OAO GAZPROM

IFRS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
White Square Office Center
10 Butyrsky Val
Moscow, Russia, 125047
Telephone +7 (495) 967 6000
Fax +7 (495) 967 6001
www.pwc.ru

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 2009 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 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 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 2009, 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.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
29 April 2010

OAO GAZPROM
IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2009
(In millions of Russian Roubles)

Notes		31 December 2009	31 December 2008
	Assets		
	Current assets		
8	Cash and cash equivalents	249,759	343,833
8	Restricted cash	4,872	3,747
9	Short-term financial assets	52,137	23,448
10	Accounts receivable and prepayments	842,914	675,934
11	Inventories	286,719	276,954
	VAT recoverable	144,691	115,878
	Other current assets	107,044	132,281
		1,688,136	1,572,075
	Non-current assets		
12, 40	Property, plant and equipment	4,893,918	4,020,522
13, 40	Investments in associated undertakings and jointly controlled entities	794,705	772,143
14	Long-term accounts receivable and prepayments	413,309	343,805
15	Available-for-sale long-term financial assets	106,658	48,186
16	Other non-current assets	466,489	411,837
		6,675,079	5,596,493
	Total assets	8,363,215	7,168,568
	Liabilities and equity		
	Current liabilities		
17	Accounts payable and accrued charges	502,075	466,757
21	Current profit tax payable	37,267	6,774
18	Other taxes payable	71,057	50,622
19	Short-term borrowings and current portion of long-term borrowings	424,855	432,640
19	Short-term promissory notes payable	11,761	8,052
		1,047,015	964,845
	Non-current liabilities		
20	Long-term borrowings	1,184,457	923,230
20	Long-term promissory notes payable	4,592	1,718
23	Provisions for liabilities and charges	143,591	85,807
21	Deferred tax liabilities	320,463	265,279
	Other non-current liabilities	17,151	14,590
		1,670,254	1,290,624
	Total liabilities	2,717,269	2,255,469
	Equity		
24	Share capital	325,194	325,194
24	Treasury shares	(104,204)	(597)
24	Retained earnings and other reserves	5,105,525	4,280,518
		5,326,515	4,605,115
32	Non-controlling interest	319,431	307,984
	Total equity	5,645,946	4,913,099
	Total liabilities and equity	8,363,215	7,168,568

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

E.A. Vasilieva
Chief Accountant
29 April 2010

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 2009
(In millions of Russian Roubles)

Notes		Year ended 31 December 2009	2008
25	Sales	2,990,971	3,285,486
5	Net gain from trading activity	8,295	4,221
26	Operating expenses	(2,096,926)	(1,930,437)
40	Impairment provision and other provisions	(45,428)	(98,964)
	Operating profit	**856,912**	**1,260,306**
35	Purchase of non-controlling interest in OAO Gazprom neft	13,865	-
	Loss from change in fair value of call option	-	(50,738)
39	Gain from swap of assets transaction	105,470	-
27	Finance income	375,799	165,603
27	Finance expense	(441,487)	(341,179)
13, 40	Share of net income (loss) of associated undertakings and jointly controlled entities	62,557	(16,686)
	Gains on disposal of available-for-sale financial assets	6,319	14,326
	Profit before profit tax	**979,435**	**1,031,632**
	Current profit tax expense	(182,255)	(307,094)
	Deferred profit tax (expense) benefit	(3,387)	46,842
21	Profit tax expense	(185,642)	(260,252)
	Profit for the year	**793,793**	**771,380**
	Other comprehensive income		
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	32,193	(58,105)
	Share of other comprehensive income (losses) of associated undertakings and jointly controlled entities	7,098	(4,972)
	Translation differences	1,704	20,340
	Revaluation of equity interest	9,911	-
	Other comprehensive income (loss) for the year, net of tax	**50,906**	**(42,737)**
	Total comprehensive income for the year	**844,699**	**728,643**
	Profit attributable to:		
	owners of OAO Gazprom	779,585	742,928
32	non-controlling interest	14,208	28,452
		793,793	771,380
	Total comprehensive income attributable to:		
	owners of OAO Gazprom	835,182	699,071
	non-controlling interest	9,517	29,572
		844,699	728,643
29	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**33.18**	**31.49**

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29 April 2010

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29 April 2010

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OAO GAZPROM
IFRS CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(In millions of Russian Roubles)

Notes		Year ended 31 December 2009	2008
	Operating activities		
30	**Net cash provided by operating activities**	**897,154**	**1,016,551**
	Investing activities		
12	Capital expenditures	(795,640)	(714,714)
	Net change in loans made	(15,131)	(38,084)
	Interest received	32,036	41,314
12	Interest paid and capitalised	(45,516)	(28,001)
	Acquisition of subsidiaries, net of cash acquired	(74,100)	1,514
35	Purchase of non-controlling interest in OAO Gazprom Neft	(138,527)	-
13	Investment in associated undertakings and jointly controlled entities	(37,148)	(121,639)
4	Decrease in cash due to Gazprombank Group deconsolidation	-	(47,242)
	Proceeds from sales of interest in subsidiary	2,904	5,875
13	Proceeds from associated undertakings and jointly controlled entities	77,611	33,159
	Net change of long-term available-for-sale financial assets	2,034	(20,649)
	Change in other long-term assets	(1,634)	(7,131)
	Net cash used for investing activities	**(993,111)**	**(895,598)**
	Financing activities		
20	Proceeds from long-term borrowings	572,828	217,248
20	Repayment of long-term borrowings (including current portion)	(408,252)	(336,818)
	Net (repayment of) proceeds from issue of promissory notes	(3,122)	1,417
19	Net (repayment of) proceeds from short-term borrowings	(87,611)	185,386
24	Dividends paid	(16,733)	(68,013)
	Interest paid	(58,794)	(55,225)
24	Purchases of treasury shares	(58)	(113,763)
24	Sales of treasury shares	-	107,400
8	Change in restricted cash	(1,125)	(6,525)
	Net cash used for financing activities	**(2,867)**	**(68,893)**
	Effect of exchange rate changes on cash and cash equivalents	4,750	12,664
	(Decrease) increase in cash and cash equivalents	**(94,074)**	**64,724**
	Cash and cash equivalents, at the beginning of the reporting year	343,833	279,109
	Cash and cash equivalents, at the end of the reporting year	**249,759**	**343,833**

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

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Chief Accountant
29 April 2010

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OAO GAZPROM
IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(In millions of Russian Roubles)

Notes		Number of shares outstanding (billions)	Attributable to owners of OAO Gazprom: Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Balance as of 31 December 2007	23.6	325,194	(20,801)	3,646,396	3,950,789	362,308	4,313,097
	Profit for the year		-	-	742,928	742,928	28,452	771,380
	Other comprehensive income:							
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(58,105)	(58,105)	-	(58,105)
	Share of other comprehensive income of associated undertakings and jointly controlled entities				(4,972)	(4,972)	-	(4,972)
24	Translation differences		-	-	19,220	19,220	1,120	20,340
	Total comprehensive income for the year ended 31 December 2008		-	-	699,071	699,071	29,572	728,643
24	Return of social assets to governmental authorities		-	-	(2,519)	(2,519)	-	(2,519)
32	Non-controlling interest in subsidiaries acquired		-	-	-	-	70,366	70,366
24	Net treasury shares transactions	0.0	-	(6,547)	184	(6,363)	-	(6,363)
24	Dividends		-	-	(62,614)	(62,614)	(6,227)	(68,841)
4	Deconsolidation of Gazprombank Group	0.0	-	26,751	-	26,751	(148,035)	(121,284)
	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)
35	Purchase of non-controlling interest in OAO Gazprom neft		-	-	-	-	(152,392)	(152,392)
32	Non-controlling interest in subsidiaries acquired		-	-	-	-	155,764	155,764
24, 39	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	319,431	5,645,946

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

E.A. Vasilieva
Chief Accountant
29 April 2010

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 banking and production of other goods, works, services.

The weighted average number of employees during 2009 and 2008 was 386 thousand and 456 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 undertaking and joint ventures of the Group. Significant changes in the Group's structure in the 2009 and 2008 are described below.

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 38).

In September 2009 the Group acquired a 51% interest in OOO SeverEnergiya and obtained control over OOO SeverEnergiya (see Note 37).

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 (see Note 36).

In February 2009 the Group acquired a 51% interest in Naftna Industrija Srbije and obtained control over Naftna Industrija Srbije (see Note 34).

4 SCOPE OF CONSOLIDATION (continued)

In July 2008, the Group obtained control over OAO WGC-2 and OAO WGC-6 with ownership interests amounting to 57.3% and 60.1%, respectively (see Note 33).

As a result of the change in the Board composition effective June 2008 the Group lost its ability to control the financial and operating policies of OAO Gazprombank and its subsidiaries, and ceased to consolidate OAO Gazprombank and its subsidiaries.

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 purchase 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, plus costs directly attributable to the acquisition. 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.

Goodwill and non-controlling interest

Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the acquisition date. Any excess of the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition over the cost of an acquisition is recognized within the profit and loss section of consolidated 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.

When a business combination involves more than one transaction, any adjustment to those fair values relating to previously held interests of the Group is recognised as a revaluation in equity. No such revaluation is made when the Group acquires an additional non-controlling interest in subsidiaries.

Any premiums paid in excess of the carrying amount of the respective portion of non-controlling interest at the date of acquisition of an additional interest in subsidiaries are recognized in goodwill.

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. In accordance with the provisions of 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.

5 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 equity method involves recognising within the profit and loss section of the consolidated statement of comprehensive income the Group's share of the associated undertakings' profit or loss for the year. 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 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 2009 and 2008.

(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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5.3 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 derivatives 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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, Belorussia 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. In addition, crude oil exported to Belorussia from 2007 to 2009 was subject to the export customs duty with a downward coefficient whereas since 2010 such exports are subject to a normal export customs duty rate except for the "preferential" amount of crude oil agreed by the governments of Russia and Belorussia that is not a subject to export customs duties. Revenues are recognized net of the amount of custom duties.

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 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.

5.10 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.

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.

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 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.

5.11 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (see Note 40).

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.

5.12 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.

5.13 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.

5.14 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 30.24 and 29.38 as of 31 December 2009 and 2008, respectively. The official Euro to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 43.39 and 41.44 as of 31 December 2009 and 2008, 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.

5.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.16 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 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.

5.17 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 accordance with formulas, similar to European.

Mutual cancellation and other non-cash transactions

Certain accounts receivable arising from sales are settled either through non-cash transactions (mutual cancellations), or other non-cash settlements. The non-cash settlements are constantly decreasing. Non-cash settlements include promissory notes which are negotiable debt obligations. A portion of operations, including capital expenditures, is also transacted by mutual cancellations or other non-cash settlements.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on fair value of consideration to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the consolidated cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

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.

Reclassification

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. In 2009 the Group changed the presentation of sales and purchases associated with the contracts entered into for trading purposes. They are now presented on a separate line as Net gain from trading activity. Sales and purchases associated with such contracts used to be presented on a gross basis in sales and operating expenses. The presentation of 2008 comparative financial information has been changed to be consistent with the net presentation.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Starting from 2009, revenues generated by trading activities are reported as net figures, reflecting realized gross margins. Trading activities are mainly managed by Gazprom Marketing and Trading Ltd. subsidiary of the Group and relate partly to gas trading and power and emission rights trading activities.

5.18 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.

5.19 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.

5.20 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 income statement 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 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.

5.21 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

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5.22 Recent accounting pronouncements

In 2009 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2009 and which are relevant to its operations.

(a) Standards, Amendments or Interpretations effective in 2009

IFRS 8 "Operating Segments" ("IFRS 8") is effective for reporting periods beginning on or after 1 January 2009. The standard replaces IAS 14 "Segment reporting" ("IAS 14"). The standard requires an entity to adopt the "management approach" to reporting of performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the statement of comprehensive income and balance sheet. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the statement of comprehensive income and balance sheet. Segment disclosures under IFRS 8 are presented in Note 7.

Amendment to IAS 23 "Borrowing costs" ("IAS 23") is effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 23 removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. 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. The application of these amendments did not affect the Group's consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1") is effective for reporting periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The consolidated financial statements have been prepared under the revised presentation requirements.

Amendment to IAS 32 and IAS 1 ("Puttable financial instruments and obligations arising on liquidation") is effective from 1 January 2009. The amendment requires classification of puttable financial instruments and instruments that impose an obligation to deliver a pro rata share of the net asset on liquidation as equity. This amendment did not affect the Group's consolidated financial statements.

