 and RR 122,270, respectively.

14 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 107,067 and RR 84,950 as of 30 September 2012 and 31 December 2011 respectively.

Other non-current assets include net pension assets in the amount of RR 243,408 as of 30 September 2012 and RR 248,001 as of 31 December 2011 respectively.

Other non-current assets include goodwill on subsidiaries in the amount of RR 145,814 and RR 102,800 as of 30 September 2012 and 31 December 2011, respectively.

15 LONG-TERM BORROWINGS

	Currency	Final maturity	30 September 2012	31 December 2011
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009[1]	US dollar	2019	72,387	73,707
Loan participation notes issued in July 2012[1]	Euro	2017	56,364	—
The Royal Bank of Scotland AG	US dollar	2013	54,539	58,151
Loan participation notes issued in June 2007[1]	US dollar	2013	51,956	51,725
Loan participation notes issued in October 2007[1]	Euro	2018	49,974	52,919
Loan participation notes issued in September 2012[10]	US dollar	2022	46,437	—
Loan participation notes issued in November 2006[1]	US dollar	2016	42,667	43,757
Loan participation notes issued in December 2005[1]	Euro	2012	41,457	41,788
Loan participation notes issued in May 2005[1]	Euro	2015	40,762	43,100
Natixis SA[2]	US dollar	2015	40,446	48,300
Loan participation notes issued in March 2007[1]	US dollar	2022	40,366	42,718
White Nights Finance B.V.	US dollar	2014	40,319	41,986
Loan participation notes issued in July 2009[1]	US dollar	2014	39,170	41,608
Loan participation notes issued in August 2007[1]	US dollar	2037	38,998	41,345
Loan participation notes issued in April 2004[1]	US dollar	2034	38,460	39,218
Loan participation notes issued in July 2009[1]	Euro	2015	35,792	38,031
Loan participation notes issued in April 2008[1]	US dollar	2018	35,317	36,057
Loan participation notes issued in October 2006[1]	Euro	2014	32,122	33,892
Loan participation notes issued in November 2011[1]	US dollar	2016	31,461	32,364
Loan participation notes issued in November 2010[1]	US dollar	2015	31,450	32,342
Loan participation notes issued in July 2012[1]	US dollar	2022	31,223	—
Loan participation notes issued in June 2007[1]	Euro	2014	29,363	29,435
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2016	27,173	28,011
Bank of Tokyo-Mitsubishi UFJ Ltd.[2]	US dollar	2016	24,753	25,780
Loan participation notes issued in March 2007[1]	Euro	2017	20,982	21,022
Russian bonds issued in April 2010[6]	Rouble	2013	20,678	20,670
Loan participation notes issued in November 2006[1]	Euro	2017	20,532	21,669
Loan participation notes issued in November 2011[1]	US dollar	2021	18,760	19,440
BNP Paribas SA[2]	Euro	2022	16,461	15,935
Credit Suisse International	US dollar	2017	16,427	16,886
Loan participation notes issued in July 2008[1]	US dollar	2013	15,742	16,555
The Royal Bank of Scotland AG[2]	US dollar	2015	15,610	—
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2013	15,479	16,122

15 LONG-TERM BORROWINGS—(continued)

	Currency	Final maturity	30 September 2012	31 December 2011
Russian bonds issued in November 2011[8]	Rouble	2014	15,287	14,878
GK Vnesheconombank	Rouble	2025	14,007	11,779
UniCredit Bank AG[2],[9]	US dollar	2018	13,927	17,983
UniCredit Bank AG[2],[9]	Euro	2018	12,986	16,797
Loan participation notes issued in April 2008[1]	US dollar	2013	12,796	13,089
Structured export notes issued in July 2004[3]	US dollar	2020	12,511	18,838
Deutsche Bank AG	US dollar	2016	12,456	—
Russian bonds issued in April 2009[6]	Rouble	2019	10,373	10,368
Russian bonds issued in February 2011[6]	Rouble	2021	10,132	10,127
Russian bonds issued in February 2011[6]	Rouble	2016	10,126	10,121
Russian bonds issued in February 2011[6]	Rouble	2021	10,126	10,121
Russian bonds issued in February 2012[6]	Rouble	2022	10,122	—
OAO Gazprombank	Rouble	2018	10,000	10,000
OAO Gazprombank	Rouble	2017	10,000	—
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	9,926	10,337
Credit Agricole CIB	Euro	2015	9,612	—
Deutsche Bank AG	US dollar	2014	9,350	9,737
Citibank International plc[2]	US dollar	2021	9,342	10,262
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,285	9,672
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,277	9,719
ING Bank N.V.	US dollar	2014	8,776	—
Eurofert Trading Limited llc[4]	Rouble	2015	8,600	8,600
Loan participation notes issued in November 2007[1]	JPY	2012	8,266	8,470
Credit Agricole CIB[2]	US dollar	2013	7,743	8,064
BNP Paribas SA[2]	Euro	2023	6,839	2,530
Deutsche Bank AG	US dollar	2014	6,200	6,460
Banc of America Securities Limited	US dollar	2016	5,569	5,800
Deutsche Bank AG	US dollar	2014	5,565	6,923
Russian bonds issued in June 2009	Rouble	2014	5,181	5,008
Russian bonds issued in December 2009[5]	Rouble	2014	5,170	5,041
Russian bonds issued in February 2007	Rouble	2014	5,046	5,135
Eurofert Trading Limited llc[4]	Rouble	2015	5,000	5,000
WestLB AG[2]	US dollar	2013	4,908	10,224
UniCredit Bank AG[2],[9]	Rouble	2018	4,132	5,127
OAO Nordea Bank	US dollar	2014	3,864	—
OAO TransKreditBank	Rouble	2014	3,100	4,535
Russian bonds issued in July 2009[7]	Rouble	2014	2,941	2,894
The Royal Bank of Scotland AG[2]	US dollar	2013	2,495	4,546
Russian bonds issued in March 2006[5]	Rouble	2016	421	4,911
Russian bonds issued in July 2009[6]	Rouble	2016	140	8,230
J.P. Morgan Chase bank	US dollar	2012	—	13,576
OAO VTB Bank	US dollar	2012	—	13,012
RosUkrEnergo AG	US dollar	2012	—	10,778
Russian bonds issued in June 2009	Rouble	2012	—	10,014
OAO Sberbank Rossii	US dollar	2012	—	7,535
The Royal Bank of Scotland AG[2]	US dollar	2012	—	3,795
Other long-term borrowings and promissory notes	Various	Various	100,320	90,667
Total long-term borrowings and promissory notes			**1,555,544**	**1,475,236**
Less: current portion of long-term borrowings			(308,141)	(301,942)
			1,247,403	**1,173,294**

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

15 LONG-TERM BORROWINGS—(continued)

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

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

(4) Issuer of these notes is OAO WGC-2 and OAO WGC-6. In November 2011 OAO WGC-6 was merged with OAO WGC-2 (see Note 25).

(5) Issuer of these bonds is OAO Mosenergo.

(6) Issuer of these bonds is OAO Gazprom neft.

(7) Issuer of these bonds is OAO TGC-1.

(8) Issuer of these bonds is OOO Gazprom capital.

(9) Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

(10) Issuer of these bonds is GPN Capital S.A.

	30 September 2012	31 December 2011
Due for repayment:		
Between one and two years	273,478	264,547
Between two and five years	539,434	586,574
After five years	434,491	322,173
	1,247,403	**1,173,294**

Long-term borrowings include fixed rate loans with a carrying value of RR 1,249,138 and RR 1,191,984 and fair value of RR 1,293,138 and RR 1,228,357 as of 30 September 2012 and 31 December 2011, respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 30 September 2012 and 31 December 2011 long-term borrowings of RR 12,511 and RR 18,838, respectively, inclusive of current portion of long-term borrowings, are secured by revenues from export supplies of gas to Western Europe.

As of 30 September 2012 and 31 December 2011 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 26,666 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

Under the terms of the Loan participation notes with the nominal value of RR 37,100 as of 30 September 2012 issued by Gaz Capital S.A. in April 2004 due in 2034 noteholders can execute the right of early redemption in April 2014 at par, including accrued interest.

Under the terms of the Russian bonds with the nominal value of RR 14,849 issued by OOO Gazprom Capital in November 2011 due in 2014 bondholders can execute the right of early redemption in November 2012 at par, including accrued interest.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2012 due in 2022 bondholders can execute the right of early redemption in February 2015 at par, including accrued interest.

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

15 LONG-TERM BORROWINGS—(continued)

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

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

Following the results of put option settlement on the Russian bonds with the nominal value of RR 8,000 issued by OAO Gazprom neft in July 2009 due in 2016, in July 2012 the Group redeemed 7,860,119 issued bonds at par of RR 1,000. According to the terms of issue, bondholders may execute the right of early redemption of outstanding balance in the amount of RR 140 in March 2013 at par, including accrued interest.

Under the terms of the Russian bonds with the nominal value of RR 5,000 issued by OAO Mosenergo in December 2009 due in 2014 bondholders can execute the right of early redemption in December 2012 at par, including accrued interest.

Under the terms of the Russian bonds with the nominal value of RR 421 issued by OAO Mosenergo in March 2006 due in 2016 bondholders can execute the right of early redemption in February 2013 at par, including accrued interest.

Under the terms of the Russian bonds with the nominal value of RR 2,894 issued by OAO TGC-1 in July 2009 due in 2014 bondholders can execute the right of early redemption in July 2013 at par, including accrued interest.

16 PROFIT TAX

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

	30 September 2012	Differences recognition and reversals	31 December 2011	30 September 2011	Differences recognition and reversals	31 December 2010
Tax effects of taxable temporary differences:						
Property, plant and equipment	(421,639)	(31,580)	(390,059)	(353,818)	(37,251)	(316,567)
Financial assets	(12,397)	2,277	(14,674)	(13,971)	4,251	(18,222)
Inventories	(4,914)	(146)	(4,768)	(216)	2,355	(2,571)
	(438,950)	**(29,449)**	**(409,501)**	**(368,005)**	**(30,645)**	**(337,360)**
Tax effects of deductible temporary differences:						
Tax losses carry forward	197	(699)	896	1,329	511	818
Effect of gas price adjustments	30,416	30,416	—	—	—	—
Other deductible temporary differences	8,175	2,298	5,877	1,615	(1,784)	3,399
	38,788	**32,015**	**6,773**	**2,944**	**(1,273)**	**4,217**
Total net deferred tax liabilities	**(400,162)**	**2,566**	**(402,728)**	**(365,061)**	**(31,918)**	**(333,143)**

16 PROFIT TAX—(continued)

Taxable temporary differences recognized for the nine months ended 30 September 2012 and 2011 include the effect of accelerated depreciation on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized for the nine months ended 30 September 2012 and 2011 in amount of RR 8,097 and RR 20,263, respectively, with the corresponding offsetting credit to the current profit tax expense. Therefore there was no net impact to the consolidated net profit for the period.

17 EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 30 September 2012 and 31 December 2011 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

Treasury shares

As of 30 September 2012 and 31 December 2011, subsidiaries of OAO Gazprom held 723 million and 726 million, of the ordinary shares of OAO Gazprom, respectively, which are accounted for as treasury shares. The management of the Group controls the voting rights of these shares.

18 SALES

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
Gas sales (including customs duties) to customers in:				
Russian Federation	118,822	103,641	508,123	502,271
Former Soviet Union (excluding Russian Federation)	152,432	128,060	456,715	496,134
Europe and other countries	404,772	355,970	1,312,759	1,241,720
	676,026	587,671	2,277,597	2,240,125
Customs duties	(90,756)	(72,617)	(315,015)	(252,795)
Effect of retroactive gas price adjustments*	—	—	(133,186)	—
Sales of gas	585,270	515,054	1,829,396	1,987,330
Sales of refined products to customers in:				
Russian Federation	196,864	164,548	536,304	421,912
Former Soviet Union (excluding Russian Federation)	19,654	12,884	53,103	35,796
Europe and other countries	113,355	88,353	284,176	260,015
Total sales of refined products	329,873	265,785	873,583	717,723
Sales of crude oil and gas condensate to customers in:				
Russian Federation	7,037	8,861	32,646	27,231
Former Soviet Union (excluding Russian Federation)	6,449	9,541	22,780	26,689
Europe and other countries	57,449	28,743	144,843	110,518
Total sales of crude oil and gas condensate	70,935	47,145	200,269	164,438
Electric and heat energy sales	66,609	57,330	243,745	237,545
Gas transportation sales	30,035	27,001	90,314	82,501
Other revenue	38,215	37,270	113,996	107,119
Total sales revenue	**1,120,937**	**949,585**	**3,351,303**	**3,296,656**

* Effect of retroactive gas price adjustments recorded for the nine months ended 30 September 2012 was RR 133,186. These adjustments relate to volumes of gas delivered in 2010 and 2011 for which a discount was agreed in 2012. The price adjustments recorded for the nine months ended 30 September 2012 do not take into account the effect of possible refunds in previously paid customs duties but the result for the period include a deferred tax asset for the profit tax impact. Currently the Group is in ongoing negotiations related to price renegotiations with certain other customers. The effects of gas price adjustments, including corresponding impacts on profit tax, and ongoing negotiations are recorded when they become probable and a reliable estimate of the amounts can be made. The Group will recognize refunds of custom duties related to gas price adjustment when the refunds are virtually certain which is when amended customs declarations are accepted by customs authorities.

19 OPERATING EXPENSES

Note		Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
	Purchased oil and gas	255,217	176,279	666,983	628,590
27	Taxes other than on income	136,849	103,726	434,079	310,268
	Staff costs	112,486	89,319	305,514	267,377
	Depreciation	83,240	67,716	242,099	201,636
	Transit of gas, oil and refined products	77,882	64,326	237,802	197,740
	Repairs and maintenance	67,937	56,643	137,410	127,583
	Materials	42,907	26,959	100,334	76,595
	Cost of goods for resale, including refined products	26,471	26,809	87,009	77,676
	Electricity and heating expenses	17,826	15,111	53,147	54,192
	Charge for impairment provisions	6,302	10,177	32,147	11,527
	Transportation services	8,764	7,395	25,799	24,205
	Research and development expenses	5,544	4,474	17,191	14,667
	Heat transmission	1,789	1,871	16,951	17,885
	Insurance expenses	5,043	5,398	16,023	13,737
	Social expenses	6,615	8,336	15,400	22,078
	Rental expenses	4,744	8,461	15,351	20,339
	Processing services	3,798	2,382	10,514	6,496
	(Gain) losses from derivatives financial instruments	(5,979)	33	8,912	(1,258)
	Exchange rate differences on operating items	17,089	(33,325)	4,266	(3,883)
	Other	63,159	55,080	154,891	125,222
		937,683	**697,170**	**2,581,822**	**2,192,672**
	Changes in inventories of finished goods, work in progress and other effects	(69,701)	(76,221)	(90,089)	(73,383)
	Total operating expenses	**867,982**	**620,949**	**2,491,733**	**2,119,289**

Staff costs include RR 10,291 and RR 27,353 of expenses associated with pension obligations for the three and nine months ended 30 September 2012, respectively, and RR 7,640 and RR 24,812 for the three and nine months ended 30 September 2011, respectively.

20 FINANCE INCOME AND EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
Exchange gains	92,659	4,258	232,553	103,368
Interest income	6,681	5,895	20,173	13,452
Gains on extinguishment of restructured liabilities	—	94	7	192
Total finance income	**99,340**	**10,247**	**252,733**	**117,012**
Exchange losses	14,240	145,724	178,464	171,031
Interest expense	8,236	1,924	26,075	21,292
Total finance expenses	**22,476**	**147,648**	**204,539**	**192,323**

20 FINANCE INCOME AND EXPENSES—(continued)

Total interest paid amounted to RR 20,846 and RR 64,617 for the three and nine months ended 30 September 2012, respectively, and RR 18,330 and RR 61,080 for the three and nine months ended 30 September 2011, respectively.

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

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

There were 22.9 billion and 22.9 billion weighted average shares outstanding for the three and nine months ended 30 September 2012, respectively, and 22.9 billion and 23.0 billion weighted average shares outstanding for the three and nine months ended 30 September 2011, respectively.

There are no dilutive financial instruments outstanding.

22 PROVISIONS FOR LIABILITIES AND CHARGES

	30 September 2012	31 December 2011
Provision for pension obligations	105,889	95,678
Provision for decommissioning and site restoration costs	104,772	102,017
Other	6,761	9,039
	217,422	**206,734**

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

The net pension assets related to benefits, provided by the pension plan NPF Gazfund in the amount of RR 243,408 and RR 248,001 as of 30 September 2012 and 31 December 2011, respectively, are presented within other non-current assets in the consolidated balance sheet. In accordance with IAS 19, pension assets are recorded at estimated fair market values subject to certain limitations. As of 30 September 2012 and 31 December 2011 management estimated the fair value of these assets at approximately RR 473 billion and RR 447 billion, respectively. The pension assets comprise shares of OAO Gazprom, shares of OAO Gazprombank and other assets held by NPF Gazfund.

23 ACQUISITION OF THE CONTROLLING INTEREST IN OAO GAZPROM NEFTEKHIM SALAVAT

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

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

In May 2012 the Group acquired additional 18.48% interest in OAO Gazprom neftekhim Salavat for cash consideration of RR 18,458 increasing its interest to 87.51% and, as a result, obtained control over OAO Gazprom neftekhim Salavat.

23 ACQUISITION OF THE CONTROLLING INTEREST IN OAO GAZPROM NEFTEKHIM SALAVAT—(continued)

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. Management made a preliminary assessment on a provisional basis. Management is required to finalise the accounting within 12 months from the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

Purchase consideration includes cash for the 18.48% interest in OAO Gazprom neftekhim Salavat acquired in May 2012 in the amount of RR 18.4 billion and fair value of previously acquired 69.03% interest accounted for using the equity method in the amount of RR 43.7 billion.

As a result of the Group obtaining control over OAO Gazprom neftekhim Salavat, the Group's previously held 69.03% interest was remeasured to fair value, resulting in a gain of RR 4.7 billion. This has been recognised in the line item 'Share of net income of associated undertakings and jointly controlled entities' in the consolidated interim condensed statement of comprehensive income.

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

	Book value	Provisional fair value
Cash and cash equivalents	7,196	7,196
Accounts receivable and prepayments	15,600	15,600
VAT recoverable	2,489	2,489
Inventories	10,760	10,760
Other current assets	5,868	5,868
Current assets	**41,913**	**41,913**
Property, plant and equipment	48,160	48,160
Long-term accounts receivable and prepayments	14,969	14,969
Other non-current assets	877	877
Non-current assets	**64,006**	**64,006**
Total assets	**105,919**	**105,919**
Accounts payable and accrued charges	35,630	35,630
Short-term borrowings, promissory notes and current portion of long-term borrowings	24,612	24,612
Current liabilities	**60,242**	**60,242**
Long-term borrowings	20,696	20,696
Deferred tax liabilities	2,636	2,636
Provisions for liabilities and charges	961	961
Other non-current liabilities	85	85
Non-current liabilities	**24,378**	**24,378**
Total liabilities	**84,620**	**84,620**
Net assets at acquisition date	**21,299**	**21,299**
Non-controlling interest at acquisition date		2,660
Purchase consideration		62,108
Provisional goodwill		**43,469**

If the acquisition had occurred on 1 January 2012, the Group's sales for the nine months ended 30 September 2012 would have been RR 3,411,626. The Group's profit for the nine months ended 30 September 2012 would have been RR 839,313, respectively.

In September 2012 the Group acquired an additional 10.06% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 10,054 increasing its interest to 97.57%. As a

23 ACQUISITION OF THE CONTROLLING INTEREST IN OAO GAZPROM NEFTEKHIM SALAVAT—(continued)

result of this transaction the difference between consideration paid and the non-controlling interest acquired has been recognized in equity in amount of RR 7,931 and is included within retained earnings and other reserves.

24 ACQUISITION OF THE CONTROLLING INTEREST IN OAO BELTRANSGAZ

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

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

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. Management made a preliminary assessment on a provisional basis. Management is required to finalise the accounting within 12 months from the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

Purchase consideration includes 50% share in OAO Beltransgaz acquired in December 2011 in the amount of RR 78.3 billion (USD 2,500 million) and fair value of previously acquired 50% share in OAO Beltransgaz accounted for using the equity method in the amount of RR 34.3 billion.

As a result of the Group obtaining control over OAO Beltransgaz, the Group's previously held 50% interest was remeasured to fair value, resulting in a loss of RR 9.63 billion. This has been recognised in the line item 'Share of net income of associated undertakings and jointly controlled entities' in the consolidated statement of comprehensive income for the year ended 31 December 2011.

24 ACQUISITION OF THE CONTROLLING INTEREST IN OAO BELTRANSGAZ—(continued)

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

	Book value	Provisional fair value
Cash and cash equivalents	8,187	8,187
Accounts receivable and prepayments	34,046	34,046
VAT recoverable	1,907	1,907
Inventories	4,490	4,490
Other current assets	365	365
Current assets	**48,995**	**48,995**
Property, plant and equipment	31,668	79,854
Other non-current assets	251	251
Non-current assets	**31,919**	**80,105**
Total assets	**80,914**	**129,100**
Accounts payable and accrued charges	41,891	41,891
Short-term borrowings, promissory notes and current portion of long-term borrowings	9,627	9,627
Current liabilities	**51,518**	**51,518**
Long-term borrowings	301	301
Deferred tax liabilities	—	8,674
Other non-current liabilities	5	5
Non-current liabilities	**306**	**8,980**
Total liabilities	**51,824**	**60,498**
Net assets at acquisition date	**29,090**	**68,602**
Purchase consideration		112,605
Provisional goodwill		**44,003**

Goodwill is attributable to enabling effective integration of the Russian and Belarusian gas transmission systems, reducing transit risks, providing additional security of gas sales in the respective markets over the long term. The acquisition of OAO Beltransgaz also allowed the Group to play an active role in the gas infrastructure development in the Republic of Belarus—which is very important for its synchronization with the Company's facilities development in Russia.

25 MERGER OF OAO WGC-2 AND OAO WGC-6

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

26 PURCHASE OF NON-CONTROLLING INTEREST IN SIBIR ENERGY LTD.

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

26 PURCHASE OF NON-CONTROLLING INTEREST IN SIBIR ENERGY LTD.—(continued)

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

As a result of this transaction the difference between the non-controlling interest acquired and consideration paid has been recognized in equity in amount of RR 5,405 and is included within retained earnings and other reserves.

27 RELATED PARTIES

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 30 September 2012 is detailed below.

Government

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

The Government does not prepare consolidated financial statements for public use. On 30 June 2011 the extraordinary General Shareholders Meeting was held to fulfil the assignments of the President of the Russian Federation to replace government officials on boards of directors in open joint stock companies with independent or representative directors. As a result of the extraordinary General Shareholders Meeting authority of two State representatives on the Board of Directors was terminated ahead of schedule and the new Board of Directors was elected. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

Parties under control of the Government

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

27 RELATED PARTIES—(continued)

As of 30 September 2012 and 31 December 2011 and for the three and nine months ended 30 September 2012 and 2011, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

Notes		As of 30 September 2012		Three months ended 30 September 2012		Nine months ended 30 September 2012	
		Assets	Liabilities	Income	Expenses	Income	Expenses
	Transactions and balances with the Government						
	Current profit tax	26,532	5,688	—	69,842	—	208,974
	Insurance contributions to non-budget funds	437	3,953	—	12,352	—	46,327
	VAT recoverable/payable	544,326	49,591	—	—	—	—
	Customs duties	64,588	—	—	—	—	—
19	Other taxes	2,823	60,062	—	136,849	—	434,079
	Transactions and balances with other parties under control of the Government						
	Gas sales	—	—	11,729	—	37,364	—
	Electricity and heating sales	—	—	26,157	—	129,545	—
	Other services sales	—	—	527	—	1,324	—
	Accounts receivable	23,281	—	—	—	—	—
	Oil transportation expenses	—	—	—	21,576	—	69,838
	Accounts payable	—	5,761	—	—	—	—
	Loans	—	53,751	—	—	—	—
	Interest income/expense	—	—	—	1,040	—	2,798
	Short-term financial assets	4,218	—	—	—	—	—
	Available-for-sale long-term financial assets	28,872	—	—	—	—	—

Notes		As of 31 December 2011		Three months ended 30 September 2011		Nine months ended 30 September 2011	
		Assets	Liabilities	Income	Expenses	Income	Expenses
	Transactions and balances with the Government						
	Current profit tax	58,769	44,036	—	28,623	—	198,969
	Insurance contributions to non-budget funds	682	2,358	—	11,074	—	48,212
	VAT recoverable/payable	456,498	44,734	—	—	—	—
	Customs duties	69,375	—	—	—	—	—
19	Other taxes	2,194	46,615	—	103,726	—	310,268
	Transactions and balances with other parties under control of the Government						
	Gas sales	—	—	1,326	—	3,870	—
	Electricity sales	—	—	32,363	—	151,725	—
	Other services sales	—	—	433	—	1,382	—
	Accounts receivable	32,118	—	—	—	—	
	Oil transportation expenses	—	—	—	19,321	—	60,682
	Accounts payable	—	11,658	—	—	—	—
	Loans	—	54,735	—	—	—	—
	Interest income/expense	—	—	—	1,276	—	2,260
	Short-term financial assets	3,136	—	—	—	—	—
	Available-for-sale long-term financial assets	32,128	—	—	—	—	—

27 RELATED PARTIES—(continued)

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

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

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the nine months ended 30 September 2012 and 2011. See Note 10 for net book values as of 30 September 2012 and 31 December 2011 of social assets vested to the Group at privatisation.

Compensation for key management personnel

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

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

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

27 RELATED PARTIES—(continued)

Associated undertakings and jointly controlled entities

For the three and nine months ended 30 September 2012 and 2011 and as of 30 September 2012 and 31 December 2011 the Group had the following significant transactions and balances with associated undertakings and jointly controlled entities:

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	Revenues		Revenues	
Gas sales				
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	21,201	17,137	69,481	66,365
W & G Beteiligungs-GmbH & Co. KG (WINGAS GmbH & Co. KG)* and its subsidiaries	19,741	14,720	54,902	46,097
ZAO Panrusgaz	11,409	14,614	34,087	39,015
AO Overgaz Inc.	5,081	5,798	22,426	17,614
AO Gazum	5,687	5,137	21,897	22,792
Wintershall Erdgas Handelshaus Zug AG (WIEE)**	2,383	2,234	20,725	24,645
AO Moldovagaz	4,466	3,862	18,031	13,467
PremiumGas S.p.A.	2,725	1,202	10,111	5,474
AO Lietuvos dujos	2,177	2,359	8,647	8,183
ZAO Gazprom YRGM Trading	2,726	1,907	8,487	6,755
AO Latvijas Gaze	1,628	1,702	8,040	7,295
ZAO Gazprom YRGM Development	1,947	1,362	6,062	4,825
Russian-Serbian Trading Corporation a.d.	1,686	—	5,460	—
Bosphorus Gaz Corporation A.S.	761	887	2,739	2,990
SGT EuRoPol GAZ S.A.	562	377	1,900	1,397
OAO Beltransgaz***	—	35,438	—	106,327
Promgaz S.p.A.****	—	1,943	—	9,730
GWH Gazhandel GmbH *****	—	—	—	4,900
Gas transportation sales				
ZAO Gazprom YRGM Trading	4,538	4,273	14,465	14,407
ZAO Gazprom YRGM Development	3,241	3,053	10,332	10,291
TOO KazRosGaz	462	430	1,503	1,350
Gas condensate, crude oil and refined products sales				
OAO NGK Slavneft and its subsidiaries	9,236	11,448	25,524	28,594
OAO Gazprom neftekhim Salavat******	—	4,194	10,036	14,241
OOO Gazpromneft—Aero Sheremetyevo	2,554	1,893	7,075	5,102
ZAO SOVEKS	1,596	713	3,671	1,913
Gas refining services sales				
TOO KazRosGaz	1,144	1,066	3,753	3,749

27 RELATED PARTIES—(continued)

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	Expenses		Expenses	
Purchased gas				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	13,293	8,718	42,656	23,772
ZAO Gazprom YRGM Trading	12,633	11,529	41,548	37,595
ZAO Gazprom YRGM Development	9,026	8,248	29,703	26,884
TOO KazRosGaz	8,739	6,332	28,817	19,788
Sakhalin Energy Investment Company Ltd.	618	650	2,649	3,418
RosUkrEnergo AG	—	—	—	122,541
Purchased transit of gas				
Nord Stream AG	5,659	—	17,083	—
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	2,572	969	7,943	2,810
STG EuRoPol GAZ S.A.	2,616	2,555	7,676	7,738
Blue Stream Pipeline Company B.V.	1,014	1,793	4,619	5,387
OAO Beltransgaz	—	3,591	—	10,788
Purchased crude oil and refined products				
OAO NGK Slavneft and its subsidiaries	25,454	16,825	66,678	50,888
OAO Tomskneft VNK and its subsidiaries	13,398	11,159	38,929	33,887
Salym Petroleum Development N.V.	10,713	7,762	29,496	24,221
Purchased processing services				
OAO NGK Slavneft and its subsidiaries	3,018	2,263	8,092	6,041

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

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

*** In December 2011 the Group acquired the remaining 50% shares in OAO Beltransgaz. As a result of this transaction OAO Beltransgaz became a subsidiary of the Group (see Note 24).

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

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

****** In May 2012 the Group acquired an additional 18.48% interest in OAO Gazprom neftekhim Salavat. As a result the Group's share in OAO Gazprom neftekhim Salavat increased to 87.51% and the Group obtained control over OAO Gazprom neftekhim Salavat (see Note 23).

27 RELATED PARTIES—(continued)

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

	As of 30 September 2012		As of 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	17,161	—	16,325	—
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	13,467	—	7,908	—
AO Overgaz Inc.	8,523	—	7,410	—
ZAO Panrusgaz	4,139	—	8,117	—
AO Gazum	3,463	—	4,077	—
ZAO Gazprom YRGM Trading	2,474	—	1,458	—
AO Moldovagaz*	2,408	—	4,388	—
OAO NGK Slavneft and its subsidiaries	1,889	—	3,361	—
Wintershall Erdgas Handelshaus Zug AG (WIEE)	1,873	—	1,485	—
ZAO Gazprom YRGM Development	1,767	—	1,042	—
OAO Gazprombank	1,591	—	615	—
AO Lietuvos dujos	973	—	2,319	—
TOO KazRosGaz	418	—	717	—
OAO Gazprom neftekhim Salavat	—	—	8,532	—
Short-term promissory notes				
OAO Gazprombank	405	—	372	—
Cash balances				
OAO Gazprombank	212,930	—	251,350	—
Long-term accounts receivable and prepayments				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	15,304	—	15,952	—
Gas Project Development Central Asia AG	2,152	—	1,707	—
Bosphorus Gaz Corporation A.S.	1,513	—	870	—
Salym Petroleum Development N.V.	—	—	567	—
Long-term promissory notes				
OAO Gazprombank	683	—	646	—

27 RELATED PARTIES—(continued)

	As of 30 September 2012		As of 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts payable				
SGT EuRoPol GAZ S.A.	—	6,631	—	6,997
ZAO Gazprom YRGM Trading	—	5,757	—	6,761
Salym Petroleum Development N.V.	—	4,531	—	514
ZAO Gazprom YRGM Development	—	3,670	—	4,388
W & G Beteiligungs-GmbH & Co. KG and its Subsidiaries	—	2,584	—	2,956
TOO KazRosGaz	—	2,231	—	3,267
Nord Stream AG	—	1,887	—	1,999
OAO NGK Slavneft and its subsidiaries	—	1,709	—	1,976
OAO Tomskneft VNK and its subsidiaries	—	667	—	—
OAO Gazprombank	—	328	—	134
Other non-current liabilities				
ZAO Gazprom YRGM Trading	—	2,390	—	2,390
ZAO Gazprom YRGM Development	—	372	—	372
Short-term borrowings (including current portion of long-term borrowings)				
OAO Gazprombank	—	21,279	—	11,202
OAO Tomskneft VNK and its subsidiaries	—	5,131	—	6,647
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	—	1,299	—	1,095
RosUkrEnergo AG	—	—	—	10,778
Long-term borrowings				
OAO Gazprombank	—	25,549	—	16,229

* Net of impairment provision on accounts receivable in the amount of RR 108,040 and RR 92,643 as of 30 September 2012 and 31 December 2011 respectively.

Investments in associated undertakings and jointly controlled entities are disclosed in Note 11. See Note 28 for financial guarantees issued by the Group to the associated undertakings and jointly controlled entities.

28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Taxation

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 September 2012 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS—(continued)

Financial guarantees

	30 September 2012	31 December 2011
Outstanding guarantees issued on behalf of:		
Nord Stream AG	117,346	105,616
Sakhalin Energy Investment Company Ltd.	98,000	103,220
EM Interfinance Limited	5,518	5,869
Blackrock Capital Investments Limited	4,684	4,985
OOO Production Company VIS	2,882	—
Blue Stream Pipeline Company B.V.	2,099	7,976
ZAO Achimgaz	697	387
Devere Capital International Limited	464	1,958
OAO Group E4	—	1,498
Other	36,251	31,806
	267,941	**263,315**

Included in financial guarantees are amounts denominated in USD of USD 3,925 million and USD 4,129 million as of 30 September 2012 and 31 December 2011, respectively, as well as amounts denominated in Euro of Euro 3,210 million and Euro 2,815 million as of 30 September 2012 and 31 December 2011, respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 30 September 2012 and 31 December 2011, outstanding amounts of these loans were RR 2,099 (USD 68 million) and RR 7,976 (USD 248 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. As a result as of 30 September 2012 and 31 December 2011 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 10,666 (USD 345 million) and RR 12,812 (USD 398 million), respectively.

In 2007 the Group provided a guarantee to Wintershall Vermogens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. Granting and repayment of the loans is carried out sequentially in stages. As of 31 December 2011 the above guarantee within the Group's share in ZAO Achimgaz obligations to the bank amounted to RR 387 (Euro 9 million). The obligation under the loan had been repaid by ZAO Achimgaz in the first quarter 2012. As of 30 September 2012, due to resumption of the credit line on the above loans, the amount of the guarantee provided by the Group on behalf of ZAO Achimgaz amounted to RR 697 (Euro 17 million).

28 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS—(continued)

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 December 2011 the above guarantee amounted to RR 1,498 (Euro 36 million). As of 30 September 2012 this credit facility was repaid.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. on behalf of Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group's share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 30 September 2012 and 31 December 2011 the above guarantee amounted to RR 98,000 (USD 3,170 million) and RR 103,220 (USD 3,206 million), respectively.

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 30 September 2012 and 31 December 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 79,037 (Euro 1,977 million) and RR 72,205 (Euro 1,733 million), respectively.

In May 2011 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 30 September 2012 and 31 December 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 38,309 (Euro 958 million) and RR 33,411 (Euro 802 million), 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 30 September 2012 the above guarantee amounted to RR 2,882.

Claims

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

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

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

29 POST BALANCE SHEET EVENTS

Borrowings and loans

In November 2012 the Group obtained long-term loan from Banc of America Securities Limited in the amount of Euro 180 million due in 2017 at an interest rate of EURIBOR+3.6%.

29 POST BALANCE SHEET EVENTS—(continued)

In December 2012 the Group issued Russian bonds in the amount of RR 10,000 due in 2022 at an interest rate of 8.5%. The bonds have an option for early redemption in five years from the placement date.

Legal matters

In October 2012 the Ministry of Energy of the Republic of Lithuania filed a claim against the Group to the Stockholm Chamber of Commerce related to the Group's potential breach of the shareholders' agreement with AO Lietuvos dujos, and unfair pricing of gas supplied to Lithuania. The Ministry of Energy of the Republic of Lithuania claims approximately RR 60 billion. The Group is assessing the claim and no provision has been recorded.

Investments

In November 2012 the Group signed basic agreement on asset swap with Wintershall Holding GmbH. The legally binding document provides for major terms and conditions for the asset swap deal under the project for joint development of the Achimov deposits in the Urengoy oil, gas and condensate field. According to the document, Wintershall Holding GmbH may acquire 25 per cent plus one share in the new joint venture on developing blocks 4A and 5A in the Achimov deposits of the Urengoy field. The Agreement provides for Group to receive a 50 per cent stake in Wintershall Noordzee B.V. (WINZ), which runs natural gas exploration and production projects in the North Sea, and increase its stakes in gas trading and storage companies of WINGAS Group to 100 per cent, as well as in Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH) and Wintershall Erdgas Handelshaus Zug AG (WIEE)—to 100 per cent. The final agreements are expected to be made in 2013.

OAO GAZPROM

INVESTMENT RELATIONSHIPS

The Company may be contacted at its registered office:

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www.gazprom.com (in English)

OAO GAZPROM

IFRS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OAO Gazprom

We have audited the accompanying consolidated financial statements of OAO Gazprom and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

27 April 2012
Moscow, Russian Federation

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OAO GAZPROM

IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

(In millions of Russian Roubles)

Notes		31 December 2011	31 December 2010
	Assets		
	Current assets		
8	Cash and cash equivalents	501,344	440,786
8	Restricted cash	3,877	3,669
9	Short-term financial assets	23,991	7,435
10	Accounts receivable and prepayments	784,053	757,900
11	Inventories	407,530	325,739
	VAT recoverable	303,454	158,390
	Other current assets	216,044	171,976
		2,240,293	1,865,895
	Non-current assets		
12	Property, plant and equipment	6,718,575	5,486,429
13	Investments in associated undertakings and jointly controlled entities	715,966	757,157
14	Long-term accounts receivable and prepayments	517,097	436,432
15	Available-for-sale long-term financial assets	181,138	191,417
16	Other non-current assets	527,627	498,663
		8,660,403	7,370,098
	Total assets	10,900,696	9,235,993
	Liabilities and equity		
	Current liabilities		
17	Accounts payable and accrued charges	804,644	702,640
	Current profit tax payable	44,036	45,649
18	Other taxes payable	93,707	71,920
19	Short-term borrowings, promissory notes and current portion of long-term borrowings	366,868	191,052
		1,309,255	1,011,261
	Non-current liabilities		
20	Long-term borrowings	1,173,294	1,124,395
23	Provisions for liabilities and charges	206,734	200,040
21	Deferred tax liabilities	402,728	333,143
	Other non-current liabilities	47,694	30,793
		1,830,450	1,688,371
	Total liabilities	3,139,705	2,699,632
	Equity		
24	Share capital	325,194	325,194
24	Treasury shares	(104,605)	(103,986)
24	Retained earnings and other reserves	7,242,982	6,028,543
		7,463,571	6,249,751
32	Non-controlling interest	297,420	286,610
	Total equity	7,760,991	6,536,361
	Total liabilities and equity	10,900,696	9,235,993

A.B. Miller
Chairman of the Management Committee
2012

E.A. Vasilieva
Chief Accountant
2012

The accompanying notes are an integral part of these consolidated financial statements.

OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

(In millions of Russian Roubles)

Notes		Year ended 31 December 2011	2010
25	Sales	4,637,090	3,597,054
5	Net gain from trading activity	2,791	6,256
26	Operating expenses	(2,942,181)	(2,440,777)
	Impairment provision and other provisions	(40,857)	(48,711)
	Operating profit	**1,656,843**	**1,113,822**
27	Finance income	190,488	171,841
27	Finance expense	(267,823)	(169,147)
13	Share of net income of associated undertakings and jointly controlled entities	99,049	76,520
	Gains on disposal of available-for-sale financial assets	1,379	3,292
37	Gain from disposal of interest in OAO NOVATEK	—	77,375
	Profit before profit tax	**1,679,936**	**1,273,703**
	Current profit tax expense	(279,216)	(249,387)
	Deferred profit tax expense	(58,278)	(26,323)
21	Profit tax expense	(337,494)	(275,710)
	Profit for the year	**1,342,442**	**997,993**
	Other comprehensive income		
	(Losses) gains arising from change in fair value of available-for-sale financial assets, net of tax	(7,669)	18,904
	Share of other comprehensive (loss) income of associated undertakings and jointly controlled entities	(19,302)	4,100
	Translation differences	19,342	(9,407)
	Other comprehensive (loss) income for the year, net of tax	**(7,629)**	**13,597**
	Total comprehensive income for the year	**1,334,813**	**1,011,590**
	Profit attributable to:		
	owners of OAO Gazprom	1,307,018	968,557
32	non-controlling interest	35,424	29,436
		1,342,442	**997,993**
	Total comprehensive income attributable to:		
	owners of OAO Gazprom	1,297,891	981,280
	non-controlling interest	36,922	30,310
		1,334,813	**1,011,590**
29	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**56.95**	**42.20**

A.B. Miller
Chairman of the Management Committee
2012

E.A. Vasilieva
Chief Accountant
2012

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OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

(In millions of Russian Roubles)

Notes		Year ended 31 December 2011	2010
	Operating activities		
30	**Net cash provided by operating activities**	**1,637,450**	**1,460,116**
	Investing activities		
12	Capital expenditures	(1,553,118)	(1,042,642)
	Net change in loans issued	(6,469)	(9,113)
	Interest received	14,950	13,233
12	Interest paid and capitalised	(58,507)	(62,392)
	Acquisition of subsidiaries, net of cash acquired	(111,001)	(73,696)
36	Decrease of cash and cash equivalents from deconsolidation of banking subsidiaries	—	(32,504)
13	Investment in associated undertakings and jointly controlled entities	(18,405)	(32,817)
38	Proceeds from sales of interest in subsidiaries	12,307	34,540
37	Proceeds from disposal of interest in OAO NOVATEK	—	57,462
13	Proceeds from associated undertakings and jointly controlled entities	118,495	93,894
	Net change of long-term available-for-sale financial assets	(1,369)	317
	Change in other long-term financial assets	(2,128)	3,411
	Net cash used for investing activities	**(1,605,245)**	**(1,050,307)**
	Financing activities		
20	Proceeds from long-term borrowings	331,226	223,753
20	Repayment of long-term borrowings (including current portion)	(168,157)	(316,042)
	Net repayment of promissory notes	(156)	(812)
19	Net repayment of short-term borrowings	(7,345)	(30,294)
24	Dividends paid	(93,977)	(55,106)
	Interest paid	(28,950)	(33,428)
24	(Purchases) sales of treasury shares	(619)	218
8	Change in restricted cash	(208)	(673)
	Net cash provided by (used for) financing activities	**31,814**	**(212,384)**
	Effect of exchange rate changes on cash and cash equivalents	(3,461)	(6,398)
	Increase in cash and cash equivalents	**60,558**	**191,027**
	Cash and cash equivalents, at the beginning of the reporting year	440,786	249,759
	Cash and cash equivalents, at the end of the reporting year	**501,344**	**440,786**

A.B. Miller
Chairman of the Management Committee
2012

E.A. Vasilieva
Chief Accountant
2012

The accompanying notes are an integral part of these consolidated financial statements.

OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(In millions of Russian Roubles)

Notes		Number of shares outstanding (billions)	Attributable to owners of OAO Gazprom				Non-controlling interest	Total equity
			Share capital	Treasury shares	Retained earnings and other reserves	Total		
	Balance as of 31 December 2009	22.9	325,194	(104,204)	5,105,525	5,326,515	322,806	5,649,321
	Profit for the year		—	—	968,557	968,557	29,436	997,993
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax		—	—	18,904	18,904	—	18,904
	Share of other comprehensive income of associated undertakings and jointly controlled entities		—	—	4,100	4,100	—	4,100
	Translation differences		—	—	(10,281)	(10,281)	874	(9,407)
	Total comprehensive income for the year ended 31 December 2010		—	—	981,280	981,280	30,310	1,011,590
32	Disposal of controlling interest in subsidiaries		—	—	—	—	(44,701)	(44,701)
32	Change in non-controlling interest in subsidiaries		—	—	(2,499)	(2,499)	(20,695)	(23,194)
24	Return of social assets to governmental authorities		—	—	(756)	(756)	—	(756)
24	Net treasury shares transactions	0.1	—	218	—	218	—	218
24	Dividends		—	—	(55,007)	(55,007)	(1,110)	(56,117)
	Balance as of 31 December 2010	23.0	325,194	(103,986)	6,028,543	6,249,751	286,610	6,536,361
	Profit for the year		—	—	1,307,018	1,307,018	35,424	1,342,442
	Other comprehensive income:							
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		—	—	(7,669)	(7,669)	—	(7,669)
	Share of other comprehensive loss of associated undertakings and jointly controlled entities		—	—	(19,302)	(19,302)	—	(19,302)
24,32	Translation differences		—	—	17,844	17,844	1,498	19,342
	Total comprehensive income for the year ended 31 December 2011		—	—	1,297,891	1,297,891	36,922	1,334,813
32	Purchase of non-controlling interest in subsidiaries		—	—	5,656	5,656	(16,659)	(11,003)
24	Return of social assets to governmental authorities		—	—	(351)	(351)	—	(351)
24	Net treasury shares transactions	(0.1)	—	(619)	—	(619)	—	(619)
24	Dividends		—	—	(88,757)	(88,757)	(9,453)	(98,210)
	Balance as of 31 December 2011	22.9	325,194	(104,605)	7,242,982	7,463,571	297,420	7,760,991

A.B. Miller
Chairman of the Management Committee
2012

E.A. Vasilieva
Chief Accountant
2012

The accompanying notes are an integral part of these consolidated financial statements.

1 NATURE OF OPERATIONS

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

The Group is involved in the following principal activities:

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

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

The weighted average number of employees during 2011 and 2010 was 401 thousand and 393 thousand, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation (Note 41).

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

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

3 BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IFRS") and effective in reporting period.

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial instruments as described in Note 5. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4 SCOPE OF CONSOLIDATION

As described in Note 5, these financial statements include consolidated subsidiaries, associated undertakings and jointly controlled entities of the Group. Significant changes in the Group's structure in the 2011 and 2010 are described below.

In November 2011 the Group entered into a share purchase agreement with the State Property Committee of the Republic of Belarus to acquire an additional 50% interest in OAO Beltransgaz for cash consideration of USD 2,500 million. In December 2011 the transaction was finalised. As a result the Group increased its ownership interest up to 100% and obtained control over OAO Beltransgaz (see Note 33).

In November 2010 the Group sold its entire 51% controlling interest in OOO Severenergiya to the OOO Yamal razvitie—jointly controlled entity which is owned on a fifty-fifty basis by the Group (OAO Gazprom Neft) and OAO Novatek (see Note 38).

In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized. As a result of the reorganization the Group received a non-controlling interest in OAO AB Rossiya (see Note 36).

In February 2011 the Board of Directors of Sibir Energy Ltd. adopted a resolution to reduce the share capital by 86.25 million shares (22.39%). OAO Central Fuel Company, an affiliate to the Moscow Government, made a decision to withdraw membership in Sibir Energy Ltd. for a compensation of USD 740 million. As a result of the transaction starting from 15 February 2011 the Group has 100% interest in Sibir Energy Ltd. (see Note 35).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below.

5.1 Group accounting

Subsidiary undertakings

The Group's subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the activities of those entities. Subsidiary undertakings in which the Group, directly or indirectly, has an interest of more than 50% of the voting rights and is able to exercise control over the operations have been consolidated. Also subsidiary undertakings include entities in which the Group controls 50% and less of the voting share capital but where the Group controls the entity through other means. This may include a history of casting the majority of the votes at the meetings of the board of directors or equivalent governing body.

Certain entities in which the Group has an interest of more than 50% are recorded as investments in associated undertakings as the Group is unable to exercise control due to certain factors, for example restrictions stated in foundation documents.

The consolidated financial statements of the Group reflect the results of operations of any subsidiaries acquired from the date control is established. Subsidiaries are no longer consolidated from the date from which control ceases. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including those entities and businesses that are under common control. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

An acquirer should recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill.

Goodwill and non-controlling interest

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. The group treats transactions with non-controlling interests as transactions with equity owners of the group. In accordance with IFRS 3 "Business Combinations", the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest proportion of the net fair value of those items.

Associated undertakings, jointly controlled entities and joint ventures

Associated undertakings are undertakings over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of an entity but has no control or joint control over those policies. Associated undertakings are accounted for using the equity method.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's interest in each associated undertaking is carried in the consolidated balance sheet at an amount that reflects cost, including the goodwill at acquisition, the Group's share of profit and losses and its share of post-acquisition movements in reserves recognized in equity. Provisions are recorded for any impairment in value.

Recognition of losses under equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

Joint ventures related to jointly controlled entities are entities which are jointly controlled by two or more parties and investments in such entities are accounted for using the equity method. Joint ventures are contractual agreements whereby two or more parties undertake economic activity, which is subject to joint control. Joint ventures involving jointly controlled assets or joint operations are accounted for using the proportionate consolidation method.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.2 Financial instruments

Financial instruments carried on the consolidated balance sheet include cash and cash equivalent balances, financial assets, accounts receivable, promissory notes, accounts payable and borrowings. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Accounting for financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

Fair value disclosure

The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrower at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

5.3 Derivative financial instruments

As part of trading activities the Group is also party to derivative financial instruments including forward and options contracts in foreign exchange, commodities, and securities. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and losses of the consolidated statement of comprehensive income. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate. The Group has no material derivatives accounted for as hedges.

The Group routinely enters into sale and purchase transactions for the purchase and sales of gas, oil, oil products and other goods. The majority of these transactions are entered to meet supply requirements to fulfill contract obligations and for own consumption and are not within the scope of IAS 39 "Financial instruments: recognition and measurement".

Sale and purchase transactions of gas, oil, oil products and other goods and which are not physically settled or can be net settled and are not entered into for the purpose of receipt or delivery of non-financial item in accordance with the Group's expected purchase, sale or usage requirement are accounted for as derivative financial instruments in accordance with IAS 39 "Financial instruments: recognition and measurement". These instruments are considered as held for trading and related gains or losses are recorded within the profit and loss section of the consolidated statement of comprehensive income.

Derivative contracts embedded into sales-purchase contracts are separated from the host contracts and accounted for separately. Derivatives are carried at fair value with gains and losses arising from changes in the fair values of derivatives included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.4 Non derivative financial assets

The Group classifies its financial assets in the following categories:

(a) financial assets at fair value through profit or loss,

(b) available-for-sale financial assets, and

(c) loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation which determines the method for measuring financial assets at subsequent balance sheet date: amortised cost or fair value.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

There were no material financial assets designated at fair value through profit or loss at inception as of 31 December 2011 and 2010.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are measured at fair value at inception and subsequently. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at fair value. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with the same instrument or based on a valuation technique whose variables include only data from observable markets. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rate for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income and shown net of income tax in the consolidated statement of comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains (losses) on disposal of available-for-sale financial assets. Interest income on available-for-sale debt instruments calculated using the effective interest method is recognized within the profit and loss section of the consolidated statement of comprehensive income.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

cost using the effective interest method. Gains and losses are recognized within the profit and loss section of the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Impairment of financial assets

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss—is removed from other comprehensive income to profit or loss for the year. The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortized cost and available-for-sale financial assets which represent debt instruments, the reversal is recognised in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in other comprehensive income. Impairment losses relating to assets recognised at cost cannot be reversed.

The provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 12 months overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings at the date of origination of the receivable. The amount of the provision is recognized in the consolidated statement of comprehensive income within operating expenses.

5.5 Options on purchase or sale of financial assets

Options on purchase or sale of financial assets are carried at their fair value. These options are accounted for as assets when their fair value is positive (for call options) and as liabilities when the fair value is negative (for put options). Changes in the fair value of these options instruments are included within the profit and loss section of the consolidated statement of comprehensive income.

5.6 Cash and cash equivalents and restricted cash

Cash comprises cash on hand and balances with banks. Cash equivalents comprise short-term financial assets which are readily converted to cash and have an original maturity of three months or less. Restricted cash balances comprise balances of cash and cash equivalents which are restricted as to withdrawal under the terms of certain borrowings or under banking regulations. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Rules for determination of tax and other similar payments (value added tax, natural resources production tax and custom duties) are described below in accordance with Russian legislation.

5.7 Value added tax

VAT at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities. Input VAT related to export sales is recoverable. A limited list of goods, works and services are not subject to VAT. Input VAT related to non-VATable supply of goods, works and services generally should not be recovered and should be included in the value of acquired goods, works and services.

VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as a current asset and liability, except for VAT, presented within other non-current assets. VAT, presented within other non-current assets relates to assets under construction, which is expected to be recovered in more than 12 months after the balance sheet date.

5.8 Natural resources production tax

Natural resources production tax (NRPT) on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted. In particular NRPT for natural gas is defined as an amount of volume produced per fixed tax rate (RR 237 per mcm). NRPT for crude oil is defined monthly as an amount of volume produced per fixed tax rate (RR 419 per ton) adjusted depending on the monthly average market prices of the Urals blend and the RR/USD exchange rate for the preceding month. Ultimate amount of the NRPT on crude oil depends also on the depletion of certain field (the higher the depletion the lower the NRPT) and geographic location of the oil field (for certain regions zero NRPT rate maybe applied depending on volume of crude oil produced and period of field development). NRPT on gas condensate is defined as a fixed percentage from the value of the extracted mineral resource. Natural resources production tax is accrued as a tax on production and recorded within operating expenses.

5.9 Customs duties

The export of hydrocarbons outside of the Customs union, including natural gas and crude oil, is subject to export customs duties. In particular, export of natural gas outside the boundaries of the Customs union, which includes the Russian Federation, Belarus and Kazakhstan, is subject to a fixed 30% export customs duty rate levied on the customs value of the exported natural gas. Export of crude oil and oil products outside of the Customs union is also subject to the export customs duties set on a monthly basis by the Russian Government based on the monthly average price of Urals blend on world markets for the preceding month. Since 2010 such exports are subject to the basic export customs duty rate (i.e. customs duty rate applicable to export of oil outside the countries covered by the Customs Union), except for the "preferential" amount of crude oil agreed by the governments of Russia and Belarus intended for processing in Belarus and subsequent sale in the territory of Belarus and Russia, export of which outside Russian customs territory is not subject to export customs duties. Revenues are recognized net of the amount of custom duties.

5.10 Excise tax on oil products

Excise tax is applicable to certain transactions with oil products. Currently only gasoline, motor oil and diesel are subject to excise tax. Oil, gas condensate and natural gas are excluded. Within the Group, excise tax is imposed on the transfers of excisable oil products produced at group-owned refineries under a tolling arrangement to the Group company owing the product. The Group considers the excise tax on refining of oil products on a tolling basis as an operating expense. These taxes are not netted from revenue presented in the statement of comprehensive income.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.11 Inventories

Inventories are valued at the lower of net realisable value and cost. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overhead but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses and completion costs.

5.12 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of development and successful exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gains and losses arising from the disposal of property, plant and equipment are included within the profit and loss section of the consolidated statement of comprehensive income as incurred.

Property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Interest costs on borrowings are capitalised as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Depletion of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent reservoir engineers.

Depreciation of assets (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

	Years
Pipelines	25–33
Wells	7–40
Machinery and equipment	10–18
Buildings	30–40
Roads	20–40
Social assets	10–40

Depreciation on wells has been calculated on cost, using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method. The difference

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

between straight line and units-of-production is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded only upon the termination of operating responsibility for the social assets. The Group does not possess ownership rights for the assets, but records them on its balance sheet up to the return to a governmental authority because the Group controls the benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. These disposals are considered to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5.13 Impairment of non-current non-financial assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Group's assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the cash-generating units at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there is any indication that impairment exists at the balance sheet date. Goodwill acquired through business combinations is allocated to cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the respective cash-generating unit.

The amount of the reduction of the carrying amount of the cash-generating unit to the recoverable value is recorded within the profit and loss section of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognized for goodwill are not reversed in subsequent reporting periods.

5.14 Borrowings

Borrowings are recognised initially at their fair value which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

5.15 Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

Deferred income tax is provided on all temporary differences arising on investments in subsidiaries, associated undertakings and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

5.16 Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Russian Roubles, which is the Group's presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the official exchange rates prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised as exchange gains or losses within the profit and loss section of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associated undertakings and jointly controlled entities are translated into Roubles at the official exchange rate prevailing at the reporting date. Statements of comprehensive income of foreign entities are translated at average exchange rates for the year. Exchange differences arising on the translation of the net assets of foreign subsidiaries and associated undertakings are recognised as translation differences and recorded directly in equity.

The official US dollar to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 32.20 and 30.48 as of 31 December 2011 and 2010, respectively. The official Euro to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 41.67 and 40.33 as of 31 December 2011 and 2010, respectively.

Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

5.17 Provisions for liabilities and charges

Provisions, including provisions for pensions, environmental liabilities and asset retirement obligations, are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. As obligations are determined, they are recognised immediately based on the present value of the expected future cash outflows arising from the obligations. Initial estimates (and subsequent revisions to the estimates) of the cost of dismantling and removing the property, plant and equipment are capitalized as property, plant and equipment.

5.18 Equity

Treasury shares

When the Group companies purchase the equity share capital of OAO Gazprom, the consideration paid including any attributable transaction costs is deducted from total equity as treasury shares until they are re-sold. When such shares are subsequently sold, any consideration received net of income taxes is included in equity. Treasury shares are recorded at weighted average cost. Gains (losses) arising from treasury share transactions are recognised directly in the consolidated statement of changes in equity, net of associated costs including taxation.

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. When the financial liability is recognised initially its fair value is reclassified from equity. The premium

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

received for a written option is added directly to equity. The Group has no such contracts in current and prior periods.

Dividends

Dividends are recognised as a liability and deducted from equity when they are recommended by the Board of Directors and approved at the General Meeting of Shareholders.

5.19 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Sales, including gas, refined products, crude oil and gas condensate and electric and heat energy, are recognised for financial reporting purposes when products are delivered to customers and title passes and are stated net of VAT and other similar compulsory payments. Gas transportation sales are recognized when transportation services have been provided, as evidenced by delivery of gas in accordance with the contract.

Natural gas prices and gas transportation tariffs to the final consumers in the Russian Federation are established mainly by the Federal Tariffs Service. Export gas prices for sales to European countries are indexed to oil products prices, as stipulated in long-term contracts. Export gas prices for sales to Former Soviet Union countries are determined in various ways including using formulas, similar to those used in contracts with European customers.

Trading activity

Contracts to buy or sell non-financial items entered into for trading purposes and which do not meet the expected own-use requirements, such as contracts to sell or purchase commodities that can be net settled in cash or settled by entering into another contract, are recognized at fair value and associated gains or losses are recorded as Net gain (loss) from trading activity. These contracts are derivatives in the scope of IAS 39 for both measurement and disclosure.

Financial result generated by trading activities is reported as a net figure. Trading activities are mainly managed by Gazprom Marketing and Trading Ltd., a subsidiary of the Group, and relate partly to gas and oil trading and power and emission rights trading activities.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.20 Interest

Interest income and expense are recognised within the profit and loss section of the consolidated statement of comprehensive income for all interest bearing financial instruments on an accrual basis using the effective yield method. Interest income includes nominal interest and accrued discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the same effective rate of interest.

5.21 Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is recognised as intangible assets (within other non-current assets) to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognised as an expense as incurred. However, development costs previously recognised as an expense are not recognised as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

5.22 Employee benefits

Pension and other post-retirement benefits

The Group operates a defined benefit plan, concerning the majority employees of the Group. Pension costs are recognised using the projected unit credit method. The cost of providing pensions is accrued and charged to staff expense within operating expenses in the consolidated statement of comprehensive income reflecting the cost of benefits as they are earned over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the terms to maturity approximating the terms of the related liability.

Actuarial gains and losses on assets and liabilities are not recognised unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets and the DBO ('the corridor approach'). The excess is charged or credited to the profit or loss over the average remaining service lives of employees (see Note 23).

Plan assets are measured at fair value and are subject to certain limitations (see Note 23). Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group contributes to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, are expensed when incurred and are included within staff costs in operating expenses. The cost of providing other discretionary post-retirement obligations (including constructive obligations) is charged to the profit and losses of the consolidated statement of comprehensive income as they are earned over the average remaining service lives of employees.

Social expenses

The Group incurs employee costs related to the provision of benefits such as health and social infrastructure and services. These amounts principally represent an implicit cost of employing production workers and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.23 Recent accounting pronouncements

In 2011 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2011 and which are relevant to its operations.

(a) Standards, Amendments or Interpretations effective in 2011

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

Amendment to IAS 24 "Related Party Disclosures" ("IAS 24"), which is effective for annual periods beginning on or after 1 January 2011. IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The application of this amendment did not materially affect the Group's consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" ("IFRIC 19"), which is effective for annual periods beginning on or after 1 July 2010. This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The application of this interpretation did not materially affect the Group's consolidated financial statements.

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

Amendment to IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7"), which is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The application of this amendment did not materially affect the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 and effective from 1 January 2011. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 3 "Business Combinations" ("IFRS 3") (i) requires measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) provides guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) clarifies that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

Amendment to IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7") clarifies certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, and (iii) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period.

Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1") clarifies that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes.

Amendment to IAS 27 "Consolidated and Separate Financial Statements" ("IAS 27") clarifies the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008).

Amendment to IAS 34 "Interim Financial Reporting" ("IAS 34") adds additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments.

Amendment to IFRIC 13 "Customer Loyalty Programmes" ("IFRIC 13) clarifies measurement of fair value of award credits.

The application of these improvements did not materially affect the Group's consolidated financial statements.

All changes in the accounting policies have been made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8") which requires retrospective application unless the new standard requires otherwise.

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

Amendments to IAS 12 "Income taxes: Recovery of Underlying Assets" ("IAS 12"), issued in December 2010 and effective for annual periods beginning on or after 1 January 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, "Income Taxes—Recovery of Revalued Non-Depreciable Assets", which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 "Property, Plant and Equipment" ("IAS 16") was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

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

The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after 1 January 2013 to 1 January 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 10 "Consolidated financial statements" ("IFRS 10"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation—special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 11 "Joint arrangements" ("IFRS 11"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces IAS 31 "Interests in Joint Ventures" ("IAS 31") and SIC 13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 12 "Disclosure of interest in other entities" ("IFRS 12"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 13 "Fair value measurement" ("IFRS 13"), issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 27 "Separate Financial Statements" ("IAS 27"), issued May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28"), issued May 2011 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted, prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" ("IAS 1"), issued June 2011and effective for annual periods beginning on or after 1 July 2012, changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 19 "Employee benefits" ("IAS 19"), issued June 2011 and effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The Group is currently assessing the impact of the standard on the consolidated financial statements.

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from our estimates, and our estimates can be revised in the future, either negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are reported below.

6.1 Consolidation of subsidiaries

Management judgment is involved in the assessment of control and the consolidation of certain affiliated entities in the Group's consolidated financial statements.

6.2 Tax legislation and uncertain tax position

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 41).

The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES —(continued)

other than on income are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to determine amount of provisions

Impairment provision for accounts receivable

The impairment provision for accounts receivable is based on the Group's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The charges (and releases) for impairment of accounts receivable may be material (see Note 10).

Impairment of Property plant and equipment and goodwill

The estimation of forecast cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on gas, oil, oil products and electrical power, operating costs, capital investment, hydrocarbon reserves estimates, and macroeconomic factors such as inflation and discount rates.

In addition, judgement is applied in determining the cash generating units assessed for impairment. For the purposes of the goodwill impairment test, management considers gas production, transportation and distribution activities as part of one Gas cash generating unit and monitors associated goodwill at this level. The pipelines that are part of the Gas cash generating unit are utilized primarily for the Group activities and represent the only transit route for the gas produced. Operationally, the gas produced is transported through the Group's Russian and Belorussian pipelines and distributed to meet demands of customers in Russia and then in the Former Soviet Union and Europe and underground storage facilities. The interrelationship of these activities forming the Gas cash generating unit provides the basis for capturing the benefits from synergies resulting from business combinations, such as the acquisition of OAO Beltransgaz (see Note 33).

The value in use of assets or cash-generating units related to oil and gas operations are based on the cash flows expected from oil and gas production volumes, which include both proved reserves as well as certain volumes of those that are expected to constitute proved and probable reserves in the future. Impairment charges are given in Note 12.

Accounting for provisions

Accounting for impairment includes provisions against capital construction projects, financial assets, other non-current assets and inventory obsolescence. Because of the Group's operating cycle, certain significant decisions about capital construction projects are made after the end of the calendar year. Accordingly, the Group typically has larger impairment charges or releases in the fourth quarter of the fiscal year as compared to other quarters.

6.4 Site restoration and environmental costs

Site restoration costs that may be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated through the profit and losses of consolidated statement of comprehensive income on a straight-line basis over the asset's productive life. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES —(continued)

rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2011 would be an increase by RR 30,680 or a decrease by RR 25,101 (2010: increase by RR 26,991 or decrease by RR 21,991).

Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs.

Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6.6 Fair value estimation for financial instruments

The fair values of energy trading contracts, commodity futures and swaps are based on market quotes on measurement date (Level 1 in accordance with the valuation hierarchy). Customary valuation models are used to value financial instruments which are not traded in active markets. The fair values are based on inputs that are observable either directly or indirectly (Level 2 in accordance with the valuation hierarchy).The fair values of Emission Reduction Purchase Agreements ("ERPA") for the acquisition of post 2012 emission rights generating from pre-2012 registered Clean Development Mechanism ("CDM") projects are based on the inputs that are not based on observable market data (Level 3 in accordance with the valuation hierarchy). Where the valuation technique employed incorporates significant unobservable input data such as these long-term price assumptions, contracts have been categorised as Level 3 in accordance with the valuation hierarchy (see Note 22).

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

6.7 Fair value estimation for acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets. We use all available information to make these fair value determinations and, for certain acquisitions, engage third-party consultants for assistance.

The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES —(continued)

6.8 Accounting for plan assets and pension liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions as disclosed in Note 23. Actual results may differ from the estimates, and the Group's estimates can be revised in the future based on changes on economic and financial conditions.

In addition, certain plan assets included in NPF Gazfund are estimated using the fair value estimation techniques. Management makes judgments with respect to the selection of valuation model applied, the amount and timing of cash flows forecasts or other assumptions such as discount rates. The recognition of plan assets is limited by the estimated present value of future benefits, which are available to the Group in relation to this plan. These benefits are determined using actuarial techniques and assumptions. The impact of the change in the limitation of the plan assets in accordance with IAS 19 is disclosed in Note 23. The value of plan assets and the limit are subject to revision in the future.

7 SEGMENT INFORMATION

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

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

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

Other activities have been included within "All other segments" column.

The inter-segment sales mainly consist of:

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

7 SEGMENT INFORMATION—(continued)

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

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2011									
Total segment revenues	388,537	790,629	3,046,082	29,658	553,734	979,981	349,028	224,101	6,361,750
Inter-segment sales	381,481	677,634	238,290	28,583	318,302	6,955	—	—	1,651,245
External sales	7,056	112,995	2,807,792	1,075	235,432	973,026	349,028	224,101	4,710,505
Segment result	31,001	72,496	1,084,551	4,351	116,997	122,811	54,449	(16,556)	1,470,100
Depreciation	87,214	265,694	7,717	9,805	44,521	25,331	19,034	17,369	476,685
Share of net income (loss) of associated undertakings and jointly controlled entities	957	(10,932)	21,553	—	65,511	1,860	—	20,100	99,049
Year ended 31 December 2010									
Total segment revenues	340,918	651,483	2,367,366	25,823	446,507	717,607	295,436	174,962	5,020,102
Inter-segment sales	334,524	558,852	187,555	24,892	250,433	8,545	—	—	1,364,801
External sales	6,394	92,631	2,179,811	931	196,074	709,062	295,436	174,962	3,655,301
Segment result	45,102	37,309	715,260	3,860	77,064	84,901	28,753	(4,928)	987,321
Depreciation	78,349	260,733	5,618	9,153	43,205	22,441	18,631	16,584	454,714
Share of net income (loss) of associated undertakings and jointly controlled entities	7,093	(16,097)	19,390	—	40,226	1,530	—	24,378	76,520

7 SEGMENT INFORMATION—(continued)

A reconciliation of total operating segment results to total profit before profit tax in the consolidated statement of comprehensive income is provided as follows:

Note		For the year ended 31 December 2011	2010
	Segment result	**1,470,100**	**987,321**
	Difference in depreciation	201,501	205,021
	Income (expenses) associated with pension obligations	3,811	(58,473)
37	Gain from disposal of interest in OAO NOVATEK	—	77,375
27	Finance income (expense), net	(77,335)	2,694
	Gains on disposal of available-for-sale financial assets	1,379	3,292
13	Share of net income (loss) of associated undertakings and jointly controlled entities	99,049	76,520
	Other	(18,569)	(20,047)
	Profit before profit tax	**1,679,936**	**1,273,703**

7 SEGMENT INFORMATION—(continued)

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

	For the year ended 31 December	
	2011	2010
External sales for reportable segments	4,486,404	3,480,339
External sales for other segments	224,101	174,962
Total external segment sales	**4,710,505**	**3,655,301**
Differences in external sales	(73,415)	(58,247)
Total sales per the statement of comprehensive income	**4,637,090**	**3,597,054**

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
31 December 2011									
Segment assets	1,725,762	4,972,244	1,223,035	206,126	1,272,339	1,086,188	560,182	472,028	11,517,904
Investments in associated undertakings and jointly controlled entities	27,914	56,368	98,769	—	403,275	55,629	48	73,963	715,966
Capital additions	246,635	740,910	48,802	19,978	79,102	115,642	69,447	31,074	1,351,590
31 December 2010									
Segment assets	1,466,058	4,000,952	1,048,594	169,146	1,094,309	819,440	487,046	643,132	9,728,677
Investments in associated undertakings and jointly controlled entities	23,600	112,892	91,503	—	435,890	36,964	48	56,260	757,157
Capital additions	215,236	407,571	37,578	17,355	95,289	78,712	46,239	22,153	920,133

7 SEGMENT INFORMATION—(continued)

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

	31 December 2011	31 December 2010
Segment assets for reportable segments	11,045,876	9,085,545
Other segments' assets	472,028	643,132
Total segment assets	**11,517,904**	**9,728,677**
Differences in property, plant and equipment, net*	(2,085,209)	(1,709,952)
Loan interest capitalised	264,167	192,154
Decommissioning costs	75,484	65,017
Cash and cash equivalents	501,344	440,786
Restricted cash	3,877	3,669
Short-term financial assets	23,991	7,435
VAT recoverable	303,454	158,390
Other current assets	216,044	171,976
Available-for-sale long-term financial assets	181,138	191,417
Other non-current assets	527,627	498,663
Inter-segment assets	(801,796)	(659,640)
Other	172,671	147,401
Total assets per the balance sheet	**10,900,696**	**9,235,993**

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

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Total liabilities									
31 December 2011	129,348	421,721	468,773	7,940	263,581	172,594	33,046	137,388	1,634,391
31 December 2010	105,270	306,784	433,569	7,309	228,315	123,422	32,275	148,954	1,385,898

7 SEGMENT INFORMATION—(continued)

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

	31 December 2011	31 December 2010
Segment liabilities for reportable segments	1,497,003	1,236,944
Other segments' liabilities	137,388	148,954
Total segments liabilities	**1,634,391**	**1,385,898**
Current profit tax payable	44,036	45,649
Short-term borrowings and current portion of long-term borrowings	366,868	191,052
Long-term borrowings	1,173,294	1,124,395
Provisions for liabilities and charges	206,734	200,040
Deferred tax liabilities	402,728	333,143
Other non-current liabilities	47,694	30,793
Dividends	1,888	2,258
Inter-segment liabilities	(801,796)	(659,640)
Other	63,868	46,044
Total liabilities per the balance sheet	**3,139,705**	**2,699,632**

8 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

	31 December 2011	31 December 2010
Cash on hand and bank balances payable on demand	390,381	339,460
Term deposits with original maturity of three months or less	110,963	101,326
	501,344	**440,786**

Total interest paid amounted to RR 87,457 and RR 95,820 for the years ended 31 December 2011 and 2010, respectively.

Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings.

The table below analyses credit quality of banks at which the Group holds cash and cash equivalents by external credit ratings, published by Standard & Poor's and other credit agencies. The table below uses Standard & Poor's rating classification:

	31 December	
	2011	2010
Cash on hand	533	261
External credit rating of BB and above	422,317	400,038
External credit rating of B	56,403	20,073
No external credit rating	22,091	20,414
Total cash and cash equivalents	**501,344**	**440,786**

Sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB (stable outlook) (by international scale in foreign currency).

9 SHORT-TERM FINANCIAL ASSETS

For short-term financial assets carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized are as follows:

	31 December							
	2011				2010			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Financial assets held for trading:	**4,053**	**—**	**—**	**4,053**	**2,599**	**90**	**—**	**2,689**
Bonds	711	—	—	711	328	90	—	418
Equity securities	3,342	—	—	3,342	2,271	—	—	2,271
Available-for-sale financial assets:	**17,474**	**2,464**	**—**	**19,938**	**—**	**4,746**	**—**	**4,746**
Money market fund	16,761	—		16,761				
Bonds	713	—	—	713	—	—	—	—
Promissory notes (net of impairment provision of RR nil and RR 427 as of 31 December 2011 and 2010, respectively)	—	2,464	—	2,464	—	4,746	—	4,746
Total short-term financial assets	**21,527**	**2,464**	**—**	**23,991**	**2,599**	**4,836**	**—**	**7,435**

Information about credit quality of short-term financial assets (excluding equity securities) is presented in the table below with reference to external credit ratings of related counterparties or instruments (published by Standard & Poor's and other rating agencies). The table below uses Standard & Poor's rating classification:

	31 December	
	2011	2010
External credit rating of BB and above	19,814	4,621
External credit rating of B	835	298
No external credit rating	—	245
	20,649	**5,164**

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	2011	2010
Financial assets		
Trade receivables (net of impairment provision of RR 207,981 and RR 162,374 as of 31 December 2011 and 2010, respectively)	537,323	400,252
Other receivables (net of impairment provision of RR 14,043 and RR 12,641 as of 31 December 2011 and 2010, respectively)	115,459	139,351
	652,782	539,603
Non-financial assets		
Advances and prepayments (net of impairment provision of RR 897 and RR 464 as of 31 December 2011 and 2010, respectively)	131,271	218,297
Total accounts receivable and prepayments	**784,053**	**757,900**

The estimated fair value of short-term accounts receivable approximates their carrying value.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS—(continued)

As of 31 December 2011 and 2010 RR 320,246 and RR 235,782 of trade receivables, net of impairment provision, respectively, are denominated in foreign currencies, mainly US dollar and Euro.

Other receivables are mainly represented by accounts receivable from Russian customers.

As of 31 December 2011 and 2010, trade receivables of RR 47,490 and RR 22,570, respectively, were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of material default. The ageing analysis of these trade receivables is as follows:

	31 December	
Ageing from the due date	**2011**	**2010**
Up to 6 months	21,080	7,722
From 6 to 12 months	16,189	2,358
From 1 to 3 years	9,836	12,374
More than 3 years	385	116
	47,490	**22,570**

As of 31 December 2011 and 2010, trade receivables of RR 214,364 and RR 162,924, respectively, were impaired and provided for. The amount of the provision was RR 207,981 and RR 162,374 as of 31 December 2011 and 2010, respectively. The individually impaired receivables mainly relate to gas sales to certain Russian regions and FSU countries, which are in difficult economic situations. In the management's view a portion of the receivables will be recovered. The ageing analysis of these receivables is as follows:

	Gross book value 31 December		Provision 31 December		Net book value 31 December	
Ageing from the due date	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Up to 6 months	33,298	22,184	(28,117)	(22,105)	5,181	79
From 6 to 12 months	24,426	15,758	(24,232)	(15,735)	194	23
From 1 to 3 years	73,095	51,223	(72,692)	(50,881)	403	342
More than 3 years	83,545	73,759	(82,940)	(73,653)	605	106
	214,364	**162,924**	**(207,981)**	**(162,374)**	**6,383**	**550**

As of 31 December 2011 and 2010, trade receivables of RR 483,450 and RR 377,132, respectively, were neither past due nor impaired. Management's experience indicates customer payment histories vary by geography. The credit quality of these assets can be analysed as follows:

	31 December	
	2011	**2010**
Europe and other countries gas, crude oil, gas condensate and refined products debtors	242,825	183,652
FSU (excluding Russian Federation) gas, crude oil, gas condensate and refined products debtors	81,106	48,226
Domestic gas, crude oil, gas condensate and refined products debtors	94,280	96,012
Electric and heat energy sales debtors	25,377	22,815
Transportation services debtors	4,165	1,895
Other trade debtors	35,697	24,532
Total trade receivables neither past due, nor impaired	**483,450**	**377,132**

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS—(continued)

Movements of the Group's provision for impairment of trade and other receivables are as follows:

	Trade receivables		Other receivables	
	Year ended 31 December		Year ended 31 December	
	2011	2010	2011	2010
Impairment provision at the beginning of the year	162,374	126,977	12,641	25,063
Impairment provision accrued*	56,986	38,755	3,237	2,678
Disposal of subsidiaries	—	—	—	(6,330)
Write-off of receivables during the year**	(2,037)	(3,056)	(691)	(7,980)
Release of previously created provision*	(9,342)	(302)	(1,144)	(790)
Impairment provision at the end of the year	**207,981**	**162,374**	**14,043**	**12,641**

* The accrual and release of provision for impaired receivables and effect of discounting have been included in impairment provision and other provisions in the consolidated statement of comprehensive income.

** If there is no probability of cash receipt for the impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that provision.

