

Consolidated Financial Statements (IFRS)

2010

At a Glance

Key Figures for the GAZPROM Germania Group

	2010	2009
Revenue (million EUR)	8,662.9	7,989.7
Cost of materials (million EUR)	8,231.5	7,548.6
Earnings before tax (million EUR)	413.8	597.5
Result for the year (million EUR)	281.7	496.5
EBIT (million EUR)	410.8	674.6
EBITDA (million EUR)	438.4	709.6
Total assets (million EUR)	6,466.4	5,155.1
Shareholders' equity (million EUR)	3,212.1	3,102.3
ROE ¹ (%)	8.9	16.6
ROCE ² (%)	12.4	22.3
Employees, average for the year	779	520
Natural gas sales (Gm ³)	98.7	69.8
LNG sales (Gm ³)	2.5	1.9

¹ Based on the average of the first and last recorded values of equity capital

² EBIT based on the average of the first and the end value of the sum of equity and long-term loans

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Consolidated Management Report

GAZPROM Germania GmbH (GPG) was founded in Berlin in 1990 as a German subsidiary of Gazprom export LLC (Moscow), a subsidiary of GAZPROM OJSC (Moscow), with the aim of selling and marketing Russian gas in Germany and Western Europe. GAZPROM Germania and its subsidiaries, associates, and joint ventures operate in Europe, Asia, and America and are primarily active in sales and trading. Through its investment in infrastructure projects and other investments, GPG supports the growth strategy pursued by GAZPROM OJSC. Furthermore, it is developing new market segments, including trading in electricity, oil, biomass, and CO₂ certificates, and tapping into new geographical markets, in particular the USA, China, Japan, Korea, and Taiwan.

GAZPROM Germania GmbH recorded a net comprehensive income of EUR 517.8 million for the 2010 financial year (2009: EUR 594.3 million). The 2010 EBIT of EUR 410.8 million dropped to about 60 percent of the previous year's figure (EUR 674.6 million). This decline can be attributed to a EUR 147.8 million fall in income from investments. The decrease in operating profit by EUR 82.8 million is due mainly to a decline in gross margins from gas trading.

As a result of an increase in current assets and liabilities, the balance sheet total grew by EUR 1,311.3 million to EUR 6,466.4 million without significant changes to the balance sheet structure.

This financial year, GPG paid a dividend of EUR 50 million to its parent company Gazprom export LLC (2009: EUR 356 million, including a one-off dividend of EUR 306 million from the sale of NOVATEK shares). In December 2010 the shareholders passed a resolution on a further dividend payment of USD 473.3 million planned for 1 April 2011.

General Economic Conditions

The global economy recovered steadily in 2010. An upturn was observed on all major global commercial markets following the period of stability at the end of 2009 and the beginning of 2010. Coupled with high demand from the Asian economies, the speedy recovery helped to stabilize global trade in 2010.

In Europe, a key region for the GPG Group, the economy was equally buoyant in 2010. European GDP grew vigorously thanks to low interest rates and measures taken to stimulate economic growth. In 2009, European exports benefitted from the recovery in the global economy and trade, and a short-term weakness of the euro. As a result, overall economic growth in the EU27 was modest at approximately 1.8% (Eurostat data).

Particularly in the first half of 2010, the German economy experienced a remarkable surge in growth and was one of the most dynamic performers in comparison with other industrialized nations. The turbulent euro did not have any significant adverse effects on exports, and, driven by a strong industrial sector, demand on the domestic market was an important stabilizing factor. The positive interplay of increased employment, growing salaries, and higher demand signalled an economic upturn in Germany, which developed its own momentum independent of government economic policies. Following strong quarterly growth in spring and summer (up 1.7% and 4% respectively on last year's figures), GDP grew by 3.6% in 2010 (German Federal Statistical Office), but still failed to reach the pre-crisis level of 2008.

The most energy-intensive production indices, such as the chemical and steel industries, showed clear upward tendencies in 2010, giving rise to a disproportionate increase in energy consumption by 4.1% relative to GDP (Arbeitsgemeinschaft Energiebilanzen [AGEB]). There were two major contributing factors to the increase on 2009 levels. First, extraordinarily strong economic growth and an accompanying expansion of production led to increased energy consumption. Second, the long period of cold weather at the beginning of 2010 and the early onset of winter at the end of the year drove up energy demand, particularly for coal and natural gas. More than half of the overall increase in energy consumption can be attributed to cold weather conditions.

The overall economic upturn led to increased demand but only moderate price increases on global commodity markets. The price of oil averaged around USD 80 per barrel, climbing to over USD 90 with the early drop in temperatures in the northern hemisphere at the end of the year.

In the first quarter of 2010, with the European gas market still affected by a global oversupply and recession-related low demand, the price of gas fell.

The effects of the resulting over-supply were felt on the GPG Group's core markets throughout the year.

Although prices did increase slightly over the course of the year due to stronger demand for gas in the electricity generation and industrial sectors, it was only at the end of 2010 that spot prices again began to approach the prices of oil-linked long-term contracts. Low gas reserves and supply shortages from Norway and Qatar, due in part to maintenance work, led to a temporary scarcity of gas on spot markets. Towards the end of the year, similar to the development of the oil price, a weather-related price increase was observed.

According to the gas industry working group AG Energiebilanzen, German natural gas consumption grew by around 3.7% to 3,048 petajoules (PJ) in 2010. The proportion of gas in primary energy consumption remained stable at approximately 22%, with around 11% of total energy demand covered by domestic gas supplies. The German Federal Office of Economics and Export Control reported that between January and December 2010, German gas imports rose by about 6% compared to the same period in 2009. As in 2009, in 2010 the most important supply countries were Russia (approx. 40%), Norway (approx. 35%), and the Netherlands (approx. 21%).

While an increase in consumption was observed in all sectors of the German economy, the above-average demand for gas in electricity generation was particularly striking. However, consumption still remained below the pre-crisis level of 2008.

Following the relatively long cold period at the beginning of 2010 and in the context of low gas prices, surplus gas imports were transferred to heavily depleted storage facilities at various points throughout the year. Thus by the beginning of the 2010/2011 heating period, according to data compiled by CERA on the basis of the figures of the Gas Infrastructure Europe Association, most of the total working gas capacity of 80 Gm³ in European storage facilities was again filled. However, the early onset of winter and related high demand towards the end of the year resulted in a fill level of just 88% (as compared with 97% in December 2009).

The security of natural gas supply in Europe is being improved through existing storage facilities and the planned construction of additional pipelines and further storage. In 2010, the construction of the Nord Stream Pipeline through the Baltic Sea commenced. This project is of huge importance to Europe and will facilitate additional gas imports of up to 55 Gm³ in the coming years. With this and other group investments, we are making a significant contribution to ensuring security of supply in Europe.

2010 also saw LNG gain importance due to significant price differences in comparison to long-term contracts for pipeline gas. New liquefaction capacities in the Middle East and regasification capacities in Europe have further strengthened the position of LNG and also led to its historically low price on Western European trading hubs.

By selling its own LNG processed at the liquefaction plant on the Pacific island of Sakhalin, and through its trading activities, the GPG Group actively participates in the growth of LNG markets in Asia, Europe, and North America.

Against the background of a general economic upturn, demand for electricity also increased on GAZPROM Germania's most important core markets in 2010. In figures published by the German Energy and Water Association (BDEW), electricity consumption in Germany grew by approximately 3.9% from January to November 2010. Particularly in the first half of the year, natural gas played an important role in the production of electricity in Germany. However, as demand from industry increased, there was greater reliance on coal and nuclear energy for electricity generation. The market share of renewable energy sources in electricity production also continued to grow in 2010. According to the BDEW, renewable energy sources now account for 17% (2009: 16.4%) of all electricity production and totalled 102.3 TWh, compared to 95 TWh in the previous year.

The future of the European electricity supply beyond 2010 is more uncertain than ever. In Germany, an important core market, the extension of the operating periods for nuclear power plants has hindered investment in de-

centralized production facilities, while the massive subsidization of solar energy production in Germany and Spain is due for a review. At the same time, a solution to problem of network integration for future wind energy production in the North and Baltic Seas is not expected in the short term, and price developments in the commodity markets are discouraging investment in gas power plants.

The discussion on climate change, too, has produced no certainty following the dashing of expectations at the Copenhagen Summit in 2009 and the failure to secure new commitments at Cancún. It is thus impossible to predict CO₂ price development – development that is so important to the European energy sector. The prices for CO₂ certificates in the European trading system EU-ETS remained within a narrow corridor of around EUR 15 per ton. Price fluctuations in 2010 can be attributed to the political discussion on the stricter regulation of trading in CO₂ credits (CER certificates) and to publications such as the European Commission's proposal to raise the emissions reduction target to 30% of 1990 levels by 2020.

Business Development and Projects

GAZPROM Germania trades in natural gas of Russian and Central Asian origin in close cooperation with GAZPROM export LLC. In traditional sales, GAZPROM Germania is engaged in gas trading in Central Asia and the former Soviet Union (handled by GAZPROM Germania GmbH and ZMB [Schweiz] AG), while also supplying both wholesale and end customers in the United Kingdom, Germany, the Czech Republic, Italy, and Turkey (handled by Gazprom Marketing & Trading Ltd., Gazprom Marketing & Trading Retail Ltd., and Vemex s.r.o. and GAZPROM Germania GmbH's associate companies Wintershall Erdgas Handelshaus GmbH & Co. KG [WIEH], PremiumGas S. p. A., and Bosphorus Gaz Corporation A.S.).

Alongside their existing activities in gas, electricity, and emission certificates trading on liberalized European markets, GM&T and its subsidiaries are expanding trade in gas, LNG, biomass, and emission certificates in North America and Asia, in particular in the USA and Singapore.