Amendment to IFRS 2 "Share-based Payment" ("Vesting Conditions and Cancellations") is effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard did not affect the Group's consolidated financial statements.

Amendment to IFRS 1 and IAS 27 ("Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate") is effective for annual periods beginning on or after 1 January 2009. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognized in profit or loss rather than as a recovery of the investment. The amendment did not have an impact on the Group's consolidated financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 15 "Agreements for the Construction of Real Estate" ("IFRIC 15") is effective for annual periods beginning on or after 1 January 2009. IFRIC 15 addresses diversity in accounting for real estate sales as some entities recognise revenue in accordance with IAS 18 "Revenue" (when the risks and rewards in the real estate are transferred) and others recognise revenue as the real estate is developed in accordance with IAS 11 "Construction Contracts". The interpretation clarifies which standard (IAS 18 or IAS 11) should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. Entities that have previously recognised revenue from residential real estate sales under IAS 11 will be the most significantly affected and will probably be required to apply IAS 18. The application of this interpretation did not affect the Group's consolidated financial statements.

Amendment to IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7") is effective for annual periods beginning on or after 1 January 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy:

- Level 1- based on quoted price in an active market;
- Level 2- based on valuation technique with inputs observable in markets; and
- Level 3- based on valuation technique with significant non-observable inputs.

The amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The group incorporated the amendments to IFRS 7 disclosure requirements in its consolidation financial statement.

IFRIC 13 "Customer Loyalty Programmes" ("IFRIC 13") is effective for annual periods beginning on or after 1 July 2008. IFRIC 13 clarifies that where goods and services are sold with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair value. The application of IFRIC 13 did not affect the Group's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" ("IFRIC 16") is effective for annual periods beginning on or after 1 October 2008. This interpretation relates to the criteria required to apply hedge accounting in hedge of a net investment in a foreign operation in accordance with IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"). The application of this interpretation did not materially affect the Group's consolidated financial statements.

Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives" are effective for annual periods ending on or after 30 June 2009. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The application of IFRIC 9 and IAS 39 "Embedded Derivatives" did not affect the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as assets held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of assets which were previously held for rental under IAS 16 and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associated undertakings and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the 'fair value through profit or loss' category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. The application of these amendments did not materially affect on the Group's consolidated financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendment to IAS 39, which is effective for annual periods beginning on or after 1 July 2009. The amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

IFRIC 17 "Distributions of Non-cash assets to owners" ("IFRIC 17") which is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on accounting of 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 entity gives its owners a choice of receiving either non-cash assets or a cash alternative. The Group will apply the interpretation starting from 1 January 2010.

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 is not expected to materially affect the Group's consolidated financial statements.

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

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 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it 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.

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 and 40).

Impairment of available-for-sale financial assets

The determination under IAS 39 whether an available-for-sale financial asset is impaired requires significant judgment. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. Management applies judgment on a case by case basis to determine whether a decline in fair value of an available-for-sale financial asset below its cost is significant or prolonged. Impairment charges are given in Note 15.

Had all the declines in fair value below cost been considered significant or prolonged in 2009, the additional loss recorded would have been immaterial. In 2008 above mentioned declines led to losses being fully recognised.

Impairment of other assets

The estimation of forecast cash flows 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.

6 CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)

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 Notes 12 and 40.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2009 would be an increase by RR 24,577 or a decrease by RR 20,109 (2008: increase by RR 21,668 or decrease by RR 17,729).

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.

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 value of financial assets and liabilities, other than financial instruments that are traded in an active market, is determined by applying valuation techniques. Discounted cash flow analysis is used for loans and receivables as well as debt instruments that are not traded in active markets. Management uses its judgment to make assumptions based on market conditions existing at each balance sheet date (see Note 5).

6.7 Fair value estimation for acquisitions

In accordance with IFRS 3, the Group recognizes the assets and liabilities acquired in a business combination based upon their fair values. In cases where market values are available such values are utilized in the measurement of acquired assets and liabilities. When market values are not available, fair value determination includes discounted cash flow models based upon management's assumptions and estimates regarding future cash flows, or replacement costs models. The determination of fair value of assets acquired and liabilities assumed requires management to make judgments with respect to the valuation model applied, the amount and timing of cash flows forecasts or other assumptions such as discount rates.

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.

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.

As of 31 December 2008 and for the year then ended electric and heat energy generation and sales activities did not qualify as a reportable operating segment. However, with the acquisition of certain power generating assets in the second half of 2008, those activities have been qualified as a reportable operating segment under IFRS 8 in 2009, and have been presented as such in the segment information below. Previously reported segment information has been restated accordingly.

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.

(In millions of Russian Roubles)

7 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2009									
Total segment revenues	305,829	551,536	2,082,297	20,308	364,473	547,350	198,954	146,915	4,217,662
Inter-segment sales	292,164	485,973	118,693	19,470	188,070	6,845	-	-	1,111,215
External sales	13,665	65,563	1,963,604	838	176,403	540,505	198,954	146,915	3,106,447
Segment result	42,145	16,902	524,195	4,303	79,531	48,994	15,315	(9,194)	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
Year ended 31 December 2008									
Total segment revenues	302,525	631,735	2,202,889	21,371	393,235	661,418	138,335	171,622	4,523,130
Inter-segment sales	290,847	561,050	118,021	20,994	178,280	8,462	-	-	1,177,654
External sales	11,678	70,685	2,084,868	377	214,955	652,956	138,335	171,622	3,345,476
Segment result	34,262	27,040	842,767	3,785	73,402	172,130	(41,060)	11,679	1,124,005
Depreciation	56,656	207,912	2,266	6,639	37,099	14,244	11,742	15,889	352,447
Share of net income (loss) of associated undertakings and jointly controlled entities	5,503	(4,506)	42,007	-	(19,944)	2,567	(6,950)	(35,363)	(16,686)

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 2009	2008
	Segment result	722,191	1,124,005
	Difference in depreciation	166,309	157,431
	Expenses associated with pension obligations	(7,677)	(7,104)
	Expenses associated with other provisions	(2,181)	(3,398)
	Loss from change in fair value of call option	-	(50,738)
35	Purchase of non-controlling interest in OAO Gazprom neft	13,865	-
39	Gain from swap of assets transaction	105,470	-
27	Finance expense, net	(65,688)	(175,576)
	Gains on disposal of available-for-sale financial assets	6,319	14,326
13	Share of net income (loss) of associated undertakings and jointly controlled entities	62,557	(16,686)
	Other	(21,730)	(10,628)
	Profit before profit tax	979,435	1,031,632

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 2009	2008
External sales for reportable segments	2,959,532	3,173,854
External sales for other segments	146,915	171,622
Total external segment sales	**3,106,447**	**3,345,476**
Differences in external sales	(115,476)	(59,990)
Total sales per the statement of comprehensive income	**2,990,971**	**3,285,486**

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.

(In millions of Russian Roubles)

7 SEGMENT INFORMATION (continued)

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
31 December 2009									
Segment assets	1,438,222	3,323,087	874,339	125,069	1,122,449	746,270	464,916	546,008	8,640,360
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
31 December 2008									
Segment assets	1,163,367	3,354,775	779,763	119,285	1,187,681	375,161	353,920	404,537	7,738,489
Investments in associated undertakings and jointly controlled entities	81,865	71,860	73,375	-	450,774	51,996	32,313	9,960	772,143
Capital additions	220,213	227,485	34,701	8,224	84,548	49,553	37,976	27,319	690,019

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

	31 December 2009	31 December 2008
Segment assets for reportable segments	8,094,352	7,333,952
Other segments' assets	546,008	404,537
Total segment assets	**8,640,360**	**7,738,489**
Differences in property, plant and equipment, net*	(1,399,885)	(1,568,013)
Loan interest capitalised	143,967	107,287
Decommissioning costs	55,466	29,257
Cash and cash equivalents	249,759	343,833
Restricted cash	4,872	3,747
Short-term financial assets	52,137	23,448
VAT recoverable	144,691	115,878
Other current assets	107,044	132,281
Available-for-sale long-term financial assets	106,658	48,186
Other non-current assets	466,489	411,837
Inter-segment assets	(380,774)	(304,253)
Other	172,431	86,591
Total assets per the balance sheet	**8,363,215**	**7,168,568**

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

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

	Production of gas	Transport	Distri-bution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy genera-tion and sales	All other segments	Total
Total liabilities									
31 December 2009	111,421	135,788	195,403	1,407	213,572	98,194	35,760	141,694	933,239
31 December 2008	76,910	153,857	241,385	1,094	80,651	61,529	21,852	96,677	733,955

(In millions of Russian Roubles)

7 SEGMENT INFORMATION (continued)

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

	31 December 2009	31 December 2008
Segment liabilities for reportable segments	791,545	637,278
Other segments' liabilities	141,694	96,677
Total segments liabilities	**933,239**	**733,955**
Current profit tax payable	37,267	6,774
Short-term borrowings and current portion of long-term borrowings	424,855	432,640
Short-term promissory notes payable	11,761	8,052
Long-term borrowings	1,184,457	923,230
Long-term promissory notes payable	4,592	1,718
Provisions for liabilities and charges	143,591	85,807
Deferred tax liabilities	320,463	265,279
Other non-current liabilities	17,151	14,590
Dividends	1,924	7,519
Inter-segment liabilities	(380,774)	(304,253)
Other	18,743	80,158
Total liabilities per the balance sheet	**2,717,269**	**2,255,469**

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. In addition, restricted cash comprises cash balances of RR 1,233 and RR 162 as of 31 December 2009 and 2008, respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

The table below analyses credit quality of banks at which the Group holds cash and cash equivalents by external credit ratings, published by Standard and Poor's and other credit agencies. The table below uses Standard and Poor's rating classification:

	31 December	
	2009	**2008**
Cash on hand	4,495	4,949
External credit rating of BB and above	231,486	301,849
External credit rating of B	3,899	16,308
No external credit rating	9,879	20,727
Total cash and cash equivalents	**249,759**	**343,833**

Sovereign credit rating of the Russian Federation published by Standard and Poor's is BBB (by international scale in foreign currency).

(In millions of Russian Roubles)

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 2009				31 December 2008			
	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:	**7,591**	**14,348**	**-**	**21,939**	**4,249**	**7,957**	**-**	**12,206**
Bonds	5,598	50	-	5,648	2,315	-	-	2,315
Equity securities	1,993	-	-	1,993	1,934	83	-	2,017
Promissory notes	-	14,298	-	14,298	-	7,874	-	7,874
Available-for-sale financial assets:	**11,339**	**10,069**	**8,790**	**30,198**	**2,644**	**3,836**	**4,762**	**11,242**
Bonds (net of impairment provision of RR 149 and RR nil as of 31 December 2009 and 2008, respectively)	11,339	4,250	-	15,589	2,644	1,656	-	4,300
Promissory notes (net of impairment provision of RR 47 and RR 779 as of 31 December 2009 and 2008, respectively)	-	5,819	8,790	14,609	-	2,180	4,762	6,942
Total short-term financial assets	**18,930**	**24,417**	**8,790**	**52,137**	**6,893**	**11,793**	**4,762**	**23,448**

Financial assets held for trading owned by the Group's banking subsidiaries amounted to RR 19,182 and RR 8,989 as of 31 December 2009 and 2008, respectively.

Information about credit quality of short-term financial assets is presented in the table below with reference to external credit ratings of related counterparties or instruments (published by Standard and Poor's and other rating agencies). The table below uses Standard and Poor's rating classification:

	31 December 2009	31 December 2008
External credit rating of BB and above	33,790	12,543
External credit rating of B	3,368	1,947
No external credit rating	12,986	6,941
Total short-term financial assets	**50,144**	**21,431**

Short-term financial assets with no external credit rating are mainly represented by investments in debt securities quoted on the Russian security market and securities which are not quoted.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2009	31 December 2008
Financial assets		
Trade receivables (net of impairment provision of RR 126,977 and RR 96,599 as of 31 December 2009 and 2008, respectively)	393,554	393,996
Other receivables (net of impairment provision of RR 28,874 and RR 16,426 as of 31 December 2009 and 2008, respectively)	185,595	113,300
	579,149	507,296
Non-financial assets		
Advances and prepayments (net of impairment provision of RR 1,021 and RR 1,150 as of 31 December 2009 and 2008, respectively)	263,765	168,638
Total accounts receivable and prepayments	**842,914**	**675,934**

The estimated fair value of short-term accounts receivable approximates their carrying value.

(In millions of Russian Roubles)

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As of 31 December 2009 and 2008 RR 268,393 and RR 318,757 of trade receivables, net of impairment provision, respectively, are denominated in foreign currencies, mainly US dollar and Euro.