11 INVENTORIES

	31 December	
	2011	2010
Gas in pipelines and storage	210,384	164,448
Materials and supplies (net of an obsolescence provision of RR 4,061 and RR 2,317 as of 31 December 2011 and 2010, respectively)	102,951	100,025
Goods for resale (net of an obsolescence provision of RR 270 and RR 268 as of 31 December 2011 and 2010, respectively)	36,491	19,990
Crude oil and refined products	57,704	41,276
	407,530	**325,739**

12 PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31.12.09								
Cost	1,863,068	813,580	1,606,630	1,559,210	450,178	78,487	1,084,644	7,455,797
Accumulated depreciation	(918,867)	(293,743)	(687,515)	(537,469)	(91,952)	(27,028)	—	(2,556,574)
Net book value as of 31.12.09	**944,201**	**519,837**	**919,115**	**1,021,741**	**358,226**	**51,459**	**1,084,644**	**4,899,223**
Depreciation	(48,912)	(29,954)	(96,359)	(54,576)	(16,557)	(2,425)	—	(248,783)
Additions	39	10	12,420	3,223	1,394	1,713	996,358	1,015,157
Acquisition of subsidiaries	—	—	4,750	9,521	—	—	232	14,503
Translation differences	393	55	136	396	(6)	20	868	1,862
Transfers	96,153	101,831	185,715	169,124	930	6,656	(560,409)	—
Disposals	(579)	(3,168)	(24,016)	(7,959)	(2,290)	(2,448)	(32,649)	(73,109)
Disposals of subsidiaries	—	(1,105)	(1,012)	(8,459)	(98,148)	(3)	(13,076)	(121,803)
Charge of impairment provision	—	—	—	—	—	—	(621)	(621)
Net book value as of 31.12.10	**991,295**	**587,506**	**1,000,749**	**1,133,011**	**243,549**	**54,972**	**1,475,347**	**5,486,429**
As of 31.12.10								
Cost	1,959,053	910,240	1,787,674	1,722,143	352,058	82,818	1,475,347	8,289,333
Accumulated depreciation	(967,758)	(322,734)	(786,925)	(589,132)	(108,509)	(27,846)	—	(2,802,904)
Net book value as of 31.12.10	**991,295**	**587,506**	**1,000,749**	**1,133,011**	**243,549**	**54,972**	**1,475,347**	**5,486,429**
Depreciation	(51,286)	(32,946)	(110,621)	(60,907)	(17,574)	(2,783)	—	(276,117)
Additions	77	22,848	40,076	20,125	23,798	2,850	1,362,796	1,472,570
Acquisition of subsidiaries	32,970	—	31,150	14,921	—	49	763	79,853
Translation differences	(6)	610	847	1,470	28	(35)	1,248	4,162
Transfers	332,165	63,522	354,185	240,392	—	5,204	(995,468)	—
Disposals	(124)	(4,185)	(12,064)	(14,550)	(286)	(1,047)	(16,578)	(48,834)
Release of impairment provision	—	—	—	—	—	—	512	512
Net book value as of 31.12.11	**1,305,091**	**637,355**	**1,304,322**	**1,334,462**	**249,515**	**59,210**	**1,828,620**	**6,718,575**
As of 31.12.11								
Cost	2,324,242	993,353	2,204,383	1,982,756	375,598	89,055	1,828,620	9,798,007
Accumulated depreciation	(1,019,151)	(355,998)	(900,061)	(648,294)	(126,083)	(29,845)	—	(3,079,432)
Net book value as of 31.12.11	**1,305,091**	**637,355**	**1,304,322**	**1,334,462**	**249,515**	**59,210**	**1,828,620**	**6,718,575**

At each balance sheet date management assesses whether there is any indication that the recoverable value has declined below the carrying value of the property, plant and equipment. As of 31 December 2011 and 2010 operating assets are shown net of provision for impairment of RR 54,387.

Assets under construction are presented net of a provision for impairment of RR 93,538 and RR 96,146 as of 31 December 2011 and 2010, respectively. Charges for impairment provision of assets under construction primarily relate to projects that have been indefinitely suspended.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatization with a net book value of RR 901 and RR 1,354 as of 31 December 2011 and 2010, respectively.

Included in additions above is capitalized interest of RR 58,507 and RR 62,392 for the years ended 31 December 2011 and 2010, respectively. Capitalization rates of 7.11% and 7.86% were used representing the weighted average borrowing cost for the years ended 31 December 2011 and 2010, respectively.

12 PROPERTY, PLANT AND EQUIPMENT—(continued)

Depreciation expenses in the consolidated statement of comprehensive income do not include depreciation which is considered as a cost of self-constructed assets (and thus capitalized rather than expensed) in amount of RR 633 and RR 2,644 for the years ended 31 December 2011 and 2010, respectively.

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

		Carrying value as of 31 December		Group's share of the profit (loss) for	
Notes		2011	2010	2011	2010
39	OAO NGK Slavneft and its subsidiaries	143,449	151,826	304	2,812
39,40	Sakhalin Energy Investment Company Ltd.*	128,649	153,871	59,214	31,336
39	OAO Tomskneft VNK and its subsidiaries	63,209	65,286	3,128	1,651
39	Gazprombank Group	60,868	50,362	19,207	24,386
35,39	Salym Petroleum Development N.V.	41,300	38,395	2,905	2,462
39	WINGAS GmbH & Co. KG	40,068	41,798	3,768	4,125
39	OAO Gazprom neftekhim Salavat	39,381	19,940	1,149	668
39,40	Nord Stream AG	36,692	39,066	(428)	(1,587)
39	TOO KazRosGaz	35,663	27,034	7,896	9,521
38	OOO Yamal razvitie and its subsidiaries**	24,642	27,984	(1,567)	(139)
	Shtokman Development AG	20,784	17,741	(94)	(442)
39,40	SGT EuRoPol GAZ S.A.	16,253	17,314	141	(171)
	Wintershall AG	11,740	11,003	889	2,023
	ZAO Nortgaz	5,521	5,023	804	783
39	AO Latvijas Gaze	4,579	4,255	536	529
40	ZAO Achimgaz	4,520	3,054	1,466	1,404
39	AO Gazum	4,123	4,040	708	735
39	AO Lietuvos dujos	3,023	3,011	420	714
39,40	Blue Stream Pipeline Company B.V.	2,682	2,093	561	475
33,39	OAO Beltransgaz***	—	53,678	(11,206)	(14,814)
37,39	OAO NOVATEK****	—	—	—	7,553
	Other (net of provision for impairment of RR 1,929 and RR 2,096 as of 31 December 2011 and 31 December 2010, respectively)	28,820	20,383	9,248	2,496
		715,966	**757,157**	**99,049**	**76,520**

* Investments in Sakhalin Energy Investment Company Ltd. decreased mainly due to redemption of its redeemable preference shares and dividends paid.

** In July 2010 the Group set up OOO Yamal razvitie—jointly controlled entity on a fifty-fifty basis with OAO NOVATEK. As a result of disposal of 51% interest in OOO SeverEnergiya to OOO Yamal razvitie in November 2010, the Group retained effective 25.5% interest in OOO SeverEnergiya. (see Note 38).

*** In December 2011 the Group acquired 50% interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz (see Note 33).

**** In December 2010 the Group sold 9.4% interest in OAO NOVATEK. As a result of that transaction, Group ceased to exercise significant influence over OAO NOVATEK and accounted for retained interest within available-for-sale long-term financial assets (see Note 37).

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

	Year ended 31 December	
	2011	2010
Balance at the beginning of the reporting period	**757,157**	**794,705**
Increase in share of OAO Gazprom neftekhim Salavat	19,008	—
Increase in share of OAO Beltransgaz	—	18,844
Share of net income of associated undertakings and jointly controlled entities	99,049	76,520
Distribution from associated undertakings and jointly controlled entities	(53,849)	(59,776)
Acquisition of the controlling interest in OAO Beltransgaz (see Note 33)	(34,301)	—
Redemption of preference shares of Sakhalin Energy Investment Company Ltd.	(64,375)	(34,401)
Disposal of interest in OAO NOVATEK (see Note 37)	—	(84,978)
Contribution in OOO Yamal razvitie (see Note 38)	—	28,123
Change in share of other comprehensive (loss) income of associated undertakings and jointly controlled entities	(19,302)	4,100
Translation differences	(2,667)	(7,048)
Other acquisitions and disposals	15,246	21,068
Balance at the end of the reporting period	**715,966**	**757,157**

Summarised financial information on the Group's principal associated undertakings and jointly controlled entities is as follows.

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

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

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2011				
Gazprombank Group*	2,477,668	2,234,728	134,162	42,207
Sakhalin Energy Investment Company Ltd.	668,582	394,495	253,994	118,429
OAO NGK Slavneft and its subsidiaries	585,187	313,952	159,526	610
Nord Stream AG	286,959	212,990	3,925	(840)
WINGAS GmbH & Co. KG	223,684	183,680	347,452	13,419
OOO Yamal razvitie and its subsidiaries	171,194	60,686	—	(3,380)
OAO Tomskneft VNK and its subsidiaries	124,517	66,399	103,591	5,965
OAO Gazprom neftekhim Salavat	87,249	64,423	120,069	4,085
TOO KazRosGaz	73,388	2,064	32,078	15,791
Blue Stream Pipeline Company B.V.	71,338	60,750	8,181	2,242
SGT EuRoPol GAZ S.A.	47,397	13,539	11,127	294
Shtokman Development AG	45,483	4,727	—	145
Salym Petroleum Development N.V.	41,182	19,914	63,509	6,510
Wintershall AG	38,302	25,692	29,707	1,813
AO Gazum	35,150	18,657	51,461	2,833
AO Lietuvos dujos	32,562	7,770	21,856	1,134
AO Latvijas Gaze	27,636	7,046	20,463	1,574
ZAO Nortgaz	18,628	7,803	6,612	1,869
ZAO Achimgaz	12,183	3,145	5,500	2,969
OAO Beltransgaz**	—	—	189,315	(3,151)

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

** The losses of OAO Beltransgaz for the year ended 31 December 2011 are disclosed until the date of acquisition of controlling share (see Note 33).

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2010				
Gazprombank Group*	1,951,621	1,729,740	95,091	56,881
Sakhalin Energy Investment Company Ltd.	635,952	328,714	184,802	68,435
OAO NGK Slavneft and its subsidiaries	616,075	308,500	132,395	5,610
Nord Stream AG	200,773	122,148	1	(2,035)
WINGAS GmbH & Co. KG	177,515	135,063	280,942	13,229
OOO Yamal razvitie and its subsidiaries**	147,264	37,548	—	(545)
OAO Tomskneft VNK and its subsidiaries	123,462	63,788	81,446	3,302
OAO Gazprom neftekhim Salavat	75,114	53,155	92,680	2,867
OAO Beltransgaz	69,257	31,360	139,557	6,148
Blue Stream Pipeline Company B.V.	68,844	60,612	8,249	1,901
TOO KazRosGaz	55,627	1,558	36,052	19,043
SGT EuRoPol GAZ S.A.	50,932	14,861	11,126	(375)
Shtokman Development AG	40,536	5,749	—	(624)
Salym Petroleum Development N.V.	37,426	24,321	48,124	4,924
Wintershall AG	34,305	22,972	65,403	4,129
AO Gazum	33,358	17,196	51,936	2,940
AO Lietuvos dujos	31,643	7,363	21,109	1,926
AO Latvijas Gaze	24,423	5,164	20,754	1,555
ZAO Nortgaz	13,224	3,376	5,030	1,662
ZAO Achimgaz	10,153	4,044	4,725	2,808

* Presented revenue of Gazprombank Group is reported according to the Group accounting policy and includes revenue of media business, machinery business and other non-banking companies. Profit of Gazprombank Group includes profit from discontinued operations (petrochemical business) in amount RR 26,549.

** The losses of OOO Yamal razvitie and its subsidiaries, for the year ended 31 December 2010 are disclosed from the date of acquisition (see Note 38).

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

	31 December	
	2011	2010
OAO Gazprom neftekhim Salavat	60,702	20,046
AO Latvijas Gaze	4,594	3,735
AO Lietuvos dujos	4,380	5,134

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

Principal associated undertakings and jointly controlled entities

Entities	Country	Nature of operations	% of ordinary shares held as of 31 December* 2011	2010
ZAO Achimgaz	Russia	Exploration and production of gas and gas condensate	50	50
OAO Beltransgaz**	Belarus	Transportation and gas supply	—	50
Bosphorus Gaz Corporation A.S.	Turkey	Gas distribution	51	51
WINGAS GmbH & Co. KG	Germany	Transportation and gas distribution	50	50
Wintershall AG	Germany	Production of oil and gas distribution	49	49
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	Germany	Gas distribution	50	50
Gaz Project Development Central Asia AG	Switzerland	Gas production	50	50
OAO Gazprombank	Russia	Banking	46	45
AO Gazum	Finland	Gas distribution	25	25
Blue Stream Pipeline Company B.V.	Netherlands	Construction, gas transportation	50	50
SGT EuRoPol GAZ S.A.	Poland	Transportation and gas distribution	48	48
TOO KazRosGaz	Kazakhstan	Gas processing and sales of gas and refined products	50	50
AO Latvijas Gaze	Latvia	Transportation and gas distribution	34	34
AO Lietuvos dujos	Lithuania	Transportation and gas distribution	37	37
AO Moldovagaz	Moldova	Transportation and gas distribution	50	50
Nord Stream AG	Switzerland	Construction, gas transportation	51	51
ZAO Nortgaz	Russia	Exploration and sales of gas and gas condensate	51	51
AO Overgaz Inc.	Bulgaria	Gas distribution	50	50
ZAO Panrusgaz	Hungary	Gas distribution	40	40
AO Prometheus Gas	Greece	Gas distribution, construction	50	50
RosUkrEnergo AG	Switzerland	Gas distribution	50	50
OAO Gazprom neftekhim Salavat***	Russia	Processing and distribution of refined products	69	50
Salym Petroleum Development N.V.	Netherlands	Oil production	50	50
Sakhalin Energy Investment Company Ltd.	Bermuda Islands	Oil production, production of LNG	50	50
OAO NGK Slavneft	Russia	Production of oil, sales of oil and refined products	50	50
OAO Tomskneft VNK	Russia	Oil production	50	50
AO Turusgaz	Turkey	Gas distribution	45	45
Shtokman Development AG	Switzerland	Exploration and production of gas	51	51
OOO Yamal razvitie****	Russia	Investment activities, assets management	50	50

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

** In December 2011 the Group acquired 50% interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz (see Note 33).

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

**** OOO Yamal razvitie is a holder of 51% of share in OOO SeverEnergiya (see Note 38).

14 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	2011	2010
Long-term accounts receivable and prepayments (net of impairment provision of RR 17,893 and RR 22,139 as of 31 December 2011 and 2010, respectively)	186,414	169,124
Advances for assets under construction (net of impairment provision of RR 327 and RR 331 as of 31 December 2011 and 2010, respectively)	330,683	267,308
	517,097	**436,432**

As of 31 December 2011 and 2010, long-term accounts receivable and prepayments with carrying value RR 186,414 and RR 169,124 have an estimated fair value RR 171,188 and RR 147,374 respectively.

Long-term accounts receivable and prepayments include prepayments in amount of RR 2,168 and RR 1,962 as of 31 December 2011 and 2010 respectively.

Long-term accounts receivable of RR 55,797 and RR 58,621 as of 31 December 2011 and 2010, respectively, were impaired and provided for. The amount of the provision was RR 17,893 and RR 22,139 as of 31 December 2011 and 2010, respectively.

As of 31 December 2011 and 2010, long-term accounts receivable of RR 50 and RR 48, respectively, were past due but not impaired.

As of 31 December 2011 and 2010, long-term accounts receivable of RR 148,460 and RR 132,594, respectively, were neither past due, nor impaired. These assets can be analysed as follows:

	31 December	
	2011	2010
Long-term loans	67,771	74,328
Long-term trade receivables	6,205	4,664
Other long-term receivables	74,484	53,602
Total long-term accounts receivable neither past due, nor impaired	**148,460**	**132,594**

Management experience indicates that long-term loans granted mainly for capital construction purposes are of strong credit quality.

Movements of the Group's provision for impairment of long-term accounts receivable and prepayments are as follows:

	Year ended 31 December	
	2011	2010
Impairment provision at the beginning of the year	22,139	24,915
Impairment provision accrued*	307	7,343
Disposal of subsidiaries	—	(12,203)
Release of previously created provision*	(4,553)	(1,295)
Acquisition of subsidiaries	—	3,379
Impairment provision at the end of the year	**17,893**	**22,139**

* The accrual and release of provision for impaired receivables have been included in impairment provision and other provisions in the consolidated statement of comprehensive income.

15 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS

For long-term financial assets carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized are as follows:

	31 December 2011			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Equity securities*	155,291	23,455	1,044	**179,790**
Debt instruments	—	1,348	—	**1,348**
	155,291	**24,803**	**1,044**	**181,138**

	31 December 2010			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Equity securities*	166,000	22,006	865	**188,871**
Debt instruments	24	2,522	—	**2,546**
	166,024	24,528	865	**191,417**

* As of 31 December 2011 and 31 December 2010 equity securities include OAO NOVATEK shares in the amount of RR 122,270 and RR 110,471, respectively (see Note 37).

Debt instruments include mainly governmental and municipal bonds, corporate bonds and promissory notes on Group companies' balances which are assessed by management as of high credit quality.

	Year ended 31 December	
	2011	2010
Movements in long-term available-for-sale financial assets		
Balance at the beginning of the year	191,417	106,658
Reclassification of investment in OAO NOVATEK (see note 37)	—	104,484
(Decrease) increase in fair value of long-term available-for-sale financial assets	(10,534)	23,798
Purchased long-term available-for-sale financial assets	1,705	4,151
Deconsolidation of ZAO Gazenergoprombank (see note 36)	—	(10,207)
Disposal of long-term available-for-sale financial assets	(2,049)	(37,679)
Impairment of long-term available-for-sale financial assets release	599	212
Balance at the end of the year	**181,138**	**191,417**

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale. The impairment of available-for-sale assets has been performed using the quoted market prices.

16 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 84,950 and RR 107,969 as of 31 December 2011 and 2010, respectively.

16 OTHER NON-CURRENT ASSETS—(continued)

Other non-current assets include net pension assets in the amount of RR 248,001 and RR 254,304 as of 31 December 2011 and 2010 respectively (see Note 23).

Other non-current assets include goodwill on subsidiaries in the amount of RR 102,800 and RR 58,416 as of 31 December 2011 and 2010 respectively. Movements of the Group's goodwill on subsidiaries are as follows:

	Year ended 31 December	
	2011	2010
Movements in goodwill on subsidiaries		
Balance at the beginning of the year	**58,416**	**59,759**
Additions	44,742	—
Disposals	(358)	(1,343)
Balance at the end of the year	**102,800**	**58,416**

Additions to goodwill on subsidiaries for the year ended 31 December 2011 primarily comprise provisional goodwill attributable to OAO Beltransgaz (see Note 33).

	31 December	
	2011	2010
Gas production, transportation and distribution	69,977	28,567
Production of crude oil and gas condensate	26,224	23,250
Electric and heat energy generation and sales	6,599	6,599
Total goodwill on subsidiaries	**102,800**	**58,416**

Goodwill acquired through business combination has been allocated to related groups of cash generating units being its operating segments—Gas production, transportation and distribution, Production of crude oil and gas condensate and Electric and heat energy generation and sales. In assessing whether goodwill has been impaired, the carrying values of the cash generating units (including goodwill) were compared with their estimated value in use.

17 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December	
	2011	2010
Financial liabilities		
Trade payables	275,251	225,797
Accounts payable for acquisition of property, plant and equipment	257,850	208,771
Other payables	160,731	114,215
	693,832	548,783
Non-financial liabilities		
Advances received	109,491	152,672
Accruals and deferred income	1,321	1,185
	110,812	153,857
	804,644	**702,640**

Trade payables of RR 56,687 and RR 26,534 were denominated in foreign currency, mainly the US dollar and Euro, as of 31 December 2011 and 2010, respectively. Book values of accounts payable approximate their fair value.

18 OTHER TAXES PAYABLE

	31 December	
	2011	2010
VAT	44,734	32,365
Natural resources production tax	24,545	18,273
Property tax	11,448	10,708
Excise tax	5,698	4,297
Tax penalties and interest	19	628
Other taxes	7,263	5,650
	93,707	71,921
Less: long-term portion of restructured tax liabilities	—	(1)
	93,707	**71,920**

19 SHORT-TERM BORROWINGS, PROMISSORY NOTES AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December	
	2011	2010
Short-term borrowings and promissory notes:		
RR denominated borrowings and promissory notes	28,516	16,318
Foreign currency denominated borrowings	36,410	47,163
	64,926	63,481
Current portion of long-term borrowings (see Note 20)	301,942	127,571
	366,868	**191,052**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2011	2010
Fixed rate RR denominated short-term borrowings	5.63%	4.21%
Fixed rate foreign currency denominated short-term borrowings	4.44%	6.10%
Variable rate foreign currency denominated short-term borrowings	6.25%	3.11%

Fair values approximate the carrying value of these liabilities.

20 LONG-TERM BORROWINGS

	Currency	Final Maturity	31 December	
			2011	2010
Long-term borrowings payable to:				
Loan participation notes issued in April 2009[1]	US dollar	2019	73,707	69,771
The Royal Bank of Scotland AG	US dollar	2013	58,151	55,046
Loan participation notes issued in October 2007[1]	Euro	2018	52,919	51,220
Loan participation notes issued in June 2007[1]	US dollar	2013	51,725	48,963
Natixis SA[2]	US dollar	2015	48,300	45,721
Loan participation notes issued in November 2006[1]	US dollar	2016	43,757	41,421
Loan participation notes issued in May 2005[1]	Euro	2015	43,100	41,715
Loan participation notes issued in March 2007[1]	US dollar	2022	42,718	40,437
White Nights Finance B.V.	US dollar	2014	41,986	39,744

20 LONG-TERM BORROWINGS—(continued)

	Currency	Final Maturity	31 December 2011	31 December 2010
Loan participation notes issued in December 2005[1]	Euro	2012	41,788	40,445
Loan participation notes issued in July 2009[1]	US dollar	2014	41,608	39,386
Loan participation notes issued in August 2007[1]	US dollar	2037	41,345	39,137
Loan participation notes issued in April 2004[1]	US dollar	2034	39,218	37,124
Loan participation notes issued in July 2009[1]	Euro	2015	38,031	36,809
Loan participation notes issued in April 2008[1]	US dollar	2018	36,057	34,131
Loan participation notes issued in October 2006[1]	Euro	2014	33,892	32,804
Loan participation notes issued in November 2011[1]	US dollar	2016	32,364	—
Loan participation notes issued in November 2010[1]	US dollar	2015	32,342	30,615
Loan participation notes issued in June 2007[1]	Euro	2014	29,435	28,490
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2016	28,011	—
Bank of Tokyo-Mitsubishi UFJ Ltd.[2]	US dollar	2016	25,780	—
Loan participation notes issued in November 2006[1]	Euro	2017	21,669	20,975
Loan participation notes issued in March 2007[1]	Euro	2017	21,022	20,347
Russian bonds issued in April 2010[6]	Rouble	2013	20,670	20,000
Loan participation notes issued in November 2011[1]	US dollar	2021	19,440	—
Structured export notes issued in July 2004[3]	US dollar	2020	18,838	22,747
UniCredit Bank AG[2],[9]	US dollar	2018	17,983	—
Credit Suisse International	US dollar	2017	16,886	15,989
UniCredit Bank AG[2],[9]	Euro	2018	16,797	—
Loan participation notes issued in July 2008[1]	US dollar	2013	16,555	15,671
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	16,122	15,259
BNP Paribas SA[2]	Euro	2022	15,935	7,108
Russian bonds issued in November 2011[8]	Rouble	2014	14,878	—
J.P. Morgan Chase bank	US dollar	2012	13,576	12,847
Loan participation notes issued in April 2008[1]	US dollar	2013	13,089	12,390
OAO VTB Bank	US dollar	2012	13,012	12,317
GK Vnesheconombank	Rouble	2025	11,779	6,621
RosUkrEnergo AG	US dollar	2012	10,778	—
Russian bonds issued in April 2009[6]	Rouble	2019	10,368	11,173
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	10,337	—
Citibank International plc[2]	US dollar	2021	10,262	10,269
WestLB AG[2]	US dollar	2013	10,224	25,744
Russian bonds issued in February 2011[6]	Rouble	2021	10,127	—
Russian bonds issued in February 2011[6]	Rouble	2016	10,121	—
Russian bonds issued in February 2011[6]	Rouble	2021	10,121	—
Russian bonds issued in June 2009	Rouble	2012	10,014	10,011
OAO Gazprombank	Rouble	2018	10,000	—
Deutsche Bank AG	US dollar	2014	9,737	9,217
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,719	9,198
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,672	—
Eurofert Trading Limited llc[4]	Rouble	2015	8,600	8,600
Loan participation notes issued in November 2007[1]	JPY	2012	8,470	8,017
Russian bonds issued in July 2009[6]	Rouble	2016	8,230	8,000
Credit Agricole CIB[2]	US dollar	2013	8,064	7,633
OAO Sberbank Rossii	US dollar	2012	7,535	16,643
Deutsche Bank AG	US dollar	2014	6,923	11,410

20 LONG-TERM BORROWINGS—(continued)

	Currency	Final Maturity	31 December 2011	31 December 2010
Deutsche Bank AG	US dollar	2014	6,460	6,115
Banc of America Securities Limited	US dollar	2016	5,800	—
Russian bonds issued in February 2007	Rouble	2014	5,135	5,134
UniCredit Bank AG[2],[9]	Rouble	2018	5,127	—
Russian bonds issued in December 2009[5]	Rouble	2014	5,041	5,039
Russian bonds issued in June 2009	Rouble	2014	5,008	5,006
Eurofert Trading Limited llc[4]	Rouble	2015	5,000	5,000
Russian bonds issued in March 2006[5]	Rouble	2016	4,911	4,910
The Royal Bank of Scotland AG[2]	US dollar	2013	4,546	5,521
OAO TransKreditBank	Rouble	2014	4,535	—
The Royal Bank of Scotland AG[2]	US dollar	2012	3,795	10,774
Russian bonds issued in July 2009[7]	Rouble	2014	2,894	5,000
OAO Russian National Commercial Bank	US dollar	2011	—	19,018
Loan participation notes issued in April 2009[1]	CHF	2011	—	17,209
Russian bonds issued in November 2006	Rouble	2011	—	5,061
Russian bonds issued in September 2006[5]	Rouble	2011	—	4,801
Other long-term borrowings	Various	Various	93,197	82,213
Total long-term borrowings			**1,475,236**	**1,251,966**
Less: current portion of long-term borrowings			(301,942)	(127,571)
			1,173,294	**1,124,395**

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

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

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

(4) Issuer of these notes is OAO WGC-2 and OAO WGC-6. In November 2011 WGC-6 was merged with WGC-2 (see Note 34)

(5) Issuer of these bonds is OAO Mosenergo.

(6) Issuer of these bonds is OAO Gazprom neft.

(7) Issuer of these bonds is OAO TGC-1

(8) Issuer of these bonds is OOO Gazprom capital

(9) Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

	31 December 2011	31 December 2010
RR denominated borrowings (including current portion of RR 58,490 and RR 28,473 as of 31 December 2011 and 2010, respectively)	203,742	129,071
Foreign currency denominated borrowings (including current portion of RR 243,452 and RR 99,098 as of 31 December 2011 and 2010, respectively)	1,271,494	1,122,895
	1,475,236	**1,251,966**

20 LONG-TERM BORROWINGS—(continued)

	31 December	
	2011	2010
Due for repayment:		
Between one and two years	264,547	166,853
Between two and five years	586,574	551,310
After five years	322,173	406,232
	1,173,294	**1,124,395**

Long-term borrowings include fixed rate loans with a carrying value of RR 1,191,984 and RR 1,065,435 and fair value of RR 1,228,357 and RR 1,130,206 as of 31 December 2011 and 2010 respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

In 2011 and 2010 the Group did not have material formal hedging arrangements to mitigate its foreign exchange risk or interest rate risk.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2011	2010
Fixed rate RR denominated long-term borrowings	8.75%	10.76%
Fixed rate foreign currency denominated long-term borrowings	7.09%	7.25%
Variable rate foreign currency denominated long-term borrowings	2.91%	3.01%

As of 31 December 2011 and 2010 long-term borrowings of RR 18,838 and RR 22,747, respectively, inclusive of current portion of long-term borrowings, are secured by revenues from export supplies of gas to Western Europe.

As at 31 December 2011 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 26,666 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

On the Loan participation notes issued by Gaz Capital S.A. in April 2009 due in 2019 noteholders can execute the right of early redemption in April 2012 at par value in total amount of RR 72,441 as of 31 December 2011.

On the Loan participation notes issued by Gaz Capital S.A. in April 2004 due in 2034 noteholders can execute the right of early redemption in April 2014 at par value in total amount of RR 38,635 as of 31 December 2011.

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

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

On the Russian bonds with the nominal value of RR 8,000 issued by OAO Gazprom neft in July 2009 due in 2016 bondholders can execute the right of early redemption in July 2012 at par.

On the Russian bonds with the nominal value of RR 2,894 issued by OAO TGC-1 in July 2009 due in 2014 bondholders can execute the right of early redemption in July 2013 at par.

20 LONG-TERM BORROWINGS—(continued)

On the Russian bonds with the nominal value of RR 5,000 issued by OAO Mosenergo in December 2009 due in 2014 bondholders can execute the right of early redemption in December 2012 at par.

On the Russian bonds with the nominal value of RR 4,783 issued by OAO Mosenergo in March 2006 due in 2016 bondholders can execute the right of early redemption in March 2012 at par.

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

On the Russian bonds with the nominal value of RR 14,721 issued by OOO Gazprom Capital in November 2011 due in 2014 bondholders can execute the right of early redemption in November 2012 at par.

The Group has no subordinated debt and no debt that may be converted into an equity interest in the Group (see Note 24).

21 PROFIT TAX

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

Notes		Year ended 31 December 2011	2010
	Profit before profit tax	1,679,936	1,273,703
	Theoretical tax charge calculated at applicable tax rates	(335,987)	(254,741)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses	(41,119)	(56,662)
37	Non-taxable income from disposal of interest in OAO NOVATEK	—	15,475
13	Non-taxable profits of associated undertakings and jointly controlled entities	19,810	15,304
	Other non-taxable income	19,802	4,914
	Profit tax expense	**(337,494)**	**(275,710)**

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

	31 December 2011	Differences recognition and reversals	31 December 2010	Differences recognition and reversals	31 December 2009
Tax effects of taxable temporary differences:					
Property, plant and equipment	(390,059)	(73,492)	(316,567)	(11,941)	(304,626)
Financial assets	(14,674)	3,548	(18,222)	(518)	(17,704)
Inventories	(4,768)	(2,197)	(2,571)	797	(3,368)
	(409,501)	**(72,141)**	**(337,360)**	**(11,662)**	**(325,698)**

21 PROFIT TAX—(continued)

	31 December 2011	Differences recognition and reversals	31 December 2010	Differences recognition and reversals	31 December 2009
Tax effects of deductible temporary differences:					
Tax losses carry forward	896	78	818	(1,421)	2,239
Other deductible temporary differences	5,877	2,478	3,399	1,464	1,935
Total net deferred tax liabilities	**(402,728)**	**(69,585)**	**(333,143)**	**(11,619)**	**(321,524)**

Taxable temporary differences recognized in the year ended 31 December 2011 and 2010 include the effect of applying a special accelerated depreciation coefficient of 2 for property, plant and equipment operated in aggressive environment. As a result deferred tax liability related to property, plant and equipment recognized in the year ended 31 December 2011 and 2010 was RR 30,779 and RR 12,983, respectively.

In 2010 taxable temporary differences in the amount of RR 21,046 were reversed due to deconsolidation of OOO SeverEnergiya (see Note 38).

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 673,450 and RR 575,464 as of 31 December 2011 and 2010 respectively. A deferred tax liability on these temporary differences was not recognized because management controls the timing of the reversal of the temporary differences and believes that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities arise mainly from differences in the taxable and financial reporting bases of property, plant and equipment. These differences for property, plant and equipment are historically due to the fact that a significant proportion of the tax base was determined upon independent appraisals, the most recent of which was recognised for profit tax purposes as of 1 January 2001, while the financial reporting base is historical cost restated for changes in the general purchasing power of the Russian Rouble until 31 December 2002.

In accordance with the tax legislation of the Russian Federation tax losses and current tax assets of a company of the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is separately determined for main activities, income from operations with securities and service activities. Tax losses arising from one type of activity can not be offset with taxable profit of other types of activity. Also, a deferred tax asset of one company (type of activity) of the Group can not be offset against a deferred tax liability of another company (type of activity). As of 31 December 2011 and 2010 deferred tax assets on temporary differences in the amount of RR 32,588 and RR 27,154 respectively, have not been recorded because it is not probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilised.

22 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2011 the Group had outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

In order to manage currency risk the Group uses among others foreign currency derivatives where possible.

22 DERIVATIVE FINANCIAL INSTRUMENTS—(continued)

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting period. Fair values of derivatives are reflected at their gross value in the consolidated balance sheet.

	31 December	
Fair value	**2011**	**2010**
Assets		
Commodity contracts	61,532	32,175
Foreign currency derivatives	2,979	6,481
Other derivatives	26	3,625
	64,537	**42,281**
Liabilities		
Commodity contracts	58,200	34,820
Foreign currency derivatives	9,134	487
Other derivatives	48	1,525
	67,382	**36,832**

The following fair value hierarchies emerged for the derivative financial instruments:

	31 December 2011				31 December 2010			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Derivative financial instruments, assets	3,249	60,505	783	**64,537**	1,928	37,873	2,480	**42,281**
Derivative financial instruments, liabilities	2,335	64,315	732	**67,382**	2,897	33,367	568	**36,832**

The maturities of all derivative financial instruments varies from up to three months to five years and more and predominantly include derivatives up to three months.

23 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December	
	2011	**2010**
Provision for decommissioning and site restoration costs	102,017	101,407
Provision for pension obligations	95,678	84,064
Other	9,039	14,569
	206,734	**200,040**

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

23 PROVISIONS FOR LIABILITIES AND CHARGES—(continued)

Principal actuarial assumptions used:

	31 December	
	2011	2010
Discount rate (nominal)	8.0%	7.8%
Future salary and pension increases (nominal)	6.0%	6.5%
Turnover ratio p.a.	4.0%	4.8%
Employees average remaining working life (years)	15	15

The assumptions relating to life expectancy at normal pension age were 17 years for a 60 year old man and 28 years for a 55 year old woman in 2011 and 2010.

The Group expected a 10.3% return on the plan assets as of 31 December 2011 and 10.1% return as of 31 December 2010.

The amounts associated with pension obligations recognized in the consolidated balance sheet are as follows:

	31 December 2011		31 December 2010	
	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits
Present value of benefit obligations	(228,121)	(148,805)	(213,128)	(136,821)
Fair value of plan assets	447,183	—	438,115	—
	219,062	**(148,805)**	**224,987**	**(136,821)**
Unrecognised net actuarial losses (gains)	136,585	6,003	143,212	1,630
Unrecognised past service costs	—	47,124	—	51,127
Unrecognised plan assets above the limit	(107,646)	—	(113,895)	—
Net balance asset (liability)	**248,001**	**(95,678)**	**254,304**	**(84,064)**

The net pension assets of RR 248,001 related to benefits provided by the pension plan NPF Gazfund as of 31 December 2011 are included within other non-current assets.

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2011	2010
Current service cost	14,761	13,397
Interest on obligation	27,549	26,374
Expected return on plan assets	(43,812)	(52,918)
Net actuarial losses (gains) recognized for the year	39,425	165,571
Past service cost	3,797	3,882
Effect of asset restriction	(6,249)	(91,316)
Total operating expenses included in staff costs	**35,471**	**64,990**

The total amount of benefits paid for 2011 and 2010 were equal to RR 16,726 and RR 14,003 respectively.

23 PROVISIONS FOR LIABILITIES AND CHARGES—(continued)

Changes in the present value of the defined benefit obligations are the follows:

	31 December 2011		31 December 2010	
	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits
Defined benefit obligation at the beginning of the reporting year	**213,128**	**136,821**	**214,342**	**88,808**
Service cost	7,982	6,779	7,593	5,804
Interest cost	16,624	10,925	18,648	7,726
Actuarial (gains) losses	(2,890)	4,490	(11,300)	46,970
Past service cost	—	(207)	—	—
Benefits paid	(6,723)	(10,003)	(5,878)	(8,125)
Other movements	—	—	(10,277)	(4,362)
Defined benefit obligation at the end of the reporting year	**228,121**	**148,805**	**213,128**	**136,821**

Changes in the plan assets are as follows:

	31 December 2011		31 December 2010	
	Funded benefits—provided through NPF Gazfund	Other benefits	Funded benefits—provided through NPF Gazfund	Other benefits
Fair value of plan assets at the beginning of the reporting year	**438,115**	**—**	**513,763**	**—**
Expected return	43,812	—	52,918	—
Actuarial (losses) gains	(35,572)	—	(127,823)	—
Contributions by employer	7,551	10,003	5,135	8,125
Benefits paid	(6,723)	(10,003)	(5,878)	(8,125)
Fair value of plan assets at the end of the reporting year	**447,183**	**—**	**438,115**	**—**

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 December 2011	31 December 2010
Equities	81%	80%
Other assets	19%	20%
	100%	**100%**

The amount of ordinary shares of OAO Gazprom included in the fair value of plan assets comprise RR 60,721 and RR 64,692 as of 31 December 2011 and 2010, respectively.

23 PROVISIONS FOR LIABILITIES AND CHARGES—(continued)

For the year ended 31 December 2011 actual return on plan assets was profit of RR 8,240 primarily caused by the change of the fair value of plan assets.

Funded status of the plan:

	31 December				
	2011	2010	2009	2008	2007
Defined benefit obligation	(228,121)	(213,128)	(214,342)	(182,590)	(207,880)
Plan assets	447,183	438,115	513,763	257,046	583,221
Surplus	**219,062**	**224,987**	**299,421**	**74,456**	**375,341**
Experience adjustments on plan liabilities	(23,799)	51,447	(36,185)	(124,592)	(43,259)
Experience adjustments on plan assets	(35,572)	(127,823)	230,184	(358,806)	(33,514)

24 EQUITY

Share capital

Share capital authorised, issued and paid in totals RR 325,194 as of 31 December 2011 and 2010 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Roubles.

Dividends

In 2011, OAO Gazprom accrued and paid dividends in the nominal amount of 3.85 Roubles per share for the year ended 31 December 2010. In 2010, OAO Gazprom accrued and paid dividends in the nominal amount of 2.39 Roubles per share for the year ended 31 December 2009.

Treasury shares

As of 31 December 2011 and 2010, subsidiaries of OAO Gazprom held 726 million and 723 million of the ordinary shares of OAO Gazprom, respectively. Shares of the Group held by the subsidiaries represent 3.1% of OAO Gazprom shares as of 31 December 2011 and 2010. The Group management controls the voting rights of these shares.

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement of the consolidated financial statements to the equivalent purchasing power of the Rouble as of 31 December 2002, when Russian economy ceased to be hyperinflationary under IAS 29 "Financial Reporting in Hyperinflation Economies". Also, retained earnings and other reserves include translation gains arising on the translation of the net assets of foreign subsidiaries, associated undertakings and jointly controlled entities in the amount of RR 58,608 and RR 40,764 as of 31 December 2011 and 2010, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of these assets to governmental authorities and this process may continue. Social assets with a net book value of RR 351 and RR 756 have been transferred to governmental authorities during the years ended 31 December 2011 and 2010 respectively. These transactions have been recorded as a reduction of retained earnings and other reserves.

The basis of distribution is defined by legislation as the current year net profit of the Group parent company, as calculated in accordance with RAR. For 2011 year, the statutory profit of the parent company was RR 879,602. However, the legislation and other statutory laws and regulations dealing with profit

24 EQUITY—(continued)

distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable profits and reserves in these consolidated financial statements.

