OAO GAZPROM

IFRS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2013

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 2013 and the consolidated statements of comprehensive income, cash flows and changes in equity for 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

28 April 2014

Moscow, Russian Federation

M.E. Timchenko, Director (licence no. 01-000267), ZAO PricewaterhouseCoopers Audit

Audited entity: OAO Gazprom

State registration certificate № 022.726, issued by the Moscow Registration Chamber on 25 February 1993

Certificate of inclusion in the Unified State Register of Legal Entities issued on 2 August 2002 under registration № 1027700070518

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

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

OAO GAZPROM
IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013
(In millions of Russian Roubles)

Notes		31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
	Assets			
	Current assets			
8	Cash and cash equivalents	689,130	425,720	504,766
8	Restricted cash	401	5,530	6,290
9	Short-term financial assets	24,502	16,962	23,991
10	Accounts receivable and prepayments	1,032,026	940,732	782,562
11	Inventories	569,724	462,746	411,108
	VAT recoverable	341,315	395,368	303,454
	Other current assets	205,572	173,745	216,122
		2,862,670	**2,420,803**	**2,248,293**
	Non-current assets			
12	Property, plant and equipment	8,940,088	7,949,170	6,852,103
13	Goodwill	151,189	146,587	102,800
14	Investments in associated undertakings and joint ventures	549,684	541,113	608,775
15	Long-term accounts receivable and prepayments	437,349	479,138	504,671
16	Available-for-sale long-term financial assets	168,904	161,704	181,138
17	Other non-current assets	326,352	258,321	288,360
		10,573,566	**9,536,033**	**8,537,847**
	Total assets	**13,436,236**	**11,956,836**	**10,786,140**
	Liabilities and equity			
	Current liabilities			
18	Accounts payable and accrued charges	895,694	1,038,993	804,602
	Current profit tax payable	17,750	7,990	44,115
19	Other taxes payable	146,095	122,450	100,324
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	331,926	322,633	362,536
		1,391,465	**1,492,066**	**1,311,577**
	Non-current liabilities			
21	Long-term borrowings and promissory notes	1,470,002	1,177,959	1,174,283
24	Provisions for liabilities and charges	330,580	336,543	264,466
22	Deferred tax liabilities	558,869	443,804	417,895
	Other non-current liabilities	50,966	26,519	47,699
		2,410,417	**1,984,825**	**1,904,343**
	Total liabilities	**3,801,882**	**3,476,891**	**3,215,920**
	Equity			
25	Share capital	325,194	325,194	325,194
25	Treasury shares	(103,919)	(104,094)	(104,605)
25	Retained earnings and other reserves	9,098,315	7,949,633	7,052,257
		9,319,590	**8,170,733**	**7,272,846**
33	Non-controlling interest	314,764	309,212	297,374
	Total equity	**9,634,354**	**8,479,945**	**7,570,220**
	Total liabilities and equity	**13,436,236**	**11,956,836**	**10,786,140**

A.B. Miller
Chairman of the Management Committee
28 April 2014

E.A. Vasilieva
Chief Accountant
28 April 2014

The accompanying notes on pages 6 to 71 are an integral part of this consolidated financial statements.

OAO GAZPROM
IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(In millions of Russian Roubles)

Notes		Year ended 31 December 2013	2012 (restated)
26	Sales	5,249,965	4,766,495
	Net gain from trading activity	5,850	2,821
27	Operating expenses	(3,600,908)	(3,421,847)
27	(Charge for) reversal of impairment and other provisions, net	(67,698)	3,208
	Operating profit	**1,587,209**	**1,350,677**
28	Finance income	129,523	308,489
28	Finance expense	(284,107)	(247,168)
14	Share of net income of associated undertakings and joint ventures	56,670	145,192
	(Losses) gains on disposal of available-for-sale financial assets	(3,212)	546
	Profit before profit tax	**1,486,083**	**1,557,736**
	Current profit tax expense	(201,872)	(280,070)
	Deferred profit tax expense	(118,506)	(25,251)
22	Profit tax expense	(320,378)	(305,321)
	Profit for the year	**1,165,705**	**1,252,415**
	Other comprehensive income (loss):		
	Items that will not be reclassified to profit or loss:		
24	Remeasurements of post-employment benefit obligations	55,424	(69,801)
	Total items that will not be reclassified to profit or loss	**55,424**	**(69,801)**
	Items that will be reclassified to profit or loss:		
	Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	12,578	(17,499)
	Share of other comprehensive income of associated undertakings and joint ventures	10,100	1,885
	Translation differences	56,847	(34,792)
	(Losses) gains from cash flow hedges, net of tax	(2,305)	806
	Total items that will be reclassified to profit or loss	**77,220**	**(49,600)**
	Other comprehensive income (loss) for the year, net of tax	**132,644**	**(119,401)**
	Total comprehensive income for the year	**1,298,349**	**1,133,014**
	Profit attributable to:		
	Owners of OAO Gazprom	1,139,261	1,224,474
33	Non-controlling interest	26,444	27,941
		1,165,705	**1,252,415**
	Total comprehensive income attributable to:		
	Owners of OAO Gazprom	1,267,383	1,106,984
	Non-controlling interest	30,966	26,030
		1,298,349	**1,133,014**
30	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**49.64**	**53.35**

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OAO GAZPROM
IFRS CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(In millions of Russian Roubles)

Notes		Year ended 31 December 2013	2012 (restated)
	Cash flows from operating activities		
31	**Net cash from operating activities**	**1,747,863**	**1,472,779**
	Cash flows from investing activities		
12	Capital expenditures	(1,397,195)	(1,349,114)
	Net change in loans issued	(4,043)	(5,566)
	Interest received	31,565	24,379
12, 28	Interest paid and capitalised	(64,148)	(66,873)
34, 35	Acquisition of subsidiaries, net of cash acquired	(127,284)	(55,810)
14	Investments in associated undertakings and joint ventures	(14,679)	(15,063)
14	Proceeds from associated undertakings and joint ventures	103,636	179,020
	Change in available-for-sale long-term financial assets	(1,693)	(1,141)
	Change in other long-term financial assets	(1,634)	2,952
	Net cash used in investing activities	**(1,475,475)**	**(1,287,216)**
	Cash flows from financing activities		
21	Proceeds from long-term borrowings	506,172	233,931
21	Repayment of long-term borrowings (including current portion)	(332,814)	(259,653)
	Net proceeds from (repayment of) promissory notes	52	(2)
20	Proceeds from short-term borrowings	61,261	169,847
20	Repayment of short-term borrowings	(105,230)	(175,408)
25	Dividends paid	(137,227)	(197,037)
28	Interest paid	(27,876)	(26,819)
25	Sales of treasury shares	175	511
	Change in restricted cash	5,129	760
	Net cash used in financing activities	**(30,358)**	**(253,870)**
	Effect of foreign exchange rate changes on cash and cash equivalents	21,380	(10,739)
	Increase (decrease) in cash and cash equivalents	**263,410**	**(79,046)**
8	Cash and cash equivalents at the beginning of the reporting year	425,720	504,766
8	**Cash and cash equivalents at the end of the reporting year**	**689,130**	**425,720**

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OAO GAZPROM
IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(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 2011	22.9	325,194	(104,605)	7,242,982	7,463,571	297,420	7,760,991
5	Effect of changes in accounting policies		-	-	(190,725)	(190,725)	(46)	(190,771)
	Balance as of 1 January 2012 (restated)	22.9	325,194	(104,605)	7,052,257	7,272,846	297,374	7,570,220
	Profit for the year (restated)		-	-	1,224,474	1,224,474	27,941	1,252,415
	Other comprehensive (loss) income:							
24, 33	Remeasurements of post-employment benefit obligations		-	-	(69,801)	(69,801)	-	(69,801)
	Losses arising from change in fair value of available-for-sale financial assets, net of tax		-	-	(17,499)	(17,499)	-	(17,499)
	Share of other comprehensive income of associated undertakings and joint ventures		-	-	1,885	1,885	-	1,885
25, 33	Translation differences		-	-	(32,792)	(32,792)	(2,000)	(34,792)
33	Gains from cash flow hedges, net of tax		-	-	717	717	89	806
	Total comprehensive income for the year ended 31 December 2012 (restated)		-	-	1,106,984	1,106,984	26,030	1,133,014
33	Changes in non-controlling interest in subsidiaries		-	-	(3,726)	(3,726)	(10,869)	(14,595)
25	Return of social assets to governmental authorities		-	-	(16)	(16)	-	(16)
25	Net treasury shares transactions		-	511	-	511	-	511
25, 33	Dividends declared		-	-	(205,866)	(205,866)	(3,323)	(209,189)
	Balance as of 31 December 2012 (restated)	22.9	325,194	(104,094)	7,949,633	8,170,733	309,212	8,479,945
	Profit for the year		-	-	1,139,261	1,139,261	26,444	1,165,705
	Other comprehensive income (loss):							
24, 33	Remeasurements of post-employment benefit obligations		-	-	55,296	55,296	128	55,424
	Gains arising from change in fair value of available-for-sale financial assets, net of tax		-	-	12,578	12,578	-	12,578
	Share of other comprehensive income of associated undertakings and joint ventures		-	-	10,100	10,100	-	10,100
25, 33	Translation differences		-	-	52,314	52,314	4,533	56,847
33	Losses from cash flow hedges, net of tax		-	-	(2,166)	(2,166)	(139)	(2,305)
	Total comprehensive income for the year ended 31 December 2013		-	-	1,267,383	1,267,383	30,966	1,298,349
33	Changes in non-controlling interest in subsidiaries		-	-	(597)	(597)	4,905	4,308
25	Return of social assets to governmental authorities		-	-	(240)	(240)	-	(240)
25	Net treasury shares transactions	0.1	-	175	-	175	-	175
25, 33	Dividends declared		-	-	(137,464)	(137,464)	(10,719)	(148,183)
33	Acquisition of shares in subsidiaries		-	-	19,600	19,600	(19,600)	-
	Balance as of 31 December 2013	23.0	325,194	(103,919)	9,098,315	9,319,590	314,764	9,634,354

A.B. Miller
Chairman of the Management Committee
28 April 2014

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28 April 2014

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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 the major part of gas production and high pressure gas transportation in the Russian Federation. The Group is also a major supplier of gas to European countries. The Group is engaged in oil production, refining activities, electric and heat energy generation. The Government of the Russian Federation is the ultimate controlling party of OAO Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in OAO Gazprom.

The Group is involved in the following principal activities:

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

Other activities primarily include production of other goods, works and services.

The weighted average number of employees during 2013 and 2012 was 429 thousand and 422 thousand, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation (see Note 38).

The political and economic instability, ongoing threat of sanctions, uncertainty and volatility of the financial markets and other risks could have negative effects on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

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

3 BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IFRS") and effective in the reporting period.

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial instruments as described in Note 5. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4 SCOPE OF CONSOLIDATION

As described in Note 5, these financial statements include consolidated subsidiaries, associated undertakings and joint arrangements of the Group. Significant changes in the Group's structure in 2013 and 2012 are described below.

In September 2013 the Group acquired 89.98% interest in the ordinary shares of OAO Moscow Integrated Power Company (OAO MIPC) and heat assets from the Moscow Government for cash consideration of RR 99,866 including VAT in the amount of RR 1,246 related to acquired heat assets. As a result of the acquisition, the Group obtained control over OAO MIPC. Considering treasury shares of OAO MIPC, the Group's effective interest is 98.77% (see Note 34).

4 SCOPE OF CONSOLIDATION (continued)

In May 2012 the Group acquired 18.48% interest in OAO Gazprom neftekhim Salavat for cash consideration of RR 18,458 increasing its interest to 87.51% and, as a result, obtained control over OAO Gazprom neftekhim Salavat. During the period from September 2012 to June 2013 as a result of series of transactions, the Group acquired an additional 12.49% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 12,476 increasing its interest to 100%. The difference between consideration paid and the non-controlling interest acquired has been recognized in equity in the amount of RR 9,842 and is included within retained earnings and other reserves (see Note 35).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below.

5.1 Group accounting

Subsidiary undertakings

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

All inter-company transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Separate disclosure is made for non-controlling interests.

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

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

Goodwill and non-controlling interest

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements

The group has applied IFRS 11 "Joint Arrangements" ("IFRS 11") to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. With regards to joint arrangements, where the Group acts as a joint venture, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

The effects of the change in accounting policies on consolidated balance sheet and consolidated statements of comprehensive income and cash flows are shown in note 5.24.***Associated undertakings***

Associated undertakings are undertakings over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of an entity but has no control or joint control over those policies. Associated undertakings are accounted for using the equity method. The group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

5.2 Financial instruments

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

Accounting for financial guarantee contracts

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

Fair value disclosure

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Derivative financial instruments

As part of trading activities the Group is also a party to derivative financial instruments including forward and options contracts for foreign exchange rate, 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 loss of the consolidated statement of comprehensive income. The fair value of derivative financial instruments is determined using actual market information data and valuation techniques based on prevailing market interest rate for similar instruments as appropriate.

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 fulfil contract obligations and for own consumption and are not within the scope of IAS 39 "Financial instruments: recognition and measurement" ("IAS 39").

Sale and purchase transactions of gas, oil, oil products and other goods, which are not physically settled in accordance with the Group's expected operating activity or can be net settled under the terms of the respective contracts, are accounted for as derivative financial instruments in accordance with IAS 39. These instruments are considered as held for trading and related gains or losses are recorded within the profit and loss section of the consolidated statement of comprehensive income.

Derivative contracts embedded into sales and 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 Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument. The Group has designated only cash flow hedges – hedges against the exposure to the variability of cash flow currency exchange rates on highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is ultimately recognised in profit and loss. Changes in the fair value of certain derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss.

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

5.5 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 after 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 2013 and 2012.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 after the balance sheet date.

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

Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income and shown net of income tax in the consolidated statement of comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains (losses) on disposal of available-for-sale financial assets. Interest income on available-for-sale debt instruments, calculated using the effective interest method, is recognized within the profit and loss section of the consolidated statement of comprehensive income.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized 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.

5.6 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 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.

5.8 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 is not recoverable and is included in the value of acquired goods, works and services.

VAT related to purchases (input VAT) and also VAT prepayments are recognised in the consolidated balance sheet within other current assets, while VAT related to sales (output VAT) is disclosed separately as a current liability. VAT, presented within other non-current assets relates to assets under construction, which is expected to be recovered more than 12 months after the balance sheet date.

5.9 Natural resources production tax

Natural resources production tax (NRPT) on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted.

NRPT for natural gas and gas condensate is defined as an amount of volume produced per fixed tax rate: for natural gas – RR 622 per mcm effective since 1 July 2013, RR 582 per mcm from 1 January 2013 to 30 June 2013 and RR 509 per mcm in 2012; for gas condensate - RR 590 per ton effective since 1 January 2013 and RR 556 per ton in 2012.

NRPT for crude oil is defined monthly as an amount of volume produced per fixed tax rate (RR 470 per ton effective since 1 January 2013 and RR 446 per ton in 2012) adjusted for coefficients that take into account volatility of crude oil prices on the global market, relative size of the field and degree of depletion of the specific field. Since 1 September 2013 in accordance with Federal Law No. 213-FZ dated 23 July 2013 NRPT for crude oil shall also take account of coefficients that reduce the tax rate in respect to hard-to-recover reserves. Also a 0% tax rate is applied to oil extracted in a number of regions of the Russian Federation shall the specific criteria determined by respective tax legislation be fulfilled.

Natural resources production tax is accrued as a tax on production and recorded within operating expenses.

5.10 Customs duties

The export of hydrocarbons, including natural gas and crude oil, outside of the Customs union, which includes the Russian Federation, Belarus and Kazakhstan, is subject to export customs duties. According to the Decree of the Government of the Russian Federation No.754 dated 30 August 2013 export of natural gas outside the boundaries of the Customs union is subject to a fixed 30% export customs duty rate levied on the customs value of the exported natural gas.

According to the Federal Law No.239-FZ dated 3 December 2012, starting from 1 April 2013 under the Resolution of the Russian Government No. 276 dated 29 March 2013 export customs duty calculation methodology for oil and oil products was established based on which the Ministry of Economic Development of the Russian Federation determines export customs duty rates for the following calendar month.

5.11 Excise tax on oil products

Excise tax is applicable to certain transactions with oil products. Currently only gasoline, motor oil and diesel are subject to excise tax. Oil, gas condensate and natural gas are excluded. Within the Group, excise tax is imposed on the transfers of excisable oil products produced at group-owned refineries under a tolling arrangement to the Group company owning the product. The Group considers the excise tax on refining of oil products on a tolling

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

basis as an operating expense. These taxes are not netted from revenue presented in the consolidated statement of comprehensive income.

5.12 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 materials, 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.

5.13 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of development and successful exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gains and losses arising from the disposal of property, plant and equipment are included within the profit and loss section of the consolidated statement of comprehensive income as incurred.

Property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Depletion of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent reservoir engineers.

Depreciation of assets (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

	Years
Pipelines	25-33
Wells	7-40
Machinery and equipment	10-18
Buildings	30-40
Roads	20-40
Social assets	10-40

Depreciation on wells has been calculated on cost, using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method. The difference between straight line and units-of-production is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded only upon the termination of operating responsibility for the social assets. The Group does not possess ownership rights for the assets, but records them on its balance sheet up to the return to a governmental authority because the Group controls the benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. These disposals are considered to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Impairment of non-current non-financial assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Group's assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use. Individual assets are grouped for impairment assessment purposes into the cash-generating units at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets.

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

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

5.15 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.

5.16 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.

5.17 Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Russian Roubles, which is the Group's presentation currency.

Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the official exchange rates prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised as exchange gains or losses within the profit and loss section of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associated undertakings and joint arrangements are translated into Roubles at the official exchange rate prevailing at the reporting date. Statements of comprehensive income of foreign entities are translated at average exchange rates for the year. Exchange differences arising on the translation of the net assets of foreign subsidiaries and associated undertakings are recognised as translation differences and recorded directly in equity.