As of 31 December 2009 and 2008 other receivables include RR 42,640 and RR 33,680, respectively, relating to the operations of Group's banking subsidiaries. This balance mainly represents deposits with other banks and loans issued to customers at commercial rates based on credit risk and maturities.

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.

As of 31 December 2008 the average effective interest rates on banking deposits and loans equaled 6.5% on balances denominated in Russian Roubles and from 1.2% to 4.1% 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.

Approximately 1% and 2% of accounts receivable settled during the years ended 31 December 2009 and 2008, respectively, were settled via mutual settlements or other non-cash settlements.

As of 31 December 2009 and 2008, trade receivables of RR 26,004 and RR 23,260, 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:

Ageing from the due date	31 December 2009	31 December 2008
Up to 6 months	14,326	17,807
From 6 to 12 months	6,645	1,952
From 1 to 3 years	3,196	855
More than 3 years	1,837	2,646
	26,004	**23,260**

As of 31 December 2009 and 2008, trade receivables of RR 132,602 and RR 108,756, respectively, were impaired and provided for. The amount of the provision was RR 126,977 and RR 96,599 as of 31 December 2009 and 2008, 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:

Ageing from the due date	Gross book value 31 December		Provision 31 December		Net book value 31 December	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Up to 6 months	15,129	11,583	(12,546)	(8,302)	2,583	3,281
From 6 to 12 months	19,107	11,146	(17,724)	(10,544)	1,383	602
From 1 to 3 years	38,893	26,652	(38,402)	(25,969)	491	683
More than 3 years	59,473	59,375	(58,305)	(51,784)	1,168	7,591
	132,602	**108,756**	**(126,977)**	**(96,599)**	**5,625**	**12,157**

As of 31 December 2009 and 2008, trade receivables of RR 361,925 and RR 358,579, 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 2009	31 December 2008
Europe and other countries gas, crude oil, gas condensate and refined products debtors	182,501	212,625
FSU gas, crude oil, gas condensate and refined products debtors	69,664	80,526
Domestic gas, crude oil, gas condensate and refined products debtors	40,305	27,349
Electric and heat energy sales debtors	13,807	3,733
Transportation services debtors	5,488	3,653
Other trade debtors	50,160	30,693
Total trade receivables neither past due, nor impaired	**361,925**	**358,579**

As of 31 December 2009 and 2008, trade receivables that would otherwise be past due whose terms have been renegotiated, amounted to RR 3,021 and RR 13,384, respectively.

(In millions of Russian Roubles)

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	
	2009	2008	2009	2008
Impairment provision at the beginning of the year	96,599	70,820	16,426	19,669
Impairment provision accrued*	28,303	30,880	1,130	4,390
Write-off of receivables during the year	(2,345)	(677)	(846)	(56)
Release of previously created provision*	(2,062)	(1,849)	(3,203)	(1,157)
Unwind of discounting*	(697)	(1,400)	-	-
Acquisition of subsidiaries	7,179	-	15,367	1,235
Gazprombank Group deconsolidation (see Note 4)	-	(1,175)	-	(7,655)
Impairment provision at the end of the year	**126,977**	**96,599**	**28,874**	**16,426**

* 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.

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

11 INVENTORIES

	31 December	
	2009	2008
Gas in pipelines and storage	135,701	132,085
Materials and supplies (net of an obsolescence provision of RR 2,622 and RR 409 as of 31 December 2009 and 2008, respectively)	104,851	114,918
Goods for resale (net of an obsolescence provision of RR 918 and RR 165 as of 31 December 2009 and 2008, respectively)	12,651	16,069
Crude oil and refined products	33,516	13,882
	286,719	**276,954**

(In millions of Russian Roubles)

12 PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31.12.07								
Cost	1,698,146	654,681	1,190,182	1,156,744	322,907	83,597	556,248	5,662,505
Accumulated depreciation	(826,203)	(251,910)	(550,573)	(461,745)	(53,482)	(28,115)	-	(2,172,028)
Net book value as of 31.12.07	**871,943**	**402,771**	**639,609**	**694,999**	**269,425**	**55,482**	**556,248**	**3,490,477**
Depreciation	(44,990)	(20,395)	(70,692)	(41,229)	(20,482)	(2,407)	-	(200,195)
Additions	404	275	8,953	7,869	5,838	1,615	684,990	709,944
Acquisition of subsidiaries	18,124	-	60,375	82,491	-	7	5,802	166,799
Disposal of subsidiaries	(48)	-	(25,198)	(18,703)	-	(800)	(27,742)	(72,491)
Translation differences	752	-	811	716	-	162	1,738	4,179
Transfers	84,650	59,253	155,432	139,274	-	5,090	(443,699)	-
Disposals	(20)	(1,921)	(4,044)	(1,819)	-	(3,633)	(12,589)	(24,026)
Charge of impairment provision	-	-	(22,470)	(25,954)	-	-	(5,741)	(54,165)
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**
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	-	18,886	114,589	106,292	3,911	51	140,958	384,687
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**	**519,838**	**923,645**	**1,011,710**	**260,077**	**51,459**	**1,182,988**	**4,893,918**
As of 31.12.09								
Cost	1,863,069	813,581	1,596,573	1,548,769	352,029	78,487	1,182,988	7,435,496
Accumulated depreciation	(918,868)	(293,743)	(672,928)	(537,059)	(91,952)	(27,028)	-	(2,541,578)
Net book value as of 31.12.09	**944,201**	**519,838**	**923,645**	**1,011,710**	**260,077**	**51,459**	**1,182,988**	**4,893,918**

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 2009 and 2008 operating assets are shown net of provision for impairment of RR 54,387 and RR 50,750, respectively (see Note 40).

Assets under construction are presented net of a provision for impairment of RR 97,157 and RR 93,826 as of 31 December 2009 and 2008, 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 2,265 and RR 4,167 as of 31 December 2009 and 2008, respectively.

Included in additions above is capitalized interest of RR 45,516 and RR 28,001 for the years ended 31 December 2009 and 2008, respectively. Capitalization rates of 8.17% and 7.39% were used representing the weighted average borrowing cost of the relevant borrowings for the years ended 31 December 2009 and 2008, 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 2,795 and RR 2,319 for the years ended 31 December 2009 and 2008, 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 2009 the effect amounted to RR 1,154 decrease in depreciation capitalized in inventories, whereas for the year ended 31 December 2008 the depreciation increased by RR 4,471.

(In millions of Russian Roubles)

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

Notes		Carrying value as of 31 December		Group's share of the profit (loss)* for	
		2009	2008	2009	2008
	Sakhalin Energy Investment Company Ltd.**	187,323	234,917	8,673	(10,325)
41	OAO NGK Slavneft and its subsidiaries	151,671	151,151	3,597	8,774
41	OAO NOVATEK	78,929	75,363	5,050	4,446
41	OAO Tomskneft VNK and its subsidiaries	69,614	69,286	4,390	(19,033)
41	OAO Beltransgaz	50,340	28,179	742	(3,322)
41	WINGAS GmbH & Co. KG	46,344	44,428	3,481	7,284
36, 41	Salym Petroleum Development N.V.*****	35,933	-	(1,358)	-
38, 41	OAO TGC-1***	-	32,309	975	(6,950)
42	Nord Stream AG	32,373	25,528	(729)	(58)
41	Gazprombank Group****	22,284	-	18,362	(37,667)
41	OAO Salavatnefteorgsyntez	19,272	20,959	(1,678)	-
41	TOO KazRosGaz	18,675	9,898	9,941	4,693
41	SGT EuRoPol GAZ S.A.	17,744	16,921	596	(1,273)
	Shtokman Development AG	14,298	2,622	102	86
	Wintershall AG	11,325	12,856	1,690	3,459
	ZAO Nortgaz	4,331	3,876	455	1,034
41	AO Latvijas Gaze	4,326	4,100	406	373
41	AO Lietuvos dujos	2,796	2,226	698	9
41,42	Blue Stream Pipeline company B.V.	1,603	1,232	331	147
36	OAO Moscovsky NPZ*****	-	15,922	153	374
	Other (net of provision for impairment of RR 2,452 and RR 3,000 as of 31 December 2009 and 2008, respectively)	25,524	20,370	6,680	31,263
		794,705	**772,143**	**62,557**	**(16,686)**

* Represents Group's share of the profit (loss) of the associated undertakings and jointly controlled entities for the years ended 31 December 2009 and 2008, respectively, or for the period during which a company was included in investments in associated undertakings and jointly controlled entities.

** Investments in Sakhalin Energy Investment Company Ltd. decreased mainly due to redemption of its redeemable preference shares in 2009.

*** The Group acquired controlling interest in OAO TGC-1 in December 2009 (see Note 38).

**** Gazprombank Group is accounted for as equity investment since 24 June 2008 due to deconsolidation of Gazprombank Group. The Group ceased to consolidate OAO Gazprombank and its subsidiaries from this date (see Note 4). The Group's share of Gazprombank Group's net loss from the date of the deconsolidation exceeded the investment resulting in reducing the carrying value to RR nil as of 31 December 2008.

***** Acquisition of controlling interest in Sibir Energy plc resulted in acquisition of 50% interest in Salym Petroleum Development N.V. and obtaining of control over OAO Moskovsky NPZ (see Note 36).

(In millions of Russian Roubles)

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (continued)

	Year ended 31 December	
	2009	2008
Balance at the beginning of the reporting period	**772,143**	**670,403**
Reclassification of investment in OAO Beltransgaz from available-for-sale long-term financial assets	-	16,156
Increase in share of OAO Beltransgaz	22,134	-
Share of net income (loss) of associated undertakings and jointly controlled entities (see Note 40)	62,557	(16,686)
Distribution from associated undertakings and jointly controlled entities	(22,889)	(38,434)
Effect of Gazprombank Group deconsolidation (see Note 4)	-	(4,740)
Acquisition of the controlling interest in OAO TGC-1 (see Note 38) and OAO Moscovsky NPZ (see Note 36)	(49,359)	-
Share redemption of Sakhalin Energy Investment Company Ltd.	(50,942)	-
Share of other comprehensive income of associated undertakings and jointly controlled entities	7,098	(4,972)
Translation differences	4,465	5,553
Other acquisitions and disposals	49,498	144,863
Balance at the end of the reporting period	**794,705**	**772,143**

Summarised financial information on the Group's principal associated undertakings and jointly controlled entities is as follows:

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2009				
Gazprombank Group*	1,742,730	1,547,835	230,412	56,534
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
Salym Petroleum Development N.V.***	32,053	29,125	43,564	(2,322)
Shtokman Development AG	34,705	6,670	-	200
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

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

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

*** The revenues and profits of Salym Petroleum Development N.V. for the year ended 31December 2009 are disclosed from the date of acquisition.

(In millions of Russian Roubles)

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (continued)

	Assets	Liabilities	Revenues	Profit (loss)
31 December 2008				
Gazprombank Group*	1,999,778	1,863,070	141,912	(91,981)
Sakhalin Energy Investment Company Ltd.	687,285	238,280	18,518	(20,649)
OAO NGK Slavneft and its subsidiaries	617,671	255,128	183,383	12,019
WINGAS GmbH & Co. KG	159,329	127,328	350,749	17,735
OAO Tomskneft VNK and its subsidiaries	155,267	98,273	80,562	1,933
OAO NOVATEK	139,907	43,267	79,272	22,899
OAO TGC-1**	79,286	16,493	15,083	95
Blue Stream Pipeline company B.V.	69,123	64,330	7,324	591
SGT EuRoPol GAZ S.A.	61,304	26,053	12,485	(1,166)
OAO Salavatnefteorgsyntez***	59,661	35,764	-	-
Nord Stream AG*****	56,385	4,309	1	(116)
OAO Beltransgaz****	55,980	16,114	71,295	2,805
OAO Moscovsky NPZ	46,703	3,615	10,745	966
AO Lietuvos dujos	30,437	7,794	17,390	715
AO Latvijas Gaze	28,762	9,643	19,320	1,097
Wintershall AG	24,529	9,840	106,493	7,029
TOO KazRosGaz	20,956	1,159	25,675	9,385
ZAO Nortgaz	10,792	3,194	5,762	2,027
Shtokman Development AG	10,295	4,354	-	169

* Deconsolidation of Gazprombank Group since 24 June 2008 (see Note 4). The revenue and loss of Gazprombank Group are disclosed from the date it was accounted for as equity investment to 31 December 2008. Revenue of Gazprombank Group is identified according to the Group's accounting policy and includes revenue of petrochemical business, media business, heavy machinery business and other non-banking companies.
** In July 2008 the Group acquired 28.7% interest in OAO TGC-1 for RR 39,219. The revenues and profit of OAO TGC-1 for the year ended 31 December 2008 are disclosed from the date of acquisition.
*** The revenues and profit (loss) of OAO Salavatnefteorgsyntez for the year ended 31 December 2008 are not disclosed as it was acquired in late 2008.
**** In February 2008 the Group purchased 12.5% interest in OAO Beltransgaz for USD 625 million. As a result the Group increased its interest in OAO Beltransgaz up to 25%. The revenues and profit of OAO Beltransgaz for the year ended 31 December 2008 are disclosed from the date of acquisition of additional shares.
***** In the first half of 2008 the Group contributed additional RR 21,686 into the charter capital of Nord Stream AG. The Group's interest did not change as a result of this transaction.