25 SALES

	Year ended 31 December	
	2011	2010
Gas sales gross of custom duties to customers in:		
Russian Federation	738,601	636,843
Former Soviet Union (excluding Russian Federation)	694,937	493,806
Europe and other countries	1,763,716	1,357,852
	3,197,254	2,488,501
Customs duties	(382,406)	(302,296)
Sales of gas	2,814,848	2,186,205
Sales of refined products to customers in:		
Russian Federation	588,250	412,208
Former Soviet Union (excluding Russian Federation)	48,630	36,042
Europe and other countries	336,146	260,812
Total sales of refined products	973,026	709,062
Sales of crude oil and gas condensate to customers in:		
Russian Federation	41,442	23,148
Former Soviet Union (excluding Russian Federation)	36,345	25,967
Europe and other countries	157,645	146,959
Sales of crude oil and gas condensate	235,432	196,074
Electric and heat energy sales:		
Russian Federation	333,204	281,853
Former Soviet Union (excluding Russian Federation)	3,469	3,476
Europe and other countries	7,878	3,326
Total electric and heat energy sales	344,551	288,655
Gas transportation sales:		
Russian Federation	111,082	91,353
Former Soviet Union (excluding Russian Federation)	1,913	1,278
Total gas transportation sales	112,995	92,631
Other revenues:		
Russian Federation	137,711	108,933
Former Soviet Union (excluding Russian Federation)	7,490	7,683
Europe and other countries	11,037	7,811
Total other revenues	156,238	124,427
Total sales	**4,637,090**	**3,597,054**

26 OPERATING EXPENSES

	Year ended 31 December	
	2011	2010
Purchased gas and oil	828,551	605,836
Taxes other than on income	418,134	291,712
Staff costs	374,731	354,501
Transit of gas, oil and refined products	280,770	273,469
Depreciation	275,184	249,693
Repairs and maintenance	189,865	178,296
Cost of goods for resale, including refined products	125,520	54,145
Materials	104,349	96,287
Electricity and heating expenses	70,356	60,961
Transportation services	33,753	27,603
Research and development expenses	29,489	24,300
Rental expenses	26,787	20,827
Heat transmission	26,465	24,469
Insurance expenses	20,384	16,088
Social expenses	18,811	25,635
Processing services	10,935	8,450
Exchange rate differences on operating items	(6,386)	12,876
Other	178,896	166,765
	3,006,594	**2,491,913**
Changes in inventories of finished goods, work in progress and other effects	(64,413)	(51,136)
Total operating expenses	**2,942,181**	**2,440,777**

Starting from 1 January 2011 the Group changed presentation of operating expenses disclosing by nature the expenses incurred during the period and adjusting them for the total change in inventories of finished goods, work in progress and other effects. The comparative information was adjusted accordingly. Management believes that the current presentation of operating expenses is more reflective to the Group's operations.

Staff costs include RR 35,471 and RR 64,990 of expenses associated with pension obligations for the years ended 31 December 2011 and 2010, respectively (see Note 23).

Gas purchase expenses included within purchased oil and gas amounted to RR 578,006 and RR 401,725 for the years ended 31 December 2011 and 2010, respectively.

Taxes other than on income consist of:

	Year ended 31 December	
	2011	2010
Natural resources production tax	265,742	175,789
Excise tax	95,752	62,350
Property tax	46,699	42,034
Other taxes	9,941	11,539
	418,134	**291,712**

27 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2011	2010
Exchange gains	171,570	150,384
Interest income	18,685	20,692
Gains on and extinguishment of restructured liabilities	233	765
Total finance income	**190,488**	**171,841**
Exchange losses	235,825	130,433
Interest expense	31,998	38,714
Total finance expenses	**267,823**	**169,147**

28 RECONCILIATION OF PROFIT, DISCLOSED IN CONSOLIDATED STATEMENT OF INCOME, PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING RULES (RAR) TO PROFIT DISCLOSED IN IFRS STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	RAR net profit for the year per consolidated statutory accounts	**1,033,105**	**801,532**
	Effects of IFRS adjustments:		
	Reclassification of revaluation of available for sale financial assets	10,581	(12,832)
	Write-off of deferred tax liability related to revaluation of OAO Gazprom shares, accounted on balance of ZAO Gerosgaz	—	(22,942)
	Elimination of gains arising from change in fair value of investment in OAO NOVATEK recognized for RAR purposes	—	(49,915)
37	Gain on disposal of interest in OAO NOVATEK	—	77,375
	Difference in share of net income of associated undertakings and jointly controlled entities	(9,630)	(10,328)
	Differences in depreciation	200,405	182,049
	Write-off of long term financial assets	(601)	(5,051)
	Reversal of goodwill depreciation	45,429	46,847
	Loan interest capitalized	51,782	55,023
23	Impairment and other provisions, including provision for pension obligations and unused vacations	5,028	(61,613)
	Accounting of finance lease	12,314	8,883
	Accounting for Gazprombank group	7,709	16,895
	Write-off of research and development expenses capitalized for RAR purposes	(5,340)	(10,462)
	Fair value adjustment on commodity contracts	4,613	(9,710)
	Differences in losses on fixed assets disposal	3,155	562
	Other effects	(16,108)	(8,320)
	IFRS profit for the year	**1,342,442**	**997,993**

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

Earnings per share have been calculated by dividing the profit, attributable to owners of OAO Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 24).

There were 22.9 and 22.9 billion weighted average shares outstanding for the years ended 31 December 2011 and 2010 respectively.

There are no dilutive financial instruments outstanding.

30 NET CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended 31 December	
	2011	2010
Profit before profit tax	**1,679,936**	**1,273,703**
Adjustments to profit before profit tax		
Depreciation	275,184	249,693
Gain from disposal of interest in OAO NOVATEK	—	(77,375)
Increase in provisions	76,328	113,701
Net unrealised foreign exchange loss (gain)	64,255	(19,951)
Interest expense	31,998	38,714
Gains on and extinguishment of restructured liabilities	(233)	(765)
Losses on disposal of property, plant and equipment	7,712	18,726
Interest income	(18,685)	(20,692)
Gains on disposal of available-for-sale financial assets	(1,379)	(3,292)
Derivatives (gain) loss	(4,613)	9,710
Share of net income of associated undertakings and jointly controlled entities	(99,049)	(76,520)
Other non-cash adjustments	(9,908)	(6,219)
Total effect of adjustments	321,610	225,730
Increase in long-term assets	(5,344)	(36,381)
(Decrease) increase in long-term liabilities	(123)	3,541
	1,996,079	1,466,593
Changes in working capital		
(Increase) decrease in accounts receivable and prepayments	(66,689)	84
Increase in inventories	(82,910)	(42,132)
Increase in other current assets	(5,894)	(19,759)
(Decrease) increase in accounts payable and accrued charges, excluding interest, dividends and capital construction	(13,762)	183,761
Settlements on taxes payable (other than profit tax)	150,975	115,455
(Increase) decrease in available-for-sale financial assets and financial assets held for trading	(14,017)	16,277
Total effect of working capital changes	(32,297)	253,686
Profit tax paid	(326,332)	(260,163)
Net cash provided by operating activities	**1,637,450**	**1,460,116**

30 NET CASH PROVIDED BY OPERATING ACTIVITIES—(continued)

Total taxes and other similar payments paid in cash for the years 2011 and 2010:

	Year ended 31 December	
	2011	2010
Customs duties	675,806	474,682
Profit tax	326,332	260,163
Natural resources production tax	257,909	172,507
VAT	175,194	132,015
Excise	84,497	59,611
Insurance contributions to non-budget funds	53,688	42,514
Property tax	45,801	38,127
Personal income tax	37,605	34,552
Other	26,277	20,093
Total taxes paid	**1,683,109**	**1,234,264**

31 SUBSIDIARY UNDERTAKINGS

Principal subsidiaries

Subsidiary undertaking	Location	% of share capital as of 31 December*	
		2011	2010
OOO Aviapredpriyatie Gazprom avia	Russia	100	100
ZAO ArmRosgazprom	Armenia	80	80
OAO Beltransgaz**	Belorussia	100	50
Vemex s.r.o	Czech Republic	50	50
OAO Vostokgazprom	Russia	100	100
OOO Gazovie Magistraly Tumeny	Russia	100	100
Gazprom (Schweiz) AG (ZMB (Schweiz) AG)	Switzerland	100	100
OOO Gazprom burenie	Russia	—	100
OOO Gazprom VNIIGAZ	Russia	100	100
OAO Gazprom gazoraspredelenie (OAO Gazpromregiongaz)	Russia	100	100
OOO Gazprom geologorazvedka (OOO Gazprom dobycha Krasnoyarsk)	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Gerosgaz Holding B.V.	Netherlands	100	100
Gazprom Global LNG Ltd.	United Kingdom	100	100
OOO Gazprom dobycha Astrakhan	Russia	100	100
OOO Gazprom dobycha Krasnodar	Russia	100	100
OOO Gazprom dobycha Nadym	Russia	100	100
OOO Gazprom dobycha Noyabrsk	Russia	100	100
OOO Gazprom dobycha Orenburg	Russia	100	100
OOO Gazprom dobycha Urengoy	Russia	100	100
OOO Gazprom dobycha shelf	Russia	100	100
OOO Gazprom dobycha Yamburg	Russia	100	100
OOO Gazprom invest Vostok	Russia	100	100
OOO Gazprom invest Zapad	Russia	100	100
ZAO Gazprom invest Yug	Russia	100	100
OOO Gazprom investholding	Russia	100	100
OOO Gazprom inform	Russia	100	100

31 SUBSIDIARY UNDERTAKINGS—(continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2011	2010
OOO Gazprom komplektaciya	Russia	100	100
Gazprom Libyen Verwaltungs GmbH	Germany	100	100
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
OOO Gazprom mezhregiongaz	Russia	100	100
ZAO Gazprom neft Orenburg***	Russia	100	100
Gazprom neft Trading GmbH***	Austria	100	100
OOO Gazprom neft shelf	Russia	100	100
OAO Gazprom neft	Russia	96	96
OOO Gazprom pererabotka	Russia	100	100
OOO Gazprom podzemremont Orenburg	Russia	100	100
OOO Gazprom podzemremont Urengoy	Russia	100	100
OOO Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holding B.V.	Netherlands	100	100
OOO Gazprom torgservis	Russia	100	100
OOO Gazprom transgas Volgograd	Russia	100	100
OOO Gazprom transgas Ekaterinburg	Russia	100	100
OOO Gazprom transgas Kazan	Russia	100	100
OOO Gazprom transgas Krasnodar (OOO Gazprom transgas-Kuban)	Russia	100	100
OOO Gazprom transgas Makhachkala	Russia	100	100
OOO Gazprom transgas Moskva	Russia	100	100
OOO Gazprom transgas Nizhny Novgorod	Russia	100	100
OOO Gazprom transgas Samara	Russia	100	100
OOO Gazrpom transgas St. Petersburg	Russia	100	100
OOO Gazprom transgas Saratov	Russia	100	100
OOO Gazprom transgas Stavropol	Russia	100	100
OOO Gazprom transgas Surgut	Russia	100	100
OOO Gazprom transgas Tomsk	Russia	100	100
OOO Gazprom transgas Ufa	Russia	100	100
OOO Gazprom transgas Ukhta	Russia	100	100
OOO Gazprom transgas Tchaikovsky	Russia	100	100
OOO Gazprom transgas Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
OOO Gazprom tsentrremont	Russia	100	100
OOO Gazprom export	Russia	100	100
OOO Gazprom energo	Russia	100	100
OOO Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
OOO Gazpromneft-Vostok***	Russia	100	100
ZAO Gazpromneft-Kuzbass***	Russia	100	100
OAO Gazpromneft-MNPZ (OAO Moscovsky NPZ)***	Russia	78	77
OAO Gazpromneft-Noyabrskneftegaz***	Russia	100	100
OAO Gazpromneft-Omsk***	Russia	100	100
OAO Gazpromneft-Omskiy NPZ***	Russia	100	100
ZAO Gazpromneft-Severo-Zapad***	Russia	100	100
OOO Gazpromneft-Khantos***	Russia	100	100
OOO Gazpromneft-Centr***	Russia	100	100

31 SUBSIDIARY UNDERTAKINGS—(continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2011	2010
OOO Gazpromneftfinans***	Russia	100	100
OOO GazpromPurInvest	Russia	100	100
OOO Gazpromtrans	Russia	100	100
OAO Gazpromtrubinvest	Russia	100	100
OOO Gazflot	Russia	100	100
OOO Georesurs	Russia	100	100
OAO Daltransgaz	Russia	100	100
OOO Zapolyarneft***	Russia	100	100
OAO Zapsibgazprom	Russia	77	77
ZAO Kaunasskaya power station	Lithuania	99	99
OAO Krasnoyarskgazprom	Russia	75	75
OAO Mosenergo	Russia	53	53
Naftna Industrija Srbije***	Serbia	56	51
OOO NK Sibneft-Yugra***	Russia	100	100
OOO Novourengoysky GCC	Russia	100	100
OAO WGC-2*****	Russia	58	58
OAO WGC-6*****	Russia	—	61
ZAO Purgaz	Russia	51	51
OAO Regiongazholding	Russia	56	56
ZAO Rosshelf	Russia	57	57
ZAO RSh-Centr	Russia	100	100
OAO Severneftegazprom****	Russia	50	50
Sibir Energy Ltd.***	United Kingdom	100	78
OOO Sibmetahim	Russia	100	100
OAO Spetsgazavtotrans	Russia	51	51
OAO TGC-1	Russia	52	52
OAO Teploset Sankt-Peterburga	Russia	75	100
OAO Tomskgazprom	Russia	100	100
OOO Faktoring-Finance	Russia	90	90
OAO Tsentrgaz	Russia	100	100
OAO Tsentrenergogaz	Russia	66	66
OAO Yuzhuralneftegaz***	Russia	88	—
ZAO Yamalgazinvest	Russia	100	100

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

** In December 2011 the Group acquired 50% interest in OAO Beltransgaz. As a result the Group obtained control over OAO Beltransgaz (see Note 33).

*** Subsidiaries of OAO Gazprom neft.

**** Group's voting shares.

***** In November 2011 WGC-6 was merged with WGC-2 (see Note 34).

32 NON-CONTROLLING INTEREST

Notes		Year ended 31 December 2011	2010
	Non-controlling interest at the beginning of the year	**286,610**	**322,806**
	Non-controlling interest share of net profit of subsidiary undertakings	35,424	29,436
35	Acquisition of the additional interest in Sibir Energy Ltd.	(23,022)	(17,026)
	Disposal of the interest in OAO Teploset Sankt-Peterburga	6,468	—
38	Disposal of the controlling interest in OOO SeverEnergiya	—	(41,677)
	Purchase of the non-controlling interest in OAO Daltransgaz	—	(3,619)
	Changes in the non-controlling interest as a result of other disposals and acquisitions	(105)	(3,074)
	Dividends	(9,453)	(1,110)
	Translation differences	1,498	874
	Non-controlling interest at the end of the year	**297,420**	**286,610**

33 ACQUISITION OF THE CONTROLLING INTEREST IN OAO BELTRANSGAZ

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

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

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. In these consolidated financial statements, management made a preliminary assessment on a provisional basis. Management is required to finalise the accounting within 12 months from the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

Purchase consideration includes 50% share in OAO Beltransgaz acquired in December 2011 in amount of RR 78.3 billion (USD 2,500 million) and fair value of previously acquired 50% share in OAO Beltransgaz accounted for using the equity method in amount of RR 34.3 billion.

As a result of the Group obtaining control over OAO Beltransgaz, the Group's previously held 50% interest was remeasured to fair value, resulting in a loss of RR 9.63 billion. This has been recognised in the line item 'Share of net income of associated undertakings and jointly controlled entities' in the consolidated statement of comprehensive income.

33 ACQUISITION OF THE CONTROLLING INTEREST IN OAO BELTRANSGAZ—(continued)

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

	Book value	Provisional fair value
Cash and cash equivalents	8,187	8,187
Accounts receivable and prepayments	34,046	34,046
VAT recoverable	1,907	1,907
Inventories	4,490	4,490
Other current assets	365	365
Current assets	**48,995**	**48,995**
Property, plant and equipment	30,905	79,091
Construction in progress	763	763
Other non-current assets	251	251
Non-current assets	**31,919**	**80,105**
Total assets	**80,914**	**129,100**
Accounts payable and accrued charges	41,891	41,891
Short-term borrowings, promissory notes and current portion of long-term borrowings	9,627	9,627
Current liabilities	**51,518**	**51,518**
Long-term borrowings	301	301
Deferred tax liabilities	—	8,674
Other non-current liabilities	5	5
Non-current liabilities	**306**	**8,980**
Total liabilities	**51,824**	**60,498**
Net assets at acquisition date	**29,090**	**68,602**
Provisional fair value of Net assets at acquisition date		68,602
Purchase consideration		112,605
Provisional goodwill		**44,003**

If the acquisition had occurred on 1 January 2011, the Group' sales for year ended 31 December 2011 would have been RR 4,695,157. The Group's profit for the year ended 31 December 2011 would have been RR 1,336,248 respectively.

Goodwill is attributable to enabling effective integration of the Russian and Belarusian gas transmission systems, reducing transit risks, providing additional security of gas sales in the respective markets over the long term. The acquisition of OAO Beltransgaz also allowed the Group to play an active role in the gas infrastructure development in the Republic of Belarus—which is very important for its synchronization with the Company's facilities development in Russia.

34 MERGER OF OAO WGC-2 AND OAO WGC-6

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

35 PURCHASE OF NON-CONTROLLING INTEREST IN SIBIR ENERGY LTD.

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

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

As a result of this transaction the difference between the non-controlling interest acquired and consideration paid has been recognized in equity in amount of RR 5,405 and is included within retained earnings and other reserves.

36 DECONSOLIDATION OF ZAO GAZENERGOPROMBANK

On 29 March 2010 the respective Boards of directors of ZAO Gazenergoprombank, banking subsidiary of the Group, and OAO AB Rossiya, a bank not related to the Group, approved a reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. On 30 April 2010 shareholders of both banks also approved that reorganization. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAO AB Rossiya; in exchange for its existing controlling interest in ZAO Gazenergoprombank, the Group received a non-controlling interest in OAO AB Rossiya. According to the terms of the merger agreement the Group lost the ability to control the financial and operating policies of ZAO Gazenergoprombank on 30 April 2010. As a result, the Group ceased to include assets, liabilities, operating results and cash flows of ZAO Gazenergoprombank within the consolidated financial statements from 30 April 2010. In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized.

37 DISPOSAL OF INTEREST IN OAO NOVATEK

In December 2010 the Group sold a portion of their associated undertaking (total carrying value of RR 84,978 as of the date sold) representing a 9.4% interest in OAO NOVATEK to a party unrelated to the Group for RR 57,462 (see note 13) paid in cash. As a result of this transaction the Group has ceased to exercise significant influence over the business activities of OAO NOVATEK. Therefore the remaining 9.99% interest was classified as long-term available-for-sale financial asset and was recognized at fair value in the amount of RR 104,484 at the date of disposal (see note 15).

In the consolidated statement of comprehensive income for the year ended 31 December 2010 the Group recognized a gain of RR 77,375 representing the difference between the sum of fair value of the remaining 9.99% interest at the date of transaction, cash proceeds from disposal of 9.4% interest and accumulated net gain previously recognized in other comprehensive income in relation to this associated undertaking, and the carrying amount of total 19.39% interest as at transaction date.

38 DECONSOLIDATION OF THE CONTROLLING INTEREST IN OOO SEVERENERGIYA

In November 2010 OAO Gazprom sold its entire 51% controlling interest in OOO SeverEnergiya to OOO Yamal razvitie—a fifty-fifty jointly controlled entity owned by the Group (OAO Gazprom neft) and OAO NOVATEK for RR 56.2 billion paid in cash. As a result of the transaction the Group retained an effective 25.5% non-controlling interest in OOO SeverEnergiya. Gain from deconsolidation of OOO SeverEnergiya recognized in consolidated statement of comprehensive income amounted to RR 5,868.

39 RELATED PARTIES

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in

39 RELATED PARTIES—(continued)

making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Government

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

As of 31 December 2011 38.373% of OAO Gazprom issued shares were directly owned by the Government. Another 11.629% were owned by Government controlled entities. The Government does not prepare consolidated financial statements for public use. On 30 June 2011 the extraordinary General Shareholders Meeting was held to fulfil the assignments of the President of the Russian Federation to replace government officials on boards of directors in open joint stock companies with independent or representative directors. As a result of the extraordinary General Shareholders Meeting authority of two State representatives on the Board of Directors was terminated ahead of schedule and the new Board of Directors was elected. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

Parties under control of the Government

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

39 RELATED PARTIES—(continued)

As of and for the years ended 31 December 2011 and 2010 respectively, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	As of 31 December 2011		Year ended 31 December 2011	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	58,769	44,036	—	279,216
Insurance contributions to non-budget funds	682	2,358	—	57,592
VAT recoverable/payable	456,498	44,734	—	—
Customs duties	69,375	—	—	—
Other taxes	2,194	46,615	—	418,134
Transactions and balances with other parties under control of the Government				
Gas sales	—	—	28,362	—
Electricity and heating sales	—	—	194,506	—
Other services sales	—	—	1,733	—
Accounts receivable	32,118	—	—	—
Oil transportation expenses	—	—	—	82,229
Accounts payable	—	11,658	—	—

	As of 31 December 2011		Year ended 31 December 2011	
	Assets	Liabilities	Revenues	Expenses
Loans	—	54,735	—	—
Interest expense		—	—	3,163
Short-term financial assets	3,136	—	—	—
Available-for-sale long-term financial assets	32,128	—	—	—

	As of 31 December 2010		Year ended 31 December 2010	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	14,265	45,649	—	249,387
Unified social tax	753	1,438	—	35,950
VAT recoverable/payable	299,121	32,365	—	—
Customs duties	44,197	—	—	—
Other taxes	1,689	38,117	—	291,712
Transactions and balances with other parties under control of the Government				
Gas sales	—	—	3,100	—
Electricity and heating sales	—	—	189,706	—
Other services sales	—	—	2,086	—
Accounts receivable	26,977	—	—	—
Oil transportation expenses	—	—	—	76,664
Accounts payable	—	9,289	—	—
Loans	—	48,710	—	—
Interest expense	—	—	—	7,821
Short-term financial assets	517	—	—	—
Available-for-sale long-term financial assets	54,718	—	—	—

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

39 RELATED PARTIES—(continued)

In the normal course of business the Group incurs electricity and heating expenses (see Note 26). A part of these expenses relates to purchases from the entities under Government control. Due to specifics of electricity market in Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See consolidated statement of changes in equity for returns of social assets to governmental authorities during years ended 31 December 2011 and 2010. See Note 12 for net book values as of December 2011 and 2010 of social assets vested to the Group at privatisation.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR 1,795 and RR 1,561 for the years ended 31 December 2011 and 2010 respectively. Such amounts include personal income tax and Insurance contributions to non-budget funds. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company. Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

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

39 RELATED PARTIES—(continued)

Associated undertakings and jointly controlled entities

For the years ended 31 December 2011 and 2010 and as of 31 December 2011 and 2010 the Group had the following significant transactions with associated undertakings and jointly controlled entities:

	Year ended 31 December	
	2011	2010
	Revenues	
Gas sales		
OAO Beltransgaz*	138,015	122,983
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	94,921	77,487
WINGAS GmbH & Co. KG	71,870	41,716
ZAO Panrusgaz	55,683	69,708
AO Gazum	30,535	27,654
Wintershall Erdgas Handelshaus Zug AG (WIEE)**	27,283	21,050
AO Overgaz Inc.	24,805	19,134
AO Moldovagaz	21,875	17,125
Promgaz S.p.A.***	13,333	13,600
AO Lietuvos dujos	12,356	10,942
PremiumGas S.p.A.	9,115	9,808
ZAO Gazprom YRGM Trading	9,113	12,916
AO Latvijas Gaze	7,805	5,121
ZAO Gazprom YRGM Development	6,510	9,225
GWH Gazhandel GmbH****	4,900	9,663
Bosphorus Gaz Corporation A.S.	4,035	3,695
Gas transportation sales		
ZAO Gazprom YRGM Trading	19,691	17,837
ZAO Gazprom YRGM Development	14,065	12,741
OAO NOVATEK*****	—	25,975
Gas condensate, crude oil and refined products sales		
OAO NGK Slavneft and its subsidiaries	41,946	35,228
OAO Gazprom neftekhim Salavat	19,698	12,419
Gas refining services sales		
TOO KazRosGaz	5,064	4,518
	Expenses	
Purchased gas		
RosUkrEnergo AG	122,541	8,447
ZAO Gazprom YRGM Trading	52,059	42,152
ZAO Gazprom YRGM Development	37,220	30,139
WINGAS GmbH & Co. KG	37,006	25,869
TOO KazRosGaz	25,073	28,158
Sakhalin Energy Investment Company Ltd.	4,750	7,533
OAO NOVATEK*****	—	12,935
Purchased transit of gas		
OAO Beltransgaz*	13,526	14,206
SGT EuRoPol GAZ S.A.	10,365	10,207
Blue Stream Pipeline Company B.V.	7,274	7,622
Nord Stream AG	4,007	—
WINGAS GmbH & Co. KG	3,835	3,238

39 RELATED PARTIES—(continued)

	Year ended 31 December	
	2011	2010
Purchased crude oil and refined products		
OAO NGK Slavneft and its subsidiaries	69,695	53,146
OAO Tomskneft VNK and its subsidiaries	46,267	34,864
Salym Petroleum Development N.V.	32,540	26,452
Processing services purchases		
OAO NGK Slavneft and its subsidiaries	8,113	7,835

* In December 2011 the Group acquired the remaining 50% shares in OAO Beltransgaz. As a result of this transaction Beltransgaz became a subsidiary of the Group (see Note 33).

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

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

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

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

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

	As of 31 December 2011		As of 31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	16,325	—	7,253	—
OAO Gazprom neftekhim Salavat	8,532	—	10,829	—
ZAO Panrusgaz	8,117	—	8,087	—
WINGAS GmbH & Co.KG	7,908	—	7,870	—
AO Overgaz Inc.	7,410	—	5,820	—
AO Moldovagaz*	4,388	—	2,717	—
AO Gazum	4,077	—	5,164	—
OAO NGK Slavneft and its subsidiaries	3,361	—	1,238	—
AO Lietuvos dujos	2,319	—	2,103	—
Wintershall Erdgas Handelshaus Zug AG (WIEE)	1,485	—	2,763	—
ZAO Gazprom YRGM trading	1,458	—	1,432	—
ZAO Gazprom YRGM Development	1,042	—	1,023	—
TOO KazRosGaz	717	—	647	—
OAO Gazprombank	615	—	1,567	—
Promgaz S.p.A.**	—	—	2,143	—
RosUkrEnergo AG	—	—	81,622	—
OAO Beltransgaz***	—	—	14,972	—
OAO Sibur Holding and its subsidiaries****	—	—	498	—
Short-term promissory notes				
OAO Gazprombank	372	—	1,485	

39 RELATED PARTIES—(continued)

	As of 31 December 2011		As of 31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Cash balances in associated undertakings				
OAO Gazprombank	251,350	—	215,272	—
Long-term accounts receivable and prepayments				
WINGAS GmbH & Co. KG	15,952	—	15,439	—
Gas Project Development Central Asia AG	1,707	—	1,602	—
Bosphorus Gaz Corporation A.S.	870	—	—	—
Salym Petroleum Development N.V.	567	—	4,806	—
OAO Sibur Holding and its subsidiaries****	—	—	3,894	—
Long-term promissory notes				
OAO Gazprombank	646	—	943	—
Short-term accounts payable				
SGT EuRoPol GAZ S.A.	—	6,997	—	6,976
ZAO Gazprom YRGM trading	—	6,761	—	6,466
ZAO Gazprom YRGM Development	—	4,388	—	4,984
TOO KazRosGaz	—	3,267	—	4,336
WINGAS GmbH & Co.KG	—	2,956	—	2,806
Nord Stream AG		1,999		—
OAO NGK Slavneft and its subsidiaries	—	1,976	—	1,394
Salym Petroleum Development N.V.	—	514	—	2,635
OAO Gazprombank	—	134	—	708
RosUkrEnergo AG	—	—	—	8,447
OAO Sibur Holding and its subsidiaries****	—	—	—	3,777
Promgaz S.p.A**	—	—	—	1,583
OAO Beltransgaz***	—	—	—	1,297
Other non-current liabilities				
ZAO Gazprom YRGM trading	—	2,390	—	3,187
ZAO Gazprom YRGM Development	—	372	—	497
OAO Sibur Holding and its subsidiaries****	—	—	—	1,115
Short-term loans from associated companies (including current portion of long-term liabilities)				
OAO Gazprombank	—	11,202	—	6,973
RosUkrEnergo AG	—	10,778	—	—
OAO Tomskneft VNK and its subsidiaries	—	6,647	—	7,027
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	—	1,095	—	2,527
Long-term loans from associated undertaking				
OAO Gazprombank	—	16,229	—	3,770

* Net of impairment provision on accounts receivable in the amount of RR 92,643 and RR 69,305 as of 31 December 2011 and 2010 respectively.

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

*** In November 2011 the Group acquired the remaining 50% shares in OAO Beltransgaz. As a result of this transaction Beltransgaz became a subsidiary of the Group (see Note 33).

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

39 RELATED PARTIES—(continued)

Investments in associated undertakings and jointly controlled entities are disclosed in Note 13.

See Note 40 for financial guarantees issued by the Group on behalf of associated undertakings and jointly controlled entities.

40 COMMITMENTS AND CONTINGENCIES

Financial guarantees

	31 December 2011	31 December 2010
Outstanding guarantees issued on behalf of:		
Nord Stream AG	105,616	50,005
Sakhalin Energy Investment Company Ltd.	103,220	100,260
Blue Stream Pipeline Company B.V.	7,976	12,974
EM Interfinance Limited	5,869	5,694
Blackrock Capital Investments Limited	4,985	4,824
Devere Capital International Limited	1,958	4,217
OAO Group E4	1,498	1,450
ZAO Achimgaz	387	4,330
OOO Severny Europeysky Trubny Proekt	—	27,227
OOO Torgovy Dom Truboprovod	—	8,305
OOO Production Company VIS	—	4,472
Other	31,806	17,619
	263,315	**241,377**

In 2011 and in prior periods counterparties fulfilled their obligations. The maximum exposure to credit risk in relation to financial guarantees is RR 263,315 and RR 241,377 as of 31 December 2011 and 2010, respectively.

Included in financial guarantees are amounts denominated in USD of USD 4,129 million and USD 4,374 million as of 31 December 2011 and 2010, respectively, as well as amounts denominated in Euro of Euro 2,815 million and Euro 1,494 million as of 31 December 2011 and 2010, respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2011 and 2010, outstanding amounts of these loans were RR 7,976 (USD 248 million) and RR 12,974 (USD 426 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited,DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. As a result as of 31 December 2011 and 2010 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 12,812 (USD 398 million) and RR 14,735 (USD 483 million), respectively.

40 COMMITMENTS AND CONTINGENCIES—(continued)

In 2007 the Group provided a guarantee to Wintershall Vermogens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 31 December 2011 and 2010 the above guarantee amounted to RR 387 (Euro 9 million) and RR 4,330 (Euro 107 million), respectively.

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 December 2011 and 2010 the above guarantee amounted to RR 1,498 (Euro 36 million) and RR 1,450 (Euro 36 million), respectively.

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. As of 31 December 2011 and 2010 the above guarantee amounted to RR 103,220 (USD 3,206 million) and RR 100,260 (USD 3,290 million), respectively.

In January 2010 the Group provided a guarantee to OAO Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAO WGC-6 (merged with WGC-2 in November 2011, see Note 34). As of 31 December 2010 the above guarantee amounted to RR 4,472. In September 2011 this credit facility was repaid.

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2011 and 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 72,205 (Euro 1,733 million) and RR 50,005 (Euro 1,240 million), respectively.

In May 2011 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2011 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 33,411 (Euro 802 million).

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Severny Europeysky Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 27,227. In February 2011 this credit facility was repaid.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Torgovy Dom Truboprovod as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 8,305. In February 2011 this credit facility was repaid.

Claims

In December 2010 RWE Transgas, a.s. filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contract prices for gas supplies. The matter is currently under consideration of arbitration court. Negotiations with RWE Transgas, a.s. on the contract prices are in progress. Management of the Group cannot estimate potential exposure in respect of this claim.

40 COMMITMENTS AND CONTINGENCIES—(continued)

In July 2011 E.ON Ruhrgas AG filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. The consideration of the case has not been assigned yet. Negotiations with E.ON Ruhrgas AG on the contract prices are in progress. Management of the Group cannot estimate potential exposure in respect of this claim.

In November 2011 Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG SA) filed a lawsuit against the Group to international arbitration demanding reconsideration of long-term contracts prices for gas supplies. The consideration of the case has not been assigned yet. Negotiations with PGNiG SA on the contract prices are in progress. Management of the Group cannot estimate potential exposure in respect of this claim.

Other

The Group has transportation agreements with certain of its associated undertakings and jointly controlled entities (see Note 39). In November 2011 the Group began commercial gas deliveries through Nord Stream and commenced the transportation agreement with Nord Stream AG.

Capital commitments

In December 2011 the Board of Directors approved a RR 777 billion investment programme for 2012. Currently the company is reviewing the investment program.

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2011 no loss is expected to result from these long-term commitments.

41 OPERATING RISKS

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

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

Legal proceedings

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

41 OPERATING RISKS—(continued)

Taxation

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

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

Group changes

The Group is continuing to be subject to reform initiatives in the Russian Federation and in some of its export markets. The future direction and effects of any reforms are the subject of political considerations. Potential reforms in the structure of the Group, tariff setting policies, and other government initiatives could each have a significant, but undeterminable, effect on enterprises operating in the Group.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be reliably estimated, but could be material. In the current enforcement climate under existing legislation, the Group management believes that there are no significant liabilities for environmental damage, other than amounts that have been accrued in the consolidated financial statements.

Social commitments

The Group significantly contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees in the areas of its production operations mainly in the northern regions of Russian Federation, including contributions toward the construction, development and maintenance of housing, hospitals, transport services, recreation and other social needs.

42 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with Group policies.

Market risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

42 FINANCIAL RISK FACTORS—(continued)

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

Notes		Russian Rouble	US dollar	Euro	Other	Total
	As of 31 December 2011					
	Financial assets					
	Current					
8	Cash and cash equivalents	316,735	127,359	37,108	20,142	501,344
9	Short-term financial assets (excluding equity securities)	2,328	1,494	16,761	66	20,649
10	Trade and other accounts receivable	332,520	195,715	99,493	25,054	652,782
	Non-current					
14	Long-term accounts receivable	152,342	28,938	—	2,996	184,246
15	Available for sale long-term financial assets (excluding equity securities)	1,348	—	—	—	1,348
	Total financial assets	**805,273**	**353,506**	**153,362**	**48,228**	**1,360,369**
	Financial liabilities					
	Current					
17	Accounts payable and accrued charges	574,982	44,687	34,456	39,707	693,832
19	Short-term borrowings, promissory notes and current portion of long-term borrowings	87,006	193,092	70,039	16,731	366,868
	Non-current					
20	Long-term borrowings	145,252	755,455	272,175	412	1,173,294
	Total financial liabilities	**807,240**	**993,234**	**376,670**	**56,850**	**2,233,994**
	As of 31 December 2010					
	Financial assets					
	Current					
8	Cash and cash equivalents	225,802	150,337	50,477	14,170	440,786
9	Short-term financial assets (excluding equity securities)	5,127	—	—	37	5,164
10	Trade and other accounts receivable	303,687	165,401	45,505	25,010	539,603
	Non-current					
14	Long-term accounts receivable	127,734	38,859	—	569	167,162
15	Available for sale long-term financial assets (excluding equity securities)	1,211	1,311	—	24	2,546
	Total financial assets	**663,561**	**355,908**	**95,982**	**39,810**	**1,155,261**
	Financial liabilities					
	Current					
17	Accounts payable and accrued charges	483,817	25,289	15,322	24,355	548,783
19	Short-term borrowings, promissory notes and current portion of long-term borrowings	44,791	105,095	22,560	18,606	191,052
	Non-current					
20	Long-term borrowings	100,598	726,423	289,006	8,368	1,124,395
	Total financial liabilities	**629,206**	**856,807**	**326,888**	**51,329**	**1,864,230**

42 FINANCIAL RISK FACTORS—(continued)

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities denominated in selected foreign currencies.

As of 31 December 2011, if the Russian Rouble had weakened by 10% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 63,973, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings partially offset by foreign exchange gains on translation of US dollar-denominated trade receivables. As of 31 December 2010, if the Russian Rouble had weakened by 10% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 50,090, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings partially offset by foreign exchange gains on translation of US dollar-denominated trade receivables.

As of 31 December 2011, if the Russian Rouble had weakened by 10% against Euro with all other variables held constant, profit before profit tax would have been lower by RR 22,331 mainly as a result of foreign exchange losses on translation of euro-denominated borrowings partially offset by foreign exchange gains on translation of euro-denominated trade receivables. As of 31 December 2010, if the Russian Rouble had weakened by 10% against Euro with all other variables held constant, profit before profit tax would have been lower by RR 23,091 mainly as a result of foreign exchange losses on translation of euro-denominated borrowings partially offset by foreign exchange gains on translation of euro-denominated trade receivables.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

	31 December	
Long-term borrowings	**2011**	**2010**
At fixed rate	1,191,984	1,065,435
At variable rate	283,252	186,531
Total	**1,475,236**	**1,251,966**

The Group does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

During 2011 and 2010, the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2011, if interest rates on US dollar and Euro denominated borrowings at these dates had been 2.0% higher with all other variables held constant, profit before profit tax would have been lower by RR 5,665 for 2011 mainly as a result of higher interest expense on floating rate borrowings. As of 31 December 2010, if interest rates on US dollar and Euro denominated borrowings at these dates had been 2.0% higher with all other variables held constant, profit before profit tax would have been lower by RR 3,730 for 2010 mainly as a result of higher interest expense on floating rate borrowings. The effect of a corresponding decrease in interest rates is approximately equal and opposite.

42 FINANCIAL RISK FACTORS—(continued)

(c) Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for natural gas, crude oil and related products, and their impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net income and cash flows. An extended period of low prices could precipitate a decrease in development activities and could cause a decrease in the volume of reserves available for transportation and processing through the Group's systems or facilities and ultimately impact the Group's ability to deliver under its contractual obligations.

The Group's overall strategy in production and sales of natural gas, crude oil and related products is centrally managed. Substantially all the Group's natural gas, gas condensate and other hydrocarbon export sales to Europe and other countries are sold under long-term contracts. Natural gas export prices to Europe and other countries are based on a formula linked to world oil product prices, which in turn are linked to world crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2011, if the average gas prices related to the export market had weakened by 10% with all other variables held constant, profit before profit tax would have been lower by RR 207,624 for 2011. The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2010, if the average gas prices related to the export market had weakened by 10% with all other variables held constant, profit before profit tax would have been lower by RR 154,936 for 2010.

The Russian gas tariffs are regulated by the Federal Tariffs Service and are as such less subject to significant price fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operational and investment decisions.

However, in the current environment management estimates may materially differ from actual future impact on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the equity securities prices because of financial assets held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss (Notes 9 and 15).

As of 31 December 2011, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming the Group's equity instruments moved according to the historically high correlation with the index, group's profit before profit tax for the year would have been RR 56,722 lower.