The official US dollar to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 32.73 and 30.37 as of 31 December 2013 and 2012, respectively. The official Euro to RR exchange rates, as determined by the Central Bank of the Russian Federation, were 44.97 and 40.23 as of 31 December 2013 and 2012, respectively.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5.18 Provisions for liabilities and charges

Provisions, including provisions for post-employment benefit obligations and for decommissioning and site restoration costs, 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.

5.19 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 shares 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 in the period when it recommended by the Board of Directors and approved at the General Meeting of Shareholders.

5.20 Revenue recognition

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

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

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

Trading activity

Contracts to buy or sell non-financial items entered into for trading purposes and which do not meet the expected own-use requirements, such as contracts to sell or purchase commodities that can be net settled in cash or settled by entering into another contract, are recognized at fair value and associated gains or losses are recorded as Net gain (loss) from trading activity. These contracts are derivatives in the scope of IAS 39 for both measurement and disclosure.

The financial result generated by trading activities is reported as a net figure. Trading activities are mainly managed by Gazprom Marketing and Trading Ltd., a subsidiary of the Group, and relate partly to gas and oil trading and power and emission rights trading activities.

5.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.22 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.

5.23 Employee benefits

Pension and other post-retirement benefits

The Group operates post-employment benefits, which are recorded in the consolidated financial statements under IAS 19 (revised) “Employee Benefits” (“IAS 19 (revised)”). Defined benefit plan covers 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 post-employment benefit 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 arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. (see Note 24).

Past service costs are recognised immediately though profit or loss when they occur, in the period of a plan amendment.

Plan assets are measured at fair value and are subject to certain limitations (see Note 24). Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

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

Social expenses

The Group incurs employee costs related to the provision of benefits such as health and social infrastructure and services. These amounts principally represent an implicit cost of employing production workers and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5.24 Recent accounting pronouncements

In 2013 the Group has adopted all IFRS, amendments and interpretations which are effective 1 January 2013 and which are relevant to its operations.

Standards, Amendments or Interpretations effective in 2013

The Group adopted a set of standards on consolidation: IFRS 10 “Consolidated Financial Statements” (“IFRS 10”), IFRS 11 “Joint Arrangements” (“IFRS 11”), IFRS 12 “Disclosure of Interests in Other Entities” (“IFRS 12”). The set of new standards introduces the new model of control and treatment of joint arrangements and also new disclosure requirements. This change required retrospective revision of the comparative figures of the consolidated financial statements. The nature and the impact of revised standard are described below.

The application of IFRS 12 resulted in additional disclosures in this consolidated financial statements regarding financial information of associated undertakings and joint ventures (see Note 14) and non-controlling interest (see Note 33).

Amendments to IAS 1 “Presentation of Financial Statements” (“IAS 1”) introduced grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group’s financial position or results of operations.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 “Fair Value Measurement” (“IFRS 13”) established a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements of the Group. IFRS 13 also resulted in additional disclosures in this consolidated financial statements (see Note 40).

IAS 19 (revised) made significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The nature and the impact of revised standard are described below.

Amendments to IFRS 7 “Financial instruments: Disclosures” (“IFRS 7”) requires disclosures that enable users of an Group’s consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off (see Note 41).

Several other new standards and amendments adopted in 2013 are amended IAS 32 “Financial Instruments: Presentation” (“IAS 32”), amendments resulting from Annual Improvements 2009-2011 cycle to IAS 1, IAS 16 “Property, Plant and Equipment” (“IAS 16”), IAS 32, IAS 34 "Interim financial reporting". Application of these standards and amendments had no significant impact on the Group’s financial position or results of operations other than those described below.

(a) Adoption of IFRS 11 “Joint Arrangements”

Under IFRS 11 joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures, except for its investments in OAO Tomskneft VNK, Salym Petroleum Development N.V. and Blue Stream Pipeline company B.V., which were determined to be joint operations. The joint arrangements determined to be joint ventures will continue to be accounted for under the equity method of accounting. In accordance with the transition provisions of IFRS 11, the Group has applied the new policy for interests in joint operations. The Group derecognised the investments that were previously accounted for using the equity method and recognised its share of each of the assets and the liabilities in respect of the interest in the joint operations.

The Group measured the initial carrying amount of the assets and liabilities by disaggregating them from the carrying amount of the investment as of 1 January 2012 on the basis of the information used in applying the equity method.

(b) Adoption of IAS 19 (revised) “Employee benefits”

From 1 January 2013 the Group has applied IAS 19 (revised) retrospectively in accordance with the transition provisions of the standard. The standard makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits.

The material impacts of IAS 19 (revised) on the Group’s consolidated financial statements are as follows:

- “Actuarial gains and losses” are renamed “remeasurements” and now are recognized immediately in the other comprehensive income and thus, will no longer be deferred using the “corridor approach” or recognised in profit or loss. Before amendments in the standard actuarial gains and losses on assets and liabilities were not recognized unless the cumulative unrecognized gain or loss at the end of the previous reporting period exceeded the greater of 10% of the plan assets and the defined benefit obligations (the “corridor approach”). As the result of application of amended standard, unrecognised actuarial losses in the amount of RR 142,587 and RR 174,447 as of 1 January 2012 and 31 December 2012, respectively, were recorded within retained earnings and other reserves. Correspondingly, the net defined benefit assets/liabilities have changed by those amounts and operating expenses for the year ended 31 December 2012 decreased by RR 164,449.
- Past service costs, which is the change in the present value of defined benefit obligation for employee service in prior periods, are now recognized immediately though profit or loss when they occur, in the period of a plan amendment. This resulted in unrecognised past service costs in the amount of RR 47,124 and RR 43,216 as of 1 January 2012 and 31 December 2012, respectively, being expensed within retained earnings and other reserves. Unvested benefits will no longer be spread over a future-service period. There was no significant impact on profit or loss for the year ended 31 December 2012.

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effect of these changes on the consolidated balance sheet is summarized in the following table:

	1 January 2012		31 December 2012	
	Funded benefits - provided through NPF Gazfund	**Unfunded liabilities - other benefits**	**Funded benefits - provided through NPF Gazfund**	**Unfunded liabilities - other benefits**
Net balance asset (liability) (previously reported)	**248,001**	**(95,678)**	**214,838**	**(111,052)**
Recognition of actuarial losses	(136,585)	(6,002)	(130,459)	(43,988)
Recognition of past service costs	-	(47,124)	-	(43,216)
Net balance asset (liability) (restated)	**111,416**	**(148,804)**	**84,379**	**(198,256)**

- In accordance with the transition provisions the standard replaces the interest cost on the defined benefit obligations and the expected return on plan assets with a net interest expense or income based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Previously interest expense on defined benefit obligations and the expected return on plan assets were measured at different rates. This resulted in an increase in operating expenses in the amount of RR 18,858 for the year ended 31 December 2012.

- Changes in the impact of asset ceiling are now recognised immediately in other comprehensive income (net of amounts included in net interest expense). This resulted in an increase of operating expenses in the amount of RR 107,646 for the year ended 31 December 2012.

The total effect of the adoption of IFRS 11 and IAS 19 (revised) on the financial statements is shown below.

All changes in the accounting policies have been made in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors” (“IAS 8”), which requires retrospective application unless the new standard requires otherwise.

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes	Reconciliation of consolidated balance sheet as of 1 January 2012	Previously reported	Adjustment due to change in accounting policy: for joint operations	Adjustment due to change in accounting policy: for post-employment benefits	Restated
	Assets				
	Current assets				
	Cash and cash equivalents	501,344	3,422	-	504,766
	Restricted cash	3,877	2,413	-	6,290
	Short-term financial assets	23,991	-	-	23,991
	Accounts receivable and prepayments	784,053	(1,491)	-	782,562
	Inventories	407,530	3,578	-	411,108
	VAT recoverable	303,454	-	-	303,454
	Other current assets	216,044	78	-	216,122
		2,240,293	**8,000**	**-**	**2,248,293**
	Non-current assets				
12	Property, plant and equipment	6,718,575	133,528	-	6,852,103
	Goodwill	102,800	-	-	102,800
	Investments in associated undertakings and joint ventures	715,966	(107,191)	-	608,775
	Long-term accounts receivable and prepayments	517,097	(12,426)	-	504,671
	Available-for-sale long-term financial assets	181,138	-	-	181,138
	Other non-current assets	424,827	118	(136,585)	288,360
		8,660,403	**14,029**	**(136,585)**	**8,537,847**
	Total assets	**10,900,696**	**22,029**	**(136,585)**	**10,786,140**
	Liabilities and equity				
	Current liabilities				
	Accounts payable and accrued charges	804,644	(42)	-	804,602
	Current profit tax payable	44,036	79	-	44,115
	Other taxes payable	93,707	6,617	-	100,324
	Short-term borrowings, promissory notes and current portion of long-term borrowings	366,868	(4,332)	-	362,536
		1,309,255	**2,322**	**-**	**1,311,577**
	Non-current liabilities				
	Long-term borrowings and promissory notes	1,173,294	989	-	1,174,283
24	Provisions for liabilities and charges	206,734	4,606	53,126	264,466
22	Deferred tax liability	402,728	15,167	-	417,895
	Other non-current liabilities	47,694	5	-	47,699
		1,830,450	**20,767**	**53,126**	**1,904,343**
	Total liabilities	**3,139,705**	**23,089**	**53,126**	**3,215,920**
	Equity				
	Share capital	325,194	-	-	325,194
	Treasury shares	(104,605)	-	-	(104,605)
	Retained earnings and other reserves	7,242,982	(1,014)	(189,711)	7,052,257
		7,463,571	**(1,014)**	**(189,711)**	**7,272,846**
33	Non-controlling interest	297,420	(46)	-	297,374
	Total equity	**7,760,991**	**(1,060)**	**(189,711)**	**7,570,220**
	Total liabilities and equity	**10,900,696**	**22,029**	**(136,585)**	**10,786,140**

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes	Reconciliation of consolidated balance sheet as of 31 December 2012	Previously reported	Adjustment due to change in accounting policy: for joint operations	Adjustment due to change in accounting policy: for post-employment benefits	Restated
	Assets				
	Current assets				
8	Cash and cash equivalents	419,536	6,184	-	425,720
8	Restricted cash	3,658	1,872	-	5,530
9	Short-term financial assets	16,962	-	-	16,962
10	Accounts receivable and prepayments	940,106	626	-	940,732
11	Inventories	459,534	3,212	-	462,746
	VAT recoverable	395,250	118	-	395,368
	Other current assets	173,700	45	-	173,745
		2,408,746	**12,057**	**-**	**2,420,803**
	Non-current assets				
12	Property, plant and equipment	7,818,392	130,778	-	7,949,170
13	Goodwill	146,587	-	-	146,587
14	Investments in associated undertakings and joint ventures	653,187	(112,074)	-	541,113
15	Long-term accounts receivable and prepayments	491,018	(11,880)	-	479,138
16	Available-for-sale long-term financial assets	161,701	3	-	161,704
17	Other non-current assets	388,508	272	(130,459)	258,321
		9,659,393	**7,099**	**(130,459)**	**9,536,033**
	Total assets	**12,068,139**	**19,156**	**(130,459)**	**11,956,836**
	Liabilities and equity				
	Current liabilities				
18	Accounts payable and accrued charges	1,040,274	(1,281)	-	1,038,993
	Current profit tax payable	7,463	527	-	7,990
19	Other taxes payable	115,273	7,177	-	122,450
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	326,807	(4,174)	-	322,633
		1,489,817	**2,249**	**-**	**1,492,066**
	Non-current liabilities				
21	Long-term borrowings and promissory notes	1,177,934	25	-	1,177,959
24	Provisions for liabilities and charges	243,506	5,833	87,204	336,543
22	Deferred tax liability	429,305	14,499	-	443,804
	Other non-current liabilities	26,483	36	-	26,519
		1,877,228	**20,393**	**87,204**	**1,984,825**
	Total liabilities	**3,367,045**	**22,642**	**87,204**	**3,476,891**
	Equity				
25	Share capital	325,194	-	-	325,194
25	Treasury shares	(104,094)	-	-	(104,094)
25	Retained earnings and other reserves	8,170,631	(3,335)	(217,663)	7,949,633
		8,391,731	**(3,335)**	**(217,663)**	**8,170,733**
33	Non-controlling interest	309,363	(151)	-	309,212
	Total equity	**8,701,094**	**(3,486)**	**(217,663)**	**8,479,945**
	Total liabilities and equity	**12,068,139**	**19,156**	**(130,459)**	**11,956,836**

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes	Reconciliation of consolidated statement of comprehensive income for the year ended 31 December 2012	Previously reported	Adjustment due to change in accounting policy: for joint operations	Adjustment due to change in accounting policy: for post-employment benefits	Restated
26	Sales	4,764,411	2,084	-	4,766,495
	Net gain from trading activity	2,821	-	-	2,821
27	Operating expenses	(3,481,264)	17,568	41,849	(3,421,847)
27	Reversal of impairment and other provisions, net	3,208	-	-	3,208
	Operating profit	**1,289,176**	**19,652**	**41,849**	**1,350,677**
28	Finance income	307,871	618	-	308,489
28	Finance expense	(247,138)	(30)	-	(247,168)
14	Share of net income (loss) of associated undertakings and joint ventures	161,500	(16,308)	-	145,192
	Gains on disposal of available-for-sale financial assets	546	-	-	546
	Profit before profit tax	**1,511,955**	**3,932**	**41,849**	**1,557,736**
	Current profit tax expense	(276,045)	(4,025)	-	(280,070)
	Deferred profit tax expense	(25,344)	93	-	(25,251)
22	Profit tax expense	(301,389)	(3,932)	-	(305,321)
	Profit for the year	**1,210,566**	**-**	**41,849**	**1,252,415**
	Other comprehensive (loss) income:				
	Items that will not be reclassified to profit or loss:				
24	Remeasurements of post-employment benefit obligations	-	-	(69,801)	(69,801)
	Total items that will not be reclassified to profit or loss	**-**	**-**	**(69,801)**	**(69,801)**
	Items that will be reclassified to profit or loss:				
	Losses arising from change in fair value of available-for-sale financial assets, net of tax	(17,499)	-	-	(17,499)
	Share of other comprehensive income of associated undertakings and joint ventures	1,885	-	-	1,885
	Translation differences	(32,366)	(2,426)	-	(34,792)
	Gains from cash flow hedges, net of tax	806	-	-	806
	Total items that will be reclassified to profit or loss	**(47,174)**	**(2,426)**	**-**	**(49,600)**
	Other comprehensive loss for the year, net of tax	**(47,174)**	**(2,426)**	**(69,801)**	**(119,401)**
	Total comprehensive income (loss) for the year	**1,163,392**	**(2,426)**	**(27,952)**	**1,133,014**
	Profit attributable to:				
	Owners of OAO Gazprom	1,182,625	-	41,849	1,224,474
	Non-controlling interest	27,941	-	-	27,941
		1,210,566	**-**	**41,849**	**1,252,415**
	Total comprehensive income attributable to:				
	Owners of OAO Gazprom	1,137,257	(2,321)	(27,952)	1,106,984
	Non-controlling interest	26,135	(105)	-	26,030
		1,163,392	**(2,426)**	**(27,952)**	**1,133,014**
30	**Basic and diluted earnings per share for profit attributable to the owners of OAO Gazprom (in Roubles)**	**51.53**	**-**	**1.82**	**53.35**

(In millions of Russian Roubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reconciliation of consolidated statement of cash flows for the year ended 31 December 2012	Previously reported	Adjustment due to change in accounting policy		Restated
		for joint operations	for post-employment benefits	
Net cash from operating activities	1,445,617	27,162	-	1,472,779
Net cash used in investing activities	(1,267,310)	(19,906)	-	(1,287,216)
Net cash used in financing activities	(249,381)	(4,489)	-	(253,870)
Effect of foreign exchange rate changes on cash and cash equivalents	(10,734)	(5)	-	(10,739)
(Decrease) increase in cash and cash equivalents	**(81,808)**	**2,762**	**-**	**(79,046)**

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

IFRS 9 "Financial Instruments" ("IFRS 9"), issued in November 2009, amended in October 2010, December 2011 and November 2013 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. 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. The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after 1 January 2013 to 1 January 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. The application of this standard is not expected to materially affect the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below) consist of changes to several standards, including the following:

- IFRS 8 "Operating segments" was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014) consist of changes to several standards, including the following:

- IFRS 3 "Business Combinations" was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

The Group is currently assessing the impact of the amendments on its 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.

6.1 Judgments that have the most significant effect on the amounts recognized in the consolidated 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.**Consolidation of subsidiaries**

Management judgment is involved in the assessment of control and the consolidation of subsidiaries in the Group's consolidated financial statements.

6.2 Tax legislation and uncertain tax positions

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 38).

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 profit tax are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to determine amount of provisions

Impairment provision for accounts receivable

The impairment provision for accounts receivable is based on the Group's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The charges (and releases) for impairment of accounts receivable may be material (see Note 10).

Impairment of Property, plant and equipment and Goodwill

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on gas, oil, oil products, electrical power, operating costs, capital investment, hydrocarbon reserves estimates, and macroeconomic factors such as inflation and discount rates.

In addition, judgement is applied in determining the cash-generating units assessed for impairment. For the purposes of the goodwill impairment test, management considers gas production, transportation and distribution activities as part of one Gas cash-generating unit and monitors associated goodwill at this level. The pipelines that are part of the Gas cash-generating unit are utilized primarily for the Group activities and represent the only transit route for the gas produced. Operationally, the gas produced is transported through the Group's Russian and Belorussian pipelines and distributed to meet demands of customers in Russia and then in the Former Soviet Union and Europe and underground storage facilities. The interrelationship of these activities forming the Gas cash-generating unit provides the basis for capturing the benefits from synergies.

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 disclosed in Note 12.

Accounting for provisions

Accounting for impairment includes provisions against capital construction projects, financial assets, other non-current assets and inventory obsolescence. Because of the Group's operating cycle, certain significant decisions about capital construction projects are made after the end of the calendar year. Accordingly, the Group typically has larger impairment charges or releases in the fourth quarter of the fiscal year as compared to other quarters.

6.4 Site restoration and environmental costs

Site restoration costs that may be incurred by the Group at the end of the operating life of certain Group's facilities and properties are recognized when the Group has a present legal or constructive obligation as a result

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

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 loss of the consolidated statement of comprehensive income on a straight-line basis over the asset's productive life. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful lives of Property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2013 would be an increase by RR 46,462 or a decrease by RR 38,014 (2012: increase by RR 38,272 or decrease by RR 31,313).

Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs. Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6.6 Fair value estimation for financial instruments

The fair values of energy trading contracts, commodity futures and swaps are based on market quotes on measurement date (Level 1 in accordance with the valuation hierarchy). Customary valuation models are used to value financial instruments which are not traded in active markets. The fair values are based on inputs that are observable either directly or indirectly (Level 2 in accordance with the valuation hierarchy). Contracts that are valued based on non-observable market data belong to Level 3 in accordance with the valuation hierarchy. Management's best estimates based on internally developed models are used for the valuation. Where the valuation technique employed incorporates significant unobservable input data such as these long-term price assumptions, contracts have been categorised as Level 3 in accordance with the valuation hierarchy (see Note 40).

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

6.7 Fair value estimation for acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets.

The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6.8 Accounting for plan assets and pension liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions as disclosed in Note 24. Actual results may differ from the estimates, and the Group's estimates can be revised in the future based on changes in 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 24. The value of plan assets and the limit are subject to revision in the future.

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

6.9 Joint Arrangements

Upon adopting of IFRS 11 the Group applied judgement when assessing whether its joint arrangements represent a joint operation or a joint venture. The Group determined the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

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 the Distribution segment;
- Production of crude oil and gas condensate – sales of oil and gas condensate to the Refining segment for further processing; and
- Refining – sales of refined hydrocarbon products to other segments.

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

The CODM assesses the performance, assets and liabilities of the operating segments based on the internal financial reporting. The effects of certain non-recurring transactions and events, such as business acquisitions, and the effects of some adjustments that may be considered necessary to reconcile the internal financial information to IFRS consolidated financial statements are not included within the operating segments which are reviewed by the CODM on a central basis. Gains and losses on available-for-sale financial assets, and financial income and expenses are also not allocated to the operating segments.

(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 2013									
Total segment revenues	662,593	949,287	3,210,204	37,640	698,535	1,362,414	375,589	234,037	7,530,299
Inter-segment sales	653,921	786,022	247,053	35,679	488,319	10,701	-	-	2,221,695
External sales	8,672	163,265	2,963,151	1,961	210,216	1,351,713	375,589	234,037	5,308,604
Segment result	**62,594**	**55,109**	**917,896**	**4,882**	**109,581**	**149,994**	**39,218**	**12,059**	**1,351,333**
Depreciation	132,185	366,861	14,241	15,220	75,872	34,696	26,409	19,384	684,868
Share of net income (loss) of associated undertakings and joint ventures	852	2,446	12,442	374	28,271	(937)	(9)	13,231	56,670
Year ended 31 December 2012 (restated)									
Total segment revenues	553,945	860,029	2,883,411	33,598	715,843	1,219,142	343,509	233,487	6,842,964
Inter-segment sales	544,819	734,643	235,430	32,286	440,283	9,927	-	-	1,997,388
External sales	9,126	125,386	2,647,981	1,312	275,560	1,209,215	343,509	233,487	4,845,576
Segment result	**25,846**	**56,104**	**660,882**	**5,619**	**163,359**	**80,473**	**32,835**	**1,078**	**1,026,196**
Depreciation	110,970	328,157	10,460	13,370	66,889	31,084	20,872	18,453	600,255
Share of net income of associated undertakings and joint ventures	1,026	2,994	35,552	(165)	84,169	7,889	-	13,727	145,192

A reconciliation of total reportable segments' results to total profit before profit tax in the consolidated statement of comprehensive income is provided as follows:

Notes		For the year ended 31 December 2013	2012 (restated)
	Segment result for reportable segments	1,339,274	1,025,118
	Other segments' result	12,059	1,078
	Total segment result	**1,351,333**	**1,026,196**
	Difference in depreciation*	265,849	254,565
	Expenses associated with pension obligations	(28,063)	(4,936)
28	Net finance (expense) income	(154,584)	61,321
	(Losses) gains on disposal of available-for-sale financial assets	(3,212)	546
14	Share of net income of associated undertakings and joint ventures	56,670	145,192
12	Reversal of impairment provision for assets under construction	-	47,574
	Other	(1,910)	27,278
	Profit before profit tax	**1,486,083**	**1,557,736**

* The difference in depreciation 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.

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 2013	2012 (restated)
External sales for reportable segments	5,074,567	4,612,089
External sales for other segments	234,037	233,487
Total external segment sales	**5,308,604**	**4,845,576**
Differences in external sales*	(58,639)	(79,081)
Total sales per the consolidated statement of comprehensive income	**5,249,965**	**4,766,495**

* The difference in external sales relates to adjustments of statutory sales to comply with IFRS, such as netting of sales of materials to subcontractors recorded under Russian statutory accounting and other adjustments.

(In millions of Russian Roubles)

7 SEGMENT INFORMATION (continued)

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 joint ventures, and inventories. Cash and cash equivalents, restricted cash, VAT recoverable, goodwill, financial assets and other current and non-current assets are not considered to be segment assets but rather are managed on a central basis.

	Production of gas	Transport	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
31 December 2013									
Segment assets	2,051,204	5,271,761	1,394,112	242,198	1,585,429	1,121,301	798,781	669,682	13,134,468
Investments in associated undertakings and joint ventures	31,032	74,292	73,339	6,090	228,612	17,575	439	118,305	549,684
Capital additions	257,407	380,547	36,085	23,524	223,557	113,254	77,191	102,285	1,213,850
31 December 2012 (restated)									
Segment assets	1,875,535	5,275,864	1,217,828	220,581	1,399,797	1,048,925	592,251	587,508	12,218,289
Investments in associated undertakings and joint ventures	27,699	54,197	74,170	4,025	262,202	17,253	448	101,119	541,113
Capital additions	232,705	563,825	47,166	18,247	121,167	134,163	54,851	61,086	1,233,210

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

Notes		31 December 2013	31 December 2012 (restated)
	Segment assets for reportable segments	12,464,786	11,630,781
	Other segments' assets	669,682	587,508
	Total segment assets	**13,134,468**	**12,218,289**
	Differences in property, plant and equipment, net*	(1,600,509)	(1,850,808)
12	Loan interest capitalized	378,792	323,480
	Decommissioning costs	75,886	91,281
8	Cash and cash equivalents	689,130	425,720
8	Restricted cash	401	5,530
9	Short-term financial assets	24,502	16,962
	VAT recoverable	341,315	395,368
	Other current assets	205,572	173,745
16	Available-for-sale long-term financial assets	168,904	161,704
13	Goodwill	151,189	146,587
	Other non-current assets	326,352	258,321
	Inter-segment assets	(671,612)	(645,226)
	Other	211,846	235,883
	Total assets per the consolidated balance sheet	**13,436,236**	**11,956,836**

* 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	Distribution	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Segment liabilities									
31 December 2013	155,578	290,678	534,370	9,599	225,777	287,677	49,088	125,339	1,678,106
31 December 2012 (restated)	135,554	426,987	599,617	9,844	165,515	260,159	32,360	146,937	1,776,973

(In millions of Russian Roubles)

7 SEGMENT INFORMATION (continued)

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

Notes		31 December 2013	31 December 2012 (restated)
	Segment liabilities for reportable segments	1,552,767	1,630,036
	Other segments' liabilities	125,339	146,937
	Total segments liabilities	**1,678,106**	**1,776,973**
	Current profit tax payable	17,750	7,990
20	Short-term borrowings, promissory notes and current portion of long- term borrowings	331,926	322,633
21	Long-term borrowings and promissory notes	1,470,002	1,177,959
24	Provisions for liabilities and charges	330,580	336,543
22	Deferred tax liabilities	558,869	443,804
	Other non-current liabilities	50,966	26,519
	Dividends	3,791	1,779
	Inter-segment liabilities	(671,612)	(645,226)
	Other	31,504	27,917
	Total liabilities per the consolidated balance sheet	**3,801,882**	**3,476,891**

8 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated balance sheet represent cash on hand and balances with banks and term deposits with original maturity of three months or less.

	31 December 2013	31 December 2012 (restated)
Cash on hand and bank balances payable on demand	568,663	315,503
Term deposits with original maturity of three months or less	120,467	110,217
	689,130	**425,720**

Restricted cash balances include cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings of RR nil and RR 3,658 as of 31 December 2013 and 2012, respectively.

The table below analyses credit quality of banks by external credit ratings at which the Group holds cash and cash equivalents. The ratings are shown under Standard & Poor's classification:

	31 December 2013	31 December 2012 (restated)
Cash on hand	570	475
External credit rating of A-3 and above	592,621	307,061
External credit rating of B	8,061	93,698
No external credit rating	87,878	24,486
Total cash and cash equivalents	**689,130**	**425,720**

The sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB (stable outlook) as of 31 December 2013.

9 SHORT-TERM FINANCIAL ASSETS

	31 December 2013	31 December 2012
Financial assets held for trading:	**22,355**	**15,021**
Bonds	5,681	1,606
Equity securities	16,674	13,415
Available-for-sale financial assets:	**2,147**	**1,941**
Bonds	-	910
Promissory notes	2,147	1,031
Total short-term financial assets	**24,502**	**16,962**

(In millions of Russian Roubles)

9 SHORT-TERM FINANCIAL ASSETS (continued)

Information about credit quality of short-term financial assets (excluding equity securities) is presented in the table below with reference to external credit ratings of related counterparties or instruments. The ratings are shown under Standard & Poor's classification:

	31 December 2013	31 December 2012
External credit rating of A-3 and above	4,725	1,598
External credit rating of B	2,296	1,558
No external credit rating	807	391
	7,828	**3,547**

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2013	31 December 2012 (restated)
Financial assets		
Trade receivables (net of impairment provision of RR 315,332 and RR 256,334 as of 31 December 2013 and 2012, respectively)	751,219	654,262
Other receivables (net of impairment provision of RR 18,139 and RR 16,664 as of 31 December 2013 and 2012, respectively)	175,066	144,637
	926,285	798,899
Non-financial assets		
Advances and prepayments (net of impairment provision of RR 670 and RR 622 as of 31 December 2013 and 2012, respectively)	105,741	141,833
Total accounts receivable and prepayments	**1,032,026**	**940,732**

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

As of 31 December 2013 and 2012 RR 505,462 and RR 415,159 of trade receivables, net of impairment provision, respectively, are denominated in foreign currencies, mainly US dollar and Euro.

Other receivables are mainly represented by accounts receivable from Russian customers.

As of 31 December 2013 and 2012, trade receivables of RR 38,568 and RR 29,409, 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 2013	31 December 2012
Up to 6 months	24,835	17,198
From 6 to 12 months	8,471	6,192
From 1 to 3 years	5,004	5,870
More than 3 years	258	149
	38,568	**29,409**

As of 31 December 2013 and 2012, trade receivables of RR 340,576 and RR 261,503, respectively, were impaired and provided for. The amount of the provision was RR 315,332 and RR 256,334 as of 31 December 2013 and 2012, respectively. The individually impaired receivables mainly relate to gas sales to certain Russian regions and Former Soviet Union countries. In management's view the receivables will be ultimately recovered. The ageing analysis of these receivables is as follows:

Ageing from the due date	Gross book value 31 December 2013	Gross book value 31 December 2012 (restated)	Provision 31 December 2013	Provision 31 December 2012 (restated)	Net book value 31 December 2013	Net book value 31 December 2012 (restated)
Up to 6 months	53,956	31,742	(38,077)	(29,895)	15,879	1,847
From 6 to 12 months	29,322	33,108	(25,279)	(30,203)	4,043	2,905
From 1 to 3 years	108,828	81,835	(103,687)	(81,466)	5,141	369
More than 3 years	148,470	114,818	(148,289)	(114,770)	181	48
	340,576	**261,503**	**(315,332)**	**(256,334)**	**25,244**	**5,169**

(In millions of Russian Roubles)

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As of 31 December 2013 and 2012, trade receivables of RR 687,407 and RR 619,684, 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 2013	31 December 2012 (restated)
Europe and other countries gas, crude oil, gas condensate and refined products debtors	326,093	280,902
Former Soviet Union countries (excluding Russian Federation) gas, crude oil, gas condensate and refined products debtors	157,360	127,569
Domestic gas, crude oil, gas condensate and refined products debtors	126,183	124,656
Electricity and heat sales debtors	36,850	36,994
Transportation services debtors	1,687	5,713
Other trade debtors	39,234	43,850
Total trade receivables neither past due nor impaired	**687,407**	**619,684**

Movements of the Group's provision for impairment of trade and other receivables are as follows:

	Trade receivables Year ended 31 December		Other receivables Year ended 31 December	
	2013	2012 (restated)	2013	2012 (restated)
Impairment provision at the beginning of the year	256,334	207,981	16,664	17,474
Impairment provision accrued*	72,847	57,150	6,351	1,314
Write-off of receivables during the year**	(1,302)	(1,320)	(4,326)	(833)
Release of previously created provision*	(12,547)	(7,477)	(550)	(1,291)
Impairment provision at the end of the year	**315,332**	**256,334**	**18,139**	**16,664**

* The accrual and release of provision for impaired receivables have been included in (Charge for) reversal of impairment and other provisions in the consolidated statement of comprehensive income.

** If there is no probability of cash receipt for the impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that provision.

11 INVENTORIES

	31 December 2013	31 December 2012 (restated)
Gas in pipelines and storage	350,537	257,321
Materials and supplies (net of an obsolescence provision of RR 4,306 and RR 3,805 as of 31 December 2013 and 2012, respectively)	110,323	97,894
Goods for resale (net of an obsolescence provision of RR 589 and RR 671 as of 31 December 2013 and 2012, respectively)	24,693	25,562
Crude oil and refined products	84,171	81,969
	569,724	**462,746**

(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 1 January 2012 (restated)								
Cost	2,340,105	1,041,422	2,233,925	2,026,471	446,275	89,055	1,835,541	10,012,794
Accumulated depreciation	(1,025,597)	(376,636)	(910,751)	(671,134)	(146,728)	(29,845)	-	(3,160,691)
Net book value as of 1 January 2012 (restated)	**1,314,508**	**664,786**	**1,323,174**	**1,355,337**	**299,547**	**59,210**	**1,835,541**	**6,852,103**
Depreciation	(61,514)	(41,719)	(144,250)	(76,972)	(17,466)	(2,523)	-	(344,444)
Additions	3,047	804	12,205	2,785	4,358	1,273	1,324,642	1,349,114
Acquisition of subsidiaries	282	153	18,270	29,872	1,464	-	50,468	100,509
Translation differences	(1,843)	(1,630)	(3,555)	(3,971)	(2,035)	(34)	(1,599)	(14,667)
Transfers	642,693	148,066	505,902	360,821	308	3,957	(1,661,747)	-
Disposals	(935)	(2,785)	(10,781)	(8,054)	(1,424)	(880)	(18,520)	(43,379)
Release of impairment provision	76	52	182	30	-	-	49,594	49,934
Net book value as of 31 December 2012 (restated)	**1,896,314**	**767,727**	**1,701,147**	**1,659,848**	**284,752**	**61,003**	**1,578,379**	**7,949,170**
As of 31 December 2012 (restated)								
Cost	2,978,567	1,183,507	2,767,829	2,402,697	456,046	93,181	1,578,379	11,460,206
Accumulated depreciation	(1,082,253)	(415,780)	(1,066,682)	(742,849)	(171,294)	(32,178)	-	(3,511,036)
Net book value as of 31 December 2012 (restated)	**1,896,314**	**767,727**	**1,701,147**	**1,659,848**	**284,752**	**61,003**	**1,578,379**	**7,949,170**
Depreciation	(76,672)	(46,717)	(183,432)	(87,682)	(21,037)	(2,616)	-	(418,156)
Additions	358	45,611	10,045	3,242	41,202	410	1,212,280	1,313,148
Acquisition of subsidiaries	19	21	98,418	13,655	-	-	18,960	131,073
Translation differences	799	3,595	4,692	5,583	2,590	2	1,455	18,716
Transfers	109,193	132,309	364,491	359,766	609	2,691	(969,059)	-
Disposals	(613)	(19,029)	(5,275)	(7,417)	(2,048)	(260)	(19,175)	(53,817)
Charge for impairment provision	-	-	-	-	-	-	(46)	(46)
Net book value as of 31 December 2013	**1,929,398**	**883,517**	**1,990,086**	**1,946,995**	**306,068**	**61,230**	**1,822,794**	**8,940,088**
As of 31 December 2013								
Cost	3,089,096	1,344,235	3,233,208	2,777,460	498,399	94,737	1,822,794	12,859,929
Accumulated depreciation	(1,159,698)	(460,718)	(1,243,122)	(830,465)	(192,331)	(33,507)	-	(3,919,841)
Net book value as of 31 December 2013	**1,929,398**	**883,517**	**1,990,086**	**1,946,995**	**306,068**	**61,230**	**1,822,794**	**8,940,088**

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. Operating assets are shown net of provision for impairment of RR 54,047 as of 31 December 2013 and 2012, respectively.

Assets under construction are presented net of a provision for impairment of RR 42,873 and RR 43,378 as of 31 December 2013 and 2012, respectively. Charges for impairment provision of assets under construction primarily relate to assets for which it is not yet probable that there will be future economic benefit.

In October 2012, upon commencement of operations at the Bovanenkovskoye field, the Group reversed the previously created impairment provision for assets under construction related to Bovanenkovskoye and Kharasaveyskoye fields and the Obskaya-Bovanenkovo railroad. Total amount of the reversal of the impairment provision included in Reversal of (charge for) impairment and other provisions, net amounted to RR 47,574.

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 463 and RR 778 as of 31 December 2013 and 2012, respectively.

Included in additions above is capitalized interest of RR 66,357 and RR 66,873 for the years ended 31 December 2013 and 2012, respectively. Capitalization rates of 6.09% and 6.85% were used representing the weighted average borrowing cost for the years ended 31 December 2013 and 2012, respectively.