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 2009	31 December 2008
OAO NOVATEK	117,538	33,130
OAO Salavatnefteorgsyntez	19,748	19,728
AO Lietuvos dujos	4,539	2,700
AO Latvijas Gaze	3,382	3,568

Principal associated undertakings and jointly controlled entities

Entities	Country	Nature of operations	% of ordinary shares held as of 31 December* 2009	2008
ZAO Achimgaz	Russia	Exploration and production of gas	50	50
OAO Beltransgaz	Belarus	Transportation and gas supply	38	25
Bosphorus Gaz Corporation A.S.	Turkey	Gas distribution	51	40
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 distribution	50	50
OAO Gazprombank	Russia	Banking	44	45

(In millions of Russian Roubles)

13 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (continued)

Entities	Country	Nature of operations	% of ordinary shares held as of 31 December* 2009	2008
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	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	Foreign trade activity, construction	50	50
RosUkrEnergo AG	Switzerland	Gas distribution	50	50
OAO Salavatnefteorgsyntez	Russia	Processing and distribution of refined products	50	50
Salym Petroleum Development N.V.	Netherlands	Oil production	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
Centrex Beteiligungs GmbH	Austria	Gas distribution	38	38
Shtokman Development AG	Switzerland	Exploration and production of gas	51	51

*Cumulative share of Group companies in charter capital of investments.

14 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2009	2008
Long-term accounts receivable and prepayments (net of impairment provision of RR 24,915 and RR 17,303 as of 31 December 2009 and 2008, respectively)	193,319	150,502
Advances for assets under construction (net of impairment provision of RR 7 and RR 6 of 31 December 2009 and 2008, respectively)	219,990	193,303
	413,309	**343,805**

As of 31 December 2009 and 2008 long-term accounts receivable included RR 62,967 and RR 33,163, relating to the operations of Group's banking subsidiaries, respectively. This balance mainly represents deposits with other banks and loans issued to customers at commercial rates based on credit risk and maturities.

As of 31 December 2009 and 2008, long-term accounts receivable and prepayments with carrying value RR 193,319 and RR 150,502 have the estimated fair value RR 185,649 and RR 146,663, respectively.

Long-term accounts receivable and prepayments include prepayments in amount of RR 3,254 and RR 3,136 as of 31 December 2009 and 2008 respectively.

Long-term accounts receivable of RR 101,092 and RR 71,029 as of 31 December 2009 and 2008, respectively, were impaired and provided for. These receivables as of 31 December 2009 and 2008 mainly related to banking subsidiaries operations. The amount of the provision was RR 24,915 and RR 17,303 as of 31 December 2009 and 2008, respectively.

(In millions of Russian Roubles)

14 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As of 31 December 2009 and 2008, long-term accounts receivable of RR 13 and RR 3, respectively, were past due but not impaired.

As of 31 December 2009 and 2008, long-term accounts receivable of RR 117,129 and RR 96,773, respectively, were neither past due, nor impaired. These assets can be analysed as follows:

	31 December 2009	31 December 2008
Accounts receivable of Group's banking subsidiaries	121	151
Long-term loans	77,000	80,579
Long-term trade receivables	5,440	10,097
Other long-term receivables	34,568	5,946
Total long-term accounts receivable neither past due, nor impaired	**117,129**	**96,773**

Management experience indicates that long-term loans granted mainly for capital construction purposes are of sound credit quality.

As of 31 December 2009 and 2008, trade receivables that would otherwise be past due whose terms have been renegotiated, amounted to RR 1,737 and RR 7,548, respectively.

Movements of the Group's provision for impairment of long-term accounts receivable and prepayments are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Impairment provision at the beginning of the year	17,303	17,507
Impairment provision accrued*	6,512	6,361
Release of previously created provision*	(2,981)	-
Acquisition of subsidiaries	4,081	2,181
Gazprombank Group deconsolidation (see Note 4)	-	(8,746)
Impairment provision at the end of the year	**24,915**	**17,303**

* 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 2009				31 December 2008			
	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
Equity securities	49,047	25,709	2,555	**77,311**	14,567	8,133	5,717	**28,417**
Debt instruments	12,896	16,116	335	**29,347**	5,945	13,531	293	**19,769**
	61,943	**41,825**	**2,890**	**106,658**	**20,512**	**21,664**	**6,010**	**48,186**

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.

Available-for-sale long-term financial assets owned by the Group's banking subsidiaries amounted to RR 25,809 and RR 14,881 as of 31 December 2009 and 2008, respectively.

(In millions of Russian Roubles)

15 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS (continued)

Movements in long-term available-for-sale assets	Year ended 31 December 2009	2008
Balance at the beginning of the year	48,186	256,210
Increase (decrease) in fair value recognized in equity	32,088	(77,952)
Purchased long-term available-for-sale financial assets	34,621	5,627
Consolidation of OAO WGC-2 and OAO WGC-6 (see Note 33)	-	(89,577)
Increase of investments due to consolidation of subsidiaries	5,769	-
Gazprombank Group deconsolidation (see Note 4)	-	(20,437)
Reclassification of investment in OAO Beltransgaz (see Note 13)	-	(16,156)
Disposal of long-term available-for-sale financial assets	(13,346)	(997)
Impairment of long-term available-for-sale financial assets	(660)	(8,532)
Balance at the end of the year	**106,658**	**48,186**

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 82,282 and RR 49,560 as of 31 December 2009 and 2008, respectively.

Other non-current assets include net pension assets in the amount of RR 243,982 as of 31 December 2009 and 2008 (see Note 23).

17 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December 2009	2008
Financial liabilities		
Trade payables	215,583	210,858
Accounts payable for acquisition of property, plant and equipment	103,119	111,483
Liabilities of Group's banking subsidiaries	30,006	24,344
Other payables	121,548	94,819
	470,256	441,504
Non-financial liabilities		
Advances received	30,514	24,025
Accruals and deferred income	1,305	1,228
	31,819	25,253
	502,075	**466,757**

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 and from 0.01% to 8.5% per annum as of 31 December 2009 and 2008, respectively.

For the years ended 31 December 2009 and 2008 approximately 4% and 5% respectively of the Group's settlements of accounts payable and accrued charges were made by non-cash settlements.

Trade payables of RR 48,906 and RR 16,364 were denominated in foreign currency, mainly the US dollar and Euro, as of 31 December 2009 and 2008, respectively. Book values of accounts payable approximate their fair value.

(In millions of Russian Roubles)

18 OTHER TAXES PAYABLE

	31 December 2009	31 December 2008
VAT	28,239	20,134
Natural resources production tax	15,293	10,593
Property tax	8,183	7,395
Excise tax	5,593	3,131
Tax penalties and interest	1,536	151
Other taxes	12,253	9,342
	71,097	50,746
Less: long-term portion of restructured tax liabilities	(40)	(124)
	71,057	**50,622**

19 SHORT-TERM BORROWINGS, PROMISSORY NOTES AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December 2009	31 December 2008
Short-term borrowings:		
RR denominated borrowings	119,178	90,770
Foreign currency denominated borrowings	71,998	102,851
	191,176	193,621
Current portion of long-term borrowings (see Note 20)	233,679	239,019
	424,855	**432,640**

Short-term RR denominated borrowings had interest rates ranging from 9.6% to 20.2% and from 9.6% to 18.0% for the years ended 31 December 2009 and 2008, respectively. Short-term foreign currency denominated borrowings had interest rates ranging from 5.5% to 12% and from 3.2% to 8.5% for the years ended 31 December 2009 and 2008, respectively.

As of 31 December 2009 and 2008, respectively, short-term borrowings include RR 90,319 and RR 59,484 of short-term borrowings of bank subsidiaries.

The Group's short-term promissory notes payable had average interest rates ranging from 4.03% to 8.47% and from 0% to 13.1% for the years ended 31 December 2009 and 2008, respectively.

Fair values approximate the carrying value of these liabilities.

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES

	Currency	Final Maturity	31 December 2009	31 December 2008
Long-term borrowings payable to:				
OAO Sberbank Rossii	US dollar	2013	70,564	-
Loan participation notes issued in April 2009[1]	US dollar	2019	69,238	-
Loan participation notes issued in October 2007[1]	Euro	2018	55,100	52,628
The Royal Bank of Scotland (ABN AMRO Bank NV)	US dollar	2013	54,625	53,065
Loan participation notes issued in June 2007[1]	GBP	2013	48,589	47,201
Loan participation notes issued in May 2005[1]	Euro	2015	44,875	42,861
Loan participation notes issued in September 2003[1]	Euro	2010	44,278	42,291
Loan participation notes issued in December 2005[1]	Euro	2012	43,509	41,557
Loan participation notes issued in November 2006[1]	US dollar	2016	41,104	39,930

(In millions of Russian Roubles)

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 December 2009	2008
Loan participation notes issued in March 2007[1]	US dollar	2022	40,128	38,982
White Nights Finance B.V.	US dollar	2014	39,441	-
Loan participation notes issued in July 2009[1]	US dollar	2014	39,094	-
Loan participation notes issued in August 2007[1]	US dollar	2037	38,838	37,729
Loan participation notes issued in July 2009[1]	Euro	2015	38,144	-
Loan participation notes issued in April 2004[1]	US dollar	2034	36,841	35,789
Loan participation notes issued in October 2006[1]	Euro	2014	35,289	33,706
Loan participation notes issued in April 2008[1]	US dollar	2018	33,871	32,903
Loan participation notes issued in June 2007[1]	Euro	2014	30,649	29,273
WestLB AG[2]	US dollar	2013	30,446	29,760
Structured export notes issued in July 2004[3]	US dollar	2020	27,118	30,451
OAO Sberbank Rossii	US dollar	2010	25,937	-
The Royal Bank of Scotland (ABN AMRO Bank NV)[2]	US dollar	2012	24,550	44,245
GK Vnesheconombank	US dollar	2011	22,751	-
Loan participation notes issued in November 2006[1]	Euro	2017	22,564	21,552
Loan participation notes issued in March 2007[1]	Euro	2017	21,888	20,906
OAO Russian Commercial Bank	US dollar	2012	18,872	-
Russian bonds issued in April 2009[7]	Rouble	2019	18,856	-
Calyon Credit Agricole CIB[2]	US dollar	2010	18,156	41,183
Deutsche Bank AG	US dollar	2014	16,144	25,553
Credit Suisse International	US dollar	2017	15,867	15,414
Loan participation notes issued in July 2008[1]	US dollar	2013	15,551	15,107
Loan participation notes issued in April 2009[1]	CHF	2011	15,472	-
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2012	15,184	-
J.P. Morgan Chase bank	US dollar	2012	12,757	-
Loan participation notes issued in April 2008[1]	US dollar	2013	12,295	11,944
OAO VTB Bank	US dollar	2012	12,226	-
Credit Suisse International	Euro	2010	10,860	10,418
Russian bonds issued in June 2009	Rouble	2012	10,007	-
Commerzbank AG (Dresdner Bank AG)[2]	US dollar	2010	9,474	18,558
The Royal Bank of Scotland (ABN AMRO Bank NV)[2]	US dollar	2010	8,152	18,535
Loan participation notes issued in November 2007[1]	JPY	2012	7,956	7,729
OAO Gazprombank	Rouble	2012	7,500	7,508
OOO Aragon[4]	Euro	2010	7,343	11,397
Deutsche Bank AG	US dollar	2014	6,058	-
Deutsche Bank AG	US dollar	2011	5,770	8,455
The Royal Bank of Scotland (ABN AMRO Bank NV)[2]	US dollar	2013	5,479	5,068
Loan participation notes issued in November 2007[1]	JPY	2010	5,302	5,151
Russian bonds issued in February 2005	Rouble	2010	5,159	5,158
Russian bonds issued in February 2007	Rouble	2014	5,133	5,132
Russian bonds issued in November 2006	Rouble	2011	5,060	5,059
Russian bonds issued in December 2009	Rouble	2014	5,038	-
Russian bonds issued in June 2009	Rouble	2014	5,004	-
Russian bonds issued in July 2007[5]	Rouble	2010	5,001	5,192
Russian bonds issued in October 2008[8]	Rouble	2012	5,000	-