As of 31 December 2010, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming the Group's equity instruments moved according to the historically high correlation with the index, group's profit before profit tax for the year would have been RR 60,530 lower.

The Group is also exposed to equity securities prices used to assess the fair value of pension plan assets held by NPF Gazfund (see Note 23).

Credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

42 FINANCIAL RISK FACTORS—(continued)

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable including promissory notes. Credit risks related to accounts receivable are systematically monitored taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of impairment provision (see Note 10). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

	31 December	
	2011	2010
Cash and cash equivalents	501,344	440,786
Debt securities	20,649	5,164
Long-term and short-term trade and other accounts receivable	839,196	708,727
Financial guarantees	263,315	241,377
Total maximum exposure to credit risk	**1,624,504**	**1,396,054**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aim is to maintain flexibility in financing sources by having undrawn committed facilities available.

The Group believes that it has significant funding through the commercial paper markets or through undrawn committed borrowing facilities to meet foreseeable borrowing requirements (see Note 41).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the

42 FINANCIAL RISK FACTORS—(continued)

table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2011					
Short-term and long-term loans and borrowings and promissory notes	234,973	131,895	264,547	586,574	322,173
Trade and other payables	657,408	36,424	—	—	—
Financial guarantees	7,246	9,989	24,716	73,391	147,973
As of 31 December 2010					
Short-term and long-term loans and borrowings and promissory notes	94,953	96,099	166,853	551,310	406,232
Trade and other payables	530,572	18,211	—	—	—
Financial guarantees	7,193	43,342	17,145	74,811	98,886

See discussion of financial derivatives in Note 22.

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance.

Capital risk management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain or adjust the capital structure, the Group may revise its investment program, attract new or repay existing loans and borrowings or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable and restructured tax liabilities) less cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations.

Adjusted EBITDA is calculated as operating profit less depreciation and less provision for impairment of assets (excluding provisions for accounts receivable and prepayments).

The net debt to adjusted EBITDA ratios at 31 December 2011 and 2010 were as follows:

	31 December	
	2011	2010
Total debt	1,540,162	1,315,448
Less: cash and cash equivalents and certain restricted cash	(505,221)	(444,455)
Net debt	1,034,941	870,993
Adjusted EBITDA	1,930,533	1,363,778
Net debt/Adjusted EBITDA ratio	**0.54**	**0.64**

42 FINANCIAL RISK FACTORS—(continued)

OAO Gazprom presently has an investment grade credit rating of BBB (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings.

43 POST BALANCE SHEET EVENTS

Borrowings and loans

In February 2012 the Group obtained the loan from RosUkrEnergo AG in the amount of USD 183 million due in December 2012 at an interest rate of 3.5%. under terms of the agreement signed in January 2011.

In February 2012 the Group issued bonds in the amount of RR 10,000 due in 2022 at an interest rate of 8.25%. The bonds have an option for early redemption in three years from the placement date.

The Company may be contacted at its registered office:

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www.gazprom.ru (in Russian)
www.gazprom.com (in English)

OAO GAZPROM

IFRS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OAO Gazprom

We have audited the accompanying consolidated financial statements of OAO Gazprom and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to Notes 24 and 41 to the consolidated financial statements. The Government of the Russian Federation has a controlling interest in OAO Gazprom and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

28 April 2011
Moscow, Russian Federation

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OAO GAZPROM

IFRS CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2010

(In millions of Russian Roubles)

Notes		31 December 2010	31 December 2009
	Assets		
	Current assets		
8	Cash and cash equivalents	440,786	249,759
8	Restricted cash	3,669	4,872
9	Short-term financial assets	7,435	52,137
10	Accounts receivable and prepayments	757,900	846,725
11	Inventories	325,739	286,719
	VAT recoverable	158,390	139,718
	Other current assets	171,976	107,044
		1,865,895	1,686,974
	Non-current assets		
12	Property, plant and equipment	5,486,429	4,899,223
13	Investments in associated undertakings and jointly controlled entities	757,157	794,705
14	Long-term accounts receivable and prepayments	436,432	413,309
15	Available-for-sale long-term financial assets	191,417	106,658
16	Other non-current assets	498,663	467,659
		7,370,098	6,681,554
	Total assets	**9,235,993**	**8,368,528**
	Liabilities and equity		
	Current liabilities		
17	Accounts payable and accrued charges	702,640	502,075
	Current profit tax payable	45,649	37,267
18	Other taxes payable	71,920	71,934
19	Short-term borrowings and current portion of long-term borrowings	190,845	424,855
19	Short-term promissory notes payable	207	11,761
		1,011,261	1,047,892
	Non-current liabilities		
20	Long-term borrowings	1,124,395	1,184,457
20	Long-term promissory notes payable	—	4,592
23	Provisions for liabilities and charges	200,040	143,591
21	Deferred tax liabilities	333,143	321,524
	Other non-current liabilities	30,793	17,151
		1,688,371	1,671,315
	Total liabilities	2,699,632	2,719,207
	Equity		
24	Share capital	325,194	325,194
24	Treasury shares	(103,986)	(104,204)
24	Retained earnings and other reserves	6,028,543	5,105,525
		6,249,751	5,326,515
32	Non-controlling interest	286,610	322,806
	Total equity	6,536,361	5,649,321
	Total liabilities and equity	**9,235,993**	**8,368,528**

A.B. Miller
Chairman of the Management Committee
2011

E.A. Vasilieva
Chief Accountant
2011

The accompanying notes are an integral part of these consolidated financial statements.

OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

(In millions of Russian Roubles)

Notes		Year ended 31 December 2010	2009
25	Sales	3,597,054	2,991,001
5	Net gain from trading activity	6,256	4,171
26	Operating expenses	(2,440,777)	(2,092,832)
	Impairment provision and other provisions	(48,711)	(45,428)
	Operating profit	**1,113,822**	**856,912**
34	Purchase of non-controlling interest in OAO Gazprom neft	—	13,865
40	Gain from disposal of interest in OAO NOVATEK	77,375	—
38	Gain from swap of assets transaction	—	105,470
27	Finance income	171,841	375,799
27	Finance expense	(169,147)	(441,487)
13	Share of net income of associated undertakings and jointly controlled entities	76,520	62,557
	Gains on disposal of available-for-sale financial assets	3,292	6,319
	Profit before profit tax	**1,273,703**	**979,435**
	Current profit tax expense	(249,387)	(182,255)
	Deferred profit tax expense	(26,323)	(3,387)
21	Profit tax expense	(275,710)	(185,642)
	Profit for the year	**997,993**	**793,793**
	Other comprehensive income		
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	18,904	32,193
	Share of other comprehensive income of associated undertakings and jointly controlled entities	4,100	7,098
	Translation differences	(9,407)	1,704
	Revaluation of equity interest	—	9,911
	Other comprehensive income for the year, net of tax	**13,597**	**50,906**
	Total comprehensive income for the year	**1,011,590**	**844,699**
	Profit attributable to:		
	owners of OAO Gazprom	968,557	779,585
32	non-controlling interest	29,436	14,208
		997,993	**793,793**
	Total comprehensive income attributable to:		
	owners of OAO Gazprom	981,280	835,182
	non-controlling interest	30,310	9,517
		1,011,590	**844,699**
29	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**42.20**	**33.18**

A.B. Miller
Chairman of the Management Committee
2011

E.A. Vasilieva
Chief Accountant
2011

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OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

(In millions of Russian Roubles)

Notes		Year ended 31 December 2010	2009
	Operating activities		
30	**Net cash provided by operating activities**	**1,460,116**	**897,154**
	Investing activities		
12	Capital expenditures	(1,042,642)	(795,640)
	Net change in loans made	(9,113)	(15,131)
	Interest received	13,233	32,036
12	Interest paid and capitalised	(62,392)	(45,516)
	Acquisition of subsidiaries, net of cash acquired	(73,696)	(74,100)
39	Decrease of cash and cash equivalents from deconsolidation of banking subsidiaries	(32,504)	—
34	Purchase of non-controlling interest in OAO Gazprom neft	—	(138,527)
13	Investment in associated undertakings and jointly controlled entities	(32,817)	(37,148)
36	Proceeds from sales of interest in subsidiaries	34,540	2,904
40	Proceeds from disposal of interest in OAO NOVATEK	57,462	—
13	Proceeds from associated undertakings and jointly controlled entities	93,894	77,611
	Net change of long-term available-for-sale financial assets	317	2,034
	Change in other long-term financial assets	3,411	(1,634)
	Net cash used for investing activities	**(1,050,307)**	**(993,111)**
	Financing activities		
20	Proceeds from long-term borrowings	223,753	572,828
20	Repayment of long-term borrowings (including current portion)	(316,042)	(408,252)
	Net repayment of promissory notes	(812)	(3,122)
19	Net repayment of short-term borrowings	(30,294)	(87,611)
24	Dividends paid	(55,106)	(16,733)
	Interest paid	(33,428)	(58,794)
24	Sales (purchases) of treasury shares	218	(58)
8	Change in restricted cash	(673)	(1,125)
	Net cash used for financing activities	**(212,384)**	**(2,867)**
	Effect of exchange rate changes on cash and cash equivalents	(6,398)	4,750
	Increase (decrease) in cash and cash equivalents	**191,027**	**(94,074)**
	Cash and cash equivalents, at the beginning of the reporting year	249,759	343,833
	Cash and cash equivalents, at the end of the reporting year	**440,786**	**249,759**

A.B. Miller
Chairman of the Management Committee
2011

E.A. Vasilieva
Chief Accountant
2011

The accompanying notes are an integral part of these financial statements.

OAO GAZPROM

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

(In millions of Russian Roubles)

Notes		Number of shares outstanding (billions)	Attributable to owners of OAO Gazprom				Non-controlling interest	Total equity
			Share capital	Treasury shares	Retained earnings and other reserves	Total		
	Balance as of 31 December 2008	23.6	325,194	(597)	4,280,518	4,605,115	307,984	4,913,099
	Profit for the year		—	—	779,585	779,585	14,208	793,793
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax		—	—	32,088	32,088	105	32,193
	Share of other comprehensive income of associated undertakings and jointly controlled entities		—	—	7,098	7,098	—	7,098
24	Translation differences		—	—	6,500	6,500	(4,796)	1,704
	Revaluation of equity interest		—	—	9,911	9,911	—	9,911
	Total comprehensive income for the year ended 31 December 2009		—	—	835,182	835,182	9,517	844,699
24	Return of social assets to governmental authorities		—	—	(1,647)	(1,647)	—	(1,647)
34	Purchase of non-controlling interest in OAO Gazprom neft		—	—	—	—	(152,392)	(152,392)
32	Non-controlling interest in subsidiaries acquired		—	—	—	—	159,139	159,139
24	Net treasury shares transactions	(0.7)	—	(103,607)	—	(103,607)	—	(103,607)
24	Dividends		—	—	(8,528)	(8,528)	(1,442)	(9,970)
	Balance as of 31 December 2009	22.9	325,194	(104,204)	5,105,525	5,326,515	322,806	5,649,321
	Profit for the year		—	—	968,557	968,557	29,436	997,993
	Other comprehensive income:							
	Gains arising from change in fair value of available-for-sale financial assets, net of tax		—	—	18,904	18,904	—	18,904
	Share of other comprehensive income of associated undertakings and jointly controlled entities		—	—	4,100	4,100	—	4,100
24	Translation differences		—	—	(10,281)	(10,281)	874	(9,407)
	Total comprehensive income for the year ended 31 December 2010		—	—	981,280	981,280	30,310	1,011,590
32	Disposal of controlling interest in subsidiaries		—	—	—	—	(44,701)	(44,701)
32	Change in non-controlling interest in subsidiaries		—	—	(2,499)	(2,499)	(20,695)	(23,194)
24	Return of social assets to governmental authorities		—	—	(756)	(756)	—	(756)
24	Net treasury shares transactions	0.1	—	218	—	218	—	218
24	Dividends		—	—	(55,007)	(55,007)	(1,110)	(56,117)
	Balance as of 31 December 2010	23.0	325,194	(103,986)	6,028,543	6,249,751	286,610	6,536,361

A.B. Miller
Chairman of the Management Committee
2011

E.A. Vasilieva
Chief Accountant
2011

The accompanying notes are an integral part of these consolidated financial statements.

1 NATURE OF OPERATIONS

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

The Group is involved in the following principal activities:

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

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

The weighted average number of employees during 2010 and 2009 was 393 thousand and 386 thousand, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

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

3 BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IFRS") and effective in reporting period.

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial instruments as described in Note 5. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4 SCOPE OF CONSOLIDATION

As described in Note 5, these financial statements consolidate subsidiaries, associated undertakings and jointly controlled entities of the Group. Significant changes in the Group's structure in the 2010 and 2009 are described below.

In September 2009 the Group acquired a 51% interest in OOO SeverEnergiya and obtained control over OOO SeverEnergiya. In November 2010 the Group sold its entire 51% controlling interest in OOO

4 SCOPE OF CONSOLIDATION—(continued)

SeverEnergiya to the OOO Yamal razvitie—jointly controlled entity which is owned on a fifty-fifty basis by the Group (OAO Gazprom Neft) and OAO Novatek (see Note 36).

In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized. As a result of the reorganization the Group received a non-controlling interest in OAO AB Rossiya (see Note 39).

In the period from April to June 2009 the Group acquired 54.71% of the ordinary shares of Sibir Energy plc and obtained control over Sibir Energy plc. In May 2010 the Group acquired additional 25.66% of the ordinary shares of Sibir Energy plc. In July 2010 the Group sold 3.02% of the ordinary shares of Sibir Energy plc to OAO Central Fuel Company which is controlled by the Government of Moscow. As a result of these transactions the Group's interest in Sibir Energy plc equals to 77.35% (see Note 35).

In December 2009 the Group completed the series of transactions and accumulated 51.8% of ordinary shares of OAO TGC-1 and obtained control over OAO TGC-1 (see Note 37).

In February 2009 the Group acquired a 51% interest in Naftna Industrija Srbije and obtained control over Naftna Industrija Srbije (see Note 33).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below.

5.1 Group accounting

Changes in accounting policy

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. IFRS 3 (revised) "Business combinations", and consequential amendments to IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates", and IAS 31 "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised IFRS 3 continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard was applied to all acquisitions of controlling interests in 2010.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised within the profit and losses of the consolidated statement of comprehensive income. IAS 27 (revised) has had no significant impact on the current period, as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity though there were transactions with non-controlling interests.

The group has changed its accounting policy and applied it prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to the amounts previously recognised in the financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

Subsidiary undertakings

The Group's subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the activities of those entities. Subsidiary undertakings in which the Group, directly or indirectly, has an interest of more than 50% of the voting rights and is able to exercise control over the operations have been consolidated. Also subsidiary undertakings include entities in which the Group controls 50% and less of the voting share capital but where the Group controls the entity through other means. This may include a history of casting the majority of the votes at the meetings of the board of directors or equivalent governing body.

Certain entities in which the Group has an interest of more than 50% are recorded as investments in associated undertakings as the Group is unable to exercise control due to certain factors, for example restrictions stated in foundation documents.

The consolidated financial statements of the Group reflect the results of operations of any subsidiaries acquired from the date control is established. Subsidiaries are no longer consolidated from the date from which control ceases. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including those entities and businesses that are under common control. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

An acquirer should recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill.

Goodwill and non-controlling interest

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. The group treats transactions with non-controlling interests as transactions with equity owners of the group. In accordance with IFRS 3 "Business Combinations", the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest proportion of the net fair value of those items.

Associated undertakings, jointly controlled entities and joint ventures

Associated undertakings are undertakings over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence occurs when the Group has the

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

power to participate in the financial and operating policy decisions of an entity but has no control or joint control over those policies. Associated undertakings are accounted for using the equity method.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's interest in each associated undertaking is carried in the consolidated balance sheet at an amount that reflects cost, including the goodwill at acquisition, the Group's share of profit and losses and its share of post-acquisition movements in reserves recognized in equity. Provisions are recorded for any impairment in value.

Recognition of losses under equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

Joint ventures related to jointly controlled entities are entities which are jointly controlled by two or more parties and investments in such entities are accounted for using the equity method. Joint ventures are contractual agreements whereby two or more parties undertake economic activity, which is subject to joint control. Joint ventures involving jointly controlled assets or joint operations are accounted for using the proportionate consolidation method.

5.2 Financial instruments

Financial instruments carried on the consolidated balance sheet include cash and cash equivalent balances, financial assets, accounts receivable, promissory notes, accounts payable and borrowings. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Accounting for financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

Fair value disclosure

The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrower at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

5.3 Derivative financial instruments

As part of trading activities the Group is also party to derivative financial instruments including forward and options contracts in foreign exchange, commodities, and securities. The Group's policy is to

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

measure these instruments at fair value, with resultant gains or losses being reported within the profit and losses of the consolidated statement of comprehensive income. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate. The Group has no material derivatives accounted for as hedges.

The Group routinely enters into sale and purchase transactions for the purchase and sales of gas, oil, oil products and other goods. The majority of these transactions are entered to meet supply requirements to fulfill contract obligations and for own consumption and are not within the scope of IAS 39 "Financial instruments: recognition and measurement".

Sale and purchase transactions of gas, oil, oil products and other goods and which are not physically settled or can be net settled and are not entered into for the purpose of receipt or delivery of non-financial item in accordance with the Group's expected purchase, sale or usage requirement are accounted for as derivative financial instruments in accordance with IAS 39 "Financial instruments: recognition and measurement". These instruments are considered as held for trading and related gains or losses are recorded within the profit and loss section of the consolidated statement of comprehensive income.

Derivative contracts embedded into sales-purchase contracts are separated from the host contracts and accounted for separately. Derivatives are carried at fair value with gains and losses arising from changes in the fair values of derivatives included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

5.4 Non derivative financial assets

The Group classifies its financial assets in the following categories:

(a) financial assets at fair value through profit or loss,

(b) available-for-sale financial assets, and

(c) loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation which determines the method for measuring financial assets at subsequent balance sheet date: amortised cost or fair value.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

There were no material financial assets designated at fair value through profit or loss at inception as of 31 December 2010 and 2009.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

Available-for-sale financial assets are measured at fair value at inception and subsequently. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at fair value. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with the same instrument or based on a valuation technique whose variables include only data from observable markets. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rate for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income and shown net of income tax in the consolidated statement of comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains (losses) on disposal of available-for-sale financial assets. Interest income on available-for-sale debt instruments calculated using the effective interest method is recognized within the profit and loss section of the consolidated statement of comprehensive income.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized within the profit and loss section of the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Impairment of financial assets

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss—is removed from other comprehensive income to profit or loss for the year. The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortized cost and available-for-sale financial assets which represent debt instruments, the reversal is recognised in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in other comprehensive income. Impairment losses relating to assets recognised at cost cannot be reversed.

The provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 12 months overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings at the date of origination of the receivable. The amount of the provision is recognized in the consolidated statement of comprehensive income within operating expenses.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.5 Options on purchase or sale of financial assets

Options on purchase or sale of financial assets are carried at their fair value. These options are accounted for as assets when their fair value is positive (for call options) and as liabilities when the fair value is negative (for put options). Changes in the fair value of these options instruments are included within the profit and loss section of the consolidated statement of comprehensive income.

5.6 Cash and cash equivalents and restricted cash

Cash comprises cash on hand and balances with banks. Cash equivalents comprise short-term financial assets which are readily converted to cash and have an original maturity of three months or less. Restricted cash balances comprise balances of cash and cash equivalents which are restricted as to withdrawal under the terms of certain borrowings or under banking regulations. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Rules for determination of tax and other similar payments (value added tax, natural resources production tax and custom duties) are described below in accordance with Russian legislation.

5.7 Value added tax

VAT at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities. Input VAT related to export sales is recoverable. A limited list of goods, works and services are not subject to VAT. Input VAT related to non-VATable supply of goods, works and services generally should not be recovered and should be included in the value of acquired goods, works and services.

VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as a current asset and liability, except for VAT, presented within other non-current assets. VAT, presented within other non-current assets relates to assets under construction, which is expected to be recovered in more than 12 months after the balance sheet date.

5.8 Natural resources production tax

Natural resources production tax on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted. In particular NRPT for natural gas is defined as an amount of volume produced per fixed tax rate (RR 147 per mcm). NRPT for crude oil is defined as an amount of volume produced per fixed tax rate (RR 419 per ton) adjusted depending on the monthly average market prices of the Urals blend and the RR/USD exchange rate for the preceding month. Ultimate amount of the NRPT on crude oil depends also on the depletion and geographic location of the oil field. NRPT on gas condensate is defined as a fixed percentage from the value of the extracted mineral resource. Natural resources production tax is accrued as a tax on production and recorded within operating expenses.

5.9 Customs duties

The export of hydrocarbons outside of the Customs union, including natural gas and crude oil, is subject to export customs duties. In particular, export of natural gas outside the boundaries of the Customs union, which includes the Russian Federation, Belarus and Kazakhstan, is subject to a fixed 30% export customs duty rate levied on the customs value of the exported natural gas. Export of crude oil and oil

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

products outside of the Customs union is also subject to the export customs duties set on a monthly basis by the Russian Government based on the monthly average price of Urals blend on world markets for the preceding month. In addition, crude oil exported to Belarus from 2007 to 2009 was subject to the export customs duty with a downward coefficient whereas since 2010 such exports are subject to the basic export customs duty rate (i.e. customs duty rate applicable to export of oil outside the countries covered by the Customs Union), except for the "preferential" amount of crude oil agreed by the governments of Russia and Belarus intended for processing in Belarus and subsequent sale in the territory of Belarus and Russia, export of which outside Russian customs territory is not a subject to export customs duties. Revenues are recognized net of the amount of custom duties.

5.10 Inventories

Inventories are valued at the lower of net realisable value and cost. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overhead but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses and completion costs.

5.11 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of development and successful exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gains and losses arising from the disposal of property, plant and equipment are included within the profit and loss section of the consolidated statement of comprehensive income as incurred.

Property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Interest costs on borrowings are capitalised as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Depletion of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent reservoir engineers.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

Depreciation of assets (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

	Years
Pipelines	25–33
Wells	7–40
Machinery and equipment	10–18
Buildings	30–40
Roads	20–40
Social assets	10–40

Depreciation on wells has been calculated on cost, using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method. The difference between straight line and units-of-production is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded only upon the termination of operating responsibility for the social assets. The Group does not possess ownership rights for the assets, but records them on its balance sheet up to the return to a governmental authority because the Group controls the benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. These disposals are considered to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5.12 Impairment of non-current non-financial assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Group's assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the cash-generating units at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there is any indication that impairment exists at the balance sheet date. Goodwill acquired through business combinations is allocated to cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the respective cash-generating unit.

The amount of the reduction of the carrying amount of the cash-generating unit to the recoverable value is recorded within the profit and loss section of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognized for goodwill are not reversed in subsequent reporting periods.

5.13 Borrowings

Borrowings are recognised initially at their fair value which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.14 Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences arising on investments in subsidiaries, associated undertakings and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

5.15 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the official exchange rates prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised as exchange gains or losses within the profit and loss section of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associated undertakings and jointly controlled entities are translated into Roubles at the official exchange rate prevailing at the reporting date. Statements of comprehensive income of foreign entities are translated at average exchange rates for the year. Exchange differences arising on the translation of the net assets of foreign subsidiaries and associated undertakings are recognised as translation differences and recorded directly in equity.

The official US dollar to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 30.48 and 30.24 as of 31 December 2010 and 2009, respectively. The official Euro to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 40.33 and 43.39 as of 31 December 2010 and 2009, respectively.

Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

5.16 Provisions for liabilities and charges

Provisions, including provisions for pensions, environmental liabilities and asset retirement obligations, are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. As obligations are determined, they are recognised immediately based on the present value of the expected future cash outflows arising from the obligations. Initial estimates (and subsequent revisions to the estimates) of the cost of dismantling and removing the property, plant and equipment are capitalized as property, plant and equipment.

5.17 Equity

Treasury shares

When the Group companies purchase the equity share capital of OAO Gazprom, the consideration paid including any attributable transaction costs is deducted from total equity as treasury shares until they are re-sold. When such shares are subsequently sold, any consideration received net of income taxes is

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

included in equity. Treasury shares are recorded at weighted average cost. Gains (losses) arising from treasury share transactions are recognised directly in the consolidated statement of changes in equity, net of associated costs including taxation.

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. When the financial liability is recognised initially its fair value is reclassified from equity. The premium received for a written option is added directly to equity. The Group has no such contracts in current and prior periods.

Dividends

Dividends are recognised as a liability and deducted from equity when they are recommended by the Board of Directors and approved at the General Meeting of Shareholders.

5.18 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Sales are recognised for financial reporting purposes when products are delivered to customers and title passes and are stated net of VAT, excise taxes and other similar compulsory payments. Gas transportation sales are recognized when transportation services have been provided, as evidenced by delivery of gas in accordance with the contract.

Natural gas prices and gas transportation tariffs to the final consumers in the Russian Federation are established mainly by the Federal Tariffs Service. Export gas prices for sales to European countries are indexed to oil products prices, as stipulated in long-term contracts. Export gas prices for sales to Former Soviet Union countries are determined in various ways including using formulas, similar to European.

Promissory notes

Promissory notes issued by the Group are recorded initially at the fair value of the consideration received or the fair value of the note, which is determined using the prevailing market rate of interest for a similar instrument.

In subsequent periods, promissory notes are stated at amortised cost using the effective yield method. Any difference between the fair value of the consideration (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the promissory note.

Trading activity

Contracts to buy or sell non-financial items entered into for trading purposes and which do not meet the expected own-use requirements, such as contracts to sell or purchase commodities that can be net settled in cash or settled by entering into another contract, are recognized at fair value and associated gains or losses are recorded as Net gain from trading activity. These contracts are derivatives in the scope of IAS 39 for both measurement and disclosure. Revenues generated by trading activities are reported as a net figure, reflecting realized gross margins. Trading activities are mainly managed by Gazprom Marketing and Trading Ltd. subsidiary of the Group and relate partly to gas and oil trading and power and emission rights trading activities.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.19 Interest

Interest income and expense are recognised within the profit and loss section of the consolidated statement of comprehensive income for all interest bearing financial instruments on an accrual basis using the effective yield method. Interest income includes nominal interest and accrued discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the same effective rate of interest.

5.20 Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is recognised as intangible assets (within other non-current assets) to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognised as an expense as incurred. However, development costs previously recognised as an expense are not recognised as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

5.21 Employee benefits

Pension and other post-retirement benefits

The Group operates a defined benefit plan, concerning the majority employees of the Group. Pension costs are recognised using the projected unit credit method. The cost of providing pensions is accrued and charged to staff expense within operating expenses in the consolidated statement of comprehensive income reflecting the cost of benefits as they are earned over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the terms to maturity approximating the terms of the related liability.

Actuarial gains and losses on assets and liabilities are not recognised unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets and the DBO ('the corridor approach'). The excess is charged or credited to the profit or loss over the average remaining service lives of employees (see Note 23).

Plan assets are measured at fair value and are subject to certain limitations (see Note 23). Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group contributes to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, are expensed when incurred and are included within staff costs in operating expenses. The cost of providing other discretionary post-retirement obligations (including constructive obligations) is charged to the profit and losses of the consolidated statement of comprehensive income as they are earned over the average remaining service lives of employees.

Social expenses

The Group incurs employee costs related to the provision of benefits such as health and social infrastructure and services. These amounts principally represent an implicit cost of employing production workers and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

5.22 Recent accounting pronouncements

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

(a) Standards, Amendments or Interpretations effective in 2010

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

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

Amendment to IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" ("IFRIC 16") which is effective for annual periods beginning on or after 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendment to IAS 38 "Intangible Assets" which is effective for annual periods beginning on or after 1 July 2009. The amendment clarifies guidance on measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements" which is effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendment to IAS 36 "Impairment of Assets" which is effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics). The application of this amendment did not materially affect the Group's consolidated financial statements.

Amendments to IFRS 2 "Share-based Payment" which are effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

share-based payment awards in consolidated financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The application of these amendments did not materially affect the Group's consolidated financial statements.

All changes in the accounting policies have been made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" which requires retrospective application unless the new standard requires otherwise.

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

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

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

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and

  (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

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

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

value of the equity instruments compared to the carrying amount of the debt. The application of this interpretation is not expected to materially affect the Group's consolidated financial statements.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

Amendment to IFRS 3 "Business Combinations" (i) requires measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) provides guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) clarifies that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3.

Amendment to IFRS 7 "Financial Instruments: Disclosures" clarifies certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, and (iii) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period.

Amendment to IAS 1 "Presentation of Financial Statements" clarifies that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes.

Amendment to IAS 27 "Consolidated and Separate Financial Statements" clarifies the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008).

Amendment to IAS 34 "Interim Financial Reporting" adds additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments.

Amendment to IFRIC 13 "Customer Loyalty Programmes" clarifies measurement of fair value of award credits. The application of these improvements is not expected to materially affect the Group's consolidated financial statements.

Amendment to IFRS 7 "Financial Instruments: Disclosures" (IFRS 7) which is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(continued)

disclosure is required to enable the effects of those risks to be understood. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Amendments to IAS 12 "Income taxes" (IAS 12) which are effective for annual periods beginning on or after 1 January 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, "Income Taxes—Recovery of Revalued Non-Depreciable Assets", which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 "Property, Plant and Equipment" was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from our estimates, and our estimates can be revised in the future, either negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are reported below.

6.1 Consolidation of subsidiaries

Management judgment is involved in the assessment of control and the consolidation of certain affiliated entities in the Group's consolidated financial statements.

6.2 Tax legislation and uncertain tax position

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 43).

The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to determine amount of provisions

Impairment provision for accounts receivable

The impairment provision for accounts receivable is based on the Group's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The charges (and releases) for impairment of accounts receivable may be material (see Note 10).

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES —(continued)

Impairment of Property plant and equipment

The estimation of forecast cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on gas, oil, oil products and electrical power, operating costs, capital investment, hydrocarbon reserves estimates, and macroeconomic factors such as inflation and discount rates.

In addition, judgement is applied in determining the cash generating units assessed for impairment.

The value in use of assets or cash-generating units related to oil and gas operations are based on the cash flows expected from oil and gas production volumes, which include both proved reserves as well as certain volumes of those that are expected to constitute proved and probable reserves in the future. Impairment charges are given in Note 12.

Accounting for provisions

Accounting for impairment includes provisions against capital construction projects, financial assets, other non-current assets and inventory obsolescence. Because of the Group's operating cycle, certain significant decisions about capital construction projects are made after the end of the calendar year. Accordingly, the Group typically has larger impairment charges or releases in the fourth quarter of the fiscal year as compared to other quarters.

6.4 Site restoration and environmental costs

Site restoration costs that may be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated through the profit and losses of consolidated statement of comprehensive income on a straight-line basis over the asset's productive life. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2010 would be an increase by RR 26,991 or a decrease by RR 21,991 (2009: increase by RR 24,577 or decrease by RR 20,109).

Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs.

Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES —(continued)

6.6 Fair value estimation for financial instruments

The fair values of energy trading contracts, commodity futures and swaps are based on market quotes on measurement date (Level 1 in accordance with the valuation hierarchy). Customary valuation models are used to value financial instruments which are not traded in active markets. The fair values are based on inputs that are observable either directly or indirectly (Level 2 in accordance with the valuation hierarchy).The fair values of Emission Reduction Purchase Agreements ("ERPA") for the acquisition of post 2012 emission rights generating from pre-2012 registered Clean Development Mechanism ("CDM") projects are based on the inputs that are not based on observable market data (Level 3 in accordance with the valuation hierarchy). Where the valuation technique employed incorporates significant unobservable input data such as these long-term price assumptions, contracts have been categorised as Level 3 in accordance with the valuation hierarchy (see Note 22).

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

6.7 Fair value estimation for acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets. We use all available information to make these fair value determinations and, for certain acquisitions, engage third-party consultants for assistance.

The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6.8 Accounting for plan assets and pension liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions as disclosed in Note 23. Actual results may differ from the estimates, and the Group's estimates can be revised in the future based on changes on economic and financial conditions.

In addition, certain plan assets included in NPF Gazfund are estimated using the fair value estimation techniques. Management makes judgments with respect to the selection of valuation model applied, the amount and timing of cash flows forecasts or other assumptions such as discount rates. The recognition of plan assets is limited by the estimated present value of future benefits, which are available to the Group in relation to this plan. These benefits are determined using actuarial techniques and assumptions. The impact of the change in the limitation of the plan assets in accordance with IAS 19 is disclosed in Note 23. The value of plan assets and the limit are subject to revision in the future.

7 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

7 SEGMENT INFORMATION—(continued)

allocate resources using different internal financial information. Based on that the following reportable segments within the Group were determined:

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

Other activities have been included within "All other segments" column.

The inter-segment sales mainly consist of:

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

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

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

7 SEGMENT INFORMATION—(continued)

available-for-sale financial assets, and financial income and expenses are also not allocated to the operating segments.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2010									
Total segment revenues	340,918	651,483	2,367,366	25,823	446,507	717,607	295,436	174,962	5,020,102
Inter-segment sales	334,524	558,852	187,555	24,892	250,433	8,545	—	—	1,364,801
External sales	6,394	92,631	2,179,811	931	196,074	709,062	295,436	174,962	3,655,301
Segment result	45,102	37,309	715,260	3,860	77,064	84,901	28,753	(4,928)	987,321
Depreciation	74,948	249,734	5,618	9,153	43,205	22,441	18,631	16,584	440,314
Share of net income (loss) of associated undertakings and jointly controlled entities	7,093	(16,097)	19,390	—	40,226	1,530	—	24,378	76,520
Year ended 31 December 2009									
Total segment revenues	297,637	551,536	2,092,946	20,308	364,473	547,350	196,740	146,702	4,217,692
Inter-segment sales	292,164	485,973	118,693	19,470	188,070	6,845	—	—	1,111,215
External sales	5,473	65,563	1,974,253	838	176,403	540,505	196,740	146,702	3,106,477
Segment result	33,953	16,902	536,355	4,303	79,531	48,994	14,304	(12,151)	722,191
Depreciation	67,432	226,740	4,525	6,893	37,307	17,372	13,175	14,062	387,506
Share of net income (loss) of associated undertakings and jointly controlled entities	7,138	940	19,980	—	15,788	(626)	975	18,362	62,557

A reconciliation of total operating segment results to total profit before profit tax in the consolidated statement of comprehensive income is provided as follows:

Note		For the year ended 31 December 2010	2009
	Segment result	**987,321**	**722,191**
	Difference in depreciation	196,698	166,309
	Expenses associated with pension obligations	(58,473)	(7,677)
	Expenses associated with other provisions	—	(2,181)
40	Gain from disposal of interest in OAO NOVATEK	77,375	—
34	Purchase of non-controlling interest in OAO Gazprom neft	—	13,865
38	Gain from swap of assets transaction	—	105,470
27	Finance income (expense), net	2,694	(65,688)
	Gains on disposal of available-for-sale financial assets	3,292	6,319
13	Share of net income (loss) of associated undertakings and jointly controlled entities	76,520	62,557
	Other	(11,724)	(21,730)
	Profit before profit tax	**1,273,703**	**979,435**

7 SEGMENT INFORMATION—(continued)

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

	For the year ended 31 December	
	2010	2009
External sales for reportable segments	3,480,339	2,959,775
External sales for other segments	174,962	146,702
Total external segment sales	**3,655,301**	**3,106,477**
Differences in external sales	(58,247)	(115,476)
Total sales per the statement of comprehensive income	**3,597,054**	**2,991,001**

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
31 December 2010									
Segment assets	1,466,058	4,000,952	1,048,594	169,146	1,094,309	819,440	487,046	643,132	9,728,677
Investments in associated undertakings and jointly controlled entities	23,600	112,892	91,503	—	435,890	36,964	48	56,260	757,157
Capital additions	215,236	407,571	37,578	17,355	95,289	78,712	46,239	22,153	920,133
31 December 2009									
Segment assets	1,438,222	3,323,087	874,339	125,069	1,124,222	747,980	470,221	546,336	8,649,476
Investments in associated undertakings and jointly controlled entities	102,503	102,801	88,991	—	438,655	34,439	—	27,316	794,705
Capital additions	218,921	231,723	27,185	9,549	84,749	41,557	26,139	20,959	660,782

7 SEGMENT INFORMATION—(continued)

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

	31 December 2010	31 December 2009
Segment assets for reportable segments	9,085,545	8,103,140
Other segments' assets	643,132	546,336
Total segment assets	**9,728,677**	**8,649,476**
Differences in property, plant and equipment, net*	(1,709,952)	(1,399,885)
Loan interest capitalised	192,154	143,967
Decommissioning costs	65,017	55,466
Cash and cash equivalents	440,786	249,759
Restricted cash	3,669	4,872
Short-term financial assets	7,435	52,137
VAT recoverable	158,390	139,718
Other current assets	171,976	107,044
Available-for-sale long-term financial assets	191,417	106,658
Other non-current assets	498,663	467,659
Inter-segment assets	(659,640)	(380,774)
Other	147,401	172,431
Total assets per the balance sheet	**9,235,993**	**8,368,528**

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

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

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Total liabilities									
31 December 2010	105,270	306,784	433,569	7,309	228,315	123,422	32,275	148,954	1,385,898
31 December 2009	111,421	135,788	195,403	1,407	214,098	98,545	35,760	141,694	934,116

7 SEGMENT INFORMATION—(continued)

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

	31 December 2010	31 December 2009
Segment liabilities for reportable segments	1,236,944	792,422
Other segments' liabilities	148,954	141,694
Total segments liabilities	1,385,898	934,116
Current profit tax payable	45,649	37,267
Short-term borrowings and current portion of long-term borrowings	190,845	424,855
Short-term promissory notes payable	207	11,761
Long-term borrowings	1,124,395	1,184,457
Long-term promissory notes payable	—	4,592
Provisions for liabilities and charges	200,040	143,591
Deferred tax liabilities	333,143	321,524
Other non-current liabilities	30,793	17,151
Dividends	2,258	1,924
Inter-segment liabilities	(659,640)	(380,774)
Other	46,044	18,743
Total liabilities per the balance sheet	**2,699,632**	**2,719,207**

8 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated balance sheet represent cash on hand and balances with banks. Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings. As of 31 December 2010 and 2009 restricted cash includes cash balances of RR nil and RR 1,233, respectively, in banking subsidiaries, which are restricted as to withdrawal under banking regulations. As of 31 December 2009 these balances of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

The table below analyses credit quality of banks at which the Group holds cash and cash equivalents by external credit ratings, published by Standard & Poor's and other credit agencies. The table below uses Standard and Poor's rating classification:

	31 December	
	2010	2009
Cash on hand	261	4,495
External credit rating of BB and above	400,038	231,486
External credit rating of B	20,073	3,899
No external credit rating	20,414	9,879
Total cash and cash equivalents	**440,786**	**249,759**

Sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB (stable outlook) (by international scale in foreign currency).