(In millions of Russian Roubles)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

The information regarding Group's exploration and evaluation assets (part of production licenses and assets under construction) is presented below:

	Year ended 31 December	
	2013	2012
Balance at the beginning of the year	111,290	94,929
Additions	78,792	20,060
Disposals	(5,710)	(3,699)
Balance at the end of the year	**184,372**	**111,290**

13 GOODWILL

Movements of the Group's goodwill on subsidiaries are as follows:

	Year ended 31 December	
Movements in goodwill on subsidiaries	2013	2012
Balance at the beginning of the year	146,587	102,800
Additions	4,602	44,128
Disposals	-	(341)
Balance at the end of the year	**151,189**	**146,587**

Additions to goodwill on subsidiaries for the year ended 31 December 2012 primarily comprise goodwill attributable to OAO Gazprom neftekhim Salavat (see Note 35).

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December	
	2013	2012
Gas production, transportation and distribution	70,638	70,567
Refining	43,469	43,469
Production of crude oil and gas condensate	27,564	25,952
Electric and heat energy generation and sales	9,518	6,599
Total goodwill on subsidiaries	**151,189**	**146,587**

In assessing whether goodwill has been impaired, the carrying values of the cash-generating units (including goodwill) were compared with their estimated value in use. Value in use is calculated as the present values of projected future cash flows discounted by the rates reflecting the time value of money as at 31 December 2013 and the risks specific to the particular cash-generated units, for which the future cash flow estimates have not been adjusted. The Group applied discount rates ranging from 11 to 14%.

The estimates of future cash flows are based on the Group's managerial information, including forecast of commodity prices and expected production volumes, and available market information, and cover periods commensurate with the expected lives of the respective assets. The Group applied either steady or declining growth rates to cash flows beyond the explicit period of the forecast for related cash-generating units.

(In millions of Russian Roubles)

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

Notes			Carrying value as of 31 December		Share of the income (loss) of associated undertakings and joint ventures for the year ended 31 December	
			2013	**2012 (restated)**	**2013**	**2012 (restated)**
36	OAO NGK Slavneft and its subsidiaries	Joint venture	126,976	149,208	(18,949)	12,303
36	Gazprombank Group	Associate	100,612	86,569	11,997	12,841
36,37	Sakhalin Energy Investment Company Ltd.	Associate	67,868	88,862	41,338	72,013
36,37	Nord Stream AG	Joint venture	43,851	35,870	2,538	2,608
36	W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	Associate	40,302	38,216	4,809	4,710
36	OOO Yamal razvitie and its subsidiaries	Joint venture	24,165	24,328	(130)	(314)
	Shtokman Development AG	Joint venture	23,216	21,783	(248)	(369)
36,37	SGT EuRoPol GAZ S.A.	Associate	18,802	17,347	(240)	386
	Wintershall AG	Associate	11,528	12,198	1,492	3,416
	ZAO Achimgaz	Joint venture	9,956	5,933	4,023	1,413
36	TOO KazRosGaz	Joint venture	9,819	12,819	4,659	8,485
36	AO Latvijas Gaze	Associate	4,959	4,414	470	449
36	AO Gasum	Associate	4,515	4,089	369	425
36	ZAO Nortgaz	Joint venture	2,258	1,128	1,130	554
36	AO Lietuvos dujos*	Associate	1,359	2,937	281	324
	AO Amber Grid*	Associate	1,206	-	25	-
36	RosUkrEnergo AG**	Associate	-	-	-	17,017
35,36	OAO Gazprom neftekhim Salavat***	-	-	-	-	4,269
	Other (net of provision for impairment of RR 1,929 as of 31 December 2013 and 2012)		58,292	35,412	3,106	4,662
			549,684	**541,113**	**56,670**	**145,192**

* In accordance with the provisions of the Third Energy Package of the European Union regarding the split between the gas transmission and distribution activities in August 2013 AO Lietuvos dujos transferred assets, liabilities and rights related to gas transportation to AO Amber Grid, an associate of the Group.

** In June 2012 RosUkrEnergo AG declared dividends related to the results of its operations in 2011. Due to doubts regarding recoverability of these dividends the Group recognized its share of the profit only in July 2012 when cash was received from RosUkrEnergo AG. As of 31 December 2013 OAO Gazprom maintains a 50% interest in RosUkrEnergo AG with a carrying value of zero.

*** During the period from May 2012 to June 2013 as a result of series of transactions, the Group acquired an additional 30.97% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 30,934 increasing its interest to 100% (see Note 35).

The Group's share of income of associated undertakings and joint ventures for the year ended 31 December 2013 includes additional expense of RR 25,961 recognized for OAO NGK Slavneft and its subsidiaries as a result of a one-time adjustment in the first quarter of 2013 to correct the prior understatement of depreciation on the basis difference for property, plant and equipment since the Group’s acquisition of interest in OAO NGK Slavneft.

(In millions of Russian Roubles)

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

Movements in the carrying amount of the Group's investment in associated undertakings and joint ventures are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Balance at the beginning of the reporting year	**541,113**	**608,775**
Share of net income of associated undertakings and joint ventures	56,670	145,192
Distributions from associated undertakings and joint ventures	(95,574)	(134,670)
Redemption of preference shares of Sakhalin Energy Investment Company Ltd.	-	(49,925)
Share of other comprehensive income of associated undertakings and joint ventures	10,100	1,885
Translation differences	15,879	(5,503)
Acquisition of the controlling interest in OAO Gazprom neftekhim Salavat (see Note 35)	-	(43,650)
Other acquisitions and disposals	21,496	19,009
Balance at the end of the reporting year	**549,684**	**541,113**

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

	31 December 2013	31 December 2012
AO Latvijas Gaze	5,702	4,806
AO Lietuvos dujos	3,065	3,924
AO Amber Grid	2,170	-

(In millions of Russian Roubles)

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

Significant associated undertakings and joint ventures

	Country of primary operations	Country of incorporation	Nature of operations	% of ordinary shares held as of 31 December* 2013	2012
ZAO Achimgaz	Russia	Russia	Exploration and production of gas and gas condensate	50	50
AO Amber Grid	Lithuania	Lithuania	Gas transportation	37	-
Bosphorus Gaz Corporation A.S.**	Turkey	Turkey	Gas distribution	71	71
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	Germany	Germany	Transportation and gas distribution	50	50
Wintershall AG	Libya	Germany	Production of oil and gas distribution	49	49
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	Germany	Germany	Gas distribution	50	50
Gaz Project Development Central Asia AG	Uzbekistan	Switzerland	Gas production	50	50
OAO Gazprombank***	Russia	Russia	Banking	37	38
AO Gasum	Finland	Finland	Gas distribution	25	25
SGT EuRoPol GAZ S.A.	Poland	Poland	Transportation and gas distribution	48	48
TOO KazRosGaz	Kazakhstan	Kazakhstan	Gas processing and sales of gas and refined products	50	50
AO Latvijas Gaze	Latvia	Latvia	Transportation and gas distribution	34	34
AO Lietuvos dujos	Lithuania	Lithuania	Gas distribution	37	37
AO Moldovagaz	Moldova	Moldova	Transportation and gas distribution	50	50
Nord Stream AG	Russia, Germany	Switzerland	Construction, gas transportation	51	51
ZAO Nortgaz****	Russia	Russia	Exploration and sales of gas and gas condensate	50	51
AO Overgaz Inc.	Bulgaria	Bulgaria	Gas distribution	50	50
ZAO Panrusgaz	Hungary	Hungary	Gas distribution	40	40
AO Prometheus Gas	Greece	Greece	Gas distribution, construction	50	50
RosUkrEnergo AG	Ukraine	Switzerland	Gas distribution	50	50
Sakhalin Energy Investment Company Ltd.	Russia	Bermuda Islands	Oil production, production of LNG	50	50
OAO NGK Slavneft	Russia	Russia	Production of oil, sales of oil and refined products	50	50
AO Turusgaz	Turkey	Turkey	Gas distribution	45	45
Shtokman Development AG**	Russia	Switzerland	Exploration and production of gas	75	75
OOO Yamal razvitie*****	Russia	Russia	Investment activities, assets management	50	50

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

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

*** The effective Group's share in OAO Gazprombank as of 31 December 2013 decreased from 38% to 37% due to decrease of OOO Novfintekh's share in OAO Gazprombank from 6.33% to 3.45%.

**** In June 2013 OAO NOVATEK additionally acquired 1% interest in ZAO Nortgaz through a subscription to the entity's additional share emission. As a result of this transaction, the Group's interest in ZAO Nortgaz decreased from 51% to 50%.

***** OOO Yamal razvitie is a holder of 51% share in OOO SeverEnergiya. In December 2013 OOO Yamal razvitie, a joint venture of the Group, acquired 60% interest in Artic Russia B.V. for cash consideration of USD 2,940 million. Artic Russia B.V. owns 49% interest in OOO SeverEnergiya. As a result of the transaction, the Group's effective interest in OOO SeverEnergiya increased from 24.40% to 38.46%.

(In millions of Russian Roubles)

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

Summarised financial information on the Group's significant associated undertakings and joint ventures is presented in tables below.

The values, disclosed in the tables, represent total assets, liabilities, revenues, income (loss) of the Group's significant associated undertakings and joint ventures and not the Group's share.

The differences between the carrying value of investments in associated undertakings and joint ventures and the calculated Group's share in their net assets are mostly attributable to translation differences.

	OAO NGK Slavneft and its subsidiaries	Gazprombank Group*	Sakhalin Energy Investment Company Ltd.
As of and for the year ended 31 December 2013			
Cash and cash equivalents	28,208	555,362	2,320
Other current assets (excluding cash and cash equivalents)	18,630	1,642,781	99,143
Non-current assets	340,358	1,325,951	561,909
Total assets	**387,196**	**3,524,094**	**663,372**
Current financial liabilities (excluding trade payables)	24,010	2,486,052	94,222
Other current liabilities (including trade payables)	40,365	85,117	83,675
Non-current financial liabilities	33,271	646,366	181,573
Other non-current liabilities	44,804	26,380	153,014
Total liabilities	**142,450**	**3,243,915**	**512,484**
Net assets (including non-controlling interest)	**244,746**	**280,179**	**150,888**
Percent of ordinary shares held	50%	37%	50%
Carrying value	**126,976**	**100,612**	**67,868**
Revenue	193,038	154,537	238,294
Depreciation	(83,110)	(28,823)	(52,852)
Interest income	1,623	213,196	412
Interest expense	(1,478)	(128,476)	(9,852)
Profit tax expense	(4,731)	(10,539)	(64,423)
Profit (loss) for the year	**(40,001)**	**32,062**	**82,675**
Other comprehensive income for the year	**-**	**791**	**3,493**
Total comprehensive income (loss) for the year	**(40,001)**	**32,853**	**86,168**
Dividends received from associated undertakings and joint ventures	**(3,354)**	**(2,197)**	**(62,236)**
As of and for the year ended 31 December 2012			
Cash and cash equivalents	32,117	466,896	3,444
Other current assets (excluding cash and cash equivalents)	17,822	1,251,408	46,471
Non-current assets	395,884	1,003,841	549,426
Total assets	**445,823**	**2,722,145**	**599,341**
Current financial liabilities (excluding trade payables)	21,092	1,922,066	38,958
Other current liabilities (including trade payables)	34,137	76,064	31,231
Non-current financial liabilities	36,956	447,522	206,216
Other non-current liabilities	61,257	31,926	143,945
Total liabilities	**153,442**	**2,477,578**	**420,350**
Net assets (including non-controlling interest)	**292,381**	**244,567**	**178,991**
Percent of ordinary shares held	50%	38%	50%
Carrying value	**149,208**	**86,569**	**88,862**
Revenue	198,682	150,115	294,525
Depreciation	(28,304)	(24,875)	(45,827)
Interest income	1,249	175,716	259
Interest expense	(1,526)	(114,575)	(8,380)
Profit tax expense	(5,835)	(12,146)	(68,672)
Profit for the year	**24,679**	**31,329**	**144,025**
Other comprehensive loss for the year	**-**	**(3,647)**	**(2,471)**
Total comprehensive income for the year	**24,679**	**27,682**	**141,554**
Dividends received from associated undertakings and joint ventures	**(6,544)**	**(2,623)**	**(61,497)**

* Presented revenue of Gazprombank Group includes revenue of media business, machinery business and other non-banking companies.

(In millions of Russian Roubles)

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

	Assets	Liabilities	Revenues	Profit (loss)
As of and for the year ended 31 December 2013				
Nord Stream AG	347,736	259,696	36,829	5,080
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	278,127	197,070	539,801	19,934
OOO Yamal razvitie and its subsidiaries	228,280	168,198	15,832	(501)
SGT EuRoPol GAZ S.A.	49,122	9,952	11,259	(107)
Wintershall AG	45,700	24,533	54,395	3,045
ZAO Nortgaz	42,691	36,527	11,360	2,424
AO Gasum	34,563	16,501	48,240	1,416
Shtokman Development AG	33,773	1,997	-	(330)
ZAO Achimgaz	31,917	10,891	12,757	8,257
AO Latvijas Gaze	31,087	11,686	24,123	1,382
TOO KazRosGaz	21,361	1,722	29,436	9,318
AO Amber Grid	12,705	7,043	944	65
AO Lietuvos dujos	10,434	4,555	18,694	759
As of and for the year ended 31 December 2012				
Nord Stream AG	313,704	241,346	24,730	5,114
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	292,996	216,498	453,805	23,156
OOO Yamal razvitie and its subsidiaries	175,793	80,558	5,088	1,229
Wintershall AG	53,521	29,512	112,562	6,971
SGT EuRoPol GAZ S.A.	47,890	11,751	11,873	962
AO Gasum	33,639	17,281	51,098	1,700
Shtokman Development AG	30,958	2,160	-	(596)
ZAO Nortgaz	30,044	27,833	8,831	1,458
TOO KazRosGaz	28,186	2,550	45,939	17,013
AO Latvijas Gaze	25,617	9,001	24,411	1,320
AO Lietuvos dujos	20,772	10,145	21,685	875
ZAO Achimgaz	18,626	6,744	5,721	3,293

(In millions of Russian Roubles)

15 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2013	31 December 2012 (restated)
Long-term accounts receivable and prepayments (net of impairment provision of RR 14,083 and RR 12,797 as of 31 December 2013 and 2012, respectively)	160,957	175,878
Advances for assets under construction (net of impairment provision of RR 587 and RR 359 as of 31 December 2013 and 2012, respectively)	276,392	303,260
	437,349	**479,138**

As of 31 December 2013 and 2012, long-term accounts receivable and prepayments with carrying value RR 160,957 and RR 175,878 have an estimated fair value RR 146,648 and RR 165,997, respectively.

	31 December 2013	31 December 2012 (restated)
Long-term accounts receivable neither past due nor impaired	120,834	137,524
Long-term accounts receivable impaired and provided for	54,185	51,039
Impairment provision at the end of the year	(14,083)	(12,797)
Long-term accounts receivable past due but not impaired	21	112
Total long-term accounts receivable and prepayments	**160,957**	**175,878**

	31 December 2013	31 December 2012 (restated)
Long-term loans	66,808	68,578
Long-term trade receivables	8,133	4,677
Other long-term receivables*	45,893	64,269
Total long-term accounts receivable neither past due nor impaired	**120,834**	**137,524**

*Long-term accounts receivable and prepayments include prepayments in amount of RR 2,450 and RR 5,365 as of 31 December 2013 and 2012, respectively.

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

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

	Year ended 31 December 2013	Year ended 31 December 2012
Impairment provision at the beginning of the year	12,797	17,893
Impairment provision accrued*	2,833	24
Release of previously created provision*	(1,547)	(5,120)
Impairment provision at the end of the year	**14,083**	**12,797**

* The accrual and release of provision for impaired receivables have been included in (Charge for) reversal of impairment and other provisions in the consolidated statement of comprehensive income.

(In millions of Russian Roubles)

16 AVAILABLE-FOR-SALE LONG-TERM FINANCIAL ASSETS

	31 December 2013	31 December 2012 (restated)
Equity securities*	167,985	160,050
Debt instruments	919	1,654
	168,904	**161,704**

* As of 31 December 2013 and 2012 equity securities include OAO NOVATEK shares in the amount of RR 135,910 and RR 110,370, respectively.

Available-for-sale long-term financial assets in total amount of RR 168,904 and RR 161,704 are shown net of provision for impairment of RR 1,629 and RR 2,059 as of 31 December 2013 and 2012, respectively.

Debt instruments include mainly governmental bonds, corporate bonds and promissory notes on Group companies' balances which are assessed by management as of high credit quality.

Movements in long-term available-for-sale financial assets	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Balance at the beginning of the year	161,704	181,138
Increase (decrease) in fair value of long-term available-for-sale financial assets	6,991	(19,192)
Purchased long-term available-for-sale financial assets	10,033	1,308
Disposal of long-term available-for-sale financial assets	(10,254)	(1,056)
Impairment release (charge) of long-term available-for-sale financial assets	430	(494)
Balance at the end of the year	**168,904**	**161,704**

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.

17 OTHER NON-CURRENT ASSETS

Included within other non-current assets is VAT recoverable related to assets under construction totalling RR 74,711 and RR 89,128 as of 31 December 2013 and 2012, respectively.

Other non-current assets include net pension assets in the amount of RR 111,160 and RR 84,379 as of 31 December 2013 and 2012 respectively (see Note 24).

18 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December 2013	31 December 2012 (restated)
Financial liabilities		
Trade payables	282,285	273,062
Accounts payable for acquisition of property, plant and equipment	315,511	343,730
Derivative financial instruments	10,361	27,001
Other payables*	151,831	260,681
	759,988	904,474
Non-financial liabilities		
Advances received	133,411	132,435
Accruals and deferred income	2,295	2,084
	135,706	134,519
	895,694	**1,038,993**

*As of 31 December 2013 and 2012 other payables include RR 8,430 and RR 115,255 of accruals for probable price adjustments related to natural gas deliveries made from 2010 to 2013, respectively (see Note 26).

Trade payables of RR 120,080 and RR 109,383 were denominated in foreign currency, mainly the US dollar and Euro, as of 31 December 2013 and 2012, respectively. Book values of accounts payable approximate their fair value.