The gross sales figure (before netting against trading costs) increased by 36.8% from EUR 8,086.2 million to EUR 11,063.0 million. While there was a fall in gross sales of electricity and CO₂ certificates, gross sales of gas and LNG increased significantly. The volume of gas sold increased by 41.3%, from 69,827 Mm³ in 2009 to 98,683 Mm³, while sales of LNG increased by 33.1% from 1,887 Mm³ in the previous year to 2,512 Mm³ in 2010.

Sales Activities

Alongside international wholesale and intermediary sales, the Group's sales activities extend to retail trading with industrial and household customers.

Wholesale and intermediary sales

GAZPROM Germania has been responsible for purchasing gas from Central Asia on behalf of the GAZPROM Group since March 2009. From Central Asia the gas is transported to Ukraine, Belarus, Georgia, and Western Europe and handed over to Gazprom export LLC at the relevant borders to be sold on.

As in the previous year, GPG supplied Uzbek gas to the southern regions of Kazakhstan, and received gas produced at the Kazakh natural gas deposit Karachaganak from KazRosGaz LLP in exchange. Supplies of gas from Turkmenistan, which had been interrupted in 2009, were resumed in 2010.

By way of intermediary sale, gas is delivered to various countries, including Romania, Italy, Belgium, and Germany.

Total revenue from wholesale and intermediary sales in natural gas increased by EUR 141.6 million to EUR 7,313.7 million. While sales volumes increased by 8.6% to 41,721 Mm³, the average sales price decreased by 6.1%. The gross margin was adversely affected by an increase in the price of Asian gas by 3.9%.

Wholesale trading in LNG from the Russian island of Sakhalin yielded revenue of EUR 394.2 million in 2010, representing a growth in sales of EUR 251.7 million.

Retail Business

At present, the Group's retail business encompasses gas and electricity trading in the United Kingdom and gas sales to industrial customers in the Czech Republic.

Significant increases in revenue were achieved in both countries: 44.9% in the United Kingdom (representing an increase of EUR 157.5 million to EUR 507.9 million) and 8.4% in the Czech Republic (representing an increase of EUR 13.8 million to EUR 177.7 million). These increases are due in the main to a growth in sales volumes.

By expanding its market share in electricity trading, GM&TR was able to increase sales by EUR 27.9 million. Electricity sales to end consumers on the British market amounted to EUR 30.8 million.

In spite of difficult overall conditions, GAZPROM Germania GmbH is intent on expanding its sales activities. To this end, ZMB (Schweiz) AG acquired 50% of shares in the Austrian GWH Gashandel GmbH. Following the approval of the antitrust agency, sales activities are due to commence in Austria.

Trading Activities

Together with its associated companies, the subsidiary Gazprom Marketing & Trading Ltd. contributed EUR 238.9 million to the overall group result, a significant increase on its contribution of EUR 142.2 million in 2009. There was also a notable increase in EBIT to EUR 257.9 million (2009: EUR 201.4 million).

Alongside its established core business area, gas trading in Europe, GM&T has widened the scope of its activities to include gas trading in North America. In 2010, Gazprom Marketing & Trading USA Inc. (GM&T USA) managed to increase its gross sales volumes to 11,075 Mm³; increased natural gas prices (up an average of 11.7%) were an important contributing factor in the growth of revenue. GM&T USA now counts itself among the top twenty leading gas traders in North America. However, significant start-up costs were behind the negative financial results of EUR -6.3 million in 2010 and EUR -4.4 million in 2009.

On European trading markets gross gas sales increased by 46.9% to EUR 7,737.9 million, while sales volumes increased by 14,745 Mm³ to 43,001 Mm³. Profit margins benefitted from the fact that the fall in prices on the buy side was more significant than the average drop in price of -3.5% on the sell side.

GM&T's global trading network has been strengthened through the entry of its subsidiary Gazprom Marketing & Trading Singapore PTE Ltd. onto Asian markets with above-average profits from LNG trading with Japan, Korea, China, and Taiwan. For the first time, Gazprom Marketing & Trading Singapore PTE Ltd. has been active in oil and biomass trading.

Natural Gas Storage

Gas storage facilities play an important role in ensuring a secure and reliable supply of natural gas. They are needed to balance out seasonal fluctuations in consumption and guarantee the availability of natural gas at times of peak demand. In Europe, they are also vital to the security of gas supply. For this reason, the GPG Group further expanded its natural gas storage activities in 2010.

The Haidach natural gas storage facility near Salzburg, Austria, has been operating successfully since July 2007 with the participation of GAZPROM Germania. Under the second development phase, its storage capacity is currently being expanded to accommodate a total of 2.6 Gm³ of working gas. The commissioning of the additional working gas volume is planned for April 2011. After that, the Haidach gas storage facility will be the largest such facility in Austria and the second largest storage facility in Western Europe.

In order to meet the storage requirements defined by GAZPROM OJSC, investigation of geological storage structures around the landing point of the Nord Stream Pipeline and along the OPAL in North-East Germany is continuing. Following extensive analysis of all structures in the region, exploration rights have been secured from the mining authority for three aquifer structures in northern Brandenburg and southern Mecklenburg-Western Pomerania. In addition, an application has been lodged for

permission to conduct exploration work around the Storkow salt dome in Brandenburg.

In 2010, a report was issued on the Schweinrich structure following an initial exploratory drill in 2009 and the completion of subsequent evaluations. An application for an extension of the main plan of operations until the end of 2012 was made to the responsible mining authority and has been approved.

Despite continuing high demand and the feasibility of gas storage facilities in Turkey, the GAZPROM Group is currently reviewing its participation in the Tarsus storage project managed by ZMB Gaz Depo A.S. The potential joint venture partner is continuing to work on this project at its own risk and has given GAZPROM Germania the option to re-enter the project at a later date.

GPG is active in the North Sea region through its involvement in the Wingate structure via a consortium (GPG share: 20%). In 2010, agreement on a field development plan was reached and approved by the relevant British authorities. Field development commenced with the construction of the drilling and exploration platform. Natural gas production is expected to begin in the last quarter of 2011, with most of the gas produced intended for sale through GM&T.

Investments

The changing European market environment was characterized in 2010 by an over-supply of gas on different markets as well as higher competition, which put pressure on GAZPROM Germania's European subsidiaries and its financial results.

GAZPROM Germania GmbH continued to be successful on both Western and Eastern European markets through the companies it jointly owns with the BASF subsidiary Wintershall Holding AG, WINGAS GmbH & Co. KG (WINGAS) and Wintershall Erdgas Handelshaus GmbH & Co. KG. Despite difficult market conditions in 2010, the at-equity result of these subsidiaries amounted to EUR 187.1 million, an increase of EUR 5.8 million on last year's figures.

Gas Project Development Central Asia AG (G.P.D.), which is an investment accounted for at equity, owns a 40% shareholding in Gissarneftgaz LLC. Gissarneftgaz LLC produced 4.1 Gm³ of natural gas in 2010, of which 1.7 Gm³ was exported. In addition to natural gas, Gissarneftgaz produced 105.6 ktons of crude oil and 234.8 ktons of condensate, which were processed in Uzbek refineries and sold on the local market as fuel. G.P.D. also holds a 25% share in the Kokdumalak-Gaz LLC joint venture. In 2010, Kokdumalak-Gaz LLC processed 6.0 Gm³ of associated gas for industrial and technical use, of which 2.4 Gm³ was exported.

In Italy, PremiumGas S.p.A. increased the gas volume sold to end customers to 883 Mm³ (2009: 641 Mm³).

Together with VNG-Verbundnetz Gas AG (VNG), GAZPROM Germania is constructing the Katharina gas storage facility in Bernburg, Saxony-Anhalt. This project is being planned, developed, and operated by Erdgasspeicher Peissen GmbH, a joint venture of GAZPROM Germania and VNG. Katharina is a cavern storage facility that will be put into operation in phases by 2026. When fully operational, it will have a total working gas volume of 600 Mm³.

In Turkey, Bosphorus Gaz Corporation A.S. had to operate under particularly difficult circumstances in 2010. The Turkish regulator kept gas prices artificially low, forcing the company to sell gas at a price significantly lower than its purchase price. This led to significant losses in 2010. However, BGC has secured more favourable purchase conditions for 2011 and is expected to make a profit in spite of adverse competitive conditions. GAZPROM Germania awaits approval from the Turkish competition authority of its acquisition of a further 20% of shares in BGC, which will increase its shareholding in the company to 71%.

Through its shareholding in Etzel Kavernenbetriebsgesellschaft mbH & Co. KG and Bunde-Etzel-Pipeline GmbH & Co. KG, GAZPROM Germania is involved in the development of a number of cavern storage facilities due to commence operations in 2011. These facilities are located 30 km south of Wilhelmshaven. They are connected by pipeline to the gas grid operated by the Dutch Gas Transport Service B.V. (GTS), and are thus linked to the TTF, one of the most important natural gas trading hubs in Europe.

In collaboration with WINGAS, GAZPROM Germania is expanding its activities on the British gas market by planning and investing in the conversion of the former onshore natural gas field Saltfleetby into a gas storage facility. The conversion is being managed by WINGAS Storage UK Ltd., a joint venture between GAZPROM Germania and WINGAS. On completion, the Saltfleetby underground storage is expected to accommodate 750 Mm³ of working gas.

To strengthen its position on the German gas trading market, GPG increased its shareholding in VNG-Verbundnetz Gas AG in 2010 through a share purchase. The increase in its minority equity stake led dividend payments from VNG to double to EUR 11.1 million. However, it was also necessary to impair the carrying amount by EUR 12.7 million.

In the context of the construction of the South Stream pipeline, GPG investigated the possibility of constructing storage facilities along the pipeline route. As a result, an underground storage facility is under construction in Northern Serbia by Podzemno skladište gasa Banatski Dvor d.o.o. This former gas field is already being used as a small-scale gas storage facility and will accommodate a working gas volume of 450 Mm³ after its expansion. The technical construction work is almost completed and operations are planned to start at the beginning of 2011.