(In millions of Russian Roubles)

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 December 2009	2008
Russian bonds issued in March 2006[6]	Rouble	2016	4,909	4,731
Wintershall Holding GmbH (Wintershall Holding AG) [4]	Euro	2010	4,906	4,686
Russian bonds issued in September 2006[6]	Rouble	2011	4,799	4,908
Gazstream S.A.	US dollar	2012	3,525	4,565
Golden Gates B.V. (OAO Bank of Moscow)	Rouble	2010	3,227	7,529
J.P. Morgan Chase bank	US dollar	2011	3,034	4,429
Russian bonds issued in April 2007[5]	Rouble	2012	2,916	2,915
Credit Suisse International	JPY	2009	-	58,654
Citigroup Global Markets Deutschland AG and Co. KGaA (Salomon Brothers AG)	US dollar	2009	-	20,975
Credit Suisse International	Euro	2009	-	16,680
Salomon Brothers AG	US dollar	2009	-	15,436
Credit Suisse International	US dollar	2009	-	14,712
Commerzbank AG[2]	US dollar	2009	-	12,358
Credit Suisse International	Euro	2009	-	8,466
BNP Paribas SA[2]	US dollar	2009	-	5,946
Credit Suisse International	US dollar	2009	-	5,894
Russian bonds issued in August 2005	Rouble	2009	-	5,100
Russian bonds issued in November 2006	Rouble	2009	-	5,058
European bank for reconstruction and development	Rouble	2009	-	3,878
European bank for reconstruction and development	Rouble	2009	-	2,792
Golden Gates B.V. (OAO Bank of Moscow)	Rouble	2009	-	2,533
The Royal Bank of Scotland (ABN AMRO Bank N.V.)	US dollar	2009	-	2,453
Other long-term borrowings	Various	Various	120,713	50,161
Total long-term borrowings			1,418,136	1,162,249
Less: current portion of long-term borrowings			(233,679)	(239,019)
			1,184,457	**923,230**

[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 Gazpromneft.
[8] Issuer of these bonds is OAO TGC-1.

	31 December 2009	2008
RR denominated borrowings (including current portion of RR 15,778 and RR 20,487 as of 31 December 2009 and 2008, respectively)	154,887	95,035
Foreign currency denominated borrowings (including current portion of RR 217,901 and RR 218,532 as of 31 December 2009 and 2008, respectively)	1,263,249	1,067,214
	1,418,136	**1,162,249**

Due for repayment:	31 December 2009	2008
Between one and two years	162,848	181,615
Between two and five years	527,212	267,294
After five years	494,397	474,321
	1,184,457	**923,230**

(In millions of Russian Roubles)

20 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

Long-term borrowings include fixed rate loans with a carrying value of RR 1,149,288 and RR 914,937 and fair value of RR 1,199,339 and RR 749,630 as of 31 December 2009 and 2008, 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 2009 and 31 December 2008 long-term borrowings include RR 57,365 and RR 18,442 relating to the operations of Group's banking subsidiaries, respectively.

In 2009 and 2008 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 2009	31 December 2008
Fixed rate RR denominated long-term borrowings	11.74%	7.30%
Fixed rate foreign currency denominated long-term borrowings	7.47%	6.59%
Variable rate foreign currency denominated long-term borrowings	2.10%	4.64%

As of 31 December 2009 and 2008 long-term borrowings of RR 27,118 and RR 30,451, 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% and from 0% to 11.4% for the years ended 31 December 2009 and 2008, respectively.

The Group's long-term promissory notes payable have 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:

Notes		Year ended 31 December 2009	Year ended 31 December 2008
	Profit before profit tax	979,435	1,031,632
	Theoretical tax charge calculated at applicable tax rates	(195,887)	(247,592)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses including:	(33,572)	(67,079)
	Non-deductible expenses from call option fair value change	-	(12,177)
39	Non-taxable income from swap of assets transaction	21,094	-
	Non-taxable profits/non-deductable losses of associated undertakings and jointly controlled entities	12,511	(4,005)
35	Non-taxable income from purchase of non-controlling interest in OAO Gaprom neft	2,773	-
	Other non-taxable income	7,439	6,194
	Effect of reduction in tax rate to 20% enacted in 2008 with effect from 1 January 2009	-	52,230
	Profit tax expense	**(185,642)**	**(260,252)**

Profit tax expense in the consolidated statement of comprehensive income is stated net of RR nil and RR 424 of tax attributable to gains arising on treasury shares transactions for the years ended 31 December 2009 and 2008, respectively.

In November 2008 the Federal Law on amendments to the Russian Tax Code enacted the decrease in corporate profit tax rate from 24% to 20%, effective from 1 January 2009. This tax rate was applied to determine the deferred tax assets and liabilities as of 31 December 2008.

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 enacted from 1 January 2009 rate of 20%.

(In millions of Russian Roubles)

21 PROFIT TAX (continued)

	31 December 2009	Differences recognition and reversals	31 December 2008	Effect from tax rate change	Differences recognition and reversals at 24% rate	31 December 2007
Tax effects of taxable temporary differences:						
Property, plant and equipment	(303,565)	(54,859)	(248,706)	49,843	(31,584)	(266,965)
Financial assets	(17,704)	1,628	(19,332)	2,939	18,889	(41,160)
Inventories	(3,368)	(1,547)	(1,821)	364	1,816	(4,001)
	(324,637)	**(54,778)**	**(269,859)**	**53,146**	**(10,879)**	**(312,126)**
Tax effects of deductible temporary differences:						
Tax losses carry forward	2,239	906	1,333	(267)	623	977
Other deductible temporary differences	1,935	(1,312)	3,247	(649)	1,100	2,796
Total net deferred tax liabilities	**(320,463)**	**(55,184)**	**(265,279)**	**52,230**	**(9,156)**	**(308,353)**

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 36) and Naftna Industrija Srbije (see Note 34) in the amount of RR 18,652, OOO SeverEnergiya (see Note 37) in the amount of RR 20,456 and OAO TGC-1 (see Note 38) in the amount of RR 12,776.

Taxable temporary differences recognized in 2008 include the effect of the acquisition of the controlling interest in OAO WGC-2 and OAO WGC-6 (see Note 33), including RR 29,136 related to property, plant and equipment.

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 467,160 and RR 324,581 as of 31 December 2009 and 2008, 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 2009 and 2008 deferred tax assets on temporary differences in the amount of RR 24,129 and RR 20,669, respectively, have not been recorded because it is not probable that sufficient taxable profit of the Group's subsidiaries will be available to allow the benefit of that deferred tax asset to be utilised.

22 FINANCIAL INSTRUMENTS

As of 31 December 2009 the Group had outstanding commodity contracts and foreign currencies at the market price at the date of maturity. The Group expects to settle these contracts in the normal course of business. These instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

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.

(In millions of Russian Roubles)

22 FINANCIAL INSTRUMENTS (continued)

Fair value

	31 December 2009	31 December 2008
Assets		
Commodity contracts	30,941	46,947
Interest swap contracts	975	2,138
Foreign currency derivatives	733	6,156
Other derivatives	2,578	632
	35,227	**55,873**
Liabilities		
Commodity contracts	22,375	46,177
Interest swap contracts	47	44
Foreign currency derivatives	168	339
Other derivatives	2,029	542
	24,619	**47,102**

The fair values of commodity contracts, interest swap contracts, foreign currency and other derivatives are based on market quotes on measurement date (Level 1 in accordance with the valuation hierarchy). Customary valuation models are used to value power and gas futures as well as commodity swap (Level 2 in accordance with the valuation hierarchy). For index linked instruments, the purchase or sales price required in order to measure the fair value is calculated using an agreed price formula (Level 2 in accordance with the valuation hierarchy). As of 31 December 2009 and 2008 there are no derivative financial instruments valued using valuation techniques with significant non-observable inputs (Level 3). The above valuation level classifications for derivative financial instruments in use also apply to the previous year ended 31 December 2008.

	31 December 2009		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	**Total**
Financial instruments, assets	2,938	32,289	**35,227**
Financial instruments, liabilities	1,042	23,577	**24,619**

The maturities of all derivative financial instruments are less than one year, and the majority of the contracts have maturities less than one month. All deals are fixed price contracts and are settled in the normal course of business.

The Group enters into contracts to receive and deliver commodities in accordance with its expected purchase, sale or usage requirements. Such contracts are not considered derivatives and are not included in the table above.

23 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December 2009	31 December 2008
Provision for environmental liabilities	84,272	50,550
Provision for pension obligations	36,651	28,128
Other	22,668	7,129
	143,591	**85,807**

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.

(In millions of Russian Roubles)

23 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Principal actuarial assumptions used:

	31 December 2009	2008
Discount rate (nominal)	8.7%	8.6%
Future salary and pension increases (nominal)	6.4%	6.5%
Turnover ratio p.a.	4.8%	4.2%
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 2009 and 2008.

The Group expected a 10.3% return on the plan assets as of 31 December 2009 and 8.9% return as of 31 December 2008.

The amounts associated with pension obligations recognized in the consolidated balance sheet are as follows:

	31 December 2009		31 December 2008	
	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	(214,342)	(88,808)	(182,590)	(49,687)
Fair value of plan assets	513,763	-	257,046	-
	299,421	**(88,808)**	**74,456**	**(49,687)**
Unrecognised net actuarial losses (gains)	149,772	(2,852)	169,526	(1,535)
Unrecognised past service costs	-	55,009	-	23,094
Unrecognised plan assets above the limit	(205,211)	-	-	-
Net balance asset (liability)	**243,982**	**(36,651)**	**243,982**	**(28,128)**

The net pension assets of RR 243,982 related to benefits provided by the pension plan NPF Gazfund as of 31 December 2009 are included within other non-current assets of RR 466,489 in the consolidated balance sheet.

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2009	2008
Current service cost	12,804	8,766
Interest on obligation	19,537	17,053
Expected return on plan assets	(22,921)	(29,161)
Net actuarial (gains) losses recognized for the year	(195,824)	273,178
Past service cost	1,679	1,650
Effect of asset restriction	205,211	(255,108)
Total operating expenses included in staff costs	**20,486**	**16,378**

The total amount of benefits paid for 2009 and 2008 were equal to RR 8,816 and RR 5,078, respectively.

Changes in the present value of the defined benefit obligations are the follows:

	31 December 2009		31 December 2008	
	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	**182,590**	**49,687**	**207,880**	**55,344**
Service cost	6,878	5,926	5,979	2,787
Interest cost	15,401	4,136	13,504	3,549
Actuarial losses (gains)	14,562	(1,159)	(40,620)	(11,717)
Past service cost	-	33,045	-	-
Benefits paid	(5,089)	(3,874)	(4,153)	(1,422)
Consolidation of OAO TGC-1 (see Note 38)	-	1,047	-	-
Consolidation of OAO WGC-2 and OAO WGC-6 (see Note 33)	-	-	-	1,146
Defined benefit obligation at the end of the reporting year	**214,342**	**88,808**	**182,590**	**49,687**

(In millions of Russian Roubles)

23 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Changes in the plan assets are as follows:

	31 December 2009		31 December 2008	
	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	**257,046**	-	**583,221**	-
Expected return	22,921	-	29,161	-
Actuarial gains (losses)	230,184	-	(358,806)	-
Contributions by employer	8,701	3,727	7,623	924
Benefits paid	(5,089)	(3,727)	(4,153)	(924)
Fair value of plan assets at the end of the reporting year	**513,763**	-	**257,046**	-

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 December 2009	31 December 2008
Equities	83%	66%
Other assets	17%	34%
	100%	**100%**

The amount of ordinary shares of OAO Gazprom included in the fair value of plan assets comprise RR 59,010.

For the year ended 31 December 2009 actual return on plan assets was a profit of RR 253,105, caused by the change of the fair value of plan assets.

Funded status of the plan:

	31 December		
	2009	2008	2007
Defined benefit obligation	(214,342)	(182,590)	(207,880)
Plan assets	513,763	257,046	583,221
Surplus	**299,421**	**74,456**	**375,341**

For 2009, 2008 and 2007, experience adjustments on plan assets amounted to RR 230,184 profit, RR 358,806 loss and RR 33,514 loss and experience adjustments on plan liabilities amounted to RR 36,185, RR 124,592 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 2009 and 2008 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Roubles.