(In millions of Russian Roubles)

19 OTHER TAXES PAYABLE

	31 December 2013	31 December 2012 (restated)
VAT	58,411	52,763
Natural resources production tax	49,625	40,145
Property tax	17,724	11,833
Excise tax	8,866	8,469
Other taxes	11,469	9,240
	146,095	**122,450**

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

	31 December 2013	31 December 2012 (restated)
Short-term borrowings and promissory notes:		
RR-denominated borrowings and promissory notes	25,742	22,869
Foreign currency denominated borrowings	13,843	42,896
	39,585	65,765
Current portion of long-term borrowings (see Note 21)	292,341	256,868
	331,926	**322,633**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2013	31 December 2012 (restated)
Fixed rate RR-denominated short-term borrowings	8.39%	9.01%
Fixed rate foreign currency denominated short-term borrowings	4.08%	2.95%
Variable rate RR-denominated short-term borrowings	6.01%	-
Variable rate foreign currency denominated short-term borrowings	1.58%	1.94%

Fair values of these liabilities approximate the carrying values.

21 LONG-TERM BORROWINGS AND PROMISSORY NOTES

	Currency	Final Maturity	31 December 2013	31 December 2012 (restated)
Long-term borrowings and promissory notes payable to:				
Loan participation notes issued in April 2009[2]	US dollar	2019	74,927	69,533
Loan participation notes issued in July 2012[2]	Euro	2017	64,849	57,250
Loan participation notes issued in October 2007[2]	Euro	2018	57,108	51,088
Loan participation notes issued in September 2012[7]	US dollar	2022	49,697	46,118
Loan participation notes issued in November 2013[7]	US dollar	2023	49,364	-
Loan participation notes issued in May 2005[2]	Euro	2015	46,511	41,607
Loan participation notes issued in March 2013[2]	Euro	2020	46,164	-
Loan participation notes issued in November 2006[2]	US dollar	2016	44,482	41,279
Loan participation notes issued in March 2007[2]	US dollar	2022	43,425	40,298
White Nights Finance B.V.	US dollar	2014	42,682	39,609
Loan participation notes issued in July 2009[2]	US dollar	2014	42,297	39,251
Loan participation notes issued in August 2007[2]	US dollar	2037	42,030	39,003
Loan participation notes issued in July 2013[2]	Euro	2018	41,129	-
Loan participation notes issued in July 2009[2]	Euro	2015	41,041	36,715
Loan participation notes issued in April 2004[2]	US dollar	2034	39,868	36,997
Loan participation notes issued in April 2008[2]	US dollar	2018	36,654	34,015
Loan participation notes issued in October 2006[2]	Euro	2014	36,575	32,719
Loan participation notes issued in April 2013[7]	Euro	2018	34,398	-

(In millions of Russian Roubles)

21 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 December 2013	31 December 2012 (restated)
Loan participation notes issued in July 2012[2]	US dollar	2022	33,458	31,049
Loan participation notes issued in November 2011[2]	US dollar	2016	32,900	30,531
Loan participation notes issued in November 2010[2]	US dollar	2015	32,877	30,510
Loan participation notes issued in June 2007[2]	Euro	2014	31,766	28,417
Loan participation notes issued in February 2013[2]	US dollar	2028	30,044	-
ZAO Mizuho Corporate Bank (Moscow)	US dollar	2016	28,606	26,563
Loan participation notes issued in September 2013[2]	GBP	2020	27,198	-
Loan participation notes issued in February 2013[2]	US dollar	2020	26,589	-
Natixis SA[1]	US dollar	2015	23,933	36,232
Loan participation notes issued in November 2006[2]	Euro	2017	23,387	20,921
Loan participation notes issued in March 2013[2]	Euro	2025	23,254	-
Commerzbank AG	US dollar	2018	23,026	-
OAO VTB Bank	US dollar	2015	22,974	-
Loan participation notes issued in March 2007[2]	Euro	2017	22,686	20,294
Loan participation notes issued in November 2011[2]	US dollar	2021	20,155	18,704
Bank of Tokyo-Mitsubishi UFJ Ltd.[1]	US dollar	2016	18,528	22,887
Loan participation notes issued in October 2013[2]	CHF	2019	18,444	-
BNP Paribas SA[1]	Euro	2022	16,550	16,451
The Royal Bank of Scotland AG[1]	US dollar	2015	16,339	15,483
Russian bonds issued in February 2013[9]	Rouble	2016	15,404	-
Loan participation notes issued in November 2013[10]	Rouble	2043	15,102	-
Loan participation notes issued in November 2013[10]	Rouble	2043	15,102	-
GK Vnesheconombank	Rouble	2025	14,698	14,808
Deutsche Bank AG	US dollar	2016	13,327	12,387
UniCredit Bank AG[1,6]	US dollar	2018	11,220	13,683
UniCredit Bank AG[1,6]	Euro	2018	11,116	13,067
Credit Agricole CIB	Euro	2015	10,813	9,673
Sumitomo Mitsui Finance Dublin Limited	US dollar	2016	10,504	9,749
HSBC Bank plc	Euro	2022	10,443	-
Russian bonds issued in February 2011[7]	Rouble	2021	10,358	10,356
Russian bonds issued in February 2011[7]	Rouble	2021	10,342	10,340
Russian bonds issued in February 2011[7]	Rouble	2016	10,342	10,340
Russian bonds issued in February 2012[7]	Rouble	2022	10,332	10,330
Russian bonds issued in February 2013[9]	Rouble	2017	10,271	-
Russian bonds issued in April 2009[7]	Rouble	2019	10,173	10,171
OAO Sberbank of Russia	Euro	2017	10,145	-
Russian bonds issued in December 2012[7]	Rouble	2022	10,065	10,063
OAO Gazprombank	Rouble	2018	10,000	10,000
OAO Gazprombank	Rouble	2017	10,000	10,000
Deutsche Bank AG	US dollar	2014	9,899	9,186
Banc of America Securities Limited	US dollar	2018	9,894	-
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2015	9,874	9,171
Bank of Tokyo-Mitsubishi UFJ Ltd.	US dollar	2016	9,830	9,122
Citibank International plc[1]	US dollar	2021	9,020	8,563
Bank of America Securities Limited	Euro	2017	8,143	7,285
OAO Sberbank of Russia	Rouble	2016	7,400	-
Deutsche Bank AG	US dollar	2014	6,566	6,093
UniCredit Bank AG	US dollar	2018	6,548	-
BNP Paribas SA[1]	Euro	2023	6,536	6,497
Banc of America Securities Limited	US dollar	2016	5,895	5,471
Russian bonds issued in February 2007[10]	Rouble	2014	5,138	5,137
Russian bonds issued in February 2013[9]	Rouble	2018	5,126	-
Russian bonds issued in December 2009[5]	Rouble	2014	5,038	5,037
Russian bonds issued in June 2009[10]	Rouble	2014	5,013	5,011
OAO Bank ROSSIYA	Rouble	2016	5,000	-
OAO Sberbank of Russia	US dollar	2018	4,915	-

(In millions of Russian Roubles)

21 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

	Currency	Final Maturity	31 December 2013	31 December 2012 (restated)
Eurofert Trading Limited llc[4]	Rouble	2015	3,600	5,000
UniCredit Bank AG[1,6]	Rouble	2018	3,145	4,134
Deutsche Bank AG	US dollar	2014	2,346	4,353
OAO Gazprombank	US dollar	2015	2,085	-
OAO VTB Bank	Rouble	2014	708	4,010
Russian bonds issued in July 2009[8]	Rouble	2014	126	2,894
The Royal Bank of Scotland AG	US dollar	2013	-	54,858
Loan participation notes issued in June 2007[2]	US dollar	2013	-	48,795
Russian bonds issued in April 2010[7]	Rouble	2013	-	20,326
Loan participation notes issued in July 2008[2]	US dollar	2013	-	15,617
Structured export notes issued in July 2004[3]	US dollar	2013	-	12,509
Loan participation notes issued in April 2008[2]	US dollar	2013	-	12,347
Eurofert Trading Limited llc[4]	Rouble	2013	-	8,600
Credit Agricole CIB[1]	US dollar	2013	-	7,607
OAO TransKreditBank	Rouble	2013	-	7,055
Other long-term borrowings and promissory notes	Various	Various	94,826	91,658
Total long-term borrowings and promissory notes			**1,762,343**	**1,434,827**
Less: current portion of long-term borrowings			(292,341)	(256,868)
			1,470,002	**1,177,959**

[1] Loans received from syndicate of banks, named lender is the bank-agent.
[2] Issuer of these bonds is Gaz Capital S.A.
[3] Issuer of these notes is Gazprom International S.A.
[4] Issuer of these notes is OAO WGC-2.
[5] Issuer of these bonds is OAO Mosenergo.
[6] Loans were obtained for development of Yuzhno-Russkoye oil and gas field.
[7] Issuer of these bonds is OAO Gazprom neft.
[8] Issuer of these bonds is OAO TGC-1.
[9] Issuer of these bonds is OOO Gazprom capital.
[10] Issuer of these bonds is OAO Gazprom.

	31 December 2013	31 December 2012 (restated)
RR-denominated borrowings and promissory notes (including current portion of RR 45,730 and RR 40,958 as of 31 December 2013 and 2012, respectively)	245,463	207,994
Foreign currency denominated borrowings and promissory notes (including current portion of RR 246,611 and RR 215,910 as of 31 December 2013 and 2012, respectively)	1,516,880	1,226,833
	1,762,343	**1,434,827**

Due for repayment:	31 December 2013	31 December 2012 (restated)
Between one and two years	242,531	278,726
Between two and five years	640,741	502,440
More than five years	586,730	396,793
	1,470,002	**1,177,959**

Long-term borrowings include fixed rate loans with a carrying value of RR 1,427,690 and RR 1,165,789 and fair value of RR 1,500,542 and RR 1,276,254 as of 31 December 2013 and 2012, respectively. All other long-term borrowings have variable interest rates generally linked to LIBOR, and the difference between carrying value of these liabilities and their fair value is not significant.

In 2013 and 2012 the Group did not have material formal hedging arrangements to mitigate its foreign exchange risk or interest rate risk.

(In millions of Russian Roubles)

21 LONG-TERM BORROWINGS AND PROMISSORY NOTES (continued)

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2013	31 December 2012 (restated)
Fixed rate RR-denominated long-term borrowings	8.56%	8.62%
Fixed rate foreign currency denominated long-term borrowings	5.91%	6.79%
Variable rate RR-denominated long-term borrowings	7.30%	-
Variable rate foreign currency denominated long-term borrowings	2.54%	3.02%

As of 31 December 2013 and 2012 long-term borrowings of RR nil and RR 12,509, respectively, inclusive of current portion of long-term borrowings, are secured by revenues from export supplies of gas to Western Europe.

As of 31 December 2013 and 2012 according to the project facility agreement, signed within the framework of the development project of Yuzhno-Russkoe oil and gas field with the group of international financial institutions with UniCredit Bank AG acting as a facility agent, ordinary shares of OAO Severneftegazprom with the pledge value of RR 16,968 and fixed assets with the pledge value of RR 26,210 were pledged to ING Bank N.V. (London branch) up to the date of full redemption of the liabilities on this agreement. As of 31 December 2013 and 2012 carrying amount of these fixed assets is RR 24,614 and RR 25,656, respectively. Management of the Group does not expect any substantial consequences to occur which relate to respective pledge agreement.

As of 31 December 2013 loan participation notes with the nominal value of RR 39,868 issued by Gaz Capital S.A. in April 2004 due in 2034 were classified as long-term borrowings as the noteholders did not execute the right of early redemption.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in December 2012 due in 2022 bondholders can execute the right of early redemption in December 2017 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2012 due in 2022 bondholders can execute the right of early redemption in February 2015 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2016 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in February 2011 due in 2021 bondholders can execute the right of early redemption in February 2018 at par, including interest accrued.

Under the terms of the Russian bonds with the nominal value of RR 10,000 issued by OAO Gazprom neft in April 2009 due in 2019 bondholders can execute the right of early redemption in April 2018 at par, including interest accrued.

The Group has no subordinated debt and no debt that may be converted into an equity interest in the Group (see Note 25).

(In millions of Russian Roubles)

22 PROFIT TAX

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

		Year ended 31 December	
Note		2013	2012 (restated)
	Profit before profit tax	1,486,083	1,557,736
	Theoretical tax charge calculated at applicable tax rates	(297,217)	(311,547)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses	(51,858)	(38,552)
14	Non-taxable profits of associated undertakings and joint ventures	11,334	29,038
	Other non-taxable income	17,363	15,740
	Profit tax expense	**(320,378)**	**(305,321)**

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 applicable statutory rates, including the prevailing rate of 20% in the Russian Federation.

Tax effects of taxable and deductible temporary differences:

	Property, plant and equipment	Financial assets	Inventories	Tax losses carry forward	Retroactive gas price adjustments	Other deductible temporary differences	**Total net deferred tax liabilities**
1 January 2012 (restated)	**(405,226)**	**(14,674)**	**(4,768)**	**896**	**-**	**5,877**	**(417,895)**
Differences recognition and reversals recognised in profit or loss	(56,354)	3,518	4,911	(688)	23,051	311	(25,251)
Differences recognition and reversals recognised in other comprehensive income	-	1,163	-	-	-	2,097	3,260
Acquisition of subsidiaries	(3,918)	-	-	-	-	-	(3,918)
31 December 2012 (restated)	**(465,498)**	**(9,993)**	**143**	**208**	**23,051**	**8,285**	**(443,804)**
Differences recognition and reversals recognised in profit or loss	(99,231)	(1,447)	(5,764)	8,041	(18,339)	(1,766)	(118,506)
Differences recognition and reversals recognised in other comprehensive income	-	1,885	-	-	-	(626)	1,259
Acquisition of subsidiaries	(1,254)	(118)	9	2,452	-	1,093	2,182
31 December 2013	**(565,983)**	**(9,673)**	**(5,612)**	**10,701**	**4,712**	**6,986**	**(558,869)**

Taxable temporary differences recognized for the years ended 31 December 2013 include the effect of depreciation premium on certain property, plant and equipment. As a result a deferred tax liability related to property, plant and equipment was recognized in the amount of RR 66,812 with the corresponding offsetting credit to the current profit tax expense and therefore no net impact on the consolidated net profit for the year ended 31 December 2013.

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 725,876 and RR 728,421 as of 31 December 2013 and 2012, 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 reversed in the foreseeable future.

Effective 1 January 2012, 55 major Russian subsidiaries of OAO Gazprom formed a consolidated group of taxpayers (CGT) with OAO Gazprom acting as the responsible tax payer. During 2013, an additional nine Russian subsidiaries of OAO Gazprom joined the CGT. In accordance with the Russian tax legislation, tax deductible losses can be offset against taxable profits among the companies within the CGT to the extent those losses and profits are recognized for tax purposes in the reporting year and, thus, are included into the tax base of the CGT. Tax assets recognized on losses prior to the formation of the CGT are written off.

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

(In millions of Russian Roubles)

23 DERIVATIVE FINANCIAL INSTRUMENTS

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting year. Fair values of derivatives are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

Fair value	31 December 2013	31 December 2012
Assets		
Commodity contracts	17,672	25,098
Foreign currency derivatives	1,629	1,736
Other derivatives	342	106
	19,643	**26,940**
Liabilities		
Commodity contracts	13,922	30,509
Foreign currency derivatives	3,885	1,459
	17,807	**31,968**

The maturities of all derivative financial instruments vary from up to three months to five years and more and predominantly include derivatives up to three months and from six to twelve months. Derivative financial instruments are mainly denominated in Pounds sterling and Euros.

24 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December 2013	31 December 2012 (restated)
Provision for post-employment benefit obligations	198,202	198,256
Provision for decommissioning and site restoration costs	120,782	127,763
Other	11,596	10,524
	330,580	**336,543**

The Group operates post-employment benefits, which are recorded in the consolidated financial statements under IAS 19 (revised). Defined benefit plan covers the majority employees of the Group. The retirement benefit plan includes benefits of the following types: pension benefits paid to former employees through the non-state pension fund "Gazfund" (hereinafter referred to as the "NPF"), lump sum payment upon retirement, financial aid provided to pensioners, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death.There were certain updates on defined benefit plan during 2013. The change was recognized in past service cost.

The amount of benefits depends on the period of the employees' service (years of service), salary level at retirement, predetermined fixed amount or a combination of these factors.

Principal actuarial assumptions used:

	31 December 2013	31 December 2012
Discount rate (nominal)	8.0%	7.0%
Future salary and pension increases (nominal)	6.0%	6.0%
Retirement ages	females 54, males 58	
Turnover ratio p.a.	Age-related curve, 3.8% pa on average	

Weighted-average duration of obligations is around 14 years. The assumptions relating to life expectancy at expected pension age were 19.3 years for a 58 year old man and 29.5 years for a 54 year old woman in 2013 and 2012.

The amounts associated with post-employment benefit obligations recognized in the consolidated balance sheet are as follows:

	31 December 2013		31 December 2012 (restated)	
	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	(318,208)	(198,202)	(323,133)	(198,256)
Fair value of plan assets	429,368	-	407,512	-
Net balance asset (liability)	**111,160**	**(198,202)**	**84,379**	**(198,256)**

(In millions of Russian Roubles)

24 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The net pension assets related to benefits provided by the pension plan NPF Gazfund in amount of RR 111,160 and RR 84,379 as of 31 December 2013 and 2012, respectively, are included within other non-current assets. Future economic benefit was determined based on expected contribution reductions allowing for the requirement to fund benefits for new entrants.