The GPG Group is also investigating options for the construction of an underground storage facility in Pusztaföldvár, Hungary. The activities are executed by the joint venture Pusztaföldvár Földgáztároló Zrt. in co-operation with MOL Hungarian Oil and Gas Ltd.

Income

The GAZPROM Germania Group recorded a net income of EUR 281.7 million for the 2010 financial year (previous year: EUR 496.5 million). The fall in overall profits is due mainly to a drop in operating income, lower income recorded by the group's investments, and increased deferred tax expenses. As a result, the ROCE¹ decreased to 12.4% in 2010, approximately half of the previous year's value (22.3%).

¹ EBIT based on the average of the sum of equity and long-term loans at the beginning of the reporting period and the end of the reporting period

At EUR 517.8 million, total comprehensive income fell short of the previous year's result by EUR 76.5 million (12.9%). The increase in income and expenses recognized directly in equity to EUR 236.1 million had a favourable effect and mainly resulted from changes in fair values (which increased by EUR 90.1 million) and exchange differences in the financial statements of foreign group companies (which increased by EUR 58.5 million).

Revenue for 2010 was EUR 8,662.9 million, exceeding the previous year's result by EUR 673.2 million, of which EUR 612.5 million resulted from increased net revenues in the traditional wholesale business. Furthermore, the increase of 36.8% in gross sales revenue from trading activities led the gross profit margin recognized in the Consolidated Financial Statements to grow an exceptional 64.2% to EUR 155.2 million (2009: EUR 94.5 million).

Operating profit decreased in 2010 from EUR 344.6 million to EUR 261.8 million. The main reason for this decrease was the decline in margins from wholesale and intermediate sales of natural gas. Increased personnel costs associated with the expansion of the trading departments also contributed.

The total profit for the year 2010 was significantly influenced by the result from investments accounted for using the equity method, which was EUR 157.9 million (previous year: EUR 232.5 million).

One-off effects from the sale of shareholdings in 2009 were reflected in a decline in the total result from other investments to EUR -3.2 million in 2010 (2009: EUR 70.1 million). By contrast, interest income grew significantly from EUR -77.1 million in 2009 to EUR 3.0 million in 2010. This is due to the repayment of a loan from GAZPROM OJSC with the proceeds from the sale of NOVATEK shares in 2009.

The decline in earnings before taxes as well as necessary adjustments of deferred taxes from losses carried forward, which are expected to remain unused, led to an increase in the tax rate on profits to 31.9% (previous year: 16.9%).

The return on equity² for the 2010 financial year was 8.9% (2009: 16.6%).

² Average of the equity capital at the beginning of the reporting period and the end of the reporting period.

Assets, Liabilities, and Financing

As of 31 December 2010, the group balance sheet total was EUR 6,466.4 million (previous year: EUR 5,155.1 million). The rise can be attributed primarily to an increase in current assets by EUR 1,127.9 million. In the 2010 financial year, available cash and cash equivalents increased by EUR 741.9 million, totalling EUR 1,258.3 million on the balance sheet date. Trade and other receivables rose from EUR 2,199.9 million in 2009 to EUR 2,544.6 million in 2010.

On the liabilities side, current liabilities rose by EUR 876.4 million to EUR 2,673.1 million. Noncurrent liabilities increased to EUR 581.1 million (2009: EUR 256.1 million), mainly as a result of long-term financing liabilities.

GPG's equity increased from EUR 3,102.3 million to EUR 3,212.1 million. The equity ratio (equity compared to total assets) was 49.7% (2009: 60.2%).

The aim of financial management at GPG is to secure the liquidity of GPG and its group companies (including the acquisition of sufficient guarantees and sureties) and ensure the financial security of planned investments.

The working capital line negotiated in 2009 with a bank consortium led by Commerzbank AG and Landesbank Baden-Württemberg was prematurely terminated by GAZPROM Germania in late 2010 and is currently being renegotiated. GPG currently has access to a further uncommitted credit line in USD from Gazprombank OJSC.

Furthermore, two appropriated loans totalling EUR 100 million have been granted to finance the Salzfleetby and Etzel natural gas storage projects. These loans are due in October 2012.

In late December 2009 and January 2010, Landesbank Baden-Württemberg sold EUR 250 million in promissory notes on GPG's behalf. These notes are due in 3 to 5 years.

The working capital requirements of Gazprom Marketing & Trading Ltd. and its subsidiaries were covered in part by the group and in part by external financing. This external financing included a USD 250 million syndicated revolving loan facility.

Investments

The focus of investment activities in the 2010 financial year was the acquisition of further shares, in particular in VNG and Gazprom Global Energy Solutions Ltd. (previously TruRead Ltd.). GAZPROM Germania increased its expenditure on investments (less financial means acquired from additions to the group) from EUR 8.9 million in 2009 to EUR 198.7 million in 2010.

In addition, extensive measures were taken towards the strengthening of the group's IT infrastructure. In the 2010 financial year, the group spent EUR 20.7 million (previous year: EUR 7.4 million) on intangible assets.

In total, GAZPROM Germania had capital expenditure and investments of EUR 351.8 million in the 2010 financial year (previous year: EUR 151.8 million).

Social Commitment

As a modern commercial enterprise, GAZPROM Germania GmbH feels obligated to fulfil its social responsibility. That's why GAZPROM Germania has long worked to promote numerous projects in the areas of art and culture, youth and education, healthcare and social welfare, and sports under the slogan Energy Unites People. The company's three guiding values – reliability, partnership, and responsibility – form the backbone of the sponsorship we provide and are an integral part of our corporate philosophy and culture. As a German company with Russian roots, GAZPROM Germania's goal in taking on social responsibility is to promote intercultural dialogue and bolster relations between Germany and Russia.

Cultural projects are a significant focus of GAZPROM Germania's diverse sponsorship activities. Here, the company places particular emphasis on

the presentation and promotion of Russian art and culture in Germany. The highlights of 2010 include our support of the Tchaikovsky ensemble at the Potsdam Schloessernacht and the performance of the renowned Mariinsky Theatre from St. Petersburg at the Berliner Philharmonie in honour of GAZPROM OJSC's 20 years of collaboration with BASF/Wintershall. GAZPROM Germania is also a long-term sponsor of a number of German-Russian cultural projects, including Berlin's Russian Film Week, which the company has sponsored since its inauguration in 2005. For the sixth year in succession, in 2010 the festival presented a selection of the latest films from Russia to German audiences.

GAZPROM Germania's extensive social commitment also spans educational initiatives and youth projects. Here the company focuses particularly on joint German-Russian projects aimed at furthering mutual understanding and encouraging German interest in Russia, its language, and people. One such project is the media education project Zeus – Zeitung und Schule. With Zeus, GAZPROM Germania is helping to develop young people's interest in journalism as well as in GAZPROM and natural gas. Elsewhere, GAZPROM Germania is giving special attention to the promotion of the Russian language in Germany with its sponsorship of the Bundescup – Spielend Russisch Lernen language competition for schoolchildren.

In March 2010, GAZPROM opened its Experience Energy attraction at Germany's largest amusement park, Europa-Park Rust near Freiburg. The attraction features an interactive, energy-themed multimedia discovery experience and offers visitors an excitement-packed look at how Russian natural gas is produced and transported to Germany. GAZPROM Germania has also sponsored Europa-Park's appropriately-named blue fire Mega-coaster since 2009.

GAZPROM Germania's sports sponsorship has focused on FC Gelsenkirchen-Schalke 04 e.V., one of Germany's most popular football clubs, for the past four years. In 2007, we joined FC Schalke 04 e.V. in launching a campaign that promotes anti-violence in football. The campaign has seen charity matches held at the clubs Dynamo Dresden, 1. FC Magdeburg, Alemannia Aachen, 1. FC Union and against Eintracht Braunschweig.

GAZPROM Germania was also the official sponsor of the IIHF Ice Hockey World Championships in Germany, with the opening game played at FC Schalke's stadium. The opening event also featured a friendly game between German and Russian ice hockey legends that once again underlined the cordial relations between Germany and Russia in the natural gas sector.

Risk Report

GAZPROM Germania's Risk Management ensures that risk is identified, assessed, managed, and monitored from an early stage throughout the GPG Group. The risk held by the Group is calculated and limited using a concept based on economic capital with the application of the Value-at-Risk (VaR) method.

A Risk Oversight Committee (ROC) has been set up at GPG to manage risk. The ROC meets monthly and is chaired by a representative of Gazprom export LLC's risk management department. In addition to the ongoing monitoring of group risk, the ROC sets and approves risk limits for individual business partners and activities.

The GPG Group's aggregated risk is calculated monthly based on the confidence interval set by the Supervisory Board and a holding period of one year; this aggregated risk is then reported to the ROC. The major risks of the group are market, default, liquidity, and operational risk.

The [primary market risk](#) facing the group arises from changes in commodity prices and exchange rates that affect trading.

For the trading business, foreign exchange risk is primarily managed on the basis of cash inflows and outflows denominated in a given foreign currency at a given point in time. Where possible, any remaining risks are carried by way of appropriate hedging transactions.

With the exception of GM&T, the GPG Group does not generally hold unsecured trading positions. On conclusion of purchase and sales contracts, market price risk is minimized by coordinating prices.

GM&T conducts energy trading – in particular, gas trading – at organized trading hubs and enters into unsecured positions within the scope of a defined limit system. A GM&T Risk Oversight Committee (ROC) chaired by a representative of GPG meets monthly and both continuously monitors the risk that arises from trading activities and makes regular reports on this risk. Every day, unhedged positions are aggregated to create an overall risk position that counts towards a defined limit.