Dividends

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. In 2008, OAO Gazprom accrued and paid dividends in the nominal amount of 2.66 Roubles per share for the year ended 31 December 2007.

Treasury shares

As of 31 December 2009 and 2008, subsidiaries of OAO Gazprom held 724 million and 30 million of the ordinary shares of OAO Gazprom, respectively. Shares of the Group held by the subsidiaries represent 3.1% and 0.1% of OAO Gazprom shares as of 31 December 2009 and 2008, respectively. 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 39).

(In millions of Russian Roubles)

24 EQUITY (continued)

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 51,045 and RR 44,545 as of 31 December 2009 and 2008, 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 1,647 and RR 2,519 have been transferred to governmental authorities during the years ended 31 December 2009 and 2008, 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 2009 year, the statutory profit of the parent company was RR 624,613. 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	
	2009	**2008**
Gas sales (including excise tax and custom duties, net of VAT) to customers in:		
Russian Federation	503,121	479,387
Former Soviet Union (excluding Russian Federation)	363,400	381,902
Europe and other countries	1,393,958	1,697,078
Gross sales of gas	2,260,479	2,558,367
Excise tax	(220)	(81)
Customs duties	(344,213)	(461,740)
Net sales of gas	1,916,046	2,096,546
Sales of refined products to customers in:		
Russian Federation	297,885	378,182
Former Soviet Union (excluding Russian Federation)	35,951	44,980
Europe and other countries	206,669	229,794
Total sales of refined products	540,505	652,956
Sales of crude oil and gas condensate to customers in:		
Russian Federation	18,127	27,577
Former Soviet Union (excluding Russian Federation)	26,562	26,570
Europe and other countries	131,714	160,808
Sales of crude oil and gas condensate	176,403	214,955
Electric and heat energy sales:		
Russian Federation	191,334	131,965
Former Soviet Union (excluding Russian Federation)	3,706	2,370
Europe and other countries	-	-
Total electric and heat energy sales	195,040	134,335
Gas transportation sales:		
Russian Federation	64,597	70,080
Former Soviet Union (excluding Russian Federation)	966	605
Europe and other countries	-	-
Total gas transportation sales	65,563	70,685
Other revenues:		
Russian Federation	82,930	99,194
Former Soviet Union (excluding Russian Federation)	6,664	7,685
Europe and other countries	7,820	9,130
Total other revenues	97,414	116,009
Total sales	**2,990,971**	**3,285,486**

(In millions of Russian Roubles)

25 SALES (continued)

The presentation of 2008 comparative financial information related to sales of gas, electric and heat energy has been changed to be consistent with the net presentation of trading activity result. The effect of this reclassification on 2008 sales was RR 233,474 and had no effect on operating income and cash flows.

26 OPERATING EXPENSES

	Year ended 31 December	
	2009	2008
Purchased oil and gas	606,435	528,664
Staff costs	255,977	240,607
Taxes other than on income	244,748	258,971
Transit of gas, oil and refined products	238,327	185,269
Depreciation	221,197	195,016
Repairs and maintenance	138,779	152,234
Materials	83,576	90,722
Cost of goods for resale, including refined products	54,562	71,933
Electricity and heating expenses	43,375	48,691
Research and development expenses	28,524	19,952
Social expenses	20,639	18,668
Rental expenses	19,912	15,178
Insurance expenses	16,315	14,637
Processing services	9,744	10,055
Transportation services	7,309	7,485
Other	107,507	72,355
Total operating expenses	**2,096,926**	**1,930,437**

Staff costs include RR 20,486 and RR 16,378 of expenses associated with pension obligations for the years ended 31 December 2009 and 2008, respectively (see Note 23).

Gas purchase expenses included within purchased oil and gas amounted to RR 442,440 and RR 371,070 for the years ended 31 December 2009 and 2008, respectively.

Taxes other than on income consist of:

	Year ended 31 December	
	2009	2008
Natural resources production tax	144,908	188,494
Excise tax	53,024	29,309
Property tax	36,034	27,781
Other taxes	10,782	13,387
	244,748	**258,971**

27 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2009	2008
Exchange gains	338,976	118,746
Interest income	36,762	46,822
Gains on and extinguishment of restructured liabilities	61	35
Total finance income	**375,799**	**165,603**

	Year ended 31 December	
	2009	2008
Exchange losses	367,320	281,269
Interest expense	74,167	59,910
Total finance expenses	**441,487**	**341,179**

(In millions of Russian Roubles)

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	
	2009	**2008**
RAR net profit for the year per consolidated statutory accounts	**649,659**	**552,859**
Effects of IFRS adjustments:		
Gain on swap of assets transaction	2,440	-
Reclassification of revaluation of available-for-sale financial assets	(33,805)	49,411
Effect of OAO NOVATEK consolidation as an associated undertaking	(79,358)	85,214
Effect of profit tax rate change	-	52,230
Differences in depreciation	147,856	133,348
Reversal of goodwill depreciation	37,116	27,950
Gain on purchase of non-controlling interest in OAO Gazprom neft	13,865	-
Loan interest capitalized	40,614	26,465
Impairment provision for property, plant and equipment	(3,637)	(48,424)
Impairment provision for associated undertakings and jointly controlled entities	-	(31,000)
Impairment and other provisions	(17,313)	(19,010)
Accounting of finance lease	7,569	6,069
Accounting for Gazprombank group	14,727	(25,223)
Write-off of research and development expenses capitalized for RAR purposes	(8,935)	(4,317)
Fair value adjustment on commodity contracts	3,567	6,381
Gain from change in fair value of call option	-	(50,738)
Differences in losses on fixed assets disposal	7,243	6,816
Other effects	12,185	3,349
IFRS profit for the year	**793,793**	**771,380**

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 23.5 and 23.4 billion weighted average shares outstanding for the years ended 31 December 2009 and 2008, respectively.

There are no dilutive financial instruments outstanding.

(In millions of Russian Roubles)

30 NET CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended 31 December 2009	2008
Profit before profit tax	**979,435**	**1,031,632**
Adjustments to profit before profit tax		
Depreciation	221,197	195,016
Gain on purchase of non-controlling interest in OAO Gazprom neft	(13,865)	-
Gain from swap of assets transaction	(105,470)	-
Increase in provisions	65,914	115,342
Net unrealised foreign exchange loss	28,344	162,523
Interest expense	74,167	59,910
Gains on and extinguishment of restructured liabilities	(61)	(35)
Losses on disposal of property, plant and equipment	6,477	1,858
Interest income	(36,762)	(46,822)
Gains on disposal of available-for-sale financial assets	(6,319)	(14,326)
Derivatives gain	(3,371)	(10,762)
Share of net (income) loss of associated undertakings and jointly controlled entities	(62,557)	16,686
Total effect of adjustments	167,694	479,390
Increase in long-term assets	(3,940)	(112,485)
(Increase) decrease in long-term liabilities	597	(3,246)
Loss from change in fair value of call option	-	50,738
	1,143,786	1,446,029
Changes in working capital		
Increase in accounts receivable and prepayments	(132,167)	(245,820)
Decrease (increase) in inventories	1,844	(42,047)
(Increase) decrease in other current assets	(28,473)	3,131
(Decrease) increase in accounts payable and accrued charges, excluding interest, dividends and capital construction	(20,694)	67,551
Settlements on taxes payable (other than profit tax)	102,545	80,772
(Increase) decrease in available-for-sale financial assets and financial assets held for trading	(26,326)	15,707
Total effect of working capital changes	(103,271)	(120,706)
Profit tax paid	(143,361)	(308,772)
Net cash provided by operating activities	**897,154**	**1,016,551**

Total taxes and other similar payments paid in cash for the years 2009 and 2008:

	Year ended 31 December 2009	2008
Customs duties	564,722	699,253
Profit tax	143,361	308,772
Natural resources production tax	139,249	196,815
VAT	103,160	76,273
Excise	49,907	22,958
Property tax	36,203	30,908
Unified social tax	31,049	29,304
Personal income tax	29,399	28,876
Other	14,557	23,290
Total taxes paid	**1,111,607**	**1,416,449**

(In millions of Russian Roubles)

31 SUBSIDIARY UNDERTAKINGS

Principal subsidiaries

Subsidiary undertaking	Location	% of share capital as of 31 December* 2009	2008
OOO Aviapredpriyatie Gazprom avia (OOO Aviapredpriyatie Gazpromavia)	Russia	100	100
OAO Arkticheskaya gazovaya kompaniya	Russia	100	-
ZAO ArmRosgazprom	Armenia	80	76
Vemex s.r.o	Czech Republic	50	33
OAO Vostokgazprom	Russia	100	100
OOO Gazprom burenie (OOO Burgaz)	Russia	100	100
OOO Gazprom VNIIGAZ (OOO VNIIGAZ)	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Global LNG Ltd.	United Kingdom	100	100
OOO Gazprom dobycha Astrakhan	Russia	100	100
OOO Gazprom dobycha Krasnodar (OOO Kubangazprom)	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. (Gazprom Netherlands 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 komplektaciya	Russia	100	100
Gazprom Libyen Verwaltungs GmbH	Germany	100	100
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
ZAO Gazprom neft Orenburg	Russia	100	100
Gazprom Neft Trading GmbH **	Austria	100	100
OOO Gazprom neft shelf (OOO Sevmorneftegaz)	Russia	100	100
OAO Gazprom neft	Russia	96	76
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 (OOO Gaztorgpromstroy)	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

(In millions of Russian Roubles)

31 SUBSIDIARY UNDERTAKINGS (continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2009	2008
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 (OOO Gazpromenergo)	Russia	100	100
OOO Gazprom energoholding (OOO Gazoenergeticheskaya Companiya)	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
OAO Gazpromregiongaz	Russia	100	100
OOO Gazpromtrans	Russia	100	100
OAO Gazpromtrubinvest	Russia	100	99
OOO Gazflot	Russia	100	100
ZAO Gazenergoprombank	Russia	73	73
OOO Georesurs	Russia	100	100
ZAO Gerosgaz	Russia	100	51
OAO Daltransgaz	Russia	73	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
OOO Mezhregiongaz	Russia	100	100
OAO Moscovsky NPZ **	Russia	77	39
OAO Mosenergo	Russia	53	53
OAO Neftegastehnologiya	Russia	100	-
Naftna Industrija Srbije **	Serbia	51	-
OOO NK Sibneft-Yugra **	Russia	100	99
OOO Novourengoysky GCC	Russia	100	100
OAO WGC-2	Russia	58	57
OAO WGC-6	Russia	61	60
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	75
OOO SeverEnergiya	Russia	51	-
Sibir Energy plc **	United Kingdom	55	-
OOO Sibmetahim	Russia	100	50
OOO Sibneft-Chukotka **	Russia	-	100
AKB Soyuz (OAO)	Russia	75	-
OAO Spetsgazavtotrans	Russia	51	51
OAO TGC-1	Russia	52	29
OAO Tomskgazprom	Russia	100	100

(In millions of Russian Roubles)

31 SUBSIDIARY UNDERTAKINGS (continued)

Subsidiary undertaking	Location	% of share capital as of 31 December* 2009	2008
ZAO Urengoil Inc.	Russia	100	-
OOO Faktoring-Finance	Russia	90	90
OAO Tsentrgaz	Russia	100	100
OAO Tsentrenergogaz	Russia	66	62
ZAO Yamalgazinvest	Russia	100	100

* Cumulative share of Group companies in charter capital of investments.
** Subsidiaries of OAO Gazprom neft.
*** Group's voting shares.

32 NON-CONTROLLING INTEREST

Notes		Year ended 31 December 2009	2008
	Non-controlling interest at the beginning of the year	307,984	362,308
	Non-controlling interest share of net profit of subsidiary undertakings	14,208	28,452
4	Gazprombank Group deconsolidation	-	(148,035)
33	Acquisition of the controlling interest in OAO WGC-2 and OAO WGC-6	-	61,632
35	Acquisition of non-controlling interest in OAO Gazprom neft	(152,392)	-
36	Acquisition of the controlling interest in Sibir Energy plc	55,352	-
38	Acquisition of the controlling interest in OAO TGC-1	49,102	-
37	Acquisition of the controlling interest in OOO SeverEnergiya	43,578	-
	Changes in non-controlling interest as a result of other acquisitions	7,732	8,734
	Dividends	(1,442)	(6,227)
	Translation difference	(4,796)	1,120
	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	**319,431**	**307,984**

33 ACQUISITION OF THE CONTROLLING INTEREST IN OAO WGC-2 and OAO WGC-6

As of 1 July 2008, the Group completed the exchange of its ownership interest in RAO UES of Russia for ownership interests in certain companies, including controlling interests in OAO WGC-2 and OAO WGC-6 and minor interest in other power entities. The Group's controlling interest of 57.3% in OAO WGC-2 and 60.1% in OAO WGC-6 have been accumulated through the payment of cash of RR 16 billion for 12.2% interest in OAO WGC-2 in October 2007 and RR 21 billion for 17.1% interest in OAO WGC-6 in December 2007, respectively and the exchange of RAO UES of Russia shares with a fair value of RR 53 billion in July 2008. The fair value of the RAO UES of Russia shares exchanged for the OAO WGC-2 and OAO WGC-6 shares as of 1 July 2008 was determined by reference to the quoted market prices of the OAO WGC-2 and OAO WGC-6 shares received on 1 July 2008, the date the Group obtained control over OAO WGC-2 and OAO WGC-6.