Changes in the present value of the defined benefit obligations and fair value of plan assets for the year ended 31 December 2013 are as follows:

	Funded benefits - provided through NPF Gazfund	Plan asset	Restrictions on asset recognised	Net liability (asset) – funded benefits	Unfunded liabilities – other benefits
Opening balance at 1 January 2013 (restated)	**323,133**	**(407,512)**	**-**	**(84,379)**	**198,256**
Current service cost	13,973	-	-	13,973	12,480
Past service cost	14,365	-	-	14,365	8,614
Net interest expense (income)	22,628	(28,520)	-	(5,892)	14,275
Total expenses included in staff cost	**50,966**	**(28,520)**	**-**	**22,446**	**35,369**
Remeasurements:					
Actuarial (gains) arising from changes in financial assumptions	(35,763)	-	-	(35,763)	(22,937)
Actuarial losses arising from changes in demographic assumptions	-	-	-	-	96
Actuarial (gains) losses - Experience	(10,965)	-	-	(10,965)	4,670
Return on assets excluding amounts included in net interest expense	-	9,475	-	9,475	-
Total recognized in other comprehensive income (loss)	**(46,728)**	**9,475**	**-**	**(37,253)**	**(18,171)**
Benefits paid	(9,163)	9,163	-	-	(17,663)
Contributions by employer	-	(11,974)	-	(11,974)	-
Business combinations	-	-	-	-	411
Closing balance at 31 December 2013	**318,208**	**(429,368)**	**-**	**(111,160)**	**198,202**

Changes in the present value of the defined benefit obligations and fair value of plan assets for the year ended 31 December 2012 are as follows:

	Funded benefits - provided through NPF Gazfund	Plan asset	Restrictions on asset recognised	Net liability (asset) – funded benefits	Unfunded liabilities – other benefits
Opening balance at 1 January 2012 (restated)	**228,121**	**(447,183)**	**107,646**	**(111,416)**	**148,804**
Current service cost	12,963	-	-	12,963	9,699
Past service cost	-	-	-	-	(172)
Net interest expense (income)	18,258	(35,817)	8,612	(8,947)	12,301
Total expenses included in staff cost	**31,221**	**(35,817)**	**8,612**	**4,016**	**21,828**
Remeasurements:					
Actuarial (gains) arising from changes in financial assumptions	35,009	-	-	35,009	25,313
Actuarial losses arising from changes in demographic assumptions	24,967	-	-	24,967	5,196
Actuarial (gains) losses - Experience	11,840	-	-	11,840	7,722
Return on assets excluding amounts included in net interest expense	-	76,012	-	76,012	-
Change in the effect of the asset ceiling	-	-	(116,258)	(116,258)	-
Total recognized in other comprehensive income (loss)	**71,816**	**76,012**	**(116,258)**	**31,570**	**38,231**
Benefits paid	(8,025)	8,025	-	-	(12,013)
Contributions by employer	-	(8,549)	-	(8,549)	-
Business combinations	-	-	-	-	1,406
Closing balance at 31 December 2012 (restated)	**323,133**	**(407,512)**	**-**	**(84,379)**	**198,256**

(In millions of Russian Roubles)

24 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

	31 December 2013		31 December 2012	
	Fair value	**Percentage, %**	**Fair value**	**Percentage, %**
Quoted plan asset, including	**103,942**	**24.2%**	**113,550**	**27.8%**
Mutual funds	42,326	9.9%	42,166	10.3%
Bonds	31,051	7.2%	25,202	6.2%
Shares	28,501	6.6%	46,182	11.3%
Other securities	2,064	0.5%	-	-
Unquoted plan asset, including	**325,426**	**75.8%**	**293,962**	**72.2%**
Shares	239,503	55.8%	217,032	53.3%
Mutual funds	52,011	12.1%	48,159	11.8%
Deposits	28,579	6.7%	23,437	5.8%
Other securities	5,333	1.2%	5,334	1.3%
Total plan assets	**429,368**	**100%**	**407,512**	**100%**

The amount of ordinary shares of OAO Gazprom included in the fair value of plan assets comprises RR 12,004 and RR 15,860 as of 31 December 2013 and 2012, respectively.

Non-quoted equities within plan assets are mostly represented by OAO Gazprombank shares which are measured at fair value (Level 2) using market approach valuation techniques based on available market data.

For the year ended 31 December 2013 actual return on plan assets was income of RR 19,045 primarily caused by the change of the fair value of plan assets.

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2013 is presented below:

	Increase (decrease) of defined benefit obligation	Increase (decrease) of defined benefit obligation, %
Mortality rates lower by 20%	23,415	4.6%
Mortality rates higher by 20%	(19,441)	(3.8%)
Discount rate lower by 1 pp	57,992	11.4%
Discount rate higher by 1 pp	(48,669)	(9.5%)
Benefit growth lower by 1 pp	(49,942)	(9.8%)
Benefit growth higher by 1 pp	58,585	11.5%
Staff turnover lower by 1 pp for all ages	25,144	4.9%
Staff turnover higher by 1 pp for all ages	(22,037)	(4.3%)
Retirement ages lower by 1 year	22,970	4.5%
Retirement ages higher by 1 year	(22,665)	(4.4%)

The Group expects to contribute RR 11,600 to the defined benefit plans in 2014.

Retirement benefit plan parameters and related risks

As a rule, the above benefits are increase in line with inflation rate or salary growth for benefits that are fixed in monetary terms or depend on salary level respectively, excluding the retirement benefits payable through NPF. Increase in pensions, payable through NPF to current pensioners, depends on amount of investment return on plan assets.

All retirement benefit plans of the Group are exposed to inflation risk. In addition to the inflation risk, the Group is exposed to mortality risk under life pension payable through NPF.

25 EQUITY

Share capital

Share capital authorised, issued and paid in totals RR 325,194 as of 31 December 2013 and 2012 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 Russian Roubles.

Dividends

In 2013 OAO Gazprom declared and paid dividends in the nominal amount of 5.99 Russian Roubles per share for the year ended 31 December 2012. In 2012 OAO Gazprom declared and paid dividends in the nominal amount of 8.97 Russian Roubles per share for the year ended 31 December 2011.

Treasury shares

As of 31 December 2013 and 2012 subsidiaries of OAO Gazprom held 723 million and 724 million of the ordinary shares of OAO Gazprom, respectively. Shares of the Group held by the subsidiaries represent 3.1% of OAO Gazprom shares as of 31 December 2013 and 2012. The Group management controls the voting rights of these shares.

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement of the consolidated financial statements to the equivalent purchasing power of the Russian 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 joint arrangements in the amount of RR 78,130 and RR 25,816 as of 31 December 2013 and 2012, 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 240 and RR 16 have been transferred to governmental authorities during the years ended 31 December 2013 and 2012, 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 Russian Accounting Rules. For the year ended 31 December 2013 the statutory profit of the parent company was RR 628,311. 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.

(In millions of Russian Roubles)

26 SALES

	Year ended 31 December 2013	2012 (restated)
Gas sales gross of custom duties to customers in:		
Russian Federation	794,349	760,885
Former Soviet Union (excluding Russian Federation)	504,681	626,820
Europe and other countries	2,115,748	1,806,947
	3,414,778	3,194,652
Customs duties	(517,348)	(434,796)
Retroactive gas price adjustments*	74,393	(102,749)
Total sales of gas	2,971,823	2,657,107
Sales of refined products to customers in:		
Russian Federation	821,487	742,473
Former Soviet Union (excluding Russian Federation)	80,557	73,267
Europe and other countries	449,669	393,475
Total sales of refined products	1,351,713	1,209,215
Sales of crude oil and gas condensate to customers in:		
Russian Federation	32,094	40,726
Former Soviet Union (excluding Russian Federation)	50,115	30,186
Europe and other countries	128,007	204,648
Total sales of crude oil and gas condensate	210,216	275,560
Electricity and heat sales:		
Russian Federation	362,415	326,737
Former Soviet Union (excluding Russian Federation)	2,191	5,586
Europe and other countries	10,983	11,186
Total electric and heat energy sales	375,589	343,509
Gas transportation sales:		
Russian Federation	161,825	123,327
Former Soviet Union (excluding Russian Federation)	1,434	2,059
Europe and other countries	6	-
Total gas transportation sales	163,265	125,386
Other revenues:		
Russian Federation	144,529	139,393
Former Soviet Union (excluding Russian Federation)	4,992	5,058
Europe and other countries	27,838	11,267
Total other revenues	177,359	155,718
Total sales	**5,249,965**	**4,766,495**

* Retroactive gas price adjustments relate to gas deliveries in 2010, 2011 and 2012 for which a discount has been agreed or is in the process of negotiations and where it is probable that a discount will be provided. The effects of gas price adjustments, including corresponding impacts on profit tax, are recorded when they become probable and a reliable estimate of the amounts can be made. The effect of retroactive gas price adjustments on sales for the year ended 31 December 2013 was a credit of RR 74,393 reflecting a decrease in a related accrual following estimates made and agreements reached prior to the issuance of this consolidated financial statements. Effect of retroactive gas price adjustments recorded for the year ended 31 December 2012 was a charge of RR 102,749 reflecting an increase in a related accrual for volumes of gas delivered in 2010 and 2011 for which a discount was agreed in 2012 or was in a process of negotiations at the time the 2012 consolidated financial statements were issued where it was probable that a discount will be provided.

(In millions of Russian Roubles)

27 OPERATING EXPENSES

Note		Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	Purchased oil and gas	753,829	820,692
37	Taxes other than profit tax	706,667	625,313
	Staff costs	497,852	409,807
	Depreciation	419,019	345,690
	Transit of gas, oil and refined products	358,829	317,754
	Materials	236,354	186,920
	Repairs and maintenance	200,621	219,999
	Cost of goods for resale including refined products	136,776	129,812
	Electricity and heating expenses	87,242	76,949
	Social expenses	34,970	31,736
	Transportation services	29,909	38,839
	Rental expenses	27,167	24,126
	Insurance expenses	25,052	22,370
	Research and development expenses	16,738	19,766
	Processing services	14,423	14,396
	Heat transmission	5,075	19,647
	Derivatives (gains) losses	(8,512)	8,802
	Foreign exchange rate differences on operating items	(45,050)	14,147
	Other	233,795	182,347
		3,730,756	**3,509,112**
	Changes in inventories of finished goods, work in progress and other effects	(129,848)	(87,265)
	Total operating expenses	**3,600,908**	**3,421,847**

Staff costs include RR 57,815 and RR 25,844 of expenses associated with post-employment benefit obligations for the years ended 31 December 2013 and 2012, respectively (see Note 24).

Gas purchase expenses included within purchased oil and gas amounted to RR 538,551 and RR 556,346 for the years ended 31 December 2013 and 2012, respectively.

Taxes other than profit tax consist of:

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Natural resources production tax	512,885	458,322
Excise tax	104,568	98,780
Property tax	75,468	54,934
Other taxes	13,746	13,277
	706,667	**625,313**

The amount recognized in the consolidated statement of comprehensive income related to net impairment charges for (release of) impairment and other provisions are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Charge for provision for accounts receivable	64,451	47,238
Charge for (release of) provision for inventory obsolescence	419	(133)
Charge for (release of) provision for investments	2,782	(379)
Charge for (release of) provision for impairment of assets under construction	46	(49,934)
	67,698	**(3,208)**

(In millions of Russian Roubles)

28 FINANCE INCOME AND EXPENSES

	Year ended 31 December 2013	2012 (restated)
Exchange gains	96,125	281,863
Interest income	33,398	26,626
Total finance income	**129,523**	**308,489**
Exchange losses	241,339	210,146
Interest expense	42,768	37,022
Total finance expenses	**284,107**	**247,168**

Total interest paid amounted to RR 92,024 and RR 93,692 for the years ended 31 December 2013 and 2012, respectively.

29 RECONCILIATION OF PROFIT, DISCLOSED IN CONSOLIDATED STATEMENT OF FINANCIAL RESULTS, PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING RULES (RAR) TO PROFIT DISCLOSED IN IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note		Year ended 31 December 2013	2012 (restated)
	RAR net profit for the year per consolidated statutory accounts	**839,045**	**770,581**
	Effects of IFRS adjustments:		
	Classification of revaluation of available-for-sale financial assets	(8,949)	19,923
	Difference in share of net income of associated undertakings and joint ventures	(16,565)	3,503
	Differences in depreciation of property, plant and equipment	269,730	247,689
	Reversal of goodwill amortization	58,518	54,645
	Loan interest capitalized	55,312	59,313
24	Impairment and other provisions, including provision for pension obligations and unused vacations	(31,311)	65,711
	Accounting for finance leases	13,087	14,880
	Write-off of research and development expenses capitalized for RAR purposes	(4,707)	(5,565)
	Fair value adjustment on derivatives	8,512	(8,802)
	Differences in fixed assets disposal	4,952	(1,700)
	Other effects	(21,919)	32,237
	IFRS profit for the year	**1,165,705**	**1,252,415**

30 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 25).

There were 22.9 billion weighted average shares outstanding for the years ended 31 December 2013 and 2012, respectively.

There are no dilutive financial instruments outstanding.

(In millions of Russian Roubles)

31 NET CASH PROVIDED BY OPERATING ACTIVITIES

Notes		Year ended 31 December 2013	2012 (restated)
	Profit before profit tax	**1,486,083**	**1,557,736**
	Adjustments to profit before profit tax for:		
27	Depreciation	419,019	345,690
28	Net finance expense (income)	154,584	(61,321)
14	Share of net income of associated undertakings and joint ventures	(56,670)	(145,192)
27	Charge for provisions	125,513	22,636
27	Derivatives (gains) losses	(8,512)	8,802
	Losses (gains) on disposal of available-for-sale financial assets	3,212	(546)
	Other	(24,905)	10,422
	Total effect of adjustments	612,241	180,491
	Cash flows from operating activities before working capital changes	2,098,324	1,738,227
	Decrease (increase) in non-current assets	4,320	(2,244)
	Decrease in non-current liabilities	(3,372)	(2,472)
		2,099,272	1,733,511
	Changes in working capital:		
	Increase in accounts receivable and prepayments	(110,748)	(180,256)
	Increase in inventories	(101,823)	(39,711)
	Increase in other current assets	(40,986)	(39,363)
	Decrease (increase) in accounts payable and accrued charges, excluding interest, dividends and capital construction	(211,246)	108,009
	Settlements on taxes payable (other than profit tax)	318,390	170,136
	(Increase) decrease in available-for-sale financial assets and financial assets held for trading	(5,539)	6,633
	Total effect of working capital changes	(151,952)	25,448
	Profit tax paid	(199,457)	(286,180)
	Net cash from operating activities	**1,747,863**	**1,472,779**

Total taxes and other similar payments paid in cash for the years 2013 and 2012:

	Year ended 31 December 2013	2012 (restated)
Customs duties	744,933	684,179
Natural resources production tax	503,229	446,632
Profit tax	199,457	286,180
Excise	130,522	110,994
VAT	22,291	238,791
Insurance contributions to non-budget funds	77,071	63,518
Property tax	72,805	54,471
Personal income tax	48,488	42,671
Other	21,776	23,792
Total taxes paid	**1,820,572**	**1,951,228**

(In millions of Russian Roubles)

32 SUBSIDIARY UNDERTAKINGS

Significant subsidiaries

Subsidiary undertaking	Country of primary operation	% of share capital as of 31 December* 2013	2012
OOO Aviapredpriyatie Gazprom avia	Russia	100	100
VEMEX s.r.o.**	Czech Republic	50	50
OAO Vostokgazprom	Russia	100	100
GAZPROM Schweiz AG	Switzerland	100	100
ZAO Gazprom Armenia (ZAO ArmRosgazprom)***	Armenia	80	80
OOO Gazprom VNIIGAZ	Russia	100	100
OAO Gazprom gazoraspredelenie	Russia	100	100
OAO Gazprom gazoraspredelenie Sever****	Russia	91	-
OOO Gazprom geologorazvedka	Russia	100	100
OOO Gazprom georesurs	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Gerosgaz Holdings B.V.	Netherlands	100	100
Gazprom Global LNG Ltd.	United Kingdom	100	100
OOO Gazprom dobycha Astrakhan	Russia	100	100
OOO Gazprom dobycha Krasnodar	Russia	100	100
OOO Gazprom dobycha Nadym	Russia	100	100
OOO Gazprom dobycha Noyabrsk	Russia	100	100
OOO Gazprom dobycha Orenburg	Russia	100	100
OOO Gazprom dobycha Urengoy	Russia	100	100
OOO Gazprom dobycha shelf	Russia	100	100
OOO Gazprom dobycha Yamburg	Russia	100	100
OOO Gazprom invest	Russia	100	100
OOO Gazprom invest Vostok	Russia	100	100
ZAO Gazprom invest RGK (ZAO RSh-Centr)***	Russia	100	100
ZAO Gazprom invest Yug	Russia	100	100
OOO Gazprom investholding	Russia	100	100
Gazprom International Germany GmbH (Gazprom Libyen Verwaltungs GmbH)***	Germany	100	100
OOO Gazprom inform	Russia	100	100
OOO Gazprom komplektatciya	Russia	100	100
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
OOO Gazprom mezhregiongaz	Russia	100	100
OAO Gazprom neftekhim Salavat *****	Russia	100	98
ZAO Gazprom neft Orenburg ******	Russia	100	100
Gazprom Neft Trading GmbH ******	Austria	100	100
OOO Gazprom neft shelf	Russia	100	100
OAO Gazprom neft	Russia	96	96
OOO Gazprom pererabotka	Russia	100	100
OOO Gazprom podzemremont Orenburg	Russia	100	100
OOO Gazprom podzemremont Urengoy	Russia	100	100
OOO Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holdings B.V.	Netherlands	100	100
OOO Gazprom torgservis	Russia	100	100
OAO Gazprom transgaz Belarus	Belorussia	100	100
OOO Gazprom transgaz Volgograd	Russia	100	100
OOO Gazprom transgaz Ekaterinburg	Russia	100	100
OOO Gazprom transgaz Kazan	Russia	100	100
OOO Gazprom transgaz Krasnodar	Russia	100	100
OOO Gazprom transgaz Makhachkala	Russia	100	100
OOO Gazprom transgaz Moskva	Russia	100	100
OOO Gazprom transgaz Nizhny Novgorod	Russia	100	100
OOO Gazprom transgaz Samara	Russia	100	100
OOO Gazrpom transgaz St. Petersburg	Russia	100	100
OOO Gazprom transgaz Saratov	Russia	100	100
OOO Gazprom transgaz Stavropol	Russia	100	100
OOO Gazprom transgaz Surgut	Russia	100	100
OOO Gazprom transgaz Tomsk	Russia	100	100

(In millions of Russian Roubles)