9 SHORT-TERM FINANCIAL ASSETS

For short-term financial assets carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized are as follows:

	31 December							
	2010				2009			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Financial assets held for trading:	**2,599**	**90**	**—**	**2,689**	**7,591**	**14,348**	**—**	**21,939**
Bonds	328	90	—	418	5,598	50	—	5,648
Equity securities	2,271	—	—	2,271	1,993	—	—	1,993
Promissory notes	—	—	—	—	—	14,298	—	14,298
Available-for-sale financial assets:	**—**	**4,746**	**—**	**4,746**	**11,339**	**10,069**	**8,790**	**30,198**
Bonds (net of impairment provision of RR nil and RR 149 as of 31 December 2010 and 2009, respectively)	—	—	—	—	11,339	4,250	—	15,589
Promissory notes (net of impairment provision of RR 427 and RR 47 as of 31 December 2010 and 2009, respectively)	—	4,746	—	4,746	—	5,819	8,790	14,609
Total short-term financial assets	**2,599**	**4,836**	**—**	**7,435**	**18,930**	**24,417**	**8,790**	**52,137**

Financial assets held for trading owned by the Group's banking subsidiaries amounted to RR nil and RR 19,182 as of 31 December 2010 and 2009 respectively. As of 31 December 2009 these assets of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

Information about credit quality of short-term financial assets (excluding equity securities) is presented in the table below with reference to external credit ratings of related counterparties or instruments (published by Standard & Poor's and other rating agencies). The table below uses Standard and Poor's rating classification:

	31 December	
	2010	2009
External credit rating of BB and above	4,621	33,790
External credit rating of B	298	3,368
No external credit rating	245	12,986
	5,164	**50,144**

As of 31 December 2009 short-term financial assets with no external credit rating were mainly represented by investments in debt securities circulated on the Russian security market which are not quoted.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	2010	2009
Financial assets		
Trade receivables (net of impairment provision of RR 162,374 and RR 126,977 as of 31 December 2010 and 2009, respectively)	400,252	393,554
Other receivables (net of impairment provision of RR 12,641 and RR 25,063 as of 31 December 2010 and 2009, respectively)	139,351	189,406
	539,603	582,960
Non-financial assets		
Advances and prepayments (net of impairment provision of RR 464 and RR 1,021 as of 31 December 2010 and 2009, respectively)	218,297	263,765
Total accounts receivable and prepayments	**757,900**	**846,725**

The estimated fair value of short-term accounts receivable approximates their carrying value.

As of 31 December 2010 and 2009 RR 235,782 and RR 268,393 of trade receivables, net of impairment provision, respectively, are denominated in foreign currencies, mainly US dollar and Euro.

As of 31December 2010 and 2009 other receivables include RR nil and RR 42,640, respectively, relating to the operations of the Group's banking subsidiaries. This balance mainly represents deposits with other banks and loans issued to customers at commercial rates based on credit risks and maturities. As of 31 December 2009 other receivables of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

Other receivables are mainly represented by accounts receivable from Russian customers.

As of 31 December 2009 the average effective interest rates on banking deposits and loans equaled 12.8% on balances denominated in Russian Roubles and 8.3% on balances denominated in foreign currencies.

The fair value of banking deposits and loans approximates the carrying values, as the majority of them are short-term in nature and are issued at commercial rates.

As of 31 December 2010 and 2009, trade receivables of RR 22,570 and RR 26,004, respectively, were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of material default. The ageing analysis of these trade receivables is as follows:

	31 December	
Ageing from the due date	**2010**	**2009**
Up to 6 months	7,722	14,326
From 6 to 12 months	2,358	6,645
From 1 to 3 years	12,374	3,196
More than 3 years	116	1,837
	22,570	**26,004**

As of 31 December 2010 and 2009, trade receivables of RR 162,924 and RR 132,602, respectively, were impaired and provided for. The amount of the provision was RR 162,374 and RR 126,977 as of 31 December 2010 and 2009, respectively. The individually impaired receivables mainly relate to gas sales to certain Russian regions and FSU countries, which are in difficult economic situations. In the

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS—(continued)

management's view a portion of the receivables will be recovered. The ageing analysis of these receivables is as follows:

	Gross book value 31 December		Provision 31 December		Net book value 31 December	
Ageing from the due date	2010	2009	2010	2009	2010	2009
Up to 6 months	22,184	15,129	(22,105)	(12,546)	79	2,583
From 6 to 12 months	15,758	19,107	(15,735)	(17,724)	23	1,383
From 1 to 3 years . . .	51,223	38,893	(50,881)	(38,402)	342	491
More than 3 years . .	73,759	59,473	(73,653)	(58,305)	106	1,168
	162,924	**132,602**	**(162,374)**	**(126,977)**	**550**	**5,625**

As of 31 December 2010 and 2009, trade receivables of RR 377,132 and RR 361,925, respectively, were neither past due nor impaired. Management's experience indicates customer payment histories vary by geography. The credit quality of these assets can be analysed as follows:

	31 December	
	2010	2009
Europe and other countries gas, crude oil, gas condensate and refined products debtors	183,652	182,501
FSU (excluding Russian Federation) gas, crude oil, gas condensate and refined products debtors	48,226	69,664
Domestic gas, crude oil, gas condensate and refined products debtors	96,012	40,305
Electric and heat energy sales debtors	22,815	13,807
Transportation services debtors	1,895	5,488
Other trade debtors	24,532	50,160
Total trade receivables neither past due, nor impaired	**377,132**	**361,925**

As of 31 December 2010 and 2009, trade receivables that would otherwise be past due whose terms have been renegotiated, amounted to RR 1,316 and RR 3,021, respectively.

Movements of the Group's provision for impairment of trade and other receivables are as follows:

	Trade receivables		Other receivables	
	Year ended 31 December		Year ended 31 December	
	2010	2009	2010	2009
Impairment provision at the beginning of the year	126,977	96,599	25,063	16,426
Impairment provision accrued*	38,755	28,303	2,678	1,130
Disposal of subsidiaries	—	—	(6,330)	—
Write-off of receivables during the year**	(3,056)	(2,345)	(7,980)	(846)
Release of previously created provision*	(302)	(2,062)	(790)	(3,203)
Unwind of discounting*	—	(697)	—	—
Acquisition of subsidiaries	—	7,179	—	11,556
Impairment provision at the end of the year	**162,374**	**126,977**	**12,641**	**25,063**

* The accrual and release of provision for impaired receivables and effect of discounting have been included in impairment provision and other provisions in the consolidated statement of comprehensive income.

** If there is no probability of cash receipt for the impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that provision.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS—(continued)

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

11 INVENTORIES

	31 December	
	2010	2009
Gas in pipelines and storage	164,448	135,701
Materials and supplies (net of an obsolescence provision of RR 2,317 and RR 2,622 as of 31 December 2010 and 2009, respectively)	100,025	104,851
Goods for resale (net of an obsolescence provision of RR 268 and RR 918 as of 31 December 2010 and 2009, respectively)	19,990	12,651
Crude oil and refined products	41,276	33,516
	325,739	**286,719**

12 PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31.12.08								
Cost	1,802,481	710,643	1,348,119	1,332,316	328,745	82,248	759,007	6,363,559
Accumulated depreciation	(871,666)	(270,660)	(605,343)	(494,672)	(73,964)	(26,732)	—	(2,343,037)
Net book value as of 31.12.08	**930,815**	**439,983**	**742,776**	**837,644**	**254,781**	**55,516**	**759,007**	**4,020,522**
Depreciation	(47,962)	(26,139)	(81,698)	(48,254)	(17,988)	(2,404)	—	(224,445)
Additions	97	56	8,113	1,062	19,960	394	737,560	767,242
Acquisition of subsidiaries	—	18,885	110,059	116,323	102,060	51	42,614	389,992
Translation differences	(1,110)	(2,387)	(1,622)	(5,018)	(587)	(65)	(2,512)	(13,301)
Transfers	62,986	92,362	147,339	129,086	—	857	(432,630)	—
Disposals	(625)	(2,923)	(3,839)	(7,479)	—	(2,890)	(13,348)	(31,104)
Charge of impairment provision	—	—	(2,013)	(1,623)	—	—	(6,047)	(9,683)
Net book value as of 31.12.09	**944,201**	**519,837**	**919,115**	**1,021,741**	**358,226**	**51,459**	**1,084,644**	**4,899,223**
As of 31.12.09								
Cost	1,863,068	813,580	1,606,630	1,559,210	450,178	78,487	1,084,644	7,455,797
Accumulated depreciation	(918,867)	(293,743)	(687,515)	(537,469)	(91,952)	(27,028)	—	(2,556,574)
Net book value as of 31.12.09	**944,201**	**519,837**	**919,115**	**1,021,741**	**358,226**	**51,459**	**1,084,644**	**4,899,223**
Depreciation	(48,912)	(29,954)	(96,359)	(54,576)	(16,557)	(2,425)	—	(248,783)
Additions	39	10	12,420	3,223	1,394	1,713	996,358	1,015,157
Acquisition of subsidiaries	—	—	4,750	9,521	—	—	232	14,503
Translation differences	393	55	136	396	(6)	20	868	1,862
Transfers	96,153	101,831	185,715	169,124	930	6,656	(560,409)	—
Disposals	(579)	(3,168)	(24,016)	(7,959)	(2,290)	(2,448)	(32,649)	(73,109)
Disposals of subsidiaries	—	(1,105)	(1,012)	(8,459)	(98,148)	(3)	(13,076)	(121,803)
Charge of impairment provision	—	—	—	—	—	—	(621)	(621)
Net book value as of 31.12.10	**991,295**	**587,506**	**1,000,749**	**1,133,011**	**243,549**	**54,972**	**1,475,347**	**5,486,429**
As of 31.12.10								
Cost	1,959,053	910,240	1,787,674	1,722,143	352,058	82,818	1,475,347	8,289,333
Accumulated depreciation	(967,758)	(322,734)	(786,925)	(589,132)	(108,509)	(27,846)	—	(2,802,904)
Net book value as of 31.12.10	**991,295**	**587,506**	**1,000,749**	**1,133,011**	**243,549**	**54,972**	**1,475,347**	**5,486,429**

12 PROPERTY, PLANT AND EQUIPMENT—(continued)

At each balance sheet date management assesses whether there is any indication that the recoverable value has declined below the carrying value of the property, plant and equipment. As of 31 December 2010 and 2009 operating assets are shown net of provision for impairment of RR 54,387.

Assets under construction are presented net of a provision for impairment of RR 96,146 and RR 97,157 as of 31 December 2010 and 2009, respectively. Charges for impairment provision of assets under construction primarily relate to projects that have been indefinitely suspended.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatization with a net book value of RR 1,354 and RR 2,265 as of 31 December 2010 and 2009, respectively.

Included in additions above is capitalized interest of RR 62,392 and RR 45,516 for the years ended 31 December 2010 and 2009, respectively. Capitalization rates of 7.86% and 8.17% were used representing the weighted average borrowing cost for the years ended 31 December 2010 and 2009, respectively.

Depreciation expenses in the consolidated statement of comprehensive income do not include depreciation which is considered as a cost of self-constructed assets (and thus capitalized rather than expensed) in amount of RR 2,644 and RR 2,795 for the years ended 31 December 2010 and 2009, respectively. Depreciation expenses in the consolidated statement of comprehensive income include effect of change in amount of depreciation that was capitalized as a component of cost of inventories. For the year ended 31 December 2010 the effect amounted to RR 5,285 increase in depreciation capitalized in inventories, whereas for 2009 the depreciation decreased by RR 1,154.

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

Notes		Carrying value as of 31 December		Group's share of the profit (loss) for	
		2010	2009	2010	2009
41,42	Sakhalin Energy Investment Company Ltd.*	153,871	187,323	31,336	8,673
41	OAO NGK Slavneft and its subsidiaries	151,826	151,671	2,812	3,597
41	OAO Tomskneft VNK and its subsidiaries	65,286	69,614	1,651	4,390
41	OAO Beltransgaz**	53,678	50,340	(14,814)	742
41	Gazprombank Group	50,362	22,284	24,386	18,362
41	WINGAS GmbH & Co. KG	41,798	46,344	4,125	3,481
42	Nord Stream AG	39,066	32,373	(1,587)	(729)
35,41	Salym Petroleum Development N.V.	38,395	35,933	2,462	(1,358)
36	OOO Yamal razvitie and its subsidiaries***	27,984	—	(139)	—
41	TOO KazRosGaz	27,034	18,675	9,521	9,941
41	OAO Salavatnefteorgsyntez	19,940	19,272	668	(1,678)
	Shtokman Development AG	17,741	14,298	(442)	102
41,42	SGT EuRoPol GAZ S.A.	17,314	17,744	(171)	596
	Wintershall AG	11,003	11,325	2,023	1,690
	ZAO Nortgaz	5,023	4,331	783	455
41	AO Latvijas Gaze	4,255	4,326	529	406
41	AO Gazum	4,040	4,507	735	789
42	ZAO Achimgaz	3,054	1,650	1,404	(532)
41	AO Lietuvos dujos	3,011	2,796	714	698
41,42	Blue Stream Pipeline company B.V.	2,093	1,603	475	331
40,41	OAO NOVATEK****	—	78,929	7,553	5,050
	Other (net of provision for impairment of RR 2,096 and RR 2,452 as of 31 December 2010 and 2009 respectively)	20,383	19,367	2,496	7,551
		757,157	**794,705**	**76,520**	**62,557**

* Investments in Sakhalin Energy Investment Company Ltd. decreased mainly due to redemption of its redeemable preference shares and dividends paid.

** In February 2009 the Group acquired 12.5% interest in OAO Beltransgaz for USD 625 million. As a result the Group increased its interest in OAO Beltransgaz up to 37.5%. In February 2010 the Group paid USD 625 million to acquire 12.5% interest in OAO Beltransgaz to increase its interest in OAO Beltransgaz up to 50%.

*** In July 2010 the Group set up OOO Yamal razvitie—jointly controlled entity on a fifty-fifty basis with OAO NOVATEK. As a result of disposal of 51% interest in OOO SeverEnergiya to OOO Yamal razvitie in November 2010, the Group retained effective 25.5% interest in OOO SeverEnergiya as of 31 December 2010 (see Note 36).

**** In December 2010 the Group sold 9.4% interest in OAO NOVATEK. As a result of that transaction, Group ceased to excercise significant influence over OAO NOVATEK and accounted for retained interest within available-for-sale long-term financial assets (see Note 40).

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

	Year ended 31 December	
	2010	2009
Balance at the beginning of the reporting period	**794,705**	**772,143**
Increase in share of OAO Beltransgaz	18,844	22,134
Share of net income of associated undertakings and jointly controlled entities	76,520	62,557
Distribution from associated undertakings and jointly controlled entities	(59,776)	(22,889)
Acquisition of the controlling interest in OAO TGC-1 (see Note 37) and OAO Moscovsky NPZ (see Note 35)	—	(49,359)
Redemption of preference shares of Sakhalin Energy Investment Company Ltd.	(34,401)	(50,942)
Disposal of interest in OAO NOVATEK (see Note 40)	(84,978)	—
Contribution in OOO Yamal razvitie (see Note 36)	28,123	—
Share of other comprehensive income of associated undertakings and jointly controlled entities	4,100	7,098
Translation differences	(7,048)	4,465
Other acquisitions and disposals	21,068	49,498
Balance at the end of the reporting period	**757,157**	**794,705**

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

Summarised financial information on the Group's principal associated undertakings and jointly controlled entities is as follows:

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2010				
Gazprombank Group*	1,951,621	1,729,740	95,091	56,881
Sakhalin Energy Investment Company Ltd.	635,952	328,714	184,802	68,435
OAO NGK Slavneft and its subsidiaries	616,075	308,500	132,395	5,610
Nord Stream AG	200,773	122,148	1	(2,035)
WINGAS GmbH & Co. KG	177,515	135,063	280,942	13,229
OOO Yamal razvitie and its subsidiaries**	147,264	37,548	—	(545)
OAO Tomskneft VNK and its subsidiaries	123,462	63,788	81,446	3,302
OAO Salavatnefteorgsyntez	75,114	53,155	92,680	2,867
OAO Beltransgaz	69,257	31,360	139,557	6,148
Blue Stream Pipeline Company B.V.	68,844	60,612	8,249	1,901
TOO KazRosGaz	55,627	1,558	36,052	19,043
SGT EuRoPol GAZ S.A.	50,932	14,861	11,126	(375)
Shtokman Development AG	40,536	5,749	—	(624)
Salym Petroleum Development N.V.	37,426	24,321	48,124	4,924
Wintershall AG	34,305	22,972	65,403	4,129
AO Gazum	33,358	17,196	51,936	2,940
AO Lietuvos dujos	31,643	7,363	21,109	1,926
AO Latvijas Gaze	24,423	5,164	20,754	1,555
ZAO Nortgaz	13,224	3,376	5,030	1,662
ZAO Achimgaz	10,153	4,044	4,725	2,808

* Presented revenue of Gazprombank Group is reported according to the Group accounting policy and includes revenue of media business, machinery business and other non-banking companies. Profit of Gazprombank Group includes profit from discontinued operations (petrochemical business) in amount RR 26,549.

** The losses of OOO Yamal razvitie and its subsidiaries, for the year ended 31 December 2010 are disclosed from the date of acquisition (see Note 36).

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2009				
Gazprombank Group*	1,741,142	1,545,148	80,458	54,255
Sakhalin Energy Investment Company Ltd.	675,299	296,811	107,554	17,347
OAO NGK Slavneft and its subsidiaries	615,441	290,969	121,412	7,215
OAO NOVATEK	193,639	60,199	89,954	26,043
WINGAS GmbH & Co. KG	148,268	112,416	340,916	6,450
OAO Tomskneft VNK and its subsidiaries	144,011	75,477	71,666	8,780
Nord Stream AG	120,755	55,255	2	(1,429)
OAO Salavatnefteorgsyntez	69,709	49,085	67,756	(3,241)
Blue Stream Pipeline company B.V.	69,520	63,245	7,938	1,322
SGT EuRoPol GAZ S.A.	55,061	18,096	14,662	1,202
OAO Beltransgaz	53,173	22,411	103,555	2,455
TOO KazRosGaz	38,487	1,136	39,643	19,882
Shtokman Development AG	34,705	6,670	—	200
AO Gazum	34,429	16,399	45,159	3,157
Salym Petroleum Development N.V.**	32,053	29,125	43,564	(2,322)
AO Lietuvos dujos	31,701	6,960	15,535	1,160
Wintershall AG	30,413	19,124	61,542	3,448
AO Latvijas Gaze	27,993	8,033	19,699	1,193
ZAO Nortgaz	10,331	1,840	4,280	888
ZAO Achimgaz	10,122	6,822	2,760	(98)

* Presented revenue of Gazprombank Group is reported according to the Group accounting policy and includes revenue of media business, machinery business and other non-banking companies. Profit of Gazprombank Group includes profit from discontinued operations (petrochemical business) in amount RR 14,730.

** The revenues and profits of Salym Petroleum Development N.V, for the year ended 31December 2009 are disclosed from the date of acquisition.

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

	31 December	
	2010	2009
OAO NOVATEK	—	117,538
OAO Salavatnefteorgsyntez	20,046	19,748
AO Lietuvos dujos	5,134	4,539
AO Latvijas Gaze	3,735	3,382

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES —(continued)

Principal associated undertakings and jointly controlled entities

Entities	Country	Nature of operations	% of ordinary shares held as of 31 December* 2010	2009
ZAO Achimgaz	Russia	Exploration and production of gas and gas condensate	50	50
OAO Beltransgaz	Belarus	Transportation and gas supply	50	38
Bosphorus Gaz Corporation A.S.	Turkey	Gas distribution	51	51
WINGAS GmbH & Co. KG	Germany	Transportation and gas distribution	50	50
Wintershall AG	Germany	Production of oil and gas distribution	49	49
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	Germany	Gas distribution	50	50
Gaz Project Development Central Asia AG	Switzerland	Gas production	50	50
OAO Gazprombank	Russia	Banking	45	44
AO Gazum	Finland	Gas distribution	25	25
Blue Stream Pipeline company B.V.	Netherlands	Construction, gas transportation	50	50
SGT EuRoPol GAZ S.A.	Poland	Transportation and gas distribution	48	48
TOO KazRosGaz	Kazakhstan	Gas processing and sales of gas and refined products	50	50
AO Latvijas Gaze	Latvia	Transportation and gas distribution	34	34
AO Lietuvos dujos	Lithuania	Transportation and gas distribution	37	37
AO Moldovagaz	Moldova	Transportation and gas distribution	50	50
OAO NOVATEK	Russia	Production and distribution of gas	—	19
Nord Stream AG	Switzerland	Construction, gas transportation	51	51
ZAO Nortgaz	Russia	Exploration and sales of gas and gas condensate	51	51
AO Overgaz Inc.	Bulgaria	Gas distribution	50	50
ZAO Panrusgaz	Hungary	Gas distribution	40	40
AO Prometheus Gas	Greece	Gas distribution, construction	50	50
RosUkrEnergo AG	Switzerland	Gas distribution	50	50
OAO Gazprom neftekhim Salavat (OAO Salavatnefteorgsyntez)**	Russia	Processing and distribution of refined products	50	50
Salym Petroleum Development N.V.	Netherlands	Oil production	50	50
Sakhalin Energy Investment Company Ltd.	Bermuda Islands	Oil production, production of LNG	50	50
OAO NGK Slavneft	Russia	Production of oil, sales of oil and refined products	50	50
OAO Tomskneft VNK	Russia	Oil production	50	50
AO Turusgaz	Turkey	Gas distribution	45	45
Shtokman Development AG	Switzerland	Exploration and production of gas	51	51
OOO Yamal razvitie***	Russia	Investment activities, assets management	50	—

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

** The company was renamed in 2011 (former name is in the brackets).

*** OOO Yamal razvitie is a holder of 51% of share in OOO SeverEnergiya (see Note 36).

14 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	2010	2009
Long-term accounts receivable and prepayments (net of impairment provision of RR 22,139 and RR 24,915 as of 31 December 2010 and 2009, respectively)	169,124	193,319
Advances for assets under construction (net of impairment provision of RR 331 and RR 7 as of 31 December 2010 and 2009, respectively)	267,308	219,990
	436,432	**413,309**

As of 31 December 2010 and 2009 long-term accounts receivable included RR nil and RR 62,967, respectively, relating to the operations of Group's banking subsidiaries. This balance mainly represents deposits and long-term loans issued to customers at commercial rates based on credit risk and maturities. As of 31 December 2009 these assets of banking subsidiaries were mainly attributable to ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

As of 31 December 2010 and 2009, long-term accounts receivable and prepayments with carrying value RR 169,124 and RR 193,319 have the estimated fair value RR 147,374 and RR 185,649 respectively.

Long-term accounts receivable and prepayments include prepayments in amount of RR 1,962 and RR 3,254 as of 31 December 2010 and 2009 respectively.

Long-term accounts receivable of RR 58,621 and RR 101,092 as of 31 December 2010 and 2009, respectively, were impaired and provided for. These receivables as of 31 December 2009 mainly related to Group's banking subsidiaries operations. The amount of the provision was RR 22,139 and RR 24,915 as of 31 December 2010 and 2009, respectively.

As of 31 December 2010 and 2009, long-term accounts receivable of RR 48 and RR 13, respectively, were past due but not impaired.

As of 31 December 2010 and 2009, long-term accounts receivable of RR 132,594 and RR 117,129, respectively, were neither past due, nor impaired. These assets can be analysed as follows:

	31 December	
	2010	2009
Accounts receivable of Group's banking subsidiaries	—	121
Long-term loans	74,328	77,000
Long-term trade receivables	4,664	5,440
Other long-term receivables	53,602	34,568
Total long-term accounts receivable neither past due, nor impaired	**132,594**	**117,129**

Management experience indicates that long-term loans granted mainly for capital construction purposes are of sound credit quality.

As of 31 December 2010 and 2009, trade receivables that would otherwise be past due whose terms have been renegotiated, amounted to RR 346 and RR 1,737, respectively.

14 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS—(continued)

Movements of the Group's provision for impairment of long-term accounts receivable and prepayments are as follows:

	Year ended 31 December	
	2010	2009
Impairment provision at the beginning of the year	24,915	17,303
Impairment provision accrued*	7,343	6,512
Disposal of subsidiaries	(12,203)	—
Release of previously created provision*	(1,295)	(2,981)
Acquisition of subsidiaries	3,379	4,081
Impairment provision at the end of the year	**22,139**	**24,915**

* The accrual and release of provision for impaired receivables have been included in impairment provision and other provisions in the consolidated statement of comprehensive income.

15 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS

For long-term financial assets carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized are as follows:

	31 December 2010			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Equity securities*	166,000	22,006	865	**188,871**
Debt instruments	24	2,522	—	**2,546**
	166,024	**24,528**	**865**	**191,417**

	31 December 2009			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Equity securities*	49,047	25,709	2,555	**77,311**
Debt instruments	12,896	16,116	335	**29,347**
	61,943	**41,825**	**2,890**	**106,658**

* As of 31 December 2010 equity securities include OAO NOVATEK shares in the amount of RR 110,471 (see Note 40).

Debt instruments include mainly governmental and municipal bonds, corporate bonds and promissory notes on Group companies' balances which are assessed by management as of high credit quality.

As of 31 December 2010 and 2009 available-for-sale long-term financial assets owned by the Group's banking subsidiaries amounted to RR nil and RR 25,809 respectively. As of 31 December 2009 these

15 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS—(continued)

financial assets mainly included financial assets of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

	Year ended 31 December	
	2010	2009
Movements in long-term available-for-sale financial assets		
Balance at the beginning of the year	106,658	48,186
Reclassification of investment in OAO NOVATEK (see note 40)	104,484	—
Increase in fair value of long-term available-for-sale financial assets	23,798	34,220
Purchased long-term available-for-sale financial assets	4,151	32,489
Increase of long-term available-for-sale financial assets as a result of consolidation of subsidiaries	—	5,769
Deconsolidation of ZAO Gazenergoprombank	(10,207)	—
Disposal of long-term available-for-sale financial assets	(37,679)	(13,346)
Impairment of long-term available-for-sale financial assets release (accrual)	212	(660)
Balance at the end of the year	**191,417**	**106,658**

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale. The impairment of available-for-sale assets has been performed using the quoted market prices.

None of the financial assets that are fully performing have been renegotiated in the reporting period.

16 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 107,969 and RR 87,255 as of 31 December 2010 and 2009 respectively.

Other non-current assets include net pension assets in the amount of RR 254,304 and RR 243,982 as of 31 December 2010 and 2009 respectively (see Note 23).

17 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December	
	2010	2009
Financial liabilities		
Trade payables	275,098	215,583
Accounts payable for acquisition of property, plant and equipment	159,470	103,119
Liabilities of Group's banking subsidiaries	—	30,006
Other payables	114,215	121,548
	548,783	470,256
Non-financial liabilities		
Advances received	152,672	30,514
Accruals and deferred income	1,185	1,305
	153,857	31,819
	702,640	**502,075**

Liabilities of Group's banking subsidiaries represent mainly amounts due to the bank's customers with terms at commercial rates ranging from 0.03% to 11.4% per annum as of 31 December 2009. These

17 ACCOUNTS PAYABLE AND ACCRUED CHARGES—(continued)

balances mainly included financial liabilities of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

Trade payables of RR 26,534 and RR 48,906 were denominated in foreign currency, mainly the US dollar and Euro, as of 31 December 2010 and 2009, respectively. Book values of accounts payable approximate their fair value.

18 OTHER TAXES PAYABLE

	31 December	
	2010	2009
VAT	32,365	28,239
Natural resources production tax	18,273	15,293
Property tax	10,708	8,183
Excise tax	4,297	5,593
Tax penalties and interest	628	1,536
Other taxes	5,650	13,130
	71,921	71,974
Less: long-term portion of restructured tax liabilities	(1)	(40)
	71,920	**71,934**

19 SHORT-TERM BORROWINGS, PROMISSORY NOTES AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December	
	2010	2009
Short-term borrowings:		
RR denominated borrowings	16,111	119,178
Foreign currency denominated borrowings	47,163	71,998
	63,274	191,176
Current portion of long-term borrowings (see Note 20)	127,571	233,679
	190,845	**424,855**

Short-term RR denominated borrowings had fixed interest rates ranging from 0.3% to 15.5% and from 9.6% to 20.2% during the years ended 31 December 2010 and 2009, respectively. Short-term foreign currency denominated borrowings had fixed interest rates ranging from 6% to 9.8% and 5.5% to 12% during the years ended 31 December 2010 and 2009 respectively. Besides during the years ended 31 December 2010 and 2009 short-term borrowings denominated in foreign currency had variable interest rates generally linked to LIBOR.

As of 31 December 2010 and 2009 short-term borrowings include RR nil and RR 90,319, respectively, short-term borrowings of the Group's banking subsidiaries. As of 31 December 2009 short-term borrowings of the banking subsidiaries were partly attributable to borrowings of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

The Group's short-term promissory notes payable had average interest rates ranging from 4.03% to 8.47% for the year ended 31 December 2009.

Fair values approximate the carrying value of these liabilities.

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES

	Currency	Final Maturity	31 December 2010	31 December 2009
Long-term borrowings payable to:				
Loan participation notes issued in April 2009[1]	US dollar	2019	69,771	69,238
The Royal Bank of Scotland AG	US dollar	2013	55,046	54,625
Loan participation notes issued in October 2007[1]	Euro	2018	51,220	55,100
Loan participation notes issued in June 2007[1]	US dollar	2013	48,963	48,589
Natixis SA[2]	US dollar	2015	45,721	—
Loan participation notes issued in May 2005[1]	Euro	2015	41,715	44,875
Loan participation notes issued in November 2006[1]	US dollar	2016	41,421	41,104
Loan participation notes issued in December 2005[1]	Euro	2012	40,445	43,509
Loan participation notes issued in March 2007[1]	US dollar	2022	40,437	40,128
White Nights Finance B.V.	US dollar	2014	39,744	39,441
Loan participation notes issued in July 2009[1]	US dollar	2014	39,386	39,094
Loan participation notes issued in August 2007[1]	US dollar	2037	39,137	38,838
Loan participation notes issued in April 2004[1]	US dollar	2034	37,124	36,841
Loan participation notes issued in July 2009[1]	Euro	2015	36,809	38,144
Loan participation notes issued in April 2008[1]	US dollar	2018	34,131	33,871
Loan participation notes issued in October 2006[1]	Euro	2014	32,804	35,289
Loan participation notes issued in November 2010[1]	US dollar	2015	30,615	—
Loan participation notes issued in June 2007[1]	Euro	2014	28,490	30,649
WestLB AG[2]	US dollar	2013	25,744	30,446
Structured export notes issued in July 2004[3]	US dollar	2020	22,747	27,118
Loan participation notes issued in November 2006[1]	Euro	2017	20,975	22,564
Loan participation notes issued in March 2007[1]	Euro	2017	20,347	21,888
Russian bonds issued in April 2010[7]	Rouble	2013	20,000	—
OAO Russian National Commercial Bank	US dollar	2012	19,018	18,872
Loan participation notes issued in April 2009[1]	CHF	2011	17,209	15,472
OAO Sberbank Rossii (AK Sberegatelny bank RF (OAO)	US dollar	2012	16,643	25,937
Credit Suisse International	US dollar	2017	15,989	15,867
Loan participation notes issued in July 2008[1]	US dollar	2013	15,671	15,551
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	15,259	15,184
J.P. Morgan Chase bank	US dollar	2012	12,847	12,757
Loan participation notes issued in April 2008[1]	US dollar	2013	12,390	12,295
OAO VTB Bank	US dollar	2012	12,317	12,226
Deutsche Bank AG	US dollar	2014	11,410	16,144
Russian bonds issued in April 2009[7]	Rouble	2019	11,173	10,427
The Royal Bank of Scotland AG[2]	US dollar	2012	10,774	24,550
Citibank International plc[2]	US dollar	2021	10,269	—
Russian bonds issued in June 2009	Rouble	2012	10,011	10,007
Deutsche Bank AG	US dollar	2014	9,217	—
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,198	—
Eurofert Trading Limited llc[5]	Rouble	2015	8,600	—

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES—(continued)

	Currency	Final Maturity	31 December 2010	31 December 2009
Loan participation notes issued in November 2007[1]	JPY	2012	8,017	7,956
Russian bonds issued in July 2009[7]	Rouble	2016	8,000	8,429
Credit Agricole CIB[2]	US dollar	2013	7,633	—
BNP Paribas SA[2]	Euro	2022	7,108	—
GK Vnesheconombank	Rouble	2025	6,621	—
Deutsche Bank AG	US dollar	2014	6,115	6,058
The Royal Bank of Scotland AG[2]	US dollar	2013	5,521	5,479
Russian bonds issued in February 2007	Rouble	2014	5,134	5,133
Russian bonds issued in November 2006	Rouble	2011	5,061	5,060
Russian bonds issued in December 2009[6]	Rouble	2014	5,039	5,038
Russian bonds issued in June 2009	Rouble	2014	5,006	5,004
Russian bonds issued in July 2009[8]	Rouble	2011	5,000	5,000
Eurofert Trading Limited llc.[5]	Rouble	2015	5,000	—
Russian bonds issued in March 2006[6]	Rouble	2016	4,910	4,909
Russian bonds issued in September 2006[6]	Rouble	2011	4,801	4,799
ZAO Raiffeisenbank	US dollar	2013	3,050	—
OAO Nordea Bank	US dollar	2014	3,048	—
Deutsche Bank AG	US dollar	2011	2,907	5,770
Gazstream SA	US dollar	2012	2,368	3,525
BNP Paribas SA[2]	Euro	2023	2,211	2,070
OAO TransKreditBank	Rouble	2012	1,970	2,718
Russian bonds issued in April 2007[5]	Rouble	2012	1,547	2,916
J.P. Morgan Chase bank	US dollar	2011	1,528	3,034
OAO Sberbank Rossii (AK Sberegatelny bank RF (OAO)	US dollar	2010	—	70,564
Loan participation notes issued in September 2003[1]	Euro	2010	—	44,278
GK Vnesheconombank	US dollar	2010	—	22,751
Credit Agricole CIB[2]	US dollar	2010	—	18,156
Credit Suisse International	Euro	2010	—	10,860
Commerzbank AG[2]	US dollar	2010	—	9,474
The Royal Bank of Scotland AG[2]	US dollar	2010	—	8,152
OAO Gazprombank	Rouble	2010	—	7,500
OOO Aragon[4]	Euro	2010	—	7,343
Loan participation notes issued in November 2007[1]	JPY	2010	—	5,302
Russian bonds issued in February 2005	Rouble	2010	—	5,159
Russian bonds issued in July 2007[5]	Rouble	2010	—	5,001
Wintershall Holding GmbH[4]	Euro	2010	—	4,906
E.ON Ruhrgas AG	Euro	2010	—	4,589

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES—(continued)

	Currency	Final Maturity	31 December 2010	31 December 2009
Golden Gates B.V.	Rouble	2010	—	3,227
Other long-term borrowings	Various	Various	63,584	111,336
Total long-term borrowings			1,251,966	1,418,136
Less: current portion of long-term borrowings			(127,571)	(233,679)
			1,124,395	**1,184,457**

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

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

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

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

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

(6) Issuer of these bonds is OAO Mosenergo.

(7) Issuer of these bonds is OAO Gazprom neft.

(8) Issuer of these bonds is OAO TGC-1.

	31 December 2010	31 December 2009
RR denominated borrowings (including current portion of RR 28,473 and RR 15,778 as of 31 December 2010 and 2009, respectively)	129,071	154,887
Foreign currency denominated borrowings (including current portion of RR 99,098 and RR 217,901 as of 31 December 2010 and 2009, respectively)	1,122,895	1,263,249
	1,251,966	**1,418,136**

	31 December 2010	31 December 2009
Due for repayment:		
Between one and two years	166,853	162,848
Between two and five years	551,310	527,212
After five years	406,232	494,397
	1,124,395	**1,184,457**

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES—(continued)

Long-term borrowings include fixed rate loans with a carrying value of RR 1,065,435 and RR 1,149,288 and fair value of RR 1,130,206 and RR 1,199,339 as of 31 December 2010 and 2009 respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

As of 31 December 2010 and 2009 long-term borrowings include RR nil and RR 57,365 respectively, relating to the operations of the Group's banking subsidiaries. As of 31 December 2009 long-term borrowings of the banking subsidiaries were partly attributable to borrowings of ZAO Gazenergoprombank that was deconsolidated in April 2010 (see Note 39).

In 2010 and 2009 the Group did not have material formal hedging arrangements to mitigate its foreign exchange risk or interest rate risk.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2010	2009
Fixed rate RR denominated long-term borrowings	10.76%	11.74%
Fixed rate foreign currency denominated long-term borrowings	7.25%	7.47%
Variable rate foreign currency denominated long-term borrowings	3.01%	2.10%

As of 31 December 2010 and 2009 long-term borrowings of RR 22,747 and RR 27,118, respectively, inclusive of current portion of long-term borrowings, are secured by revenues from export supplies of gas to Western Europe.

The Group has no subordinated debt and no debt that may be converted into an equity interest in the Group (see Note 24).

The long-term promissory notes payable had average interest rates ranging from 4.03% to 8.47% during 2009.These promissory notes payable had defined maturity dates from a year to five years.

21 PROFIT TAX

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

		Year ended 31 December	
Notes		2010	2009
	Profit before profit tax	1,273,703	979,435
	Theoretical tax charge calculated at applicable tax rates	(254,741)	(195,887)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses	(56,662)	(33,572)
40	Non-taxable income from disposal of interest in OAO NOVATEK	15,475	—
13	Non-taxable profits of associated undertakings and jointly controlled entities	15,304	12,511
38	Non-taxable income from swap of assets transaction	—	21,094
34	Non-taxable income from purchase of non-controlling interest in OAO Gaprom neft	—	2,773
	Other non-taxable income	4,914	7,439
	Profit tax expense	**(275,710)**	**(185,642)**

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial

21 PROFIT TAX—(continued)

reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 20%.

	31 December 2010	Differences recognition and reversals	31 December 2009	Differences recognition and reversals	31 December 2008
Tax effects of taxable temporary differences:					
Property, plant and equipment	(316,567)	(11,941)	(304,626)	(55,920)	(248,706)
Financial assets	(18,222)	(518)	(17,704)	1,628	(19,332)
Inventories	(2,571)	797	(3,368)	(1,547)	(1,821)
	(337,360)	**(11,662)**	**(325,698)**	**(55,839)**	**(269,859)**
Tax effects of deductible temporary differences:					
Tax losses carry forward	818	(1,421)	2,239	906	1,333
Other deductible temporary differences	3,399	1,464	1,935	(1,312)	3,247
Total net deferred tax liabilities	**(333,143)**	**(11,619)**	**(321,524)**	**(56,245)**	**(265,279)**

Taxable temporary differences recognized in the year ended 31 December 2010 include the effect in amount of RR 12,983 of applying a special accelerated depreciation coefficient of 2 for property, plant and equipment operated in aggressive environment. In 2010 taxable temporary differences in the amount of RR 21,046 were reversed due to deconsolidation of OOO SeverEnergiya (see Note 36).

Taxable temporary differences attributable to property, plant and equipment recognized in the year ended 31 December 2009 include the effect of the acquisition of the controlling interest in Sibir Energy plc (see Note 35) and Naftna Industrija Srbije (see Note 33) in the amount of RR 18,652, OOO SeverEnergiya (see Note 36) in the amount of RR 20,456 and OAO TGC-1 (see Note 37) in the amount of RR 13,837.