Because the fixed interest period is usually determined on the basis of short-term reference interest rates, loans granted and accepted are exposed to an interest rate risk. The remaining risk is borne using appropriate hedging transactions as far as possible.

Default risk arises from the group's trading and sales activities and from its investment holdings. In order to assess and limit this risk, credit rating procedures are applied and changes in credit rating are monitored on a continuous basis.

Decisions on loan extensions are made on the basis of a given company's credit rating and economic capital. Where possible, this risk is managed by means of framework agreements with customary hedging and netting provisions.

GPG's financial transactions and GM&T's natural gas trading activities are generally conducted with creditworthy counterparties only. The credit risk is reduced by allocating limits depending on both credit standing and netting agreements.

The credit risk associated with derivative financial instruments comprises the total of positive fair values. To reduce the credit risk arising from derivatives, global netting agreements are made with counterparties in accordance with standard trading agreements.

Liquidity risk arises from potential fluctuations in future cash inflows and outflows. This risk can be countered by synchronizing cash flows including foreign currency alignment. The group has access to uncommitted loan facilities of EUR 425.8 million, which had not been availed of by the reporting date (2009: EUR 568.1 million).

Liquidity risk is calculated each month using a Value at Risk approach and reported to the ROC. In the management of this risk, risks pertaining to available liquidity are compared taking account of free credit lines.

Contractual clauses concerning the obligation to comply with the specific financial figures (covenants) are continuously monitored on the basis of both the value-at-risk approach and scenario analyses.

Operational risk is a risk of loss as a result of inadequate or flawed internal processes, human error, system failure, or external events.

Regular risk audits are carried out to facilitate the early recognition of operational risk, the assessment of its quality and quantity, its monitoring, and prompt reporting to the management. Operational risk is managed using the Basel II's basic indicator approach.

Human Resources

In 2010, the GAZPROM Germania Group had an average of 779 employees (previous year: 520 employees), including 7 trainees (previous year: 7 trainees). The largest increase came from the GM&T subgroup, which had an average headcount of 492 employees. 209 people were employed at the head office in Berlin (previous year: 183).

The competence and commitment of the GAZPROM Germania Group's employees are crucial to its success.

In its recruitment of new employees, aside from their qualifications, GAZPROM Germania places a strong emphasis on their knowledge of modern business Russian. To facilitate communication with the parent company in Moscow, GPG aims to improve the competency of its employees in written and spoken Russian in all company departments.

The need for a permanent further education programme that targets specific skills and fields will become more pressing in the next years, as a result of both the adverse economic environment and a rapidly develop-

ing knowledge-based society. For this reason, our company has further expanded its cooperation with the European School of Management and Technology (ESMT) in Berlin, of which we are a benefactor. The international character of the courses offered at ESMT makes our involvement with this institution particularly beneficial to us.

Our successful and long-standing cooperation with the Freiberg University of Mining and Technology, the Humboldt University of Berlin, and the Faculty of Economics at the University of Leipzig on the first German-Russian master's programme in International Energy Economics and Business Administration has continued with the goal of supporting young graduates and helping our company to establish ties with future top executives before they have completed their education.

Our cooperation with the University of Leipzig, the German Energy and Water Association, and the Leipzig Chamber of Commerce and Industry continues on the Kauffrau/Kaufmann in der Energie- und Wasserwirtschaft postgraduate qualification, with more candidates sent in 2010.

Future Risks and Opportunities

Since its establishment in 1990, GAZPROM Germania has embarked on a path of dynamic growth and firmly established itself as an international gas company. It has recorded stable income over the past few years and its employee numbers have grown constantly.

By developing new markets, diversifying its business areas, and investing in a variety of natural gas infrastructure projects, the GAZPROM Germania Group also supports the strategy being pursued by the GAZPROM group to strengthen the European gas business and secure a reliable supply of energy.

In addition to the continuing work on its various energy sector projects on European consumer markets, the group plans to focus on developing its management of investments and investment projects in the coming years. This will bring further opportunities for increasing the group result in the future.

A strong focus is being placed on increasing the efficiency of back office departments, supported by investments in staff, IT systems, and processes.

The improved global economic situation is expected to contribute to the further stabilization of the income of group companies.

However, our investment activities are subject to risks and potential additional costs resulting from the regulatory constraints and the unbundling policy of the European Union. As a global energy company with a large number of investment-intensive infrastructure projects currently planned, under construction, or in operation, we are critical of these developments. At the same time, these investments are also subject to technical, geological, or political risk in a specific country.

In the short term, additional income risk may result from the current natural gas supply situation. This may lead to a challenging market environment for Russian natural gas and may require new solutions to the problem of stabilizing sales volumes. A temporary drop in results from investments cannot be ruled out for 2011, in particular in those companies managed in joint venture with Wintershall.

GAZPROM Germania is an active participant in discussions initiated by GAZPROM OJSC on the potential restructuring of the GAZPROM Group's European business and it will avail of any opportunities such restructuring presents. In 2011, GAZPROM Germania GmbH will focus further on its role as a holding within the GAZPROM Germania Group. In each of the coming two financial years we expect a result after taxes of around EUR 350 million.

Berlin, 8 April 2011

Management

Vladimir Kotenev
Senior Managing Director

Andrey Biryulin
Managing Director

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	2010 kEUR	2009 kEUR
Revenue	(1)	8,662,915	7,989,733
Other operating income	(2)	77,692	97,347
Cost of materials	(3)	-8,231,536	-7,548,566
Employee benefits expense	(4)	-108,764	-71,664
Depreciation and amortization expense; impairment of intangible assets and property, plant and equipment	(5)	-27,600	-35,010
Other tax expense		-293	-188
Other operating expense	(6)	-160,408	-121,130
Result from changes in fair value in operating activities	(7)	49,827	34,067
Operating profit		261,833	344,589
Interest income	(8)	28,606	21,248
Interest expense	(9)	-25,569	-98,397
Result from investments accounted for using the equity method	(10)	157,889	232,451
Other result from investments	(11)	-3,177	70,052
Other financial income	(12)	2,475	31,621
Other financial expense	(13)	-7,417	-4,066
Result from changes in fair value in financing activities	(14)	-848	-24
Profit before tax		413,792	597,474
Income tax expense	(15)	-132,076	-100,959
Profit for the year		281,716	496,515

	Notes	2010 kEUR	2009 kEUR
Change in fair value of available-for-sale financial assets		136,172	
Change in fair value of non-current assets held for sale			46,100
Cash flow hedges		47,210	1,887
Share of comprehensive income of companies accounted for using the equity method		4,088	67,421
Exchange differences from the financial statements of foreign group companies		57,100	-1,371
Deferred taxes	(27)	-8,470	-16,207
Total other comprehensive income	(16)	236,100	97,830
Total comprehensive income		517,816	594,345
Group profit for the year		279,216	498,009
Profit/loss for the year attributable to non-controlling interest	(17)	2,500	-1,494
Total profit for the year		281,716	496,515
Total group comprehensive income		512,191	595,706
Total comprehensive income attributable to non-controlling interest	(17)	5,625	-1,361
Total comprehensive income		517,816	594,345

Consolidated Balance Sheet

Assets	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Cash and cash equivalents	(18)	1,258,307	516,367
Trade and other receivables	(19)	2,544,555	2,199,882
Receivables from income tax		30,784	482
Non-current assets held for sale	(20)	717	636
Inventories	(21)	102,886	91,974
Total current assets		3,937,249	2,809,341
Intangible assets	(22)	28,170	12,146
Property, plant and equipment	(23)	99,622	60,095
Investment property	(24)	2,924	1,375
Investments accounted for using the equity method	(25)	1,260,750	1,318,962
Other financial assets	(26)	1,133,603	923,524
Deferred tax assets	(27)	4,081	29,673
Total non-current assets		2,529,150	2,345,775
Total assets		6,466,399	5,155,116

Liabilities	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Short-term and current portion of long-term financing liabilities	(29)	84,668	25,421
Trade and other payables	(30)	2,540,251	1,573,035
Liabilities from income tax		48,208	198,258
Total current liabilities		2,673,127	1,796,714
Deferred tax liabilities	(27)	88,574	59,990
Other long-term provisions	(28)	12,506	12,345
Long-term financing liabilities	(29)	265,742	55,251
Trade and other payables	(30)	214,312	128,527
Total non-current liabilities		581,134	256,113
Subscribed capital	(31)	225,595	225,595
Reserves		975,043	742,068
Retained earnings		2,000,800	2,131,914
Equity attributable to equity holders of the parent		3,201,438	3,099,577
Non-controlling interest	(32)	10,700	2,712
Total equity		3,212,138	3,102,289
Total equity and liabilities		6,466,399	5,155,116

Statement of Changes in Equity

	Subscribed capital	Capital reserve	Reserve	
			Available-for-sale financial assets	Non-current assets held for sale
	kEUR	kEUR	kEUR	kEUR
01/01/2009	225,595	799,872		-46,100
Capital paid in				
Changes to the scope of consolidation				
Dividends paid				46,100
Total comprehensive income				46,100
31/12/2009	225,595	799,872		
Capital paid in				
Dividends paid				
Total comprehensive income			134,118	
31/12/2010	225,595	799,872	134,118	

for changes in			Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	Total
Cash flow hedges	Share in other comprehensive income of companies recognized using the equity method	Exchange differences				
kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
-10,592	-65,116	-33,693	1,989,864	2,859,830	4,132	2,863,962
					997	997
			-355,959	-355,959	-1,056	-1,056
-2,223	55,324	-1,504	498,009	595,706	-1,361	594,345
-12,815	-9,792	-35,197	2,131,914	3,099,577	2,712	3,102,289
					2,363	2,363
			-410,330	-410,330		-410,330
38,056	6,826	53,975	279,216	512,191	5,625	517,816
25,241	-2,966	18,778	2,000,800	3,201,438	10,700	3,212,138