32 SUBSIDIARY UNDERTAKINGS (continued)

Subsidiary undertaking	Country of primary operation	% of share capital as of 31 December* 2013	2012
OOO Gazprom transgaz Ufa	Russia	100	100
OOO Gazprom transgaz Ukhta	Russia	100	100
OOO Gazprom transgaz Tchaikovsky	Russia	100	100
OOO Gazprom transgaz Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
OOO Gazprom tsentrremont	Russia	100	100
OOO Gazprom export	Russia	100	100
OOO Gazprom energo	Russia	100	100
OOO Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
OOO Gazpromneft-Vostok ******	Russia	100	100
ZAO Gazpromneft-Kuzbass ******	Russia	100	100
OAO Gazpromneft-MNPZ ******	Russia	96	96
OAO Gazpromneft-Noyabrskneftegaz ******	Russia	100	100
OAO Gazpromneft-Omsk ******	Russia	100	100
OAO Gazpromneft-Omskiy NPZ ******	Russia	100	100
ZAO Gazpromneft-Severo-Zapad ******	Russia	100	100
OOO Gazpromneft-Khantos******	Russia	100	100
OOO Gazpromneft-Centr ******	Russia	100	100
OOO Gazpromneftfinans******	Russia	100	100
OOO Gazpromtrans	Russia	100	100
OAO Gazpromtrubinvest	Russia	100	100
OOO Gazflot	Russia	100	100
OAO Daltransgaz	Russia	100	100
OOO Zapolyarneft******	Russia	100	100
OAO Zapsibgazprom	Russia	-	77
ZAO Kaunasskaya power station	Lithuania	-	99
OAO Krasnoyarskgazprom	Russia	75	75
OAO MIPC	Russia	90	-
OAO Mosenergo	Russia	53	53
Naftna Industrija Srbije a.d.******	Serbia	56	56
OOO NK Sibneft-Yugra ******	Russia	-	100
OOO Novourengoysky GCC	Russia	100	100
OAO WGC-2	Russia	77	58
ZAO Purgaz	Russia	51	51
OAO Regiongazholding	Russia	57	57
ZAO Rosshelf	Russia	57	57
OAO Severneftegazprom *******	Russia	50	50
OAO Sibirskie gazovye seti (OOO Sibirskie gazovye seti)***	Russia	100	100
Sibir Energy Ltd. ******	United Kingdom	100	100
OOO Sibmetakhim	Russia	100	100
OAO Spetsgazavtotrans	Russia	51	51
OAO TGC-1	Russia	52	52
OAO Teploset Sankt-Peterburga	Russia	75	75
OAO Tomskgazprom	Russia	100	100
OOO Faktoring-Finance	Russia	90	90
OAO Tsentrgaz	Russia	100	100
OAO Tsentrenergogaz	Russia	66	66
OAO Yuzhuralneftegaz******	Russia	88	88
ZAO Yamalgazinvest	Russia	100	100

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

** In July 2013 GAZPROM Germania GmbH ceased control over its subsidiary VEMEX s.r.o. Despite the fact that the Group's share in VEMEX s.r.o. comprises 50.14%, investment in the company is accounted for using the equity method due to changes in corporate governance structure of the investee.

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

**** In November 2012 the sole participant of OAO Gazovie Magistraly Tumeny took a decision to reorganize OAO Gazovie Magistraly Tumeny in the form of a merger with OAO Tyumenmezhraygaz. In June 2013 the reorganization was completed, all assets and liabilities of OAO Gazovie Magistraly Tumeny were transferred to OAO Tyumenmezhraygaz. As a result of this transaction, the Group's share in

(In millions of Russian Roubles)

32 SUBSIDIARY UNDERTAKINGS (continued)

OAO Tyumenmezhraygaz comprises 90.7%. In July 2013 OAO Tyumenmezhraygaz was renamed to OAO Gazprom gazoraspredelenie Sever.
***** During the period from May 2012 to June 2013 as a result of series of transactions, the Group acquired an additional 30.97% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 30,934 increasing its interest to 100% (see Note 35).
****** Subsidiaries of OAO Gazprom neft.
******* Group's portion of voting shares.

33 NON-CONTROLLING INTEREST

	Year ended 31 December 2013	2012 (restated)
Non-controlling interest at the beginning of the year	**309,212**	**297,374**
Non-controlling interest share of net profit of subsidiary undertakings	26,444	27,941
Acquisition of additional interest in OAO WGC-2	(19,600)	-
Changes in the non-controlling interest as a result of other acquisitions and disposals	5,249	(276)
Acquisition of the additional interest in OAO Gazpromneft-MNPZ and its subsidiaries	(344)	(10,593)
(Losses) gains from cash flow hedges	(139)	89
Remeasurements of post-employment benefit obligations	128	-
Dividends	(10,719)	(3,323)
Translation differences	4,533	(2,000)
Non-controlling interest at the end of the year	**314,764**	**309,212**

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

	Country of primary operation	% of share capital held by non-controlling interest*	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
As of and for the year ended 31 December 2013					
Gazprom neft Group**	Russia	4%	14,276	72,278	5,973
Naftna Industrija Srbije a.d. Group	Serbia	46%	7,734	40,739	2,028
Mosenergo Group	Russia	46%	3,471	80,212	550
TGC-1 Group	Russia	48%	3,505	66,100	226
WGC-2 Group	Russia	21%	886	32,610	-
As of and for the year ended 31 December 2012					
Gazprom neft Group**	Russia	4%	13,876	61,473	1,325
Naftna Industrija Srbije a.d. Group	Serbia	46%	6,545	34,372	-
Mosenergo Group	Russia	46%	2,917	77,291	551
TGC-1 Group	Russia	48%	3,157	62,811	91
WGC-2 Group	Russia	40%	1,216	51,206	23

* Effective share held by non-controlling interest in charter capital of investments.
**Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

The summarised financial information of these subsidiaries before inter-company eliminations was as follows:

	Gazprom neft Group	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of and for the year ended 31 December 2013					
Current assets	426,166	47,418	46,728	18,812	31,347
Non-current assets	1,430,482	128,163	195,000	175,922	173,548
Current liabilities	182,987	42,811	21,154	20,443	9,476
Non-current liabilities	414,815	44,715	33,112	42,478	54,436
Revenue	1,267,603	136,450	156,730	70,362	112,175
Profit for the year	158,901	16,733	10,633	8,379	1,929
Total comprehensive income for the year	166,944	16,733	10,633	8,402	2,487

(In millions of Russian Roubles)

33 NON-CONTROLLING INTEREST (continued)

	Gazprom neft Group	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
Net cash from (used in)					
operating activities	207,114	28,632	12,407	11,364	12,530
investing activities	(237,772)	(24,391)	(26,912)	(7,218)	(19,765)
financing activities	39,671	(5,089)	4,513	(4,618)	9,231
As of and for the year ended 31 December 2012					
Current assets	364,517	39,577	54,961	16,964	27,846
Non-current assets	1,296,141	92,411	169,450	173,099	161,714
Current liabilities	187,934	22,889	17,370	19,898	34,074
Non-current liabilities	312,990	34,830	31,604	46,332	40,447
Revenue	1,232,647	102,468	156,355	62,572	104,349
Profit (loss) for the year	182,683	14,140	11,678	5,869	(2,841)
Total comprehensive income (loss) for the year	176,104	14,140	11,678	5,869	(2,841)
Net cash from (used in)					
operating activities	248,573	11,979	10,742	10,270	12,158
investing activities	(203,673)	(17,942)	(24,495)	(12,456)	(21,614)
financing activities	6,474	(314)	818	2,540	12,857

The rights of the non-controlling shareholders of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiary undertakings.

34 ACQUISITION OF THE CONTROLLING INTEREST IN OAO MOSCOW INTEGRATED POWER COMPANY (OAO MIPC)

In September 2013 the Group acquired 89.98% interest in the ordinary shares of OAO Moscow Integrated Power Company (OAO MIPC) and heat assets from the Moscow Government for cash consideration of RR 99,866 including VAT in the amount of RR 1,246 related to acquired heat assets. As a result of the acquisition, the Group obtained control over OAO MIPC. Considering treasury shares of OAO MIPC, the Group's effective interest is 98.77%. The primary business activity of OAO MIPC is generation, purchase and supply of heat energy in the form of heating and hot water to commercial and residential customers in the City of Moscow. As of 31 December 2013 the title on the assets acquired in the amount of RR 6,920 excluding VAT was not transferred to the Group.

In accordance with IFRS 3 "Business Combinations", the Group recognized the acquired assets and liabilities based upon their provisional fair values. Management is required to finalise the assessment of the fair values within 12 months from 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:

	Provisional fair value
Cash and cash equivalents	3,276
Short-term financial assets	2,762
Accounts receivable and prepayments	27,568
Inventories	2,273
VAT recoverable	102
Other current assets	6,026
Current assets	**42,007**
Property, plant and equipment	122,806
Long-term accounts receivable and prepayments	4,799
Available-for-sale long-term financial assets	3,117
Deferred tax assets	1,669
Non-current assets	**132,391**
Total assets	**174,398**

(In millions of Russian Roubles)

34 ACQUISITION OF THE CONTROLLING INTEREST IN OAO MOSCOW INTEGRATED POWER COMPANY (OAO MIPC) (continued)

	Provisional fair value
Accounts payable and accrued charges	28,476
Other taxes payable	601
Short-term borrowings, promissory notes and current portion of long-term borrowings	30,235
Current liabilities	**59,312**
Long-term borrowings and promissory notes	7,400
Provisions for liabilities and charges	1,068
Other non-current liabilities	5,615
Non-current liabilities	**14,083**
Total liabilities	**73,395**
Net assets at acquisition date	**101,003**
Non-controlling interest at acquisition date measured at the proportionate share of the net assets	1,137
Purchase consideration	**99,866**

If the acquisition had occurred on 1 January 2013, the Group's sales and the Group's profit for the year ended 31 December 2013 would have been RR 5,291,256 and RR 1,160,092, respectively.

35 ACQUISITION OF THE CONTROLLING INTEREST IN OAO GAZPROM NEFTEKHIM SALAVAT

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

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

In May 2012 the Group acquired additional 18.48% interest in OAO Gazprom neftekhim Salavat for cash consideration of RR 18,458 increasing its interest to 87.51% and, as a result, obtained control over OAO Gazprom neftekhim Salavat.

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

Purchase consideration includes cash for the 18.48% interest in OAO Gazprom neftekhim Salavat acquired in May 2012 in the amount of RR 18.4 billion and fair value of previously acquired 69.03% interest accounted for using the equity method in the amount of RR 43.7 billion.

As a result of the Group obtaining control over OAO Gazprom neftekhim Salavat, the Group's previously held 69.03% interest was remeasured to fair value, resulting in a gain of RR 4.7 billion recognized in 2012. This has been recognised in the line item 'Share of net income of associated undertakings and joint ventures' in the consolidated statement of comprehensive income.

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

	Fair value
Cash and cash equivalents	7,196
Accounts receivable and prepayments	15,600
VAT recoverable	2,489
Inventories	10,760
Other current assets	5,868
Current assets	**41,913**
Property, plant and equipment	48,160
Long-term accounts receivable and prepayments	14,969
Other non-current assets	877
Non-current assets	**64,006**
Total assets	**105,919**

(In millions of Russian Roubles)

35 ACQUISITION OF THE CONTROLLING INTEREST IN OAO GAZPROM NEFTEKHIM SALAVAT (continued)

	Fair value
Accounts payable and accrued charges	35,630
Short-term borrowings, promissory notes and current portion of long-term borrowings	24,612
Current liabilities	**60,242**
Long-term borrowings and promissory notes	20,696
Deferred tax liabilities	2,636
Provisions for liabilities and charges	961
Other non-current liabilities	85
Non-current liabilities	**24,378**
Total liabilities	**84,620**
Net assets at acquisition date	**21,299**
Non-controlling interest at acquisition date measured at the proportionate share of the net assets	2,660
Purchase consideration	62,108
Goodwill	**43,469**

During the period from September 2012 to June 2013 as a result of a series of transactions, the Group acquired an additional 12.49% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 12,476 increasing its interest to 100%. The difference between consideration paid and the non-controlling interest acquired has been recognized in equity in the amount of RR 9,842 and is included within retained earnings and other reserves.

36 RELATED PARTIES

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 31 December 2013 is detailed below.

Government

The Government of the Russian Federation is the ultimate controlling party of OAO Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in OAO Gazprom.

As of 31 December 2013 38.373% of OAO Gazprom issued shares were directly owned by the Government. Another 11.859% were owned by Government controlled entities. The Government does not prepare consolidated financial statements for public use. 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 are provided on the basis of market rates. Taxes are accrued and settled in accordance with the applicable statutory rules.

(In millions of Russian Roubles)

36 RELATED PARTIES (continued)

As of and for the years ended 31 December 2013 and 2012, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

	As of 31 December 2013		Year ended 31 December 2013	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	9,884	14,554	-	194,723
Insurance contributions to non-budget funds	534	5,354	-	84,963
VAT recoverable/payable	518,192	51,638	-	-
Customs duties	57,511	-	-	-
Other taxes	2,698	78,457	-	669,187
Transactions and balances with other parties under control of the Government				
Gas sales	-	-	62,796	-
Electricity and heating sales	-	-	220,160	-
Other services sales	-	-	2,850	-
Accounts receivable	54,970	-	-	-
Oil transportation expenses	-	-	-	99,662
Accounts payable	-	11,290	-	-
Loans	-	111,434	-	-
Interest expense	-	-	-	4,781
Short-term financial assets	4,334	-	-	-
Available-for-sale long-term financial assets	13,376	-	-	-

	As of 31 December 2012 (restated)		Year ended 31 December 2012 (restated)	
	Assets	Liabilities	Revenues	Expenses
Transactions and balances with the Government				
Current profit tax	14,241	7,990	-	280,070
Insurance contributions to non-budget funds	578	4,290	-	64,079
VAT recoverable/payable	565,470	52,763	-	-
Customs duties	67,662	-	-	-
Other taxes	4,614	65,397	-	625,313
Transactions and balances with other parties under control of the Government				
Gas sales	-	-	59,307	-
Electricity and heating sales	-	-	199,158	-
Other services sales	-	-	2,283	-
Accounts receivable	34,362	-	-	-
Oil transportation expenses	-	-	-	95,548
Accounts payable	-	7,197	-	-
Loans	-	64,523	-	-
Interest expense	-	-	-	4,290
Short-term financial assets	1,738	-	-	
Available-for-sale long-term financial assets	24,544	-	-	-

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

In the normal course of business the Group incurs electricity and heating expenses (see Note 27). A part of these expenses relates to purchases from the entities under Government control. Due to specifics of electricity market in the Russian Federation, these purchases cannot 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 2013 and 2012. See Note 12 for net book values as of December 2013 and 2012 of social assets vested to the Group at privatisation.

(In millions of Russian Roubles)

36 RELATED PARTIES (continued)

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of various Group companies, amounted to approximately RR 2,992 and RR 2,130 for the years ended 31 December 2013 and 2012, respectively. Such amounts include personal income tax and insurance contributions to non-budget funds. Government officials, who are directors, do not receive remuneration from the Group. The remuneration for serving on the Boards of Directors of the Group companies is subject to approval by the General Meeting of Shareholders of each Group company. Compensation of key management personnel (other than remuneration for serving as directors of Group companies) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

The Group provided medical insurance and liability insurance for key management personnel.

Associated undertakings and joint ventures

For the years ended 31 December 2013 and 2012 and as of 31 December 2013 and 2012 the Group had the following significant transactions with associated undertakings and joint ventures:

	Year ended 31 December	
	2013	2012 (restated)
	Revenues	
Gas sales		
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	133,070	97,321
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	107,558	79,420
ZAO Panrusgaz	61,392	51,102
AO Gazum	29,030	30,537
AO Moldovagaz	20,502	25,745
Bosphorus Gaz Corporation A.S.	17,730	3,854
Wintershall Erdgas Handelshaus Zug AG (WIEE)*	13,586	26,015
ZAO Gazprom YRGM Trading**	12,075	11,887
AO Latvijas Gaze	9,490	9,920
ZAO Gazprom YRGM Development**	8,625	8,490
AO Lietuvos dujos	7,608	12,289
Russian-Serbian Trading Corporation a.d.	7,168	7,365
SGT EuRoPol GAZ S.A.	3,911	2,973
AO Overgaz Inc.	3,310	29,141
PremiumGas S.p.A.	-	10,111
Gas transportation sales		
ZAO Gazprom YRGM Trading**	21,188	20,126
ZAO Gazprom YRGM Development**	15,135	14,375
TOO KazRosGaz	1,421	2,042
Gas condensate, crude oil and refined products sales		
OAO NGK Slavneft and its subsidiaries	26,063	34,057
OOO Gazpromneft – Aero Sheremetyevo	12,263	7,977
ZAO SOVEKS	5,535	5,025
OAO Gazprom neftekhim Salavat***	-	10,036
Gas refining services sales		
TOO KazRosGaz	5,247	5,079

(In millions of Russian Roubles)

36 RELATED PARTIES (continued)

	Year ended 31 December 2013	2012 (restated)
	Expenses	
Purchased gas		
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	73,071	62,966
ZAO Gazprom YRGM Trading**	58,527	57,228
ZAO Gazprom YRGM Development**	41,810	40,904
TOO KazRosGaz	22,724	39,930
OOO SeverEnergiya and its subsidiaries	9,858	3,132
Sakhalin Energy Investment Company Ltd.	5,715	4,604
ZAO Nortgaz	2,222	3,713
Purchased transit of gas		
Nord Stream AG	37,058	24,785
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	13,586	11,149
SGT EuRoPol GAZ S.A.	9,757	10,341
Purchased crude oil and refined products		
OAO NGK Slavneft and its subsidiaries	84,091	88,228
Sakhalin Energy Investment Company Ltd.	13,396	-
Purchased processing services		
OAO NGK Slavneft and its subsidiaries	11,853	10,976

* Wintershall Erdgas Handelshaus Zug AG (WIEE) is a subsidiary of Wintershall Erdgas Handelshaus GmbH &Co.KG (WIEH).
** ZAO Gazprom YRGM Trading and ZAO Gazprom YRGM Development are not associated undertakings and joint ventures.
*** During the period from May 2012 to June 2013 as a result of series of transactions, the Group acquired an additional 30.97% interest in the ordinary shares of OAO Gazprom neftekhim Salavat for cash consideration of RR 30,934 increasing its interest to 100% (see Note 35).