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 575,464 and RR 467,160 as of 31 December 2010 and 2009 respectively. A deferred tax liability on these temporary differences was not recognized because management controls the timing of the reversal of the temporary differences and believes that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities arise mainly from differences in the taxable and financial reporting bases of property, plant and equipment. These differences for property, plant and equipment are historically due to the fact that a significant proportion of the tax base was determined upon independent appraisals, the most recent of which was recognised for profit tax purposes as of 1 January 2001, while the financial reporting base is historical cost restated for changes in the general purchasing power of the Russian Rouble until 31 December 2002.

From 1 January 2002, any revaluation of property, plant and equipment recorded in the statutory accounting records is not recorded in the tax accounting records and therefore has no impact on temporary differences.

In accordance with the tax legislation of the Russian Federation tax losses and current tax assets of a company of the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is separately determined for main activities, income from operations with securities and service activities. Tax losses arising from one type of activity can not be offset with taxable profit of other types of activity. Also, a deferred tax asset of one company (type of activity) of the Group can not be offset against a deferred tax liability of another company (type of activity). As of 31 December 2010 and 2009 deferred tax assets on temporary differences in the amount of RR 27,154 and

21 PROFIT TAX—(continued)

RR 24,129 respectively, have not been recorded because it is not probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilised.

22 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2010 the Group had outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

In order to manage currency risk the Group uses among others foreign currency derivatives where possible.

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting period. Fair values of derivatives are reflected at their gross value in the consolidated balance sheet.

	31 December	
Fair value	**2010**	**2009**
Assets		
Commodity contracts	32,175	30,941
Foreign currency derivatives	6,481	733
Other derivatives	3,625	3,553
	42,281	**35,227**
Liabilities		
Commodity contracts	34,820	22,375
Foreign currency derivatives	487	168
Other derivatives	1,525	2,076
	36,832	**24,619**

The following fair value hierarchies emerged for the derivative financial instruments:

	31 December 2010			
	Quoted price in an active market (Level 1)	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Total**
Derivative financial instruments, assets	1,928	37,873	2,480	**42,281**
Derivative financial instruments, liabilities	2,897	33,367	568	**36,832**

	31 December 2009			
	Quoted price in an active market (Level 1)	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Total**
Derivative financial instruments, assets	2,938	32,289	—	**35,227**
Derivative financial instruments, liabilities	1,042	23,577	—	**24,619**

The maturities of all derivative financial instruments varies from up to three months to five years and more where the derivatives from three months to one year prevail.

23 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December	
	2010	2009
Provision for environmental liabilities	101,407	84,272
Provision for pension obligations	84,064	36,651
Other	14,569	22,668
	200,040	**143,591**

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

Principal actuarial assumptions used:

	31 December	
	2010	2009
Discount rate (nominal)	7.8%	8.7%
Future salary and pension increases (nominal)	6.5%	6.4%
Turnover ratio p.a.	4.8%	4.8%
Employees average remaining working life (years)	15	15

The assumptions relating to life expectancy at normal pension age were 17 years for a 60 year old man and 28 years for a 55 year old woman in 2010 and 2009.

The Group expected a 10.1% return on the plan assets as of 31 December 2010 and 10.3% return as of 31 December 2009.

The amounts associated with pension obligations recognized in the consolidated balance sheet are as follows:

	31 December 2010		31 December 2009	
	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits
Present value of benefit obligations	(213,128)	(136,821)	(214,342)	(88,808)
Fair value of plan assets	438,115	—	513,763	—
	224,987	**(136,821)**	**299,421**	**(88,808)**
Unrecognised net actuarial losses (gains)	143,212	1,630	149,772	(2,852)
Unrecognised past service costs	—	51,127	—	55,009
Unrecognised plan assets above the limit	(113,895)	—	(205,211)	—
Net balance asset (liability)	**254,304**	**(84,064)**	**243,982**	**(36,651)**

The net pension assets of RR 254,304 related to benefits provided by the pension plan NPF Gazfund as of 31 December 2010 are included within other non-current assets.

23 PROVISIONS FOR LIABILITIES AND CHARGES—(continued)

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2010	2009
Current service cost	13,397	12,804
Interest on obligation	26,374	19,537
Expected return on plan assets	(52,918)	(22,921)
Net actuarial losses (gains) recognized for the year	165,571	(195,824)
Past service cost	3,882	1,679
Effect of asset restriction	(91,316)	205,211
Total operating expenses included in staff costs	**64,990**	**20,486**

The total amount of benefits paid for 2010 and 2009 were equal to RR 14,003 and RR 8,816 respectively.

Changes in the present value of the defined benefit obligations are the follows:

	31 December 2010		31 December 2009	
	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits	Funded benefits—provided through NPF Gazfund	Unfunded liabilities—other benefits
Defined benefit obligation at the beginning of the reporting year	**214,342**	**88,808**	**182,590**	**49,687**
Service cost	7,593	5,804	6,878	5,926
Interest cost	18,648	7,726	15,401	4,136
Actuarial (gains) losses	(11,300)	46,970	14,562	(1,159)
Past service cost	—	—	—	33,045
Benefits paid	(5,878)	(8,125)	(5,089)	(3,874)
Other movements	(10,277)	(4,362)	—	—
Consolidation of OAO TGC-1 (see Note 37)	—	—	—	1,047
Defined benefit obligation at the end of the reporting year	**213,128**	**136,821**	**214,342**	**88,808**

23 PROVISIONS FOR LIABILITIES AND CHARGES—(continued)

Changes in the plan assets are as follows:

	31 December 2010		31 December 2009	
	Funded benefits—provided through NPF Gazfund	Other benefits	Funded benefits—provided through NPF Gazfund	Other benefits
Fair value of plan assets at the beginning of the reporting year	**513,763**	**—**	**257,046**	**—**
Expected return	52,918	—	22,921	—
Actuarial (losses) gains	(127,823)	—	230,184	—
Contributions by employer	5,135	8,125	8,701	3,727
Benefits paid	(5,878)	(8,125)	(5,089)	(3,727)
Fair value of plan assets at the end of the reporting year	**438,115**	**—**	**513,763**	**—**

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 December 2010	31 December 2009
Equities	80%	83%
Other assets	20%	17%
	100%	**100%**

The amount of ordinary shares of OAO Gazprom included in the fair value of plan assets comprise RR 64,692 as of 31 December 2010.

For the year ended 31 December 2010 actual return on plan assets was a loss of RR 74,905, primarily caused by the change of the fair value of plan assets.

Funded status of the plan:

	31 December			
	2010	2009	2008	2007
Defined benefit obligation	(213,128)	(214,342)	(182,590)	(207,880)
Plan assets	438,115	513,763	257,046	583,221
Surplus	**224,987**	**299,421**	**74,456**	**375,341**

For 2010, 2009, 2008 and 2007, experience adjustments on plan assets amounted to RR 127,823 loss, RR 230,184 gain, RR 358,806 loss and RR 33,514 loss and experience adjustments on plan liabilities amounted to RR 51,447 gain, RR 36,185 loss, RR 124,592 loss and RR 43,259 loss respectively.

24 EQUITY

Share capital

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

24 EQUITY—(continued)

Dividends

In 2010, OAO Gazprom accrued and paid dividends in the nominal amount of 2.39 Roubles per share for the year ended 31 December 2009. In 2009, OAO Gazprom accrued and paid dividends in the nominal amount of 0.36 Roubles per share for the year ended 31 December 2008.

Treasury shares

As of 31 December 2010 and 2009, subsidiaries of OAO Gazprom held 723 million and 724 million of the ordinary shares of OAO Gazprom, respectively. Shares of the Group held by the subsidiaries represent 3.1% of OAO Gazprom shares as of 31 December 2010 and 2009. The Group management controls the voting rights of these shares.

In October 2009 the Group completed the agreement with E.ON Ruhrgas AG to swap 25% share in OAO Severneftegazprom less three ordinary shares, three preference shares without voting right of OAO Severneftegazprom and a preference share in ZAO Gazprom YRGM Development. In exchange the Group received 49% share in ZAO Gerosgaz, which led to the increase in OAO Gazprom's treasury shares by an additional 2.93% reflected at market value as of the date of the swap closure (see Note 38).

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement of the consolidated financial statements to the equivalent purchasing power of the Rouble as of 31 December 2002, when Russian economy ceased to be hyperinflationary under IAS 29 "Financial Reporting in Hyperinflation Economies". Also, retained earnings and other reserves include translation gains arising on the translation of the net assets of foreign subsidiaries, associated undertakings and jointly controlled entities in the amount of RR 40,764 and RR 51,045 as of 31 December 2010 and 2009, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of these assets to governmental authorities and this process may continue. Social assets with a net book value of RR 756 and RR 1,647 have been transferred to governmental authorities during the years ended 31 December 2010 and 2009 respectively. These transactions have been recorded as a reduction of retained earnings and other reserves.

The basis of distribution is defined by legislation as the current year net profit of the Group parent company, as calculated in accordance with RAR. For 2010 year, the statutory profit of the parent company was RR 364,577. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable profits and reserves in these consolidated financial statements.

25 SALES

	Year ended 31 December	
	2010	2009
Gas sales (including excise tax and custom duties, net of VAT) to customers in:		
Russian Federation	636,843	503,121
Former Soviet Union (excluding Russian Federation)	493,806	363,400
Europe and other countries	1,357,852	1,396,415
Gross sales of gas	2,488,501	2,262,936
Excise tax	—	(220)
Customs duties	(302,296)	(344,213)
Net sales of gas	2,186,205	1,918,503
Sales of refined products to customers in:		
Russian Federation	412,208	297,885
Former Soviet Union (excluding Russian Federation)	36,042	35,951
Europe and other countries	260,812	206,669
Total sales of refined products	709,062	540,505
Sales of crude oil and gas condensate to customers in:		
Russian Federation	23,148	18,127
Former Soviet Union (excluding Russian Federation)	25,967	26,562
Europe and other countries	146,959	131,714
Sales of crude oil and gas condensate	196,074	176,403
Electric and heat energy sales:		
Russian Federation	281,853	188,994
Former Soviet Union (excluding Russian Federation)	3,476	3,706
Europe and other countries	3,326	126
Total electric and heat energy sales	288,655	192,826
Gas transportation sales:		
Russian Federation	91,353	64,597
Former Soviet Union (excluding Russian Federation)	1,278	966
Europe and other countries	—	—
Total gas transportation sales	92,631	65,563
Other revenues:		
Russian Federation	108,933	82,930
Former Soviet Union (excluding Russian Federation)	7,683	6,664
Europe and other countries	7,811	7,607
Total other revenues	124,427	97,201
Total sales	**3,597,054**	**2,991,001**

26 OPERATING EXPENSES

	Year ended 31 December	
	2010	2009
Purchased gas and oil	616,407	607,310
Staff costs	342,846	255,977
Taxes other than on income	289,978	244,748
Transit of gas, oil and refined products	260,776	220,961
Depreciation	243,615	221,197
Repairs and maintenance	159,894	138,779
Materials	83,043	83,576
Cost of goods for resale, including refined products	70,072	52,203
Electricity and heating expenses	60,386	43,375
Transportation services	27,130	17,952
Social expenses	25,635	20,639
Research and development expenses	24,158	28,524
Rental expenses	20,019	19,912
Insurance expenses	15,685	16,315
Exchange rate differences on operating items	12,876	(44,223)
Processing services	8,442	9,744
Other	179,815	155,843
Total operating expenses	**2,440,777**	**2,092,832**

Staff costs include RR 64,990 and RR 20,486 of expenses associated with pension obligations for the years ended 31 December 2010 and 2009, respectively (see Note 23).

Gas purchase expenses included within purchased oil and gas amounted to RR 401,725 and RR 443,315 for the years ended 31 December 2010 and 2009, respectively.

Taxes other than on income consist of:

	Year ended 31 December	
	2010	2009
Natural resources production tax	170,455	144,908
Excise tax	62,338	53,024
Property tax	42,034	36,034
Other taxes	15,151	10,782
	289,978	**244,748**

27 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2010	2009
Exchange gains	150,384	338,976
Interest income	20,692	36,762
Gains on and extinguishment of restructured liabilities	765	61
Total finance income	**171,841**	**375,799**

27 FINANCE INCOME AND EXPENSES—(continued)

	Year ended 31 December	
	2010	2009
Exchange losses	130,433	367,320
Interest expense	38,714	74,167
Total finance expenses	**169,147**	**441,487**

28 RECONCILIATION OF PROFIT, DISCLOSED IN CONSOLIDATED STATEMENT OF INCOME, PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING RULES (RAR) TO PROFIT DISCLOSED IN IFRS STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2010	2009
	RAR net profit for the year per consolidated statutory accounts	**806,278**	**649,659**
	Effects of IFRS adjustments:		
	Reclassification of revaluation of available for sale financial assets	(12,832)	(33,805)
	Write-off of deferred tax liability related to revaluation of OAO Gazprom shares, accounted on balance of ZAO Gerosgaz	(22,942)	—
	Elimination of gains arising from change in fair value of investment in OAO NOVATEK recognized for RAR purposes	(49,915)	(84,408)
40	Gain on disposal of interest in OAO NOVATEK	77,375	—
	Difference in share of net income of associated undertakings and jointly controlled entities	(10,328)	5,050
	Differences in depreciation	182,049	147,856
	Write-off of long term financial assets	(5,051)	—
	Reversal of goodwill depreciation	46,847	37,116
	Gain on purchase of non-controlling interest in OAO Gazprom neft	—	13,865
	Loan interest capitalized	55,023	40,614
23	Impairment and other provisions, including provision for pension obligations	(61,613)	(17,313)
	Accounting of finance lease	8,883	7,569
	Accounting for Gazprombank group	16,895	14,727
	Write-off of research and development expenses capitalized for RAR purposes	(10,462)	(8,935)
	Fair value adjustment on commodity contracts	(9,710)	3,567
	Differences in losses on fixed assets disposal	562	7,243
	Other effects	(13,066)	10,988
	IFRS profit for the year	**997,993**	**793,793**

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

Earnings per share have been calculated by dividing the profit, attributable to owners of OAO Gazprom by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 24).

There were 22.9 and 23.5 billion weighted average shares outstanding for the years ended 31 December 2010 and 2009 respectively.

There are no dilutive financial instruments outstanding.

30 NET CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended 31 December	
	2010	2009
Profit before profit tax	**1,273,703**	**979,435**
Adjustments to profit before profit tax		
Depreciation	243,615	221,197
Gain from disposal of interest in OAO NOVATEK	(77,375)	—
Gain on purchase of non-controlling interest in OAO Gazprom neft	—	(13,865)
Gain from swap of assets transaction	—	(105,470)
Increase in provisions	113,701	65,914
Net unrealised foreign exchange (gain) loss	(19,951)	28,344
Interest expense	38,714	74,167
Gains on and extinguishment of restructured liabilities	(765)	(61)
Losses on disposal of property, plant and equipment	18,726	6,477
Interest income	(20,692)	(36,762)
Gains on disposal of available-for-sale financial assets	(3,292)	(6,319)
Derivatives loss (gain)	9,710	(3,371)
Share of net income of associated undertakings and jointly controlled entities	(76,520)	(62,557)
Total effect of adjustments	225,871	167,694
Increase in long-term assets	(36,381)	(3,940)
Decrease in long-term liabilities	3,541	597
	1,466,734	1,143,786
Changes in working capital		
Decrease (increase) in accounts receivable and prepayments	84	(132,167)
(Increase) decrease in inventories	(36,054)	1,844
Increase in other current assets	(19,759)	(28,473)
Increase (decrease) in accounts payable and accrued charges, excluding interest, dividends and capital construction	177,542	(20,694)
Settlements on taxes payable (other than profit tax)	115,455	102,545
Decrease (increase) in available-for-sale financial assets and financial assets held for trading	16,277	(26,326)
Total effect of working capital changes	253,545	(103,271)
Profit tax paid	(260,163)	(143,361)
Net cash provided by operating activities	**1,460,116**	**897,154**

30 NET CASH PROVIDED BY OPERATING ACTIVITIES—(continued)

Total taxes and other similar payments paid in cash for the years 2010 and 2009:

	Year ended 31 December	
	2010	2009
Customs duties	474,682	564,722
Profit tax	260,163	143,361
Natural resources production tax	172,507	139,249
VAT	132,015	103,160
Excise	59,611	49,907
Property tax	42,514	36,203
Unified social tax	38,127	31,049
Personal income tax	34,552	29,399
Other	20,093	14,557
Total taxes paid	**1,234,264**	**1,111,607**

31 SUBSIDIARY UNDERTAKINGS

Principal subsidiaries

Subsidiary undertaking	Location	% of share capital as of 31 December*	
		2010	2009
OOO Aviapredpriyatie Gazprom avia	Russia	100	100
OAO Arkticheskaya gazovaya kompaniya****	Russia	—	100
ZAO ArmRosgazprom	Armenia	80	80
Vemex s.r.o	Czech Republic	50	50
OAO Vostokgazprom	Russia	100	100
OOO Gazovie Magistraly Tumeny	Russia	100	—
OOO Gazprom burenie	Russia	100	100
OOO Gazprom VNIIGAZ	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Gerosgaz Holding B.V.	Netherlands	100	100
Gazprom Global LNG Ltd.	United Kingdom	100	100
OOO Gazprom dobycha Astrakhan	Russia	100	100
OOO Gazprom dobycha Krasnodar	Russia	100	100
OOO Gazprom dobycha Krasnoyarsk	Russia	100	100
OOO Gazprom dobycha Nadym	Russia	100	100
OOO Gazprom dobycha Noyabrsk	Russia	100	100
OOO Gazprom dobycha Orenburg	Russia	100	100
OOO Gazprom dobycha Urengoy	Russia	100	100
OOO Gazprom dobycha shelf	Russia	100	100
OOO Gazprom dobycha Yamburg	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
OOO Gazprom invest Vostok	Russia	100	100
OOO Gazprom invest Zapad	Russia	100	100
ZAO Gazprom invest Yug	Russia	100	100
OOO Gazprom investholding	Russia	100	100
OOO Gazprom inform	Russia	100	—
OOO Gazprom komplektaciya	Russia	100	100
Gazprom Libyen Verwaltungs GmbH	Germany	100	100

31 SUBSIDIARY UNDERTAKINGS—(continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2010	2009
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
OOO Gazprom mezhregiongaz (OOO Mezhregiongaz)	Russia	100	100
ZAO Gazprom neft Orenburg	Russia	100	100
Gazprom neft Trading GmbH**	Austria	100	100
OOO Gazprom neft shelf	Russia	100	100
OAO Gazprom neft	Russia	96	96
OOO Gazprom pererabotka	Russia	100	100
OOO Gazprom podzemremont Orenburg	Russia	100	100
OOO Gazprom podzemremont Urengoy	Russia	100	100
OOO Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holding B.V.	Netherlands	100	100
OOO Gaprom torgservis	Russia	100	100
OOO Gazprom transgas Volgograd	Russia	100	100
OOO Gazprom transgas Ekaterinburg	Russia	100	100
OOO Gazprom transgas Kazan	Russia	100	100
OOO Gazprom transgas Makhachkala	Russia	100	100
OOO Gazprom transgas Moskva	Russia	100	100
OOO Gazprom transgas Nizhny Novgorod	Russia	100	100
OOO Gazprom transgas Samara	Russia	100	100
OOO Gazrpom transgas St. Petersburg	Russia	100	100
OOO Gazprom transgas Saratov	Russia	100	100
OOO Gazprom transgaz Stavropol	Russia	100	100
OOO Gazprom transgas Surgut	Russia	100	100
OOO Gazprom transgas Tomsk	Russia	100	100
OOO Gazprom transgas Ufa	Russia	100	100
OOO Gazprom transgas Ukhta	Russia	100	100
OOO Gazprom transgas Tchaikovsky	Russia	100	100
OOO Gazprom transgas Yugorsk	Russia	100	100
OOO Gazprom transgas-Kuban	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
OOO Gazprom tsentrremont	Russia	100	100
OOO Gazprom export	Russia	100	100
OOO Gazprom energo	Russia	100	100
OOO Gazprom energoholding	Russia	100	100
OOO Gazpromneft-Vostok**	Russia	100	100
ZAO Gazpromneft-Kuzbass**	Russia	100	100
OAO Gazpromneft-Noyabrskneftegaz**	Russia	100	100
OAO Gazpromneft-Omsk**	Russia	100	100
OAO Gazpromneft-Omskiy NPZ**	Russia	100	100
ZAO Gazpromneft-Severo-Zapad**	Russia	100	100
OOO Gazpromneftfinans**	Russia	100	100
OOO Gazpromneft-Khantos**	Russia	100	100
OOO Gazpromneft-Centr**	Russia	100	100
OOO GazpromPurInvest	Russia	100	100
OOO Gazpromregiongaz	Russia	100	100
OOO Gazpromtrans	Russia	100	100
OAO Gazpromtrubinvest	Russia	100	100

31 SUBSIDIARY UNDERTAKINGS—(continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2010	2009
OOO Gazflot	Russia	100	100
ZAO Gazenergoprombank*****	Russia	—	73
OOO Georesurs	Russia	100	100
ZAO Gerosgaz	Russia	—	100
OAO Daltransgaz	Russia	100	73
OOO Zapolyarneft**	Russia	100	100
OAO Zapsibgazprom	Russia	77	77
ZMB (Schweiz) AG	Switzerland	100	100
ZAO Kaunasskaya power station	Lithuania	99	99
OAO Krasnoyarskgazprom	Russia	75	75
OAO Moscovsky NPZ**	Russia	77	77
OAO Mosenergo	Russia	53	53
OAO Neftegastehnologiya****	Russia	—	100
Naftna Industrija Srbije**	Serbia	51	51
OOO NK Sibneft-Yugra**	Russia	100	100
OOO Novourengoysky GCC	Russia	100	100
OAO WGC-2	Russia	58	58
OAO WGC-6	Russia	61	61
ZAO Purgaz	Russia	51	51
OAO Regiongazholding	Russia	56	56
ZAO Rosshelf	Russia	57	57
ZAO RSh-Centr	Russia	100	100
OAO Severneftegazprom***	Russia	50	50
OOO SeverEnergiya****	Russia	—	51
Sibir Energy Ltd (Sibir Energy plc)**	United Kingdom	78	55
OOO Sibmetahim	Russia	100	100
AKB Soyuz (OAO)	Russia	—	75
OAO Spetsgazavtotrans	Russia	51	51
OAO TGC-1	Russia	52	52
OAO Tomskgazprom	Russia	100	100
ZAO Urengoil Inc.****	Russia	—	100
OOO Faktoring-Finance	Russia	90	90
OAO Tsentrgaz	Russia	100	100
OAO Tsentrenergogaz	Russia	66	66
ZAO Yamalgazinvest	Russia	100	100

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

** Subsidiaries of OAO Gazprom neft. The company Sibir Energy plc was re-registered from being a public company to a private company in 2011.

*** Group's voting shares.

**** In November 2010 the Group sold its entire 51% controlling interest in OOO SeverEnergiya to OOO Yamal razvitie. As the result, the Group has lost control over OOO SeverEnergiya and its subsidiaries (see note 36).

*****In April 2010 ZAO Gazenergoprombank was reorganized in the form of the merger to OAO AB Rossiya (see note 39).

32 NON-CONTROLLING INTEREST

Notes		Year ended 31 December 2010	2009
	Non-controlling interest at the beginning of the year	322,806	307,984
	Non-controlling interest share of net profit of subsidiary undertakings	29,436	14,208
34	Purchase of non-controlling interest in OAO Gazprom neft	—	(152,392)
35	Acquisition of the controlling interest in Sibir Energy plc	(17,026)	56,724
37	Acquisition of the controlling interest in OAO TGC-1	—	51,148
36	Acquisition of the controlling interest in OOO SeverEnergiya	—	43,578
	Disposal of the controlling interest in OOO SeverEnergiya	(41,677)	—
	Purchase of the non-controlling interest in OAO Daltransgaz	(3,619)	—
	Changes in the non-controlling interest as a result of other disposals and acquisitions	(3,074)	7,689
	Dividends	(1,110)	(1,442)
	Translation difference	874	(4,796)
	Gains arising from change in fair value of available-for-sale financial assets, net of tax	—	105
	Non-controlling interest at the end of the year	**286,610**	**322,806**

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

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

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

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

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

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

34 PURCHASE OF NON-CONTROLLING INTEREST IN OAO GAZPROM NEFT

In April 2009 the Group purchased an additional 20% interest in OAO Gazprom neft for USD 4.1 billion (approximately RR 138 billion) from ENI S.p.A. As a result of this transaction, the Group has increased its interest in OAO Gazprom neft to 95.68%. The difference between the carrying value of the acquired non-controlling interest (approximately RR 152 billion) and purchase consideration was recognized as a gain in the amount of RR 14 billion in the consolidated statement of comprehensive income.

35 ACQUISITION OF THE CONTROLLING INTEREST IN SIBIR ENERGY PLC

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

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

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

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

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

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

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

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

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

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

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

36 ACQUISITION AND SUBSEQUENT DECONSOLIDATION OF THE CONTROLLING INTEREST IN OOO SEVERENERGIYA

In September 2009 the Group acquired a 51% interest in OOO SeverEnergiya. The purchase consideration is USD 1.6 billion (approximately RR 47 billion). In September 2009, the Group transferred the first installment in the amount of USD 0.4 billion (RR 11.6 billion). The remaining part was paid 31 March 2010.

These transactions provided the Group with effective control over OOO SeverEnergiya and its subsidiaries: OOO Arkticheskaya gazovaya kompaniya, ZAO Urengoil Inc. and OAO Neftegastehnologiya. As a result of this transaction the Group included these companies as subsidiaries into consolidated financial statements.

OOO SeverEnergiya and its subsidiaries hold exploration and production rights in hydrocarbon reserves in Russian Federation in Western Siberia.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. As of 31 December 2009 the Group finalized their assessment of the estimated fair values of assets and liabilities acquired in accordance with IFRS 3 "Business Combinations".

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

	Book value	Attributable fair value
Cash and cash equivalents	821	821
Accounts receivable and prepayments	786	786
Inventories	1,039	1,039
VAT recoverable	1,652	1,652
Other current assets	1,242	1,242
Current assets	**5,540**	**5,540**
Property, plant and equipment	11,242	113,524
Investments in associated undertakings and jointly controlled entities	1,316	1,316
Long-term accounts receivable and prepayments	544	544
Deferred tax assets	821	—
Other non-current assets	634	634
Non-current assets	**14,557**	**116,018**
Total assets	**20,097**	**121,558**
Accounts payable and accrued charges	928	928
Current profit tax payable	15	15
Short-term borrowings and current portion of long-term borrowings	3,999	3,999
Short-term promissory notes payable	8,046	8,046
Current liabilities	**12,988**	**12,988**
Deferred tax liabilities	—	19,635
Non-current liabilities	**—**	**19,635**
Total liabilities	**12,988**	**32,623**
Net assets at acquisition date	**7,109**	**88,935**

36 ACQUISITION AND SUBSEQUENT DECONSOLIDATION OF THE CONTROLLING INTEREST IN OOO SEVERENERGIYA—(continued)

	Book value	Attributable fair value
Fair value of net assets at acquisition date		**88,935**
Fair value of the Group's interest		45,357
Purchase consideration[1]		46,387
Goodwill		**1,030**

(1) Purchase consideration includes the amount of RR 11.6 billion which was already paid in cash and present value of remaining part in the amount of RR 34.8 billion paid on 31 March 2010.

In November 2010 OAO Gazprom sold its entire 51% controlling interest in OOO SeverEnergiya to OOO Yamal razvitie—a fifty-fifty jointly controlled entity owned by the Group (OAO Gazprom neft) and OAO NOVATEK for RR 56.2 billion paid in cash. As a result of the transaction the Group retained an effective 25.5% non-controlling interest in OOO SeverEnergiya. Gain from deconsolidation of OOO SeverEnergiya recognized in consolidated statement of comprehensive income amounted to RR 5,868.

37 ACQUISITION OF THE CONTROLLING INTEREST IN OAO TGC-1

As of 31 December 2009, the Group completed a series of transactions and obtained the controlling interest in OAO TGC-1. The Group accounted for 28.7% interest in OAO TGC-1 owned prior to the fourth quarter of 2009 as an investment in associated undertakings and jointly controlled entities that was accounted as equity investment. The Group's controlling interest of 51.8% have been accumulated through the acquisition of OOO Gazprom investproekt (former name—OOO Russian Energy Projects) which owned 19.5% interest in OAO TGC-1 in November 2009 and acquisition of additional 3.6% interest in OAO TGC-1 in the fourth quarter 2009.

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

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

37 ACQUISITION OF THE CONTROLLING INTEREST IN OAO TGC-1—(continued)

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

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

38 SWAP OF ASSETS WITH E.ON RUHRGAS AG

On 30 October 2009 the Group closed the swap agreement with E.ON Ruhrgas AG. As a result thereof, the Group swapped its 25% share in OAO Severneftegazprom less three ordinary shares, three preference shares without voting right of OAO Severneftegazprom and a preference share in ZAO Gazprom YRGM Development for a 49% interest in ZAO Gerosgaz and a cash compensation of Euro 67 million. OAO Severneftegazprom holds the license for the development of Yuzhno-Russkoe oil and gas field in Siberia. ZAO Gerosgaz is the company holding the investment in 2.93% shares of OAO Gazprom. As a result of the swap the Group recognised the gain on disposal of interest in OAO Severneftegazprom and ZAO Gazprom YRGM Development in consolidated statement of comprehensive income in the amount of RR 105,470, being the difference between carrying amount of transferred assets and respective fair value of ZAO Gerosgaz shares acquired. Treasury shares were recognized as deduction from equity at market value as at the date of the swap closure.

39 DECONSOLIDATION OF ZAO GAZENERGOPROMBANK

On 29 March 2010 the respective Boards of directors of ZAO Gazenergoprombank, banking subsidiary of the Group, and OAO AB Rossiya, a bank not related to the Group, approved a reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. As a result of

39 DECONSOLIDATION OF ZAO GAZENERGOPROMBANK—(continued)

the decision, assets and liabilities of ZAO Gazenergoprombank as of 31 March 2010 in the amount of RR 137,700 and RR 121,498, respectively, were classified as held for sale. Those assets and liabilities were shown net of RR 45,222 and RR 46,858 of intercompany balances, respectively.

On 30 April 2010 shareholders of both banks approved the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya. According to the merger agreement, all assets and liabilities of ZAO Gazenergoprombank were transferred to OAO AB Rossiya. In exchange for its existing controlling interest in ZAO Gazenergoprombank, the Group received a non-controlling interest in OAO AB Rossiya. According to the terms of the merger agreement the Group lost the ability to control the financial and operating policies of ZAO Gazenergoprombank on 30 April 2010 but received non-controlling interest in OAO AB Rossiya after completion of procedures required by the Central Bank of Russia. As a result, ZAO Gazenergoprombank was deconsolidated starting 30 April 2010 and recognized at fair value of RR 8,514. This investment was classified within other non-current assets. The deconsolidation of ZAO Gazenergoprombank did not have a material impact on the consolidated statement of comprehensive income.

In August 2010 the reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya was finalized. As a result of the reorganization the Group received non-controlling interest in OAO AB Rossiya recognized at fair value of RR 8,514 and classified as long-term available-for-sale financial assets.

40 DISPOSAL OF INTEREST IN OAO NOVATEK

In December 2010 the Group sold a portion of their associated undertaking (total carrying value of RR 84,978 as of the date sold) representing a 9.4% interest in OAO NOVATEK to a party unrelated to the Group for RR 57,462 (see note 13) paid in cash. As a result of this transaction the Group has ceased to exercise significant influence over the business activities of OAO NOVATEK. Therefore the remaining 9.99% interest was classified as long-term available-for-sale financial asset and was recognized at fair value in the amount of RR 104,484 at the date of disposal (see note 15).

40 DISPOSAL OF INTEREST IN OAO NOVATEK—(continued)

In the consolidated statement of comprehensive income for the year ended 31 December 2010 the Group recognized a gain of RR 77,375 representing the difference between the sum of fair value of the remaining 9.99% interest at the date of transaction, cash proceeds from disposal of 9.4% interest and accumulated net gain previously recognized in other comprehensive income in relation to this associated undertaking, and the carrying amount of total 19.39% interest as at transaction date.

41 RELATED PARTIES

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

Government

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

As of 31 December 2010 38.373% of OAO Gazprom issued shares were directly owned by the Government. Another 11.629% were owned by Government controlled entities. The Government does not prepare financial statements for public use. Following the General Meeting of Shareholders in June 2009, the 11 seats on the Board of Directors include six State representatives, two independent directors and management representatives. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

Parties under control of the Government

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

41 RELATED PARTIES—(continued)

As of and for the years ended 31 December 2010 and 2009 respectively, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	As of 31 December 2010		Year ended 31 December 2010	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	14,265	45,649	—	249,387
Insurance contributions to non-budget funds	753	1,438	—	35,950
VAT recoverable/payable	299,121	32,365	—	—
Customs duties	44,197	—	—	—
Other taxes	1,689	38,117	—	289,978
Transactions and balances with other parties under control of the Government				
Gas sales	—	—	3,100	—
Electricity and heating sales	—	—	189,706	—
Other services sales	—	—	2,086	—
Accounts receivable	26,977	—	—	66,093
Oil transportation expenses	—	—	—	—
Accounts payable	—	9,289	—	—
Loans	—	48,710	—	—
Interest expense	—	—	—	7,821
Short-term financial assets	517	—	—	—
Available-for-sale long-term financial assets	54,718	—	—	—

	As of 31 December 2009		Year ended 31 December 2009	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	18,418	37,267	—	182,255
Unified social tax	407	1,626	—	29,806
VAT recoverable/payable	262,565	28,239	—	—
Customs duties	142,041	—	—	—
Other taxes	2,804	42,109	—	244,748
Transactions and balances with other parties under control of the Government				
Gas sales	—	—	17,198	—
Electricity and heating sales	—	—	118,659	—
Other services sales	—	—	3,371	—
Accounts receivable	23,562	—	—	—
Oil transportation expenses	—	—	—	54,578
Accounts payable	—	8,981	—	—
Loans	—	148,641	—	—
Interest expense	—	—	—	14,715
Short-term financial assets	14,577	—	—	—
Available-for-sale long-term financial assets	47,165	—	—	—

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

41 RELATED PARTIES—(continued)

In the normal course of business the Group incurs electricity and heating expenses (see Note 26). A part of these expenses relates to purchases from the entities under Government control. Due to specifics of electricity market in Russian Federation, these purchases can not be accurately separated from the purchases from private companies.

See consolidated statement of changes in equity for returns of social assets to governmental authorities during years ended 31 December 2010 and 2009. See Note 12 for net book values as of December 2010 and 2009 of social assets vested to the Group at privatisation.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR 1,561 and RR 1,382 for the years ended 31 December 2010 and 2009 respectively. Such amounts include personal income tax and unified social tax. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of Group companies is subject to approval by the General Meeting of Shareholders of each Group company. Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

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

Associated undertakings and jointly controlled entities

For the years ended 31 December 2010 and 2009 and as of 31 December 2010 and 2009 the Group had the following significant transactions with associated undertakings and jointly controlled entities:

	Year ended 31 December	
	2010	2009
	Revenues	
Gas sales		
OAO Beltransgaz	122,983	83,306
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	77,487	104,370
ZAO Panrusgaz	69,708	64,068
WINGAS GmbH & Co. KG	41,716	55,472
AO Gazum	27,654	25,119
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	21,050	13,304
AO Overgaz Inc.	19,134	16,360
AO Moldovagaz	17,125	20,785
Promgaz S.p.A.	13,600	11,435
ZAO Gazprom YRGM Trading	12,916	5,912
AO Lietuvos dujos	10,942	8,129
PremiumGas S.p.A.	9,808	4,825
GWH—Gaz und Warenhandels GmbH	9,663	7,059

41 RELATED PARTIES—(continued)

	Year ended 31 December	
	2010	2009
	Revenues	
ZAO Gazprom YRGM Development	9,225	2,280
AO Latvijas Gaze	5,121	6,015
Bosphorus Gaz Corporation A.S.	3,695	3,436
OAO TGC-1**	—	12,981
RosUkrEnergo AG	—	5,349
Gas transportation sales		
OAO NOVATEK	25,975	20,020
ZAO Gazprom YRGM Trading	17,837	13,078
ZAO Gazprom YRGM Development	12,741	5,456
Gas condensate, crude oil and refined products sales		
OAO NGK Slavneft and its subsidiaries	35,228	22,841
OAO Salavatnefteorgsyntez	12,419	10,787
Gas refining services sales		
TOO KazRosGaz	4,518	4,140
	Expenses	
Purchased gas		
ZAO Gazprom YRGM Trading	42,152	38,585
ZAO Gazprom YRGM Development	30,139	14,121
TOO KazRosGaz	28,158	31,810
OAO NOVATEK	12,935	15,791
RosUkrEnergo AG	8,447	—
Sakhalin Energy Investment Company Ltd.	7,533	3,311
Purchased transit of gas		
OAO Beltransgaz	14,206	14,111
SGT EuRoPol GAZ S.A.	10,207	12,314
Blue Stream Pipeline Company B.V.	7,622	8,731
WINGAS GmbH & Co. KG	3,238	4,926
Purchased crude oil and refined products		
OAO NGK Slavneft and its subsidiaries	53,146	54,849
OAO Tomskneft VNK and its subsidiaries	34,864	31,628
Salym Petroleum Development N.V.	26,452	17,575
Processing services purchases		
OAO NGK Slavneft and its subsidiaries	7,835	6,916

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

** OAO TGC-1 is consolidated from the date of acquisition of controlling interest in December 2009 (see Note 37).

41 RELATED PARTIES—(continued)

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

	As of 31 December 2010		As of 31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
RosUkrEnergo AG	81,622	—	10,573	—
OAO Beltransgaz	14,972	—	8,875	—
OAO Salavatnefteorgsyntez	10,829	—	10,488	—
ZAO Panrusgaz	8,087	—	8,877	—
WINGAS GmbH & Co.KG	7,870	—	4,791	—
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	7,253	—	12,018	—
AO Overgaz Inc.	5,820	—	3,795	—
AO Gazum	5,164	—	4,082	—
Wintershall Erdgas Handelshaus Zug AG (WIEE)	2,763	—	2,249	—
AO Moldovagaz*	2,717	—	3,731	—
Promgaz S.p.A.	2,143	—	1,721	—
AO Lietuvos dujos	2,103	—	1,622	—
OAO Gazprombank	1,567	—	1,026	—
ZAO Gazprom YRGM trading	1,432	—	1,354	—
OAO NGK Slavneft and its subsidiaries	1,238	—	1,647	—
ZAO Gazprom YRGM Development	1,023	—	5,121	—
TOO KazRosGaz	647	—	462	—
OAO Sibur Holding and its subsidiaries	498	—	4,083	—
OAO NOVATEK	—	—	530	—
Cash balances in associated undertakings				
OAO Gazprombank	191,552	—	93,148	—
Long-term accounts receivable and prepayments				
WINGAS GmbH & Co. KG	15,439	—	16,609	—
Salym Petroleum Development N.V.	4,806	—	8,896	—
OAO Sibur Holding and subsidiaries	3,894	—	1,406	—
RosUkrEnergo AG	—	—	11,842	—
Long-term promissory notes				
OAO Gazprombank	943	—	2,193	—
Short-term accounts payable				
RosUkrEnergo AG	—	8,447	—	—
SGT EuRoPol GAZ S.A.	—	6,976	—	6,590
ZAO Gazprom YRGM Trading	—	6,466	—	5,546
ZAO Gazprom YRGM Development	—	4,984	—	9,547
TOO KazRosGaz	—	4,336	—	1,896
OAO Sibur Holding and ist subsidiaries	—	3,777		3,839
WINGAS GmbH & Co.KG	—	2,806	—	2,675
Salym Petroleum Development N.V.	—	2,635	—	1,297
Promgaz S.p.A.	—	1,583	—	—

41 RELATED PARTIES—(continued)

	As of 31 December 2010		As of 31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts payable				
OAO NGK Slavneft and its subsidiaries	—	1,394	—	788
OAO Beltransgaz	—	1,297	—	2,028
OAO Gazprombank	—	708	—	203
OAO NOVATEK	—	—	—	784
Other non-current liabilities				
OAO Sibur Holding and its subsidiaries	—	1,115	—	100
ZAO Gazprom YRGM trading	—	3,683	—	—
Short-term loans from associated companies				
OAO Tomskneft VNK and its subsidiaries	—	7,027	—	10,463
OAO Gazprombank	—	6,973	—	4,563
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	—	2,527	—	—
Long-term loans from associated undertaking				
OAO Gazprombank	—	3,770	—	9,536

* Net of impairment provision on accounts receivable in the amount of RR 69,305 and RR 51,802 as of 31 December 2010 and 2009 respectively.