Consolidated Cash Flow Statement

	Notes	2010 kEUR	2009 kEUR
Profit before tax		413,792	597,474
Adjustments	(33)	224,878	13,197
Interest paid		-23,059	-209,713
Income tax paid		-289,357	-71,097
Cash flow from operating activities		326,254	329,861
Interest received		25,395	21,009
Dividends received	(11), (25)	231,697	326,176
Payments received from disposals of:			
– Intangible assets		6	25
– Property, plant and equipment		41	39
– Investment property		30	
– Group companies		7	1,854,030
– Investments		80	1,358
– Other financial assets		283,974	493
Payments made for investments in:			
– Intangible assets	(22)	-20,691	-7,420
– Property, plant and equipment	(23)	-46,524	-17,097
– Investment property	(24)	-1,680	-1,128
– Shares in group companies less acquired cash and cash equivalents	(34)	-14,291	-125
– Investments	(25), (26)	-184,433	-8,790
– Other financial assets	(26)	-84,157	-117,264
Cash flow from investing activities		189,454	2,051,306

	Notes	2010 kEUR	2009 kEUR
Capital paid in from non-controlling interest		2,363	997
Proceeds from financing liabilities		299,956	849,386
Payment of dividends	(35)	-50,000	- 355,959
Repayment of:			
– Financing liabilities		-31,701	-1,253,220
– Liabilities from assets held for sale			-1,397,223
Cash flow from financing activities		220,618	- 2,156,019
Total cash flows from continued operations		736,326	225,148
Effect of exchange differences in cash and cash equivalents		5,614	4,504
Total changes in cash and cash equivalents		741,940	229,652
Cash and cash equivalents on 1 January		516,367	286,715
Cash and cash equivalents on 31 December		1,258,307	516,367

Notes to the Consolidated Financial Statements

General Notes

GAZPROM Germania GmbH (GPG) has its registered office at Markgrafenstrasse 23, 10117 Berlin, Germany and is registered in the Commercial Register of Berlin-Charlottenburg under HRB No. 36569.

The company's principal activity is the acquisition, management, and sale of shareholdings in companies, in particular in those dealing with the import, export, and sale of gas and with the planning, construction and utilization of gas facilities.

Like our subsidiaries and investments, our company safeguards the key economic interests of the joint-stock company GAZPROM OJSC, Moscow, Russia (GAZPROM OJSC) in the European and Central Asian gas markets. This includes selling natural gas of Russian and Central Asian origin in Western and South-Eastern Europe.

GPG is a subsidiary of Gazprom export LLC, Moscow, Russia, which is a subsidiary of GAZPROM OJSC. GAZPROM OJSC prepares the Consolidated Financial Statements for the maximum scope of consolidation, in which GAZPROM Germania GmbH is included. The Consolidated Financial Statements are available from GAZPROM OJSC, ul. Nametkina 16, V-420, GSP-7, 117 997 Moscow, Russia. The company is registered at the Registry Office of the Russian Federation, Moscow, under No. 022.726.

Accounting Principles

GPG's Consolidated Financial Statements are prepared pursuant to section 315a (3) in conjunction with (1) HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The company chooses not to prepare Consolidated Financial Statements in compliance with the German Commercial Code (HGB) as afforded by section 315a (3) of the German Commercial Code.

The following standards, interpretations, and amendments of existing standards were applied for the first time in the 2010 financial year:

- The amendment to [IAS 27](#) (Consolidated and Separate Financial Statements) requires entities to attribute total comprehensive income to both the majority owners and the non-controlling interest even if this results in the non-controlling interest having a negative balance. The earlier version of the standard required excess losses to be allocated to the majority owners in most cases.

The revised standard specifies that changes to a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.

It also specifies how an entity should measure any gain or loss arising from the loss of control over a subsidiary. At the date when control is lost, any investment retained in the former subsidiary must be measured at its fair value.

This amendment has no material impact on the Consolidated Financial Statements.

- The amendment to [IAS 32](#) (Financial instruments: presentation) affects rights, options, and warrants granted to a fixed number of a company's own shares in a currency other than its functional currency. Such instruments may be recognized as own equity instruments, provided that they are granted pro-rata to all existing shareholders in the same class. Previously, these rights were recognized as financial liabilities.

This amendment has no impact on the Consolidated Financial Statements.

- The amendment to **IAS 39** (Financial Instruments: Recognition and Measurement) clarifies the principles of determining what constitutes a hedged risk and which (parts of) cash flows can be designated hedged items in particular situations.

These amendments have no significant impact on the Consolidated Financial Statements.

- New version of **IFRS 1**: The aim of the revised IFRS 1 published in November 2008 was to improve the structure of the standard. The revisions are designed to make the standard clearer and easier to follow by re-organizing and moving most of the standard's numerous exceptions and exemptions to the appendices. The Board has also taken the opportunity to remove out-of-date transitional provisions and make some minor wording amendments. The retroactive application of other IFRS standards requires a revision of existing exemptions, which is dealt with in Appendix IFRS 1.B1 ff.

These amendments have no impact on the Consolidated Financial Statements.

- Additional Exemptions for First-time Adopters allow first-time adopters to measure their oil and gas assets on the basis of previous GAAP (full costs) in the transition to IFRS. Here different rules apply to assets that facilitate exploration and evaluation, and to assets that facilitate production development.

First-time adopters may also avail of an additional exemption if they have determined in their previous GAAP whether an arrangement contains an embedded lease, and if the criteria for this determination largely comply with IFRIC 4, although it took place at a date outside the timeframe stipulated by IFRIC 4.

This amendment has no impact on the Consolidated Financial Statements.

- The amendments to **IFRS 2** (Share-based Payment) provide a basis for determining the classification of share-based payment awards in consolidated financial statements. The amendments ensure that the standard takes account of the guidelines from IFRIC 8 and IFRIC 11, which have been withdrawn. The amendments also address plans which go beyond the guidelines originally given in IFRIC 11 and clarify the defined terms in the Appendix to the standard.

These amendments have no impact on the Consolidated Financial Statements.

- The amendment to **IFRS 3** (Business Combinations) allows entities to choose to measure non-controlling interest either at fair value or, as previously, at the value of their pro-rata share of net assets. The measurement of non-controlling interest at fair value has a corresponding effect on consolidated goodwill, i.e. goodwill attributed to non-controlling interest will be recognized.

The revised IFRS 3 offers more detailed guidelines on the application of the acquisition method in business combinations. The requirement to measure every asset and liability at fair value at each step in a step acquisition to allow for calculation of a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred, the amount recognized for the non-controlling interest and the fair value of the net assets acquired.

Acquisition-related costs are accounted for independent of the business combination itself and therefore recognized as expenses rather goodwill. At the acquisition date, an acquirer must recognize a liability for any contingent purchase consideration. After the acquisition date, changes in the value of that liability will be recognized, where required, in accordance with other IFRSs rather than by adjusting goodwill.

The group applies the amended Standard prospectively for company combinations which take place on or after 1 January 2010. The amendments may lead to greater volatility in group profit or loss, even in periods following the acquisition.

- **IFRIC 12** (Service Concession Arrangements) was first adopted in 2009 in the context of EU endorsement procedures and became effective within the EU on 30 March 2009. Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports and other facilities – to private sector operators. The interpretation addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and the rights they receive in service concession arrangements.

IFRIC 12 has no impact on the Consolidated Financial Statements.

• **IFRIC 15** (Agreements on the Construction of Real Estate) addresses how entities determine whether agreements on the construction of real estate fall within the scope of IAS 11 (Construction Contracts) or IAS 18 (Revenue) and when revenue from the construction of real estate is recognized.

The application of this interpretation is obligatory from 1 January 2010 and has no impact on the Consolidated Financial Statements.

• **IFRIC 16** (Hedges of a Net Investment in a Foreign Operation) contains guidelines on the detailed conditions of hedging net investments in foreign operations in specific cases of designation in relation to IAS 39 (Financial Instruments: Recognition and Measurement). The application of IFRIC 17 is compulsory for reporting periods beginning after 30 June 2009.

This amendment has no impact on the Consolidated Financial Statements.

• **IFRIC 17** (Distributions of Non-cash Assets to Owners) contains guidelines on appropriate accounting in cases where an entity pays non-cash dividends to owners. It also clarifies the situations in which an entity gives its owners a choice of receiving either non-cash dividends or a cash alternative.

The application of IFRIC 17 is compulsory for reporting periods beginning after 30 June 2009. This amendment has no impact on the Consolidated Financial Statements.

• **IFRIC 18** (Transfers of Assets from Customers) must be applied to financial years beginning after 31 October 2009. This interpretation clarifies the accounting for transfers of items of property, plant, or equipment or of funds for the production or acquisition of such items. While this is of particular relevance to utility companies to provide their customers with access to networks and continual access to goods or services, its scope also extends to non-utility companies.

In particular, the interpretation clarifies the circumstances under which the definition of an asset is met; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue; and the accounting for transfers of cash from customers.

IFRIC 18 has no impact on the Consolidated Financial Statements.

• The **Improvements to IFRSs** adopted in April 2009 and effective for financial years beginning on or after 1 July 2009 or 1 January 2010 have resulted in various changes to the group's accounting methods. Some of these only require changes to the terminology used; the other changes, while substantive, have no significant impact on the figures reported.

The following standards and interpretations were not yet mandatory for the 2010 financial year and will only become mandatory, where appropriate, in future financial years:

• The amendments to **IAS 24** (Related Party Disclosures) radically revise the definition of related parties. Among other changes, the relationship between subsidiaries and associated companies controlled by the same investor are defined as being related.

Adjustments were also made to the scope of the definition of transactions that must be disclosed. This clarification may result in additional data being reported, as contingencies now fall within the definition of transactions that must be disclosed.

Disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a government (referred to as government-related entities) have been simplified.

The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. These amendments will have no impact on the Consolidated Financial Statements.

• The **IFRS 1** standard was amended to exempt first-time adopters of IFRSs from the duty to provide the additional disclosures introduced in March 2009 in the amendments to IFRS 7 (Financial Instruments: disclosures). The amendment affords first-time adopters the same transition provisions that apply to current IFRS users.

The amendment is effective for annual periods beginning on or after 1 July 2010 and has no impact on the Consolidated Financial Statements.

- **Improvements to IFRS 2010** for reporting periods beginning on or after 1 January 2011:

IAS 1 ("Presentation of Financial Statements: Clarification on the Statement of Changes in Equity"): A clarification was issued in IAS 1 whereby the required disaggregation of other income to individual items when reconciling equity from the carrying amount at the beginning of the period with the carrying amount at the end of the period may be included in the notes and is no longer required to be in the Statement of Changes in Equity.

Amendments to IAS 34 (Interim Financial Reporting: Note Disclosures on Significant Events and Business Transactions) specify what information must be disclosed in interim reports. The non-exhaustive list of events and transactions that, should they be significant, must be reported includes additional disclosure obligations for financial instruments.

Amendments following the amended IAS 27: adaption rules in IAS 21 ("The effects of changes in foreign exchange rates"), IAS 28 („Investments in associates“) and IAS 31 ("Interests in joint ventures“) were adjusted. Follow-up changes are to be applied prospectively for the years starting on or after 1 July 2009. If the amended IAS 27 was voluntarily adopted earlier, the amendments to IAS 21, 28, 31 are also to be applied earlier voluntarily.

IFRS 1: First-time adopters may define the fair value of their assets as costs (IFRS 1. D8). This event-based valuation applies regardless of when IFRS is adopted.

First-time IFRS adopters who change their accounting methods or their use of IFRS 1's exempting provisions following the publication of an interim financial report under IAS 34 must provide an explanation of the changes and modify the reconciliations of equity and its total comprehensive income in the interim financial report.

IFRS 3: As a result of the revision of IFRS 3 Business combinations contingent considerations within business combinations are no longer out of scope of IFRS 7 Financial instruments, disclosures, IAS 32 Financial instruments: presentation and IAS 39, Financial instruments: recognition and measurement. For contingent considerations within business combinations which took place before the revised IFRS 3 became effective transitional provisions were introduced. The amendments are binding for the years starting on or after 1 July 2010. An earlier adoption is permitted.

According to IFRS 3.19 the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets for each business combination. Section 19 was changed so that the choice is applicable only for instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interest e.g. share options classified at own equity instruments shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRS. The amendments are binding for the years starting on or after 1 July 2010. An earlier voluntary adoption is permitted.

It was clarified that provisions on recognition of share-based payment awards of the acquiree which the acquirer shall exchange within the business combination or which would expire as a consequence of a business combination are applicable to all share-based payment awards which are part in a business combination. These provisions are therefore also applicable for share-based payments which do not expire as a consequence of a business combination and which the acquirer shall not exchange or shall exchange for own share-based payment awards. The amendments are binding for the years starting on or after 1 July 2010. An earlier voluntary adoption is permitted.

IFRS 7 requires the disclosure of the type and extent of risk resulting from financial instruments, among other information. Credit risk: It is no longer necessary to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Amendments to IFRIC 13 (Customer Loyalty Programmes: Determining Fair Value) concern clarification of the measurement of loyalty award credits. The fair value of a loyalty award credit is generally recognized as the amount for which it could be sold separately. If this is not possible, other methods of determining the value are defined.

The Improvements to IFRSs 2010 have no impact on the Consolidated Financial Statements.

- The **IFRS 9** standard (Financial Instruments: Recognition and Measurement) contains new provisions concerning the recognition and measurement of financial assets and liabilities. On 28 October 2010 IASB published renewed IFRS 9 which contains new provisions on recognition of

financial liabilities and takes over provisions of IAS 39 on de-recognition of financial assets and liabilities. These become effective on 1 January 2013, with earlier adoption permitted.

Thereafter, all recognized financial assets that currently fall within the scope of IAS 39 will be measured at either amortized cost or fair value. Debt instruments (e.g. loans receivable) that:

(1) Are held within a business model whose objective it is to collect the contractual cash flows, and

(2) Contain contractual cash flows used solely for payments towards principal and interest on principal

are generally measured at amortized cost. All other instruments are generally measured at fair value through profit or loss.

The EU endorsement process has been postponed until there is clarity regarding these additional requirements. This is not expected to have significant impact on the Consolidated Financial Statements.

- The amendments to [IFRIC 14](#) (The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) are relevant when an employee benefit plan has a minimum funding requirement and an entity makes prepayments of contributions towards this. Compared with existing regulations, the economic benefit from an entity's prepayment of contributions that reduce future contribution payments necessary to meet minimum funding requirements is recognized as an asset.

The amendment is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. This amendment has no impact on the Consolidated Financial Statements.

- [IFRIC 19](#) (Extinguishing Financial Liabilities with Equity Instruments) addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as debt-for-equity swaps). The interpretation concludes that the issue of equity instruments to extinguish an obligation constitutes "consideration paid".

Where equity instruments are issued for the purpose of settling only part of a financial liability, the entity should assess to what extent a portion of the consideration paid is allocated to a renegotiation of remaining debt.

[IFRIC 19](#) is effective for annual periods beginning on or after 1 July 2010, with earlier application permitted. The interpretation is to be applied retrospectively insofar as the fair values can be determined retrospectively. There is currently no recognizable impact on the Consolidated Financial Statements.

The Consolidated Financial Statements are drawn up in EUR. Unless otherwise indicated, the amounts are shown in thousands of euros (kEUR).

The financial year of all companies included in the Consolidated Financial Statements is the calendar year.

Balance sheet items are classified as either current or non-current.

The profits and losses in the Statement of Comprehensive Income are drawn up in accordance with the nature of expense method. The Comprehensive Income also contains income and expenses recognized directly in equity.

Scope of Consolidation

In this financial year, the scope of consolidation has developed as follows:

Scope of consolidation	Domestic	Foreign	Total
Parent company	1		1
Controlled companies	4	20	24
Investments accounted for using the equity method	7	8	15
31/12/2009	12	28	40
Additions to controlled companies in 2010		2	2
Controlled companies		2	2
Investments accounted for using the equity method		2	2
Disposals 2010		4	4
Parent	1		1
Controlled companies	4	20	24
Investments accounted for using the equity method	7	6	13
31/12/2010	12	26	38

The additions in this financial year were as follows:

	Date of initial consolidation	Notes
Controlled companies		
IMUK AG, Chur, Switzerland	19/01/2010	Founded
Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom *	02/06/2010	step acquisition

* TruRead Ltd. was renamed Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom, on 9 August 2010.

On 19 January 2010, [IMUK AG, Chur, Switzerland](#), was founded as a 100% subsidiary of ZMB (Schweiz) AG, Zurich, Switzerland. The capital contribution was kCHF 12,735. This company operates in the property management sector.

On 2 June 2010, Gazprom Marketing & Trading Ltd., London, United Kingdom, increased its shareholding in TruRead Ltd., Manchester, United Kingdom, from 30% to 100%. TruRead Ltd. was renamed [Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom](#), by entry into the Commercial Register on 9 August 2010.

The purchase price allocation for the step acquisition is as follows:

	Carrying amount = Fair value 02/06/2010 kEUR
Cash and cash equivalents	129
Trade and other receivables	453
Inventories	301
Intangible assets	54
Property, plant, and equipment	1,278
Total assets	2,215
Trade and other short-term liabilities	-968
Long-term financing liabilities	-2,013
Trade and other long-term liabilities	-96
Total liabilities	-3,077
Total net assets acquired	-862
Equity interest previously held	569
Purchase price paid	4,936
Goodwill	4,643

The disposals for the financial year were as follows:

	Date of final consolidation	Notes
Controlled companies		
CEA Centrex Italia S.r.l., Milan, Italy	23/11/2010	Held for sale
Prime Energy S.p.A., Milan, Italy	24/11/2010	In liquidation
Investments accounted for using the equity method		
TruRead Ltd., Manchester, United Kingdom	02/06/2010	Consolidation method changed following successive share acquisition
Centrex Beteiligungs GmbH, Vienna, Austria	14/07/2010	In liquidation

GPG sold its 50.14% shareholding in [CEA Centrex Italia S.r.l., Milan, Italy](#), based on a sales and purchase agreement from 23 November 2010. The transaction became legally effective following receipt of approval from the antitrust authorities on 11 January 2011. The loss on the disposal amounts to kEUR 1,435.

[Prime Energy S.p.A., Milan, Italy](#), was liquidated and subsequently removed from the commercial register on 24 November 2010. The liquidation income is kEUR 7.

[Centrex Beteiligungs GmbH, Vienna, Austria](#), was liquidated and removed from the commercial register by shareholder resolution of 14 July 2010.

By shareholder resolution of 29 April 2010, Gazprom Marketing & Trading Ltd., London, United Kingdom, increased capital of its 100% subsidiary [Gazprom Marketing & Trading USA Inc., Delaware, USA](#), by kUSD 3,000.

By shareholder resolution of 3 May 2010, GPG contributed kCZK 60,168 of equity to [Vemex s.r.o., Prague, Czech Republic](#). Vemex s.r.o. then increased its equity in [Vemex energo s.r.o., Bratislava, Slovakia](#), by kEUR 700; this contribution was entered into the commercial register on 31 August 2010.

On 1 October 2010, GPG increased its equity in [ZMB Gaz Depo A.S., Istanbul, Turkey](#), by kTRY 3,200.