The Group accounted for the interest owned prior to July 2008 in OAO WGC-2 and OAO WGC-6 as available-for-sale financial assets.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values.

The total purchase consideration primarily includes the total cash paid of RR 37 billion and the fair value of the shares exchanged of RR 53 billion.

The carrying amounts before the acquisition date and recognized assets acquired and liabilities assumed of OAO WGC-2 and OAO WGC-6 as of the acquisition date are as follows:

(In millions of Russian Roubles)

33 ACQUISITION OF THE CONTROLLING INTEREST IN OAO WGC-2 and OAO WGC-6 (continued)

	Book value	Attributable fair value
Cash and cash equivalents	1,556	1,556
Accounts receivable and prepayments	4,835	4,835
Inventories	6,434	6,434
Other current assets	13,969	13,969
Current assets	**26,794**	**26,794**
Property, plant and equipment	46,631	140,221
Long-term accounts receivable and prepayments	26,212	26,212
Other non-current assets	3,952	3,952
Non-current assets	**76,795**	**170,385**
Total assets	**103,589**	**197,179**
Accounts payable and accrued charges	11,048	11,048
Current liabilities	**11,048**	**11,048**
Long-term borrowings	7,756	7,756
Deferred tax liabilities	6,283	28,745
Other non-current liabilities	1,029	1,029
Non-current liabilities	**15,068**	**37,530**
Total liabilities	**26,116**	**48,578**
Net assets at acquisition date	**77,473**	**148,601**
Fair value of net assets at acquisition date		**148,601**
Fair value of the Group's interest		86,970
Purchase consideration		89,577
Goodwill		**2,607**

The acquired entities contributed revenue of RR 41,248 and loss of RR 35,244 to the Group for the period from the date of acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, the Group's revenue and profit for the year ended 31 December 2008 would have been RR 3,317,349 and RR 760,499, respectively.

The Group performed impairment testing of assets and liabilities of OAO WGC-2 and OAO WGC-6 as of 31 December 2008 and recorded an impairment loss of RR 44,119 for certain non-financial assets including goodwill of RR 2,607. The impairment loss was primarily due to the effects of fourth quarter 2008 revised projections indicating downward revisions of projected sales volumes and increased discount rates (see Note 40).

34 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.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities assumed based upon their fair values. As of 31 December 2009 the Group has updated the initial assessment of the estimated fair values of certain assets and liabilities acquired based on further analysis.

The principal changes to the assessment of fair values relate to changes in the fair value of the refining assets, production licenses and trade receivables that are not recoverable.

(In millions of Russian Roubles)

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

In the consolidated financial statements for the year ended 31 December 2009, the purchase price allocation is preliminary as the Group is in the process of finalizing the fair value estimates for certain assets and liabilities, primarily for property, plant and equipment, certain long-term receivables and investments. Management is required to finalize the purchase accounting within 12 months of the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

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

	Book value	Provisional 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**
Provisional fair value of net assets at acquisition date		**23,645**
Fair value of the Group's interest		12,059
Purchase consideration		18,489
Provisional goodwill		**6,430**

The acquisition of NIS contributed sales of approximately RR 72,777 and profit of RR 1,291 to the Group for the period from the date of acquisition to 31 December 2009. If the acquisition had occurred on 1 January 2009, the Group's sales for the year ended 31 December 2009 would have been RR 2,997,587. The Group's profit for the year ended 31 December 2009 would have been RR 793,910.

35 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.

(In millions of Russian Roubles)

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

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

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

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

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

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities assumed based upon their fair values. In the consolidated financial statements for the year ended 31 December 2009, the fair value of purchase consideration and the purchase price allocation is preliminary as the Group is in the process of finalizing the fair value estimates for certain assets and liabilities, primarily for property, plant and equipment, certain long-term receivables and investments. Management is required to finalize the purchase accounting within 12 months of the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

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

	Book value	Provisional fair value
Cash and cash equivalents	5,643	5,643
Accounts receivable and prepayments	16,743	17,520
Inventories	1,884	1,884
Other current assets	429	616
Current assets	**24,699**	**25,663**
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	**94,147**	**171,222**
Accounts payable and accrued charges	9,915	10,259
Current profit tax payable	73	73
Other taxes payable	3,156	3,156
Short-term borrowings and current portion of long-term borrowings	7,276	7,276
Current liabilities	**20,420**	**20,764**
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	**27,835**	**43,663**
Net assets at acquisition date	**66,312**	**127,559**
Non-controlling interest		(1,577)

(In millions of Russian Roubles)

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

	Book value	Provisional fair value
Provisional fair value of net assets at acquisition date		**125,982**
Fair value of the Group's interest		72,207
Revaluation surplus		9,911
Purchase consideration		68,506
Provisional goodwill		**6,210**

The acquisition of Sibir Energy plc contributed sales of approximately RR 43,640 and profit of RR 2,164 to the Group for the period from the date of acquisition to 31 December 2009. If the acquisition had occurred on 1 January 2009, the Group' sales for the year ended 31 December 2009 would have been RR 3,027,699. The Group's profit for the year ended 31 December 2009 would have been RR 797,529 respectively.

37 ACQUISITION 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: OAO 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.

The carrying amounts before the acquisition date and recognized 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**

(In millions of Russian Roubles)

37 ACQUISITION 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.

The acquisition of OOO SeverEnergiya did not have a material effect on the Group's sales and profit for the period from the date of acquisition to 31 December 2009. If the acquisition had occurred on 1 January 2009, the Group' sales for the year ended 31 December 2009 would have been RR 2,990,977. The Group's profit for the year ended 31 December 2009 would have been RR 791,484 respectively.

38 ACQUISITION OF THE CONTROLLING INTEREST IN OAO TGC-1

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

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

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their fair values. In these consolidated financial statements, management made a preliminary assessment on a provisional basis. Management is required to finalise the accounting within 12 months of the date of acquisition. Any revisions to the provisional values will be reflected as of the acquisition date.

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

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

	Book value	Provisional 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	121,374
Long-term accounts receivable and prepayments	6,418	6,418
Other non-current assets	956	956
Non-current assets	**86,084**	**128,748**
Total assets	**98,120**	**140,784**
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	12,384
Other non-current liabilities	773	773
Non-current liabilities	**13,124**	**21,656**
Total liabilities	**30,408**	**38,940**

(In millions of Russian Roubles)

38 ACQUISITION OF THE CONTROLLING INTEREST IN OAO TGC-1 (continued)

	Book value	Provisional fair value
Net assets at acquisition date	**67,712**	**101,844**
Provisional fair value of net assets at acquisition date		**101,844**
Fair value of the Group's interest		52,742
Purchase consideration		61,538
Provisional goodwill		**8,796**

If the acquisition had occurred on 1 January 2009, the Group' sales for year ended 31 December 2009 would have been RR 3,019,344. The Group's profit for the year ended 31 December 2009 would have been RR 795,992 respectively.

39 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.

40 IMPAIRMENT AND OTHER PROVISIONS

The Group assessed at 31 December 2009 and 2008 whether there were any indications that the Group assets with definite useful lives may be impaired. No such indications were identified in 2009 that would require the Group to estimate the recoverable amount of such assets.

In 2008 the Group conducted an impairment test of its property, plant and equipment, goodwill, investments in associated undertakings and jointly controlled entities and other assets when there were indicators that these assets may be impaired. The recoverable amount used in the impairment tests has been determined on the basis of the projected cash flows and the value in use of such asset or cash-generating units.

For non-financial assets, the Group conducted as of 31 December 2008 an impairment test of its cash-generating units, for which the values in use have been calculated as the present values of projected future cash flows discounted the Group's weighted average cost of capital, and adjusted, where applicable, to take into account any specific risks of business operations related to the cash-generating units. The Group used discount rates ranging from 10 to 17%. The cash flow projections cover periods commensurate with the production cycles and expected lives of the respective assets. The Group used either steady or declining growth rates to extrapolate cash flows beyond the period, for which the Group usually prepares its budget. In 2008 based on the results of this test the Group recognized an impairment loss of RR 51,031 for power generating assets, including goodwill on the acquisition of OAO WGC-2 and OAO WGC-6 (see Note 33). The impairments were primarily triggered by the increase in discount rates, projected reduction in electricity consumption and expected oil and electricity prices.

For associated undertakings and jointly controlled entities, where there was an indication that the carrying value of investments in associated undertakings and jointly controlled entities might not be recoverable the Group conducted an impairment test of such investments as of 31 December of 2008. The total impairment loss in the year ended 31 December 2008, included in share of net income (loss) of associated undertakings and jointly controlled entities of RR 28,181 related primarily to projected decrease in crude oil and electricity consumption and prices and the increase in discount rates.

Included in the impairment and other provisions are provisions for short-term and long-term accounts receivable in the amount of RR 33,586 and RR 42,057 for the years, ended 31 December 2009 and 2008 respectively.

(In millions of Russian Roubles)

41 RELATED PARTIES

For the purpose of this 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.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during 2009 or had significant balances outstanding as of 31 December 2009 are 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.

As of 31 December 2009 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.

As of and for the years ended 31 December 2009 and 2008, respectively, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	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	41,232	-	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	21,683	-	-	-
Oil transportation expenses	-	-	-	71,718
Accounts payable	-	7,996	-	-
Loans	-	145,923	-	-
Interest income/expense	-	-	-	14,715
Short-term financial assets	14,577	-	-	-
Available-for-sale long-term financial assets	47,165	-	-	-

(In millions of Russian Roubles)

41 RELATED PARTIES (continued)

	As of 31 December 2008		Year ended 31 December 2008	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	30,518	6,774	-	307,094
Unified social tax	558	1,075	-	30,460
VAT recoverable/payable	199,990	20,134	-	-
Customs duties	60,841	-	-	-
Other taxes	2,565	29,537	-	258,971
Transactions and balances with other parties under control of the Government				
Gas sales	-	-	95,799	-
Electricity and heating sales	-	-	78,151	-
Other services sales	-	-	1,960	-
Accounts receivable	9,360	-	-	-
Oil transportation expenses	-	-	-	62,975
Accounts payable	-	5,444	-	-
Loans	-	14,610	-	-
Interest income/expense	-	-	854	1,050
Short-term financial assets	1,176	-	-	-
Available-for-sale long-term financial assets	18,319	-	-	-

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.

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 2009 and 2008. See Note 12 for net book values as of December 2009 and 2008 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 1,382 and RR 2,056 for the years ended 31 December 2009 and 2008, 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.