Investments in associated undertakings and jointly controlled entities are disclosed in Note 13.

See Note 42 for financial guarantees issued by the Group on behalf of associated undertakings and jointly controlled entities.

42 COMMITMENTS AND CONTINGENCIES

Financial guarantees

	31 December 2010	31 December 2009
Outstanding guarantees issued on behalf of:		
Sakhalin Energy Investment Company Ltd.	100,260	101,318
Nord Stream AG	50,005	2,655
OOO Severny Europeysky Trubny Proekt	27,227	—
Blue Stream Pipeline Company B.V.	12,974	18,317
OOO Torgovy Dom Truboprovod	8,305	—
EM Interfinance Limited	5,694	5,785
Blackrok Capital Investments Limited	4,824	4,900
OOO Production Company VIS	4,472	—
ZAO Achimgaz	4,330	4,841
Devere Capital International Limited	4,217	5,672
OAO Group E4	1,450	3,729
Gaztransit	725	972
MRK Energy DMCC	—	8,620
OOO Stroygazconsulting	—	8,841
Other	16,894	22,636
	241,377	**188,286**

42 COMMITMENTS AND CONTINGENCIES—(continued)

In 2010 and in prior periods counterparties fulfilled their obligations. The maximum exposure to credit risk in relation to financial guarantees is RR 241,377 and RR 188,286 as of 31 December 2010 and 2009, respectively.

Included in financial guarantees are amounts denominated in USD of USD 4,374 million and USD 4,919 million as of 31 December 2010 and 2009, respectively, as well as amounts denominated in Euro of Euro 1,494 million and Euro 299 million as of 31 December 2010 and 2009, respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2010 and 2009, outstanding amounts of these loans were RR 12,974 (USD 426 million) and RR 18,317 (USD 606 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. As a result as of 31 December 2010 and 2009 the guarantees issued on behalf of Devere Capital International Limited, Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 14,735 (USD 483 million) and RR 16,357 (USD 541 million), respectively.

In 2007 the Group provided a guarantee to Wintershall Vermogens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 31 December 2010 and 2009 the above guarantee amounted to RR 4,330 (Euro 107 million) and RR 4,841 (Euro 112 million), respectively.

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

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

In May 2008 the Group provided a guarantee to OAO Bank of Moscow on behalf of OAO Group E4 as a security of loans for obligations under contracts for delivering of power units. As of 31 December 2010 and 2009 the above guarantee amounted to RR 1,450 (Euro 36 million) and RR 3,729 (Euro 86 million), respectively.

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. As of 31 December 2010 and 2009 the above guarantee amounted to RR 100,260 (USD 3,290 million) and RR 101,318 (USD 3,350 million), respectively.

42 COMMITMENTS AND CONTINGENCIES—(continued)

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

In January 2010 the Group provided a guarantee to OAO Bank VTB on behalf of OOO Production Company VIS as a security of credit facility for financing of projects of construction industrial units for Gazprom Group, including priority investment projects of construction generating capacities of OAO WGC-6. As of 31 December 2010 the above guarantee amounted to RR 4,472.

In March 2010 the Group provided a guarantee to Societe Generale on behalf of Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 1 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group's share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fail to repay those amounts. As of 31 December 2010 the above guarantee within the Group's share in Nord Stream AG obligations to the bank amounted to RR 50,005 (Euro 1,240 million).

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Severny Europeysky Trubny Proekt as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 27,227.

In November 2010 the Group provided a guarantee to OAO Gazprombank on behalf of OOO Torgovy Dom Truboprovod as a security of credit facility for payments settlement with suppliers of pipes supplied to subsidiaries of OAO Gazprom. As of 31 December 2010 the above guarantee amounted to RR 8,305.

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

Capital commitments

In November 2010 the Board of Directors approved a RR 816 billion investment programme for 2011. Currently the company is reviewing the investment program.

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2010 no loss is expected to result from these long-term commitments.

43 OPERATING RISKS

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

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

43 OPERATING RISKS—(continued)

Legal proceedings

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

Taxation

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

Management believes that its interpretation of the relevant legislation as of 31 December 2010 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Group changes

The Group is continuing to be subject to reform initiatives in the Russian Federation and in some of its export markets. The future direction and effects of any reforms are the subject of political considerations. Potential reforms in the structure of the Group, tariff setting policies, and other government initiatives could each have a significant, but undeterminable, effect on enterprises operating in the Group.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be reliably estimated, but could be material. In the current enforcement climate under existing legislation, the Group management believes that there are no significant liabilities for environmental damage, other than amounts that have been accrued in the consolidated financial statements.

Social commitments

The Group significantly contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees in the areas of its production operations mainly in the northern regions of Russian Federation, including contributions toward the construction, development and maintenance of housing, hospitals, transport services, recreation and other social needs.

Financial crisis and economic downturn

The recent global financial crisis has had a severe effect on the Russian economy. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector. Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

44 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with Group policies.

Market risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

Notes		Russian Rouble	US dollar	Euro	Other	Total
	As of 31 December 2010					
	Financial assets					
	Current					
8	Cash and cash equivalents	225,802	150,337	50,477	14,170	440,786
9	Short-term financial assets (excluding equity securities)	5,127	—	—	37	5,164
10	Trade and other accounts receivable	303,687	165,401	45,505	25,010	539,603
	Non-current					
14	Long-term accounts receivable	127,734	38,859	—	569	167,162
15	Available for sale long-term financial assets (excluding equity securities)	1,211	1,311	—	24	2,546
	Total financial assets	**663,561**	**355,908**	**95,982**	**39,810**	**1,155,261**
	Financial liabilities					
	Current					
17	Accounts payable and accrued charges	483,817	25,289	15,322	24,355	548,783
19	Short-term borrowings and current portion of long-term borrowings	44,584	105,095	22,560	18,606	190,845
19	Short-term promissory notes payable	207	—	—	—	207
	Non-current					
20	Long-term borrowings	100,598	726,423	289,006	8,368	1,124,395
	Total financial liabilities	629,206	856,807	326,888	51,329	1,864,230
	As of 31 December 2009					
	Financial assets					
	Current					
8	Cash and cash equivalents	125,718	88,609	25,135	10,297	249,759
9	Short-term financial assets (excluding equity securities)	44,988	5,156	—	—	50,144
10	Trade and other accounts receivable	298,691	195,279	70,719	18,271	582,960

44 FINANCIAL RISK FACTORS—(continued)

Notes		Russian Rouble	US dollar	Euro	Other	Total
	Non-current					
14	Long-term accounts receivable	164,332	24,316	1,417	—	190,065
15	Available for sale long-term financial assets (excluding equity securities)	27,977	1,370	—	—	29,347
	Total financial assets	**661,706**	**314,730**	**97,271**	**28,568**	**1,102,275**
	Financial liabilities					
	Current					
17	Accounts payable and accrued charges	325,955	94,056	24,499	25,746	470,256
19	Short-term borrowings and current portion of long-term borrowings	134,956	182,575	100,346	6,978	424,855
19	Short-term promissory notes payable	11,761	—	—	—	11,761
	Non-current					
20	Long-term borrowings	139,109	716,545	301,987	26,816	1,184,457
20	Long-term promissory notes payable	4,592	—	—	—	4,592
	Total financial liabilities	**616,373**	**993,176**	**426,832**	**59,540**	**2,095,921**

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities denominated in selected foreign currencies.

As of 31 December 2010, if the Russian Rouble had weakened by 10% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 50,090, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings partially offset by foreign exchange gains on translation of US dollar-denominated trade receivables. As of 31 December 2009, if the Russian Rouble had weakened by 20% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 135,689. The effect of a corresponding strengthening of the Russian Rouble against the US dollar is approximately equal and opposite.

As of 31 December 2010, if the Russian Rouble had weakened by 10% against Euro with all other variables held constant, profit before profit tax would have been lower by RR 23,091 mainly as a result of foreign exchange losses on translation of euro-denominated borrowings partially offset by foreign exchange gains on translation of euro-denominated trade receivables. As of 31 December 2009, if the Russian Rouble had weakened by 20% against Euro with all other variables held constant, profit before profit tax would have been lower by RR 65,912. The effect of a corresponding strengthening of the Russian Rouble against Euro is approximately equal and opposite.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

Long-term borrowings	31 December 2010	31 December 2009
At fixed rate	1,065,435	1,149,288
At variable rate	186,531	268,848
Total	**1,251,966**	**1,418,136**

44 FINANCIAL RISK FACTORS—(continued)

The Group does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

During 2010 and 2009, the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2010, if interest rates on US dollar and Euro denominated borrowings at these dates had been 2.0% higher with all other variables held constant, profit before profit tax would have been lower by RR 3,730 for 2010 mainly as a result of higher interest expense on floating rate borrowings. As of 31 December 2009, if interest rates on US dollar and Euro denominated borrowings at these dates had been 2.0% higher with all other variables held constant, profit before profit tax would have been lower by RR 5,377 for 2009. The effect of a corresponding decrease in interest rate is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for natural gas, crude oil and related products, and their impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net income and cash flows. An extended period of low prices could precipitate a decrease in development activities and could cause a decrease in the volume of reserves available for transportation and processing through the Group's systems or facilities and ultimately impact the Group's ability to deliver under its contractual obligations.

The Group's overall strategy in production and sales of natural gas, crude oil and related products is centrally managed. Substantially all the Group's natural gas, gas condensate and other hydrocarbon export sales to Europe and other countries are sold under long-term contracts. Natural gas export prices to Europe and other countries are based on a formula linked to world oil product prices, which in turn are linked to world crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2010, if the average gas prices related to the export market had weakened by 10% with all other variables held constant, profit before profit tax would have been lower by RR 154,936 for 2010. As of 31 December 2009, if the average gas prices related to the export market had weakened by 10% with all other variables held constant, profit before profit tax would have been lower by RR 141,292 for 2009.

The Russian gas tariffs are regulated by the Federal Tariffs Service and are as such less subject to significant price fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operational and investment decisions.

However, in the current environment management estimates may materially differ from actual future impact on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the equity securities prices because of financial assets held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss (Notes 9 and 15).

As of 31 December 2010, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming the Group's equity

44 FINANCIAL RISK FACTORS—(continued)

instruments moved according to the historically high correlation with the index, group's profit before profit tax for the year would have been RR 60,530 lower.

As of 31 December 2009, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 15% with all other variables held constant, assuming the Group's equity instruments moved according to the historically high correlation with the index, group's profit before profit tax for the year would have been RR 23,618 lower.

The Group is also exposed to equity securities prices used to assess the fair value of pension plan assets held by NPF Gazfund (see Note 23).

Credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable including promissory notes. Credit risks related to accounts receivable are systematically monitored taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of impairment provision (see Note 10). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

	31 December	
	2010	2009
Cash and cash equivalents	440,786	249,759
Debt securities	5,164	50,144
Long-term and short-term trade and other accounts receivable	708,727	776,279
Financial guarantees	241,377	188,286
Total maximum exposure to credit risk	**1,396,054**	**1,264,468**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

44 FINANCIAL RISK FACTORS—(continued)

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aim is to maintain flexibility in financing sources by having undrawn committed facilities available.

The Group believes that it has significant funding through the commercial paper markets or through undrawn committed borrowing facilities to meet foreseeable borrowing requirements (see Note 43).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2010					
Short-term and long-term loans and borrowings	94,746	96,099	166,853	551,310	406,232
Trade and other payables	530,572	18,211	—	—	—
Financial guarantees	7,193	43,342	17,145	74,811	98,886
As of 31 December 2009					
Short-term and long-term loans and borrowings	163,876	260,979	162,848	527,212	494,397
Trade and other payables	456,801	13,455	—	—	—
Financial guarantees	18,968	17,794	15,437	46,594	89,493

See discussion of financial derivatives in Note 22.

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities.

Capital risk management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain or adjust the capital structure, the Group may revise its investment program, attract new or repay existing loans and borrowings or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable and restructured tax liabilities) less cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations.

Adjusted EBITDA is calculated as operating profit less depreciation and less provision for impairment of assets (excluding provisions for accounts receivable and prepayments).

44 FINANCIAL RISK FACTORS—(continued)

The net debt to adjusted EBITDA ratios at 31 December 2010 and 2009 were as follows:

	31 December	
	2010	2009
Total debt	1,315,448	1,625,705
Less: cash and cash equivalents and certain restricted cash	(444,455)	(253,398)
Net debt	870,993	1,372,307
Adjusted EBITDA	1,357,700	1,089,951
Net debt/Adjusted EBITDA ratio	**0.64**	**1.26**

OAO Gazprom presently has an investment grade credit rating of BBB (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings.

45 POST BALANCE SHEET EVENTS

Investments

In February 2011 the Board of Directors of Sibir Energy Ltd. adopted a resolution to reduce the share capital by cancelling 86.25 mln. shares (22.39%) owned by OAO Central Fuel Company, which withdraw membership in Sibir Energy Ltd. for a compensation of RR 21,671 (USD 740 million). As a result the Group became the owner of 100% interest in Sibir Energy Ltd.

Borrowings and loans

In November 2010 and January 2011 the Group signed the agreements to obtain the long-term loans from RosUkrEnergo AG in the amount of USD 550 million and USD 250 million due in 2012 at an interest rate of 3.5%. In March 2011 the Group obtained under these agreements USD 550 million and USD 17 million, respectively.

In February 2011 the Group issued two series of bonds in the amount of RR 10,000 each due in 2016 and 2021 at an interest rate of 8.5% and bonds in the amount of RR 10,000 due in 2021 at an interest rate of 8.9%. The bonds due in 2021 have an option for early redemption through 5 and 7 years from the placement date.

Other

In February 2011, in view of the growing social, economic and political instability in Libya, the Group's operations in this country, were temporarily discontinued. These operations are mainly represented by operations of the Group's associated undertaking Wintershall AG (see note 13). Management of the Group is not able to reliably estimate the effect of this non-adjusting event on the assets, liabilities and results of operations of Wintershall AG.

In March 2011, as a result of the auction for the sale of property of OAO RUSIA Petroleum, the Group acquired property of that entity for RR 25,796.

The Company may be contacted at its registered office:

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V-420, GSP-7, 117997, Moscow
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www.gazprom.com (in English)

APPENDIX A

CERTAIN EXPLORATION AND PRODUCTION INFORMATION OF THE GAZPROM GROUP

Licenses

The following table shows our licensed areas set out by regions of the Russian Federation as of September 30, 2012.

License type[1]	Urals federal district	North-western federal district	Southern and North Caucasian federal districts	Privolzhski federal district	Siberian federal district	Far East federal district	Shelf	Total
				(thousand km^2)				
Licenses for geological survey, exploration and production of hydrocarbons (SEPL)	23.7	0.3	4.0	3.8	72.8	—	50.9	155.6
Licenses for exploration and production of hydrocarbons (EPL)	68.2	0.7	5.8	2.1	14.3	12.5	11.5	115.1
Licenses for geological survey (SL)	17.2	4.1	0.3	5.5	16.8	—	—	43.9

Note:

(1) As provided by Russian law. See "Overview of the Russian Gas Industry, Classification of Reserves, and Certain Regulatory Matters—Russian Regulation—Subsoil licensing."

The following table shows our major fields with the production rights set out according to the main operational regions as of September 30, 2012.

	Name of the field (block)	Year of production start	Subsidiary—license holder	Interest of the Group (%)	Type of the field (block)[1]	Category of the license[2]	License expiration year[3]
Western Siberia (Urals federal district)	Urengoyskoye	1978	OOO Gazprom dobycha Urengoy	100%	OGC	EPL	2038[4]
	Severo-Urengoyskoye	1987			G	EPL	2030[4]
	Yen-Yakhinskoye	1985			OGC	EPL	2030
	Pestsovoye	2004			OGC	EPL	2019
	Yamburgskoye	1991	OOO Gazprom dobycha Yamburg	100%	OGC	EPL	2018
	Zapolyarnoye	2001			OGC	EPL	2018
	Tazovskoye	—			OGC	SEPL	2025
	Severo-Parusovoye	—			G	EPL	2027
	Medvezhye	1972	OOO Gazprom dobycha Nadym	100%	OGC	EPL	2018
	Yamsoveyskoye	1997			GC	EPL	2018
	Yubileynoye	1992			OGC	EPL	2018
	Kharasaveyskoye	—			GC	EPL	2019
	Bovanenkovskoye	—			OGC	EPL	2018
	Novoportovskoye	—	OOO Gazprom Neft Novy Port[5]	100%	OGC	EPL	2019
	Komsomolskoye	1993	OOO Gazprom dobycha Noyabrsk	100%	G	EPL	2029
	Yety-Purovskoye	2004			G	EPL	2014
	Zapadno-Tarkosalinskoye	1996			OGC	SEPL	2018
	Gubkinskoye	1998	ZAO "Purgaz"	51%	OGK	EPL	2014
	Yuzhno-Russkoye	2007	OAO Severneftegazprom	50.001% (of votes)	OGC	EPL	2043
	Zapadno-Tambeyskoye	—	OAO Gazprom	—	OGC	EPL	2028
	Kruzenshternskoye	—			GC	EPL	2028
	Malyginskoye	—			GC	EPL	2028
	Severo-Tambeyskoye	—			GC	EPL	2028
	Tasiyskoye	—			GC	EPL	2028
	Antipayutinskoye	—			G	EPL	2028
	Tota-Yakhinskoye	—			GC	EPL	2028
	Sugmutskoye	1995	OOO Gazpromneft Noyabrskneftegaz[5]	100%	O	EPL	2050
	Sutorminskoye and Severo-Karamovskoye	1982			OGC	EPL	2038
	Sporyshevskoye	1996			O	EPL	2047
	Muravlenkovskoye	1982			GN	EPL	2038
	Priobskoye	1999	OOO Sibneft-Yugra[5]	100%	O	EPL	2038
	Vyngapurovskoye	1982	OOO Zapolyarneft[5]	100%	OGC	EPL	2014
Southern Russia (Southern federal district)	Astrakhanskoye	1986	OOO Gazprom dobycha Astrakhan	100%	GC	EPL	2019
	Zapadno-Astrakhanskoye	—	OAO Gazprom	—	GC	SEPL	2024
South Urals (Privolzhski federal district)	Orenburgskoye	1974	OOO Gazprom dobycha Orenburg	100%	OGC	EPL	2018
Eastern Siberia and the Far East (Siberian and Far East federal districts)	Chayandinskoye	—	OAO Gazprom	100%	OGC	EPL	2028
	Chikanskoye	—			GC	EPL	2028
	Kovyktinskoye	—			GC	EPL	2017
	Tas-Yuryakhskoye	—			OGC	EPL	2031
	Sobolokh-Nedzhelinskoye	—			GC	EPL	2031
	Part of Srednetyungskoye	—			GC	EPL	2031
	Verkhnevilyuchanskoye	—			OGC	EPL	2031
	Sobinskoye	—	OOO Gazprom Geologorazvedka	100%	OGC	SEPL	2028
Russian sea shelf	Shtokmanovskoye	—	OOO Gazprom Neft Shelf	100%	GC	EPL	2043
	Prirazlomnoye	—			O	EPL	2043
	Kamennomysskoye more	—	OAO Gazprom	—	G	EPL	2026
	Severo-Kamennomysskoye	—			GC	EPL	2026
	Dolginskoye	—			O	EPL	2025
	Semakovskoye	—			G	EPL	2028
	Kirinskoye	—			GC	EPL	2028

Notes:

(1) Type of field is provided in accordance with the Russian state classification: OGC—oil,-gas, condensate; OG—oil and gas; GC—gas condensate; G—gas; O—oil.

(2) The classification is provided in accordance with Russian law.

(3) Most of our licenses for survey, exploration and production of hydrocarbons were received in 1993-1996 in accordance with the Federal law "On subsoil". The expiry period of the licenses for our largest fields is between 2014 and 2018. So long as we are in substantial compliance with the requirements set forth in our licensing agreements, we are entitled to extend the licenses for the exploration and production of the fields. We intend to extend our licenses for the duration of the economic life of the fields.

(4) The license for the Urengovskoye field includes the Urengoyskaya and Yen-Yakhinskaya areas.

(5) A part of Gazprom Neft.

Exploration activities

The following table sets forth the key figures of our geological exploration activities in Russia (excluding UGSFs wells drilling) for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2012	2011	2010	2009
Exploration drilling, thousand meters	106.5	136.4	157.7	204.9	163.7
Completed exploration wells, units	41	40	60	82	75
including successful wells	33	35	45	64	43
Seismic exploration 2D, thousand line km	1.2	2.3	2.8	18.5	14.7
Seismic exploration 3D, thousand km2	6.6	5.4	8.8	10.8	9.5
Drilling efficiency, boe/m	NA	NA	31,571.3	20,009.9	21,368.6

Development activities

The following table sets forth the key figures of our geological development drilling in Russia (excluding UGSFs wells drilling) for the periods indicated.

	For the nine months ended September 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Constructed production wells, units					
Natural gas	158	146	223	118	151
Crude oil	519	565	719	775	702
Total	**677**	**711**	**942**	**893**	**853**
Penetration in production drilling, thousand m					
Natural gas	275.9	354.0	476.8	441.5	358.2
Crude oil	1,983.1	1,839.6	2,288.1	2,602.2	2,286.7
Total	**2,259.0**	**2,193.6**	**2,764.9**	**3,043.7**	**2,644.9**

Production assets

The following table sets forth the key figures of our production assets in Russia for the periods indicated.

	As of September 30, 2012	As of December 31,		
		2011	2010	2009
Producing fields, units	127	124	120	121
Gas production wells, units	7,607	7,504	7,403	7,310
including those in operation	6,896	6,988	6,806	6,775
Oil production wells, units	7,209	6,647	6,464	6,158
including those in operation	6,646	6,151	5,941	5,663

APPENDIX B

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

January 23, 2013

OAO Gazprom
16A, Nametkina Street
117997, Moscow B-420
Russia

Gentlemen:

Pursuant to your request, we have prepared estimates, as of December 31, 2011, of the extent and value of the proved and probable natural gas, oil, condensate, gas liquids, sulfur, and helium reserves owned or controlled by OAO Gazprom (Gazprom) through its subsidiaries and associations. These estimates are presented in our "Appraisal Report, as of December 31, 2011, on Gas, Oil, Gas Liquids, Sulfur, and Helium Reserves Owned or Controlled by OAO Gazprom in Certain Fields in the Russian Federation PRMS Case Executive Summary Confidential" (the Gazprom Report) and our "Appraisal Report, as of December 31, 2011, on Oil, Condensate, and Natural Gas Reserves in Certain Fields Owned by OAO Gazprom Neft PRMS Case" (the Gazprom Neft Report). Gazprom and OAO Gazprom Neft (Gazprom Neft) are referred to collectively herein as the "Gazprom Group." The fields evaluated are located in eastern Siberia, western Siberia, the Barents Sea, the Pechora Sea, the Tomsk region, offshore Sakhalin Island, and the Volga-Ural Province of Russia.

Gazprom has represented that it owns a 51-percent interest in and controls the management of the producing company ZAO Purgaz, which owns 100 percent of the license of the Gubkinsk field. Gazprom also has represented that it owns a 40-percent interest in and controls the management of the producing company OAO Severneftegazprom, which owns 100 percent of the license of the Yuzhno Russkoye field. As a result, 100 percent of the reserves of the Gubkinsk and Yuzhno Russkoye fields, including those portions not owned by Gazprom, are reported heroin as Gazprom reserves. A detailed discussion of the reserves and associated values attributable to Gazprom is included in the Gazprom Report.

Gazprom has represented that it owns 95.68 percent interest in and controls the management of Gazprom Neft. Gazprom Neft owns interests in certain fields either directly or through various subsidiary enterprises. All fields are held at 100 percent by the respective subsidiary enterprise. Gazprom Neft's ownership in all the subsidiary enterprises ranges between 61.8 and 100 percent, and Gazprom Neft controls the management of these subsidiaries. A detailed discussion of the reserves and associated values attributable to Gazprom Neft is included in the Gazprom Neft Report. The estimated reserves and associated values attributable to Gazprom Group are reported herein at 100 percent. The estimated reserves and values attributable to Gazprom Group through its relationship with Gazprom Neft are presented separately in the tables included herein.

The estimated proved and probable gas, oil, and gas liquids reserves owned or controlled by Gazprom Group, as of December 31, 2011, in the fields evaluated in the Gazprom Report, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3), or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt), are summarized by subsidiary as follows. Estimates of sulfur reserves, expressed in thousands of United States tons (10^3 U.S.t) and thousands of metric tons (10^3mt), are shown in Attachment I. Estimates of helium reserves, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3) are also shown in Attachment I.

Subsidiary	English Units — Gazprom Separator Gas — Total Proved ($10^6 ft^3$)	Probable ($10^6 ft^3$)	Proved Plus Probable ($10^6 ft^3$)
OOO Gazprom dobycha Urengoi	92,254,843	14,087,727	106,342,570
OOO Gazprom dobycha Yamburg	124,590,862	18,473,457	143,064,319
OOO Gazprom dobycha Nadym	249,808,278	44,362,286	294,170,564
OOO Gazprom dobycha Noyabrsk	18,828,369	1,792,573	20,620,942
OAO Severneftgazprom	23,636,109	232,370	23,868,479
OOO Gazprom dobycha Orenburg	8,956,894	3,631,057	12,587,951
OOO Gazprom dobycha Astrakhan	9,448,087	627,895	10,075,982
OAO Gazprom	127,646,111	29,654,823	157,300,934
OOO Gazprom dobycha Irkutsk	10,533,589	11,146,369	21,679,958
ZAO Purgaz	6,637,392	454,853	7,092,245
OAO Tomskgazprom	947,139	26,133	973,272
Total	**673,287,673**	**124,489,543**	**797,777,216**

Subsidiary	Metric Units — Gazprom Separator Gas — Total Proved ($10^6 m^3$)	Probable ($10^6 m^3$)	Proved Plus Probable ($10^6 m^3$)
OOO Gazprom dobycha Urengoi	2,612,366	398,920	3,011,286
OOO Gazprom dobycha Yamburg	3,528,020	523,110	4,051,130
OOO Gazprom dobycha Nadym	7,073,782	1,256,200	8,329,982
OOO Gazprom dobycha Noyabrsk	533,160	50,760	583,920
OAO Severneftgazprom	669,300	6,580	675,880
OOO Gazprom dobycha Orenburg	253,631	102,820	356,451
OOO Gazprom dobycha Astrakhan	267,540	17,780	285,320
OAO Gazprom	3,614,535	839,731	4,454,266
OOO Gazprom dobycha Irkutsk	298,278	315,630	613,908
ZAO Purgaz	187,950	12,880	200,830
OAO Tomskgazprom	26,820	740	27,560
Total	**19,065,382**	**3,525,151**	**22,590,533**

Notes:

1. Probable reserves have not been risk adjusted to make them comparable to proved reserves.
2. Reserves estimates for ZAO Purgaz include those reserves attributable to the 49-percent interest in ZAO Purgaz not owned by Gazprom.
3. Reserves estimates OAO Severneftegazprom include those reserves attributable to the 60-percent interest in OAO Severneftegazprom not owned by Gazprom.

Subsidiary	English Units Gazprom Oil Total Proved (10^3bbl)	Probable (10^3bb1)	Proved Plus Probable (10^3bbl)
OOO Gazprom dobycha Urengoi	98,365	84,634	182,999
OOO Gazprom dobycha Yamburg	8,490	6,139	14,629
OOO Gazprom dobycha Nadym	0	531,349	531,349
OOO Gazprom dobycha Noyabrsk	0	0	0
OAO Severneftgazprom	0	0	0
OOO Gazprom dobycha Orenburg	170,577	81,477	252,054
OOO Gazprom dobycha Astrakhan	0	0	0
OAO Gazprom	0	491,736	491,736
OOO Gazprom dobycha Irkutsk	156,712	98,078	254,790
ZAO Purgaz	0	0	0
OAO Tomskgazprom	0	0	0
Total	**434,144**	**1,293,413**	**1,727,557**

Subsidiary	Metric Units Gazprom Oil Total Proved (10^3mt)	Probable (10^3mt)	Proved Plus Probable (10^3mt)
OOO Gazprom dobycha Urengoi	12,808	11,020	23,828
OOO Gazprom dobycha Yamburg	1,120	810	1,930
OOO Gazprom dobycha Nadym	0	64,370	64,370
OOO Gazprom dobycha Noyabrsk	0	0	0
OAO Severneftgazprom	0	0	0
OOO Gazprom dobycha Orenburg	22,780	10,881	33,661
OOO Gazprom dobycha Astrakhan	0	0	0
OAO Gazprom	0	71,170	71,170
OOO Gazprom dobycha Irkutsk	20,620	12,905	33,525
ZAO Purgaz	0	0	0
OAO Tomskgazprom	0	0	0
Total	**57,328**	**171,156**	**228,484**

Note: Probable reserves have not been risk adjusted to make them comparable to proved reserves.

Subsidiary	English Units Gazprom Gas Liquids Total Proved (10^3bbl)	Probable (10^3bbl)	Proved Plus Probable (10^3bbl)
OOO Gazprom dobycha Urengoi	2,116,688	382,460	2,499,148
OOO Gazprom dobycha Yamburg	642,298	225,601	867,899
OOO Gazprom dobycha Nadym	732,117	375,372	1,107,489
OOO Gazprom dobycha Noyabrsk	0	0	0
OAO Severneftgazprom	0	0	0
OOO Gazprom dobycha Orenburg	223,595	68,384	291,979
OOO Gazprom dobycha Astrakhan	1,030,404	65,918	1,096,322
OAO Gazprom	175,648	94,161	269,809
OOO Gazprom dobycha Irkutsk	36,491	36,972	73,463
ZAO Purgaz	0	0	0
OAO Tomskgazprom	13,084	497	13,581
Total	**4,970,325**	**1,249,365**	**6,219,690**

Subsidiary	Metric Units Gazprom Gas Liquids Total Proved (10^3mt)	Probable (10^3mt)	Proved Plus Probable (10^3mt)
OOO Gazprom dobycha Urengoi	255,608	46,185	301,793
OOO Gazprom dobycha Yamburg	81,360	28,590	109,950
OOO Gazprom dobycha Nadym	89,368	45,466	134,834
OOO Gazprom dobycha Noyabrsk	0	0	0
OAO Severneftgazprom	0	0	0
OOO Gazprom dobycha Orenburg	27,001	8,258	35,259
OOO Gazprom dobycha Astrakhan	124,430	7,960	132,390
OAO Gazprom	21,270	11,560	32,830
OOO Gazprom dobycha Irkutsk	4,550	4,610	9,160
ZAO Purgaz	0	0	0
OAO Tomskgazprom	1,580	60	1,640
Total	**605,167**	**152,689**	**757,856**

Note: Probable reserves have not been risk adjusted to make them comparable to proved reserves.

The estimated proved and probable gas, oil, and condensate reserves owned or controlled by Gazprom Group, as of December 31, 2011, in the fields evaluated in the Gazprom Neft Report, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3), or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt), are summarized as follows.

	English Units Gazprom Neft Gas Total Proved (10^6ft^3)	Probable (10^6ft^3)	Proved Plus Probable (10^6ft^3)
Sales Gas	4,615,270	3,393,921	8,009,191

	Metric Units Gazprom Neft Gas Total Proved (10^6m^3)	Probable (10^6m^3)	Proved Plus Probable (10^6m^3)
Sales Gas	130,683	96,090	226,773

Notes:

1. Probable reserves have not been risk adjusted to make them comparable to proved reserves.
2. Reserves estimates for Gazprom Neft include those reserves attributable to the 4.32-percent interest in Gazprom Neft not owned by Gazprom.

	English Units		
	Gazprom Neft Oil and Condensate		
	Total Proved (10^3bbl)	Probable (10^3bbl)	Proved Plus Probable (10^3bbl)
Oil and Condensate	4,902,781	2,378,226	7,281,007

	Metric Units		
	Gazprom Neft Oil and Condensate		
	Total Proved (10^3mt)	Probable (10^3mt)	Proved Plus Probable (10^3mt)
Oil and Condensate	666,567	321,012	987,579

Note:

1. Probable reserves have not been risk adjusted to make them comparable to proved reserves.
2. Reserves estimates for Gazprom Neft include those reserves attributable to the 4.32-percent interest in Gazprom Neft not owned by Gazprom.

The estimated Gazprom Group future net revenue and present worth to be derived from the production and sale of the proved and proved-plus-probable reserves owned or controlled by Gazprom Group in the fields evaluated in the Gazprom Report, as of December 31, 2011 are summarized below, expressed in thousands of United States dollars (10^3 U.S.$). Values were estimated in United States dollars using the exchange rate of Russian Rubles 29.140 per U.S.$1.00. The values shown include the value of sulfur and helium reserves estimated for OOO Gazprom dobycha Astrakhan and OOO Gazprom dobycha Orenburg in the Astrakhan and Orenburg fields, respectively, as shown on Attachment I.

	Gazprom			
	Future Net Revenue		Present Worth at 10 Percent	
Subsidiary	Total Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)	Total Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)
OOO Gazprom dobycha Urengoi	166,300,840	194,040,952	54,393,818	52,831,244
OOO Gazprom dobycha Yamburg	192,231,395	223,013,393	82,385,563	81,463,867
OOO Gazprom dobycha Nadym	330,535,733	396,832,760	59,225,804	61,079,547
OOO Gazprom dobycha Noyabrsk	27,155,891	29,724,929	14,253,378	15,000,126
OAO Severneftgazprom	34,635,736	35,228,444	11,806,177	12,848,755
OOO Gazprom dobycha Orenburg	8,834,231	12,722,806	3,016,081	3,638,159
OOO Gazprom dobycha Astrakhan	20,451,748	22,027,722	5,345,928	5,437,428
OAO Gazprom	292,979,453	392,913,125	15,301,401	20,301,289
OOO Gazprom dobycha Irkutsk	11,180,252	31,263,676	(1,171,797)	1,386,740
ZAO Purgaz	9,961,170	10,612,025	4,782,019	4,805,972
OAO Tomskgazprom	1,217,914	1,273,155	643,035	695,709
Total	**1,095,484,363**	**1,348,652,987**	**249,981,407**	**259,488,836**

Notes:

1. Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.
2. Future net revenue and present worth include the value of sulfur and helium reserves from the Astrakhan and Orenburg fields, as shown in Attachment I.
3. The values shown for ZAO Purgaz and total include revenues attributable to the 49-percent interest in ZAO Purgaz not owned by Gazprom.
4. The values shown for OAO Severneftegazprom and total include revenues attributable to the 60-percent interest in OAO Severneftegazprom not owned by Gazprom.
5. In preparation of these estimates, future income tax expenses have been taken into account at the field level and for transportation of gas for export.

The estimated Gazprom Group future net revenue and present worth to be derived from the production and sale of the proved and proved-plus-probable reserves owned or controlled by Gazprom Group in the fields evaluated in the Gazprom Neft Report, as of December 31, 2011, are summarized

below, expressed in thousands of United States dollars (10^3 U.S.$). Values were estimated in United States dollars using an exchange rate Russian Rubles 30.700 per U.S.$1.00.

Gazprom Neft			
Future Net Revenue		Present Worth at 10 Percent	
Total Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)	Total Proved (10^3 U.S.$)	Proved Plus Probable (10^8 U.S.$)
88,198,143	122,669,892	34,425,675	39,703,809

Notes:

1. Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.
2. The values shown for Gazprom Neft include revenues attributable to the 4.32-percent interest in Gazprom Neft not owned by Gazprom.
3. In preparation of these estimates, future income tax expenses have been taken into account at the field level and for transportation of gas for export.

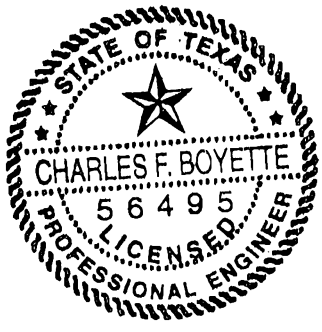
The estimates of Gazprom Group reserves, future net revenue, and present worth of future net revenue summarized are subject to the definitions, assumptions, qualifications, explanations, and conclusions expressed in the Gazprom Report and the Gazprom Neft Report. These summaries should be considered in view of the conditions of the two reports and are susceptible to being misunderstood apart from these reports.

Very truly yours,

DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

Attachment



Charles F. Boyette

Charles F. Boyette, P.E.
Senior Vice President
DeGolyer and MacNaughton

ATTACHMENT I
ESTIMATES
of
SULFUR and HELIUM RESERVES and REVENUE
owned by
OAO GAZPROM
as of
DECEMBER 31, 2011

	Gazprom Sulfur Reserves		Gazprom Helium Reserves	
	English Units (10^3 U.S.t)	Metric Units (10^3mt)	English Units (10^6 ft^3)	Metric Units (10^6m^3)
Total Proved	193,641	175,668	1,846	52
Probable	15,400	13,971	910	26
Proved plus Probable	**209,041**	**189,639**	**2,756**	**78**

	Gazprom Sulfur and Helium Revenue	
	Future Net Revenue (10^3 U.S.$)	Present Worth at 10 Percent (10^3 U.S.$)
OOO Gazprom dobycha Astrakhan		
Total Proved	9,273,566	2,486,513
Probable	615,109	36,046
Proved plus Probable	**9,888,675**	**2,522,559**
OOO Gazprom dobycha Orenburg		
Total Proved	643,904	249,630
Probable	210,132	32,487
Proved plus Probable	**854,036**	**282,117**
Grand Totals		
Total Proved	**9,917,470**	**2,736,143**
Probable	**825,241**	**68,533**
Proved plus Probable	**10,742,711**	**2,804,676**

Notes:

1. Sulfur reserves are expressed as thousands of U.S. tons (10^3 U.S.t) and thousands of metric tons (10^3mt).
2. All sulfur reserves are located in the Astrakhan and Orenburg fields.
3. Helium reserves are expressed as millions of cubic feet (10^6ft^3) and in millions of cubic meters (10^6m^3).
4. All helium reserves are located in the Orenburg field.
5. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

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