On 30 July 2010, ZMB (Schweiz) AG, Zurich, Switzerland, acquired 50% in [GWH Gashandel GmbH, Vienna, Austria](#), for a purchase price of kUSD 27,000. This purchase was to become effective on 1 January 2010, but is not yet legally effective due to outstanding approval from regulatory and antitrust authorities.

The impact of additions to the scope of consolidation (share in each item of the Consolidated Financial Statements as of 31 December 2010) is as follows:

	kEUR	%
Current assets	1,646	0.0
Non-current assets	4,441	0.2
Total assets	6,087	0.1
Current liabilities	1,295	0.0
Non-current liabilities	3,756	0.6
Total liabilities	5,051	0.2
Revenue	832	0.0
Other operating income	403	0.5
Cost of materials	-260	0.0
Employee benefits expense	-425	0.4
Depreciation and amortization expense; impairment of intangible assets and property, plant and equipment	-7,292	26.4
Other operating expense	-657	0.4
Operating profit	-7,399	-2.8
Interest result	-60	-2.0
Other financial result	-3	0.0
Income tax expense	-65	0.0
Total loss for the year	-7,527	-2.7

Pro forma comparative figures as of 1 January 2010 are not disclosed due to their immateriality.

Taking all consolidation procedures into account, the companies excluded from the scope of consolidation for

the reporting year were represented in the previous year's Consolidated Financial Statements (as of 31 December 2009) with the following values:

	kEUR	%
Current assets	2,125	0.1
Non-current assets	1,059	0.0
Total assets	3,184	0.1
Current liabilities	1,306	0.1
Non-current liabilities	6	0.0
Total liabilities	1,312	0.1
Revenue	125,180	1.6
Other operating income	23	
Cost of materials	-125,366	1.7
Employee benefits expense	-917	1.3
Depreciation and amortization expense; impairment of intangible assets and property, plant and equipment	-3	0.0
Other tax expense	-15	8.0
Other operating expense	-706	0.6
Operating profit	-1,804	0.0
Interest income	9	0.0
Interest expense	-36	0.0
Other financial expense	-71	1.7
Result from investments accounted for using the equity method	-141	-0.1
Total loss for the year	-2,043	-0.4

The Consolidated Financial Statements incorporate all companies in which GPG has the power to determine financial and operating policies by virtue of its voting majority in their governing bodies and thus derive benefits from their activities.

This includes the following subsidiaries:

Company, registered office		Share 31/12/2010 %	via	Share 31/12/2009 %	via
1	ZMB (Schweiz) AG, Zurich, Switzerland	100.00	GPG	100.00	GPG
2	ZGG – Zarubezhgazneftechim Trading GmbH, Vienna, Austria	100.00	GPG	100.00	GPG
3	ZMB mobil GmbH, Möthlow, Germany	100.00	GPG	100.00	GPG
4	Erste Gazprom Projektgesellschaft mbH, Berlin, Germany	100.00	GPG	100.00	GPG
5	Zweite Gazprom Projektgesellschaft mbH, Berlin, Germany	100.00	GPG	100.00	GPG
6	ZMB Gaz Depo A.S., Istanbul, Turkey	100.00	GPG	100.00	GPG
7	Gazprom Marketing & Trading Ltd., London, United Kingdom	100.00	GPG	100.00	GPG
8	Gazprom Marketing & Trading Retail Ltd., Manchester, United Kingdom	100.00	7	100.00	7
9	Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom*	100.00	7		
10	Gazprom Marketing & Trading Germania GmbH, Berlin, Germany	100.00	7	100.00	7
11	Gazprom Marketing & Trading France SAS, Nanterre, France	100.00	7	100.00	7
12	Gazprom Marketing & Trading Singapore PTE Ltd., Singapore	100.00	7	100.00	7
13	Gazprom Marketing & Trading USA Inc., Delaware, USA	100.00	7	100.00	7
14	Gazprom Global LNG Ltd., London, United Kingdom	100.00	7	100.00	7
15	Gazprom Mex (UK) 1 Ltd., London, United Kingdom	100.00	7	100.00	7
16	Gazprom Mex (UK) 2 Ltd., London, United Kingdom	100.00	15	100.00	15
17	Gazprom Marketing & Trading México S. de R. L. de C. V., Tijuana, Mexico	100.00	15/16	100.00	15/16

* TruRead Ltd. was renamed Gazprom Global Energy Solutions Ltd. on 9 August 2010.

Company, registered office		Share 31/12/2010 %	via	Share 31/12/2009 %	via
18	IMUK AG, Chur, Switzerland	100.00	1		
19	ZMB Gasspeicher Holding GmbH, Vienna, Austria	66.67	GPG	66.67	GPG
20	Baltic LNG AG, Zurich, Switzerland	80.00	GPG	80.00	GPG
21	Baltysky szhizhenny gaz LLC, Kingisepp, Russia	80.00	20	80.00	20
22	Vemex s.r.o., Prague, Czech Republic	50.14	GPG	50.14	GPG
23	Vemex Energo s.r.o., Bratislava, Slovakia	50.14	22	50.14	22
24	CEA Centrex Energy & Gas AG, Vienna, Austria	50.14	GPG	50.14	GPG
...	Prime Energy S.p.A., Milan, Italy			100.00	GPG
...	CEA Centrex Italia S.r.l., Milan, Italy			50.14	24

Shares in companies over which the group has significant influence on financial and business policies or which are jointly controlled are accounted for using the equity

method. These companies comprise the following **associated companies and joint ventures**:

Company, registered office		Share 31/12/2010 %	via	Share 31/12/2009 %	via
Joint ventures					
25	WIEH Verwaltungs-GmbH, Kassel, Germany	50.00	GPG	50.00	GPG
26	Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, Germany*	50.00	GPG	50.00	GPG
27	Gas Project Development Central Asia AG, Baar, Switzerland*	50.00	GPG	50.00	GPG
28	FRAGAZ SA, Paris, France	50.00	GPG	50.00	GPG
29	PremiumGas S.p.A., Milan, Italy	50.00	GPG	50.00	GPG
30	Erdgasspeicher Peissen GmbH, Halle/Saale, Germany	50.00	GPG	50.00	GPG
31	Pusztaföldvár Földgáztároló Zrt., Budapest, Hungary	50.00	GPG	50.00	GPG
Associated companies					
32	Bosphorus Gaz Corporation A.S., Istanbul, Turkey	51.00	GPG	51.00	GPG
33	WINGAS Verwaltungs-GmbH, Kassel, Germany	49.98	GPG	49.98	GPG
34	WINGAS GmbH & Co. KG, Kassel, Germany*	49.98	GPG	49.98	GPG
35	Etzel Kavernenbetriebs-Verwaltungs-gesellschaft mbH, Hamburg, Germany	33.33	GPG	33.33	GPG
36	Etzel Kavernenbetriebsgesellschaft mbH & Co. KG, Hamburg, Germany	33.33	GPG	33.33	GPG
37	WINGAS Storage UK Ltd., London, United Kingdom*	33.33	19	33.33	19
...	TruRead Ltd., Manchester, United Kingdom			30.00	7
...	Centrex Beteiligungs GmbH, Vienna, Austria			37.65	GPG

* Subsidiaries and investments consolidated at equity within subgroup financial statements are not listed separately.

Despite its 51% capital participation in Bosphorus Gaz Corporation A.S., Istanbul, Turkey, GPG does not have a controlling influence on the company, as this would require not less than 80% voting majority under the company's articles of association.

The following companies are excluded from the Consolidated Financial Statements as they are due to be sold and are balanced at cost in accordance with IFRS 5 in conjunction with IAS 39.46 (c).

Company, registered office		Share 31/12/2010 %	via	Share 31/12/2009 %	via
Controlled companies					
38	CEA Centrex Italia S.r.l., Milan, Italy	50.14	24		
Joint ventures					
39	SEP Company Kft., Budapest, Hungary	50.00	GPG	50.00	GPG
40	South Stream AG, Zug, Switzerland	50.00	GPG	50.00	GPG

Consolidation Principles and Methods

Capital consolidation is carried out in accordance with the acquisition method by offsetting the acquisition costs of an investment against the revalued shareholders' equity at the date of acquisition of the subsidiary. The resulting differences in assets are entered as goodwill under Intangible Assets and tested for impairment at least once a year. Any negative difference caused by capital consolidation is recognized through profit and loss in the Statement of Comprehensive Income.

Non-controlling interests are recognized as separate line items. Increases made to existing majority interests are presented in accordance with the entity concept as transactions between equity holders.

Entities over which the group has significant influence (associated companies) and joint ventures are accounted for using the equity method in accordance with IAS 28 or IAS 31.38 as of the acquisition date. Any remaining differences are treated in the same way as capital consolidation. Goodwill is included in the carrying amount of the equity investment.

Receivables and payables or provisions between fully consolidated companies are offset. Group revenue, other group income, and any corresponding expenses are eliminated.

Material interim results are deducted. Deferred taxes are recognized for temporary differences arising from the consolidation.

Foreign Currency Conversion

In the separate financial statements prepared in local currency by consolidated companies, **foreign currency transactions** are converted using the exchange rate of the transaction month. Monetary items are converted using the closing exchange rate. Exchange rate differences in foreign currency transactions are recognized in profit and loss in the Statement of Comprehensive Income depending on their origin (financial or operational).

Financial statements prepared by consolidated companies in a foreign currency are converted into EUR using the functional currency concept. With the exception of seven foreign companies, the functional currencies of all other foreign companies are their local currencies, as these companies

manage their business activities independently in terms of finance, economy, and organization. USD, the most common transaction currency in the gas business, is also used as a functional currency.

Assets and liabilities are converted into EUR using the closing rate, income and expenses using the average exchange rate of the reporting year, and equity using historical foreign currency exchange rates. The resulting exchange rate differences are recognized directly in equity in the line item Reserve for changes in exchange rate differences and not recognized in profit or loss until the disposal of the investment in the company.