(In millions of Russian Roubles)

41 RELATED PARTIES (continued)

Associated undertakings and jointly controlled entities

For the years ended 31 December 2009 and 2008 the Group had the following significant transactions with associated undertakings and jointly controlled entities:

	Year ended 31 December 2009	Year ended 31 December 2008
	Revenues	
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	104,370	115,317
OAO Beltransgaz	83,306	60,509
ZAO Panrusgaz	64,068	74,878
WINGAS GmbH & Co. KG	55,472	56,092
AO Gazum	25,119	26,822
AO Moldovagaz	20,785	8,999
AO Overgaz Inc.	16,360	14,088
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	13,304	25,740
OAO TGC-1**	12,981	5,492
Promgaz SPA	11,435	14,864
AO Lietuvos dujos	8,129	9,039
GWH – Gaz und Warenhandels GmbH	7,059	10,336
AO Latvijas Gaze	6,015	6,533
ZAO Gazprom YRGM Trading	5,912	5,119
RosUkrEnergo AG	5,349	230,093
ZAO Gazprom YRGM Development	2,280	-
Gas transportation sales		
OAO NOVATEK	20,020	11,262
ZAO Gazprom YRGM Trading	13,078	7,217
ZAO Gazprom YRGM Development	5,456	-
RosUkrEnergo AG	-	23,455
Gas condensate, crude oil and refined products sales		
OAO NGK Slavneft and its subsidiaries	22,841	15,137
OAO Salavatnefteorgsyntez	10,787	-
Gas refining services sales		
TOO KazRosGaz	4,140	3,735
	Expenses	
Purchased gas		
ZAO Gazprom YRGM Trading	38,585	23,901
TOO KazRosGaz	31,810	17,265
OAO NOVATEK	15,791	5,505
ZAO Gazprom YRGM Development	14,121	-
RosUkrEnergo AG	-	39,341
Purchased transit of gas		
OAO Beltransgaz	14,111	11,864
SGT EuRoPol GAZ S.A.	12,314	12,206
Blue Stream Pipeline Company B.V.	8,731	7,513
WINGAS GmbH & Co. KG	4,926	3,748
Purchased crude oil and refined products		
OAO NGK Slavneft and its subsidiaries	54,849	79,511
OAO Tomskneft VNK and its subsidiaries	31,628	32,958
Salym Petroleum Development N.V.	17,575	-
Processing services purchases		
OAO NGK Slavneft and its subsidiaries	6,916	5,816

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

** OAO TGC-1 is consolidated from the moment of acquisition of controlling interest in December 2009 (See Note 38).

(In millions of Russian Roubles)

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 2009		As of 31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	12,018	-	1,783	-
RosUkrEnergo AG	10,573	-	76,514	-
OAO Salavatnefteorgsyntez	10,488	-	2,493	-
OAO Beltransgaz	9,725	-	8,664	-
ZAO Panrusgaz	8,877	-	11,341	-
ZAO Gazprom YRGM Development	5,121	-	-	-
WINGAS GmbH & Co. KG	4,791	-	13,888	-
OAO Sibur Holding and its subsidiaries	4,083	-	1,589	-
AO Gazum	4,082	-	4,322	-
AO Moldovagaz*	3,731	-	3,274	-
Wintershall Erdgas Handelshaus Zug AG (WIEE)	2,249	-	11,925	-
OAO NGK Slavneft and its subsidiaries	1,647	-	4,313	-
ZAO Gazprom YRGM Trading	1,354	-	2,196	-
OAO Gazprombank	1,026	-	1,077	-
OAO NOVATEK	530	-	209	-
SGT EuRoPol GAZ S.A.	-	-	1,295	-
Cash balances in associated undertakings				
OAO Gazprombank	93,148	-	152,726	-
Long-term accounts receivable and prepayments				
RosUkrEnergo AG	11,842	-	-	-
OAO Sibur Holding and its subsidiaries	1,406	-	3,587	-
SGT EuRoPol GAZ S.A.	-	-	3,555	-
Long-term promissory notes				
WINGAS GmbH & Co. KG	16,609	-	11,721	-
Salym Petroleum Development N.V.	8,896	-	-	-
OAO Gazprombank	2,193	-	2,536	-
Short-term accounts payable				
ZAO Gazprom YRGM Development	-	9,547	-	-
SGT EuRoPol GAZ S.A.	-	6,590	-	4,470
ZAO Gazprom YRGM Trading	-	5,546	-	4,591
OAO Sibur Holding and its subsidiaries	-	3,839	-	2,756
WINGAS GmbH & Co. KG	-	2,675	-	9,239
OAO Beltransgaz	-	2,028	-	1,351
TOO KazRosGaz	-	1,896	-	1,994
OAO NGK Slavneft and its subsidiaries	-	788	-	1,580
OAO NOVATEK	-	784	-	1,111
RosUkrEnergo AG	-	-	-	9,176
Long-term accounts payable				
OAO Sibur Holding and subsidiaries	-	100	-	3,627

(In millions of Russian Roubles)

41 RELATED PARTIES (continued)

	As of 31 December 2009		As of 31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Short-term loans from associated companies				
OAO Tomskneft VNK and its subsidiaries	-	10,463	-	8,478
OAO Gazprombank	-	4,563	-	7,875
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	-	-	-	2,344
Long-term loans from associated undertaking				
OAO Gazprombank	-	9,536	-	9,513

* Net of impairment provision on accounts receivable in the amount of RR 51,802 and RR 37,125 as of 31 December 2009 and 2008, 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 2009	31 December 2008
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	18,317	24,092
OOO Stroygazconsulting	8,841	-
MRK Energy DMCC	8,620	6,959
EM Interfinance Limited	5,785	5,823
Devere Capital International Limited	5,672	5,691
Blackrock Capital Investments Limited	4,900	4,934
ZAO Achimgaz	4,841	4,961
OAO Group E4	3,729	3,562
Nord Stream AG	2,655	2,536
Gaztransit	972	1,294
DSL Assets International Limited	-	888
United Energy Investments Limited	-	887
Other	22,636	25,701
	86,968	**87,328**

In 2009 and in prior periods counterparties fulfilled their obligations. The maximum exposure to credit risk in relation to financial guarantees is RR 86,968 and RR 87,328 as of 31 December 2009 and 2008, respectively.

Included in financial guarantees are amounts denominated in USD of USD 1,569 million and USD 1,587 million as of 31 December 2009 and 31 December 2008, 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 2009 and 31 December 2008, outstanding amounts of these loans were RR 18,317 (USD 606 million) and RR 23,052 (USD 785 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

As of 31 December 2008, BSPC also borrowed RR 1,040 (USD 35 million) of credit facilities, provided by Depfa Investment Bank Ltd., which were guaranteed by the Group. As of 31 December 2009 this loan was repaid.

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 2009 and 31 December 2008 the above guarantee amounted to RR 4,841 (Euro 112 million) and RR 4,961 (Euro 120 million), respectively.

42 COMMITMENTS AND CONTINGENCIES (continued)

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 and 31 December 2008 the above guarantee amounted to RR 2,655 (Euro 61 million) and RR 2,536 (Euro 61 million), respectively.

In April 2008 the Group provided a guarantee to Credit Suisse International and National Reserve bank (OAO) on behalf of MRK Energy DMCC related to loan received by MRK Energy DMCC. The purpose of the loan is financing of construction of gas pipeline "Kudarsky pereval – Tskhinval" (South Ossetia). As of 31 December 2009 and 31 December 2008 the above guarantee amounted to RR 8,620 and RR 6,959 respectively.

In 2006 the Group guaranteed loans issued by five financing entities (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited). These companies were special purpose entities of Gazprombank Group, which beared risks, associated with the loans. Following the deconsolidation of Gazprombank Group and because the Group remains a guarantor, the guarantees provided by the Group are reported as guarantees to third parties. As of 31 December 2009 and 31 December 2008 the above guarantees amounted to RR 16,357 (USD 541 million) and RR 18,223 (USD 620 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 2009 and 31 December 2008 the above guarantee amounted to RR 3,729 (Euro 86 million) and RR 3,562 (Euro 86 million).

In April 2009 the Group provided a guarantee to OAO Gazpromank 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.

Other guarantees of the Group included guarantees, issued by OAO Sobinbank to third parties in the amount of RR 3,140 and RR 8,267 as of 31 December 2009 and 31 December 2008, respectively.

Capital commitments

In November 2009 the Board of Directors approved a RR 802 billion investment programme for 2010. 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 2009 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.

The consequences of the ongoing global financial and economic crisis affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

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 2009 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

In the middle of 2008 the global financial crisis started to affect the Russian economy, leading to lower levels of mutual trust in investments and lending. The rise of credit, currency and price risks has led to negative economic conditions in the economy, namely greater volatility of stock market quotations, the decline in industrial output and numerous insolvencies. Management is unable to estimate reliably all trends that may influence the Group's financial position and operating activity. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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.

(In millions of Russian Roubles)

44 FINANCIAL RISK FACTORS (continued)

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 2009					
	Financial assets					
	Current					
8	Cash and cash equivalents	125,718	88,609	25,135	10,297	249,759
9	Short-term financial assets	46,981	5,156	-	-	52,137
10	Trade and other accounts receivable	298,691	191,468	70,719	18,271	579,149
	Non-current					
14	Long-term accounts receivable	164,332	24,316	1,417	-	190,065
15	Available for sale long-term financial assets	80,498	24,625	1,535	-	106,658
	Total financial assets	**716,220**	**334,174**	**98,806**	**28,568**	**1,177,768**
	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	182,078	100,346	7,475	424,855
19	Short-term promissory notes payable	11,761	-	-	-	11,761
	Non-current					
20	Long-term borrowings	139,109	668,453	301,987	74,908	1,184,457
20	Long-term promissory notes payable	4,592	-	-	-	4,592
	Total financial liabilities	**616,373**	**944,587**	**426,832**	**108,129**	**2,095,921**
	As of 31 December 2008					
	Financial assets					
	Current					
8	Cash and cash equivalents	184,344	114,319	39,533	5,637	343,833
9	Short-term financial assets	23,365	-	83	-	23,448
10	Trade and other accounts receivable	185,075	207,100	83,346	31,775	507,296

(In millions of Russian Roubles)

44 FINANCIAL RISK FACTORS (continued)

Notes		Russian Rouble	US dollar	Euro	Other	Total
	Non-current					
14	Long-term accounts receivable	136,643	10,413	310	-	147,366
15	Available for sale long-term financial assets	43,210	-	4,976	-	48,186
	Total financial assets	**572,637**	**331,832**	**128,248**	**37,412**	**1,070,129**
	Financial liabilities					
	Current					
17	Accounts payable and accrued charges	308,564	85,137	26,091	21,712	441,504
19	Short-term borrowings and current portion of long-term borrowings	111,257	273,429	47,011	943	432,640
19	Short-term promissory notes payable	8,052	-	-	-	8,052
	Non-current					
20	Long-term borrowings	74,548	496,303	352,282	97	923,230
20	Long-term promissory notes payable	1,718	-	-	-	1,718
	Total financial liabilities	**504,139**	**854,869**	**425,384**	**22,752**	**1,807,144**

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 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 122,083, 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 2008, if the Russian Rouble had weakened by 30% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 155,194. The effect of a corresponding strengthening of the Russian Rouble against the US dollar is approximately equal and opposite.

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 65,605 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 2008, if the Russian Rouble had weakened by 30% against Euro with all other variables held constant, profit before profit tax would have been lower by RR 90,552. 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**	
	2009	**2008**
At fixed rate	1,149,288	914,937
At variable rate	268,848	247,312
Total	**1,418,136**	**1,162,249**

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 2009 and 2008, the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

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 mainly as a result of higher interest expense on floating rate borrowings. As of 31 December 2008, 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 4,946 for 2008. 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 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. As of 31 December 2008, 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 157,999 for 2008.

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 investments 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 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.

As of 31 December 2008, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 60% 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 30,671 lower.

To manage price risk arising from other investments in equity securities, the Group's banking subsidiaries diversify their investment portfolios.

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).

(In millions of Russian Roubles)

44 FINANCIAL RISK FACTORS (continued)

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. The Group's customer portfolio is diversified with a limited concentration.

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 2009	31 December 2008
Cash and cash equivalents	249,759	343,833
Debt securities	50,144	21,431
Long-term and short-term trade and other accounts receivable	772,468	657,798
Financial guarantees	86,968	87,328
Total maximum exposure to credit risk	**1,159,339**	**1,110,390**

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. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed funds available. 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 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.

(In millions of Russian Roubles)

44 FINANCIAL RISK FACTORS (continued)

	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 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	18,056	16,882	12,803	22,987	16,240
As of 31 December 2008					
Short-term and long-term loans and borrowings	245,676	186,964	181,615	267,294	474,321
Trade and other payables	428,872	12,632	-	-	-
Financial guarantees	7,553	18,035	11,069	33,434	17,237

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).

The net debt to adjusted EBITDA ratios at 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Total debt	1,625,705	1,365, 764
Less: cash and cash equivalents and certain restricted cash	(253,398)	(347,418)
Net debt	1,372,307	1,018,346
Adjusted EBITDA	1,089,951	1,463,805
Net debt/Adjusted EBITDA ratio	**1.26**	**0.70**

OAO Gazprom presently has an investment grade credit rating of BBB (negative) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings.

45 POST BALANCE SHEET EVENTS

Investments

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

Borrowings and loans

In February 2010 the Group signed an agreement to obtain a long-term loan from Citibank N.A. in the amount of USD 367 million due in 2021 at an interest rate of LIBOR +1.6%.

In April 2010 the Group issued bonds in the amount of RR 20,000 due in 2013 at an interest rate of 7.15%.

The Company may be contacted at its registered office:

OAO Gazprom
Nametkina str., 16
V-420, GSP-7, 117997, Moscow
Russia

Telephone: (7 495) 719 3001
Facsimile: (7 495) 719 8333, 719 8335
www.gazprom.ru (in Russian)
www.gazprom.com (in English)