Gas is sold to associated undertakings in the Russian Federation mainly at the rates established by the FTS. Gas is sold outside the Russian Federation mainly under long-term contracts at prices indexed mainly to world oil product prices.

	As of 31 December 2013 Assets	2013 Liabilities	2012 (restated) Assets	2012 (restated) Liabilities
Short-term accounts receivable and prepayments				
Wintershall Erdgas Handelshaus GmbH & Co.KG (WIEH)	20,501	-	14,406	-
Gazprombank Group	8,974	-	1,083	-
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	8,452	-	11,420	-
AO Overgaz Inc.	8,011	-	10,000	-
ZAO Panrusgaz	5,774	-	8,134	-
OAO NGK Slavneft and its subsidiaries	4,512	-	1,701	-
AO Gasum	4,157	-	3,892	-
Bosphorus Gaz Corporation A.S.	2,731	-	725	-
AO Lietuvos dujos	2,000	-	2,212	-
ZAO Gazprom YRGM Trading	1,377	-	1,829	-
Wintershall Erdgas Handelshaus Zug AG (WIEE)	1,290	-	2,451	-
ZAO Gazprom YRGM Development	976	-	1,307	-
TOO KazRosGaz	676	-	667	-
Russian-Serbian Trading Corporation a.d.	660	-	628	-
AO Latvijas Gaze	227	-	242	-
AO Moldovagaz*	-	-	2,348	-
Short-term promissory notes				
Gazprombank Group	1,059	-	179	-
Cash balances				
Gazprombank Group	366,421	-	172,154	-

(In millions of Russian Roubles)

36 RELATED PARTIES (continued)

	As of 31 December			
	2013		2012 (restated)	
	Assets	Liabilities	Assets	Liabilities
Long-term accounts receivable and prepayments				
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	17,214	-	15,487	-
OOO Yamal razvitie	2,200	-	-	-
Gas Project Development Central Asia AG	1,826	-	1,707	-
Bosphorus Gaz Corporation A.S.	-	-	1,501	-
Long-term promissory notes				
Gazprombank Group	431	-	599	-
Short-term accounts payable				
ZAO Gazprom YRGM Trading	-	8,723	-	8,606
SGT EuRoPol GAZ S.A.	-	7,702	-	6,565
ZAO Gazprom YRGM Development	-	5,786	-	5,704
W & G Beteiligungs-GmbH & Co. KG and its subsidiaries	-	4,715	-	7,906
Nord Stream AG	-	4,179	-	2,892
AO Lietuvos dujos	-	3,188	-	-
TOO KazRosGaz	-	2,992	-	2,783
OAO NGK Slavneft and its subsidiaries	-	2,466	-	1,502
Sakhalin Energy Investment Company Ltd.	-	657	-	867
AO Latvijas Gaze	-	66	-	38
Gazprombank Group	-	42	-	152
Other non-current liabilities				
ZAO Gazprom YRGM Trading	-	797	-	1,593
ZAO Gazprom YRGM Development	-	124	-	248
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank Group	-	13,614	-	21,666
RosUkrEnergo AG	-	-	-	2,248
Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH)	-	-	-	1,281
Long-term borrowings				
Gazprombank Group	-	26,195	-	24,569

* Net of impairment provision on accounts receivable in the amount of RR 142,592 and RR 115,573 as of 31 December 2013 and 2012.

Investments in associated undertakings and joint ventures are disclosed in Note 14.

See Note 37 for financial guarantees issued by the Group for the associated undertakings and joint ventures.

(In millions of Russian Roubles)

37 COMMITMENTS AND CONTINGENCIES

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 2013 is appropriate and all of the Group's material tax, currency and customs positions will be sustainable.

Financial guarantees

Note		31 December 2013	31 December 2012
	Outstanding guarantees issued for:		
	Sakhalin Energy Investment Company Ltd.	89,825	94,145
	Nord Stream AG	50,830	40,519
	OOO Production Company VIS	8,164	2,507
	Blackrock Capital Investments Limited	4,804	4,573
	EM Interfinance Limited	3,668	5,385
5	Blue Stream Pipeline Company B.V.	-	2,078
	Other	43,752	37,711
		201,043	**186,918**

In 2013 and 2012 counterparties fulfilled their obligations. The maximum exposure to credit risk in relation to financial guarantees is RR 201,043 and RR 186,918 as of 31 December 2013 and 2012, respectively.

Included in financial guarantees are amounts denominated in USD of USD 3,404 million and USD 3,832 million as of 31 December 2013 and 2012, respectively, as well as amounts denominated in Euro of Euro 1,493 million and Euro 1,340 million as of 31 December 2013 and 2012, respectively.

In June 2008 the Group provided a guarantee to the Bank of Tokyo-Mitsubishi UFJ Ltd. for Sakhalin Energy Investment Company Ltd. under the credit facility up to the amount of the Group’s share (50%) in the obligations of Sakhalin Energy Investment Company Ltd. toward the Bank of Tokyo-Mitsubishi UFJ Ltd. As of 31 December 2013 and 2012 the above guarantee amounted to RR 89,825 (USD 2,744 million) and RR 94,145 (USD 3,100 million), respectively.

In May 2011 the Group provided a guarantee to Societe Generale for Nord Stream AG under the credit facility for financing of Nord Stream gas pipeline Phase 2 construction completion. According to guarantee agreements the Group has to redeem debt up to the amount of the Group’s share (51%) in the obligations of Nord Stream toward the Societe Generale in the event that Nord Stream fails to repay those amounts. As of 31 December 2013 and 2012 the above guarantee amounted to RR 50,830 (Euro 1,130 million) and RR 40,519 (Euro 1,007 million), respectively.

In July 2012 the Group provided a guarantee to OAO Sberbank of Russia for OOO Production company VIS as a security of credit facility for financing of construction projects for Gazprom Group. As of 31 December 2013 and 2012 the above guarantee amounted to RR 8,164 and RR 2,507, respectively.

In 2006 the Group guaranteed Asset Repackaging Trust Five B.V. (registered in Netherlands) bonds issued by five financing entities: Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited (registered in Ireland) in regard to bonds issued with due dates December 2012, June 2018, December 2009, December 2009 and December 2015, respectively. Bonds were issued for financing of construction of a transit pipeline in Poland by SGT EuRoPol GAZ S.A. In December 2009 loans issued by DSL Assets International Limited and United Energy Investments Limited were redeemed. In December 2012 loans issued by Devere Capital International Limited were redeemed. As a result as of 31 December 2013 and 2012 the guarantees issued for Blackrock Capital Investments Limited and EM Interfinance Limited amounted to RR 8,472 (USD 259 million) and RR 9,958 (USD 328 million), respectively.

In July 2005 Blue Stream Pipeline Company B.V. (BSPC) refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December 2012 outstanding amount of these loans was RR 2,078 (USD 68 million), which was guaranteed by the Group, pursuant to its obligations. In July 2013 loans issued by Gazstream S.A. were redeemed. Starting from 1 January 2013 BSPC is proportionally consolidated in the Group’s consolidated interim condensed financial information (see Note 5) and thus, 25% of these loans were consolidated in the Group’s balance sheet.

37 COMMITMENTS AND CONTINGENCIES (continued)

Other

The Group has transportation agreements with certain of its associated undertakings and joint ventures (see Note 36).

Capital commitments

The total investment program related to gas, oil and power assets for 2014 is RR 1,180 billion.

Operating lease commitments

As of 31 December 2013 the Group does not have significant liabilities related to operating leases.

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 2013 no loss is expected to result from these long-term commitments.

38 OPERATING RISKS

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

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

Legal proceedings

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

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 2013 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Changes in the Russian Law “On Transfer pricing” are effective from 1 January 2012. The new legislation grants the right to a taxpayer to validate compliance with arm's length principle in respect of prices in controlled transactions through preparation of documentation for tax purposes.

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

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.

(In millions of Russian Roubles)

38 OPERATING RISKS (continued)

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 the Russian Federation, including contributions toward the construction, development and maintenance of housing, hospitals, transport services, recreation and other social needs.

39 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with Group policies.

Market risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

Notes		Russian Rouble	US dollar	Euro	Other	Total
	31 December 2013					
	Financial assets					
	Current					
8	Cash and cash equivalents	511,438	141,980	24,857	10,855	689,130
9	Short-term financial assets (excluding equity securities)	7,741	-	-	87	7,828
10	Trade and other accounts receivable	409,825	336,963	113,792	65,705	926,285
	Non-current					
15	Long-term accounts receivable	135,563	22,034	527	383	158,507
16	Available-for-sale long-term financial assets (excluding equity securities)	870	-	-	49	919
	Total financial assets	**1,065,437**	**500,977**	**139,176**	**77,079**	**1,782,669**
	Financial liabilities					
	Current					
18	Accounts payable and accrued charges (excluding derivative financial instruments)	564,344	115,798	39,167	30,318	749,627
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	71,472	165,812	93,242	1,400	331,926
	Non-current					
21	Long-term borrowings and promissory notes	199,733	757,308	494,479	18,482	1,470,002
	Total financial liabilities	**835,549**	**1,038,918**	**626,888**	**50,200**	**2,551,555**

(In millions of Russian Roubles)

39 FINANCIAL RISK FACTORS (continued)

Notes		Russian Rouble	US dollar	Euro	Other	Total
	31 December 2012 (restated)					
	Financial assets					
	Current					
8	Cash and cash equivalents	284,685	76,792	48,067	16,176	425,720
9	Short-term financial assets (excluding equity securities)	3,541	-	-	6	3,547
10	Trade and other accounts receivable	381,874	276,863	93,040	47,122	798,899
	Non-current					
15	Long-term accounts receivable	150,939	19,035	19	520	170,513
16	Available-for-sale long-term financial assets (excluding equity securities)	1,600	-	-	54	1,654
	Total financial assets	**822,639**	**372,690**	**141,126**	**63,878**	**1,400,333**
	Financial liabilities					
	Current					
18	Accounts payable and accrued charges (excluding derivative financial instruments)	646,987	166,856	30,308	33,322	877,473
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	63,827	240,032	18,490	284	322,633
	Non-current					
21	Long-term borrowings and promissory notes	167,036	670,143	340,615	165	1,177,959
	Total financial liabilities	**877,850**	**1,077,031**	**389,413**	**33,771**	**2,378,065**

See discussion of financial derivatives in Note 23.

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 2013, if the Russian Rouble had weakened by 10% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 53,794, 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 2012, if the Russian Rouble had weakened by 10% against the US dollar with all other variables held constant, profit before profit tax would have been lower by RR 70,434, 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. The effect of related Russian Rouble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2013, if the Russian Rouble had weakened by 10% against the Euro with all other variables held constant, profit before profit tax would have been lower by RR 48,771, 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 2012, if the Russian Rouble had weakened by 10% against the Euro with all other variables held constant, profit before profit tax would have been lower by RR 24,829, 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. The effect of related Russian Rouble strengthening against the Euro would have been approximately the same amount with opposite impact.

(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 and promissory notes	**31 December**	
	2013	**2012 (restated)**
At fixed rate	1,427,690	1,165,789
At variable rate	334,653	269,038
	1,762,343	1,434,827

39 FINANCIAL RISK FACTORS (continued)

The Group does not have a formal policy of determining how much should the Group's exposure 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 years ended 31 December 2013 and 2012 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2013, if benchmark 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 6,692 for 2013, mainly as a result of higher interest expense on floating rate borrowings. As of 31 December 2012, if benchmark 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 5,380 for 2012, mainly as a result of higher interest expense on floating rate borrowings. The effect of a corresponding decrease in benchmark interest rates 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 generally based on a formula linked to oil product prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2013, if the average gas prices related to the export market had decreased by 10% with all other variables held constant, profit before profit tax would have been lower by RR 217,747 for 2013. As of 31 December 2012, if the average gas prices related to the export market had decreased by 10% with all other variables held constant, profit before profit tax would have been lower by RR 189,622 for 2012.

The Russian gas tariffs are regulated by the Federal Tariffs Service and are as such less subject to significant price fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operational and investment decisions.

However, in the current environment management estimates may materially differ from actual future impact on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the equity securities prices because of financial assets held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss (see Notes 9 and 16).

As of 31 December 2013 and 2012, if MICEX equity index, which affects the major part of Group's equity securities, had decreased by 20% with all other variables held constant, assuming the Group's equity instruments moved according to the historically high correlation with the index, Group's total comprehensive income for the year would have been RR 44,006 and RR 46,418 lower, respectively.

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 24).

(In millions of Russian Roubles)

39 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. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

	31 December	
	2013	**2012 (restated)**
Cash and cash equivalents	689,130	425,720
Debt securities	8,747	5,201
Long-term and short-term trade and other accounts receivable	1,087,242	974,777
Financial guarantees	201,043	186,918
Total maximum exposure to credit risk	**1,986,162**	**1,592,616**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

The Group believes that it has significant funding through the commercial paper markets or through committed borrowing facilities to meet foreseeable borrowing requirements (see Note 37).

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)

39 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 2013					
Short-term and long-term loans and borrowings and promissory notes	159,699	172,227	242,531	640,741	586,730
Accounts payable and accrued charges (excluding derivative financial instruments)	596,128	153,499	-	-	-
Financial guarantees	5,711	9,451	31,349	71,408	83,124
As of 31 December 2012 (restated)					
Short-term and long-term loans and borrowings and promissory notes	171,314	151,319	278,726	502,440	396,793
Accounts payable and accrued charges (excluding derivative financial instruments)	645,540	231,933	-	-	-
Financial guarantees	8,920	10,696	13,356	63,138	90,808

See discussion of financial derivatives in Note 23.

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance.

Capital risk management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain or adjust the capital structure, the Group may revise its investment program, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40%.

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) 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 and other provisions (excluding provisions for accounts receivable and prepayments).

The net debt to adjusted EBITDA ratios at 31 December 2013 and 2012 were as follows:

	31 December	
	2013	2012 (restated)
Total debt	1,801,928	1,500,592
Less: cash and cash equivalents and certain restricted cash	(689,130)	(429,378)
Net debt	1,112,798	1,071,214
Adjusted EBITDA	2,009,475	1,645,921
Net debt/Adjusted EBITDA ratio	**0.55**	**0.65**

OAO Gazprom has an investment grade credit rating of BBB (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings as of 31 December 2013.

(In millions of Russian Roubles)

40 FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

c) Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3.

Long-term accounts receivables are fair valued at Level 3 (see Note 15), long-term borrowings with variable interest rate – Level 2, long-term borrowings with fixed interest rate – Level 3 (see Note 21).

As of 31 December 2013 and 2012 the Group had the following assets and liabilities that are measured at fair value:

		31 December 2013			
Notes		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
9	**Financial assets held for trading:**				
	Equity securities	2,200	14,474	-	16,674
	Bonds	5,681	-	-	5,681
	Available-for-sale financial assets:				
	Bonds	-	-	-	-
	Promissory notes	-	2,147	-	2,147
	Total short-term financial assets	**7,881**	**16,621**	**-**	**24,502**
16	**Available-for-sale financial assets:**				
	Equity securities	150,632	11,395	5,958	167,985
	Bonds	49	-	-	49
	Promissory notes	-	870	-	870
	Total available-for-sale long-term financial assets	**150,681**	**12,265**	**5,958**	**168,904**
23	Derivative financial instruments	527	18,525	591	19,643
	Total assets	**159,089**	**47,411**	**6,549**	**213,049**
23	Derivative financial instruments	439	16,931	437	17,807
	Total liabilities	**439**	**16,931**	**437**	**17,807**

(In millions of Russian Roubles)

40 FAIR VALUE MEASUREMENTS (continued)

Notes		31 December 2012 (restated) 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
9	**Financial assets held for trading:**				
	Equity securities	2,566	10,849	-	13,415
	Bonds	1,606	-	-	1,606
	Available-for-sale financial assets:				
	Bonds	910	-	-	910
	Promissory notes	-	1,031	-	1,031
	Total short-term financial assets	**5,082**	**11,880**	**-**	**16,962**
16	**Available-for-sale financial assets:**				
	Equity securities	135,160	23,612	1,278	160,050
	Bonds	54	-	-	54
	Promissory notes	-	1,600	-	1,600
	Total available-for-sale long-term financial assets	**135,214**	**25,212**	**1,278**	**161,704**
23	Derivative financial instruments	909	25,217	814	26,940
	Total assets	**141,205**	**62,309**	**2,092**	**205,606**
23	Derivative financial instruments	1,011	30,110	847	31,968
	Total liabilities	**1,011**	**30,110**	**847**	**31,968**

There were no transfers between Levels 1, 2 and 3 during the period. For the year ended 31 December 2013 the Group has reclassified available-for-sale investments losses from other comprehensive income into the profit or loss in the amount of RR 1,492.

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

Carrying value of financial assets and liabilities not measured at fair value approximate their fair value.

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In connection with its derivative activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to, in the event of a default by the counterparty (such as bankruptcy or a failure to pay or perform), net counterparty's rights and obligations under the agreement and to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
31 December 2013				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,101,062	16,270	1,084,792	-
Derivative financial instruments	58,998	39,355	19,643	30,942
Financial liabilities				
Accounts payable and accrued charges (excluding derivative financial instruments)	765,897	16,270	749,627	-
Derivative financial instruments	57,162	39,355	17,807	30,942

(In millions of Russian Roubles)

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
31 December 2012				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,081,924	112,512	969,412	993
Derivative financial instruments	53,140	26,200	26,940	13,536
Financial liabilities				
Accounts payable and accrued charges (excluding derivative financial instruments)	989,985	112,512	877,473	993
Derivative financial instruments	58,168	26,200	31,968	13,536

42 POST BALANCE SHEET EVENTS

Investments

In March 2014 the Group acquired additional 20% interest in Artic Russia B.V. for cash consideration of USD 980 million. As a result of the transaction, the Group's effective interest in OOO SeverEnergiya increased from 38.46% to 43.15%.

Borrowings and loans

In February 2014 the Group issued Loan Participation Notes in the amount of EURO 750 million at an interest rate of 3.6% due in 2021.

In March 2014 the Group obtained long-term syndicated loan from consortium of banks in the amount of USD 2,150 million at an interest rate of LIBOR + 1.5% due in 2019. Mizuho Bank Ltd. was appointed as bank agent.

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