The most important exchange rates used for currency translation into EUR are:

Currency (1 EUR =)	Exchange rate on 31/12/2010	Exchange rate on 31/12/2009	Average exchange rate 2010	Average exchange rate 2009
US dollar (USD)	1.33620	1.44060	1.32572	1.39480
Pound sterling (GBP)	0.86075	0.88810	0.85784	0.89094
Swiss franc (CHF)	1.25040	1.48360	1.38034	1.51000
Czech crown (CZK)	25.06077	26.47324	25.28381	26.43475
Serbian dinar (RSD)	105.04202	95.69378	102.35415	93.37068
Russian rouble (RUB)	40.81966	43.15367	40.26251	44.13842
Hungarian forint (HUF)	277.93218	270.41644	275.48209	278.78450
Turkish lira (TRY)	2.06940	2.15470	1.99655	2.16310

Accounting Policies

The financial statements of the consolidated companies included in the group accounts are prepared using uniform accounting policies.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one company and to a financial liability or equity instrument for another company.

Financial assets include in particular cash and cash equivalents, trade and other receivables as well as other loans granted and receivables and derivative financial assets held for trading.

Financial assets are classified under the categories Financial instruments held for trading, Loans granted and receivables, Financial instruments available-for-sale, and Financial investments held to maturity.

Financial liabilities regularly create a contractual obligation to deliver cash or another financial asset to another company. They comprise in particular trade and other payables, bank liabilities, liabilities stemming from financial leases and derivative financial liabilities.

Financial instruments are **recognized** as a rule when a group company becomes a party to the contractual provisions of the financial instrument. However, in customary purchases or sales of financial assets under a contract whose terms require delivery of the asset within a timeframe generally established by regulation or convention of a given market (with the exception of derivative financial instruments), for the initial recognition and the disposal of the financial asset, the settlement date is relevant, i.e. the day on which the asset is delivered by or to a group company.

Financial assets and liabilities are usually **presented** without offsetting. Offsetting is only allowed, when (concerning the amount currently presented) there currently exists a legally enforceable right to set off the recognized amounts and it is intended either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets are **derecognized** if no or only partial control has been retained due to realization, transfer, termination, abandonment, or forfeiture of contractual using rights. Financial liabilities are removed from the balance sheet when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, or expires.

The **measurement of primary financial assets** is conducted using the following methods:

- **Loans granted and receivables** are measured at amortized cost using the effective interest method. Cash and cash equivalents, as well as trade and other receivables usually have short maturities. Therefore, their carrying amounts usually correspond to their fair values. Cash and cash equivalents include cash in hand, bank balances, and short-term bank deposits with an original maturity of less than three months.

This category also includes loans receivable recognized in the line item other financial assets and other long-term receivables.

The option of measurement at fair value through profit or loss is not used.

- Other investments are classified as **available-for-sale financial instruments**. They are recognized at their fair value. Any changes to the fair value between the acquisition date and the balance sheet date are recognized directly in equity in the line item Reserve for change in available-for-sale financial instruments.

Investments in unlisted companies continue to be measured at cost, as there tends to be a broad spectrum of reasonable fair value estimates for companies in the start-up phase and the probability of the various estimates cannot be reasonably assessed and used in estimating fair value. No active market exists. Provided that reliable forecasts exist for unlisted companies active on the market for a long time, those market values estimated on the basis of the discounted cash flow method are recognized.

On each balance sheet date, the group assesses whether an **impairment of a financial asset** or group of financial assets has occurred. If there is objective evidence that an impairment has occurred (e.g. substantial financial difficulties faced by the debtor, a high likelihood of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a significant change to the technological, economic, legal, or the market environment of the issuer, or a significant or prolonged fall in the fair value of the financial asset below its cost), the impairment loss is determined as follows depending on classification into the categories of IAS 39.

For the category loans and receivables, the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. The impairment loss is recognized in profit or loss. A reversal of the impairment loss is recognized if the amount of the impairment loss subsequently decreases and this decrease can be traced objectively to an event occurring after the impairment was recognized. The reversal of the impairment loss does not exceed what the amortized cost would have been had the impairment not been recognized on the date the impairment was reversed. The reversal of the impairment is also recognized in profit or loss.

For the category available-for-sale financial assets, the impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. The amount of the impairment loss is reclassified from equity to profit or loss. A reversal of the impairment loss is recognized if the fair value subsequently increases and if this increase can be objectively traced to an event occurring after the impairment loss was recognized in profit or loss. The reversal of the impairment loss is recognized in profit or loss, unless the financial asset is an own equity instrument. If the available-for-sale financial instruments are equity instruments, increases in their fair value are subsequently recognized in equity. For investments in unlisted companies, which are classified as available-for-sale financial assets, but measured at cost, an impairment loss

is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Non-derivative financial liabilities are measured at amortized cost using the effective interest method. The option of measurement at fair value through profit or loss is not used.

Derivative financial instruments are shown at their fair values in accordance with the provisions of IAS 39. They include in particular gas trading contracts, which are not intended for the receipt or delivery of non-financial items in connection with the group's expected purchase, sale, or utility requirements.

Derivative financial instruments, which do not fulfil the conditions for hedge accounting, must be classified as **held for trading** and recognized as financial assets or financial liabilities. The results of the subsequent measurement are recognized through profit and loss in the Statement of Comprehensive Income.

With a **cash flow hedge**, future cash flows from assets and liabilities in the balance sheet or from highly probable forecast transactions are hedged. Changes of value in hedging instruments are recognized in equity in the relevant reserve until the relevant underlying transaction can be recognized in profit and loss. If a secured future transaction later gives rise to a non-financial asset, the accumulated gains and losses of the derivative financial instrument directly recognized in equity will be accounted for as reductions or increases in acquisition cost.

A **fair value hedge** serves to hedge exposure to fluctuations in the fair values of recognized assets, liabilities, or unrecognized firm commitments. Any changes in the fair value of both the derivative designated as a hedging instrument and the market value of the relevant hedged transaction are recognized directly in profit or loss in the Statement of Comprehensive Income.

When a hedge relationship is initiated, both the hedge relationship and the risk management objectives and strategies behind the hedge must be formally established and documented. This documentation outlines how the hedging instrument, the hedged item, or the hedged transaction are determined, it notes the kind of risk to be hedged, and describes how the company will assess the effectiveness of the hedged instrument when compensating for risks from changes to the fair value or the cash flow of the hedged items. The hedge may be seen as highly effective when the fair value or cash flow changes in the hedging instrument are within a range of 80 to 125% of the opposed fair value or cash flow changes in the hedged item.

To determine the fair value of derivative financial instruments, price quotations on an active market are used. Otherwise the evaluation is made on the basis of current market parameters using customary evaluation models. Present values and discounted cash flow methods are used in the valuation.

Inventories

Provided that natural gas trading transactions fall within the scope of IAS 39.5 (Commodity Derivatives), natural gas stocks held in the storage facilities are valued at fair value (net realizable value) less sales costs.

All other inventories are valued at the lower acquisition or production cost and net realizable value. Acquisition and production costs are determined using the average cost method or the first-in-first-out (FiFo) method.

Non-current assets held for sale (or disposal groups)

A non-current asset (or disposal group) is classified as held for sale if its carrying amount is recovered principally through sale rather than through continued use.

Non-current assets held for sale (or disposal groups) recognized by the group are financial instruments only and shall continue to be measured in accordance with IAS 39.

Non-current assets

Pursuant to IAS 38, purchased intangible assets – excluding goodwill – are measured at cost less regular straight-line depreciation. Goodwill is capitalized in line with IFRS 3. If there are indications that an impairment loss may have occurred and if the amortized cost exceeds the recoverable amounts, intangible assets are written down. Appropriate reversals are made (except for goodwill) if the reasons for the impairment no longer exist.

The estimated useful lives of the individual groups of intangible assets are as follows:

	Useful life in years
Goodwill	indefinite
Software and other intangible assets	2–10
Contractual rights	9

Expenses for exploration and evaluation of mineral resources are accounted for using the successful efforts method, i.e. capitalization of cost is confined to successful projects. In particular, expenses for drilling concessions associated with the discovery of gas deposits are capitalized. Costs of seismic and geological exploration are generally recognized as expenses.

Property, plant and equipment are recognized at acquisition and production cost pursuant to IAS 16, less straight-line depreciation and, in case of impairment, impairments. If there is any indication that an impairment loss recognized previously no longer exists, impairment losses shall be reversed. If, in exceptional cases, a depreciation method other than the straight-line method is better suited to the

usage history of property, plant, and equipment, it shall be used.

As of 1 January 2008, borrowing costs in relation to the acquisition or production of qualifying assets are capitalized. In this annual period, borrowing costs totalling kEUR 8,675 (2009: kEUR 6,881) were capitalized in the context of at equity valuation. The average borrowing interest rate in 2010 was 1.78% p.a. (2009: 2.01% p.a.).

If parts of a fixed asset have different useful lives and if their acquisition and production costs account for a significant proportion of the total acquisition or production costs of the fixed asset, each item shall be depreciated separately.

Obligations for the dismantling of assets are capitalized as costs pursuant to IAS 16.16 (c) and to the extent of the provisions for such obligations made in accordance with IAS 37.

Costs incurred in the day-to-day maintenance and repair of items of property, plant, and equipment are recognized through profit or loss. Replacement costs and the costs of significant repair work are capitalized as subsequent production costs when the recognition criteria are met.

Leased property, plant, and equipment for which consolidated group companies bear the main risks and opportunities (finance lease) are recognized in accordance with IAS 17 at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The property shall be depreciated on a straight-line basis over the estimated useful life of the asset or the shorter lease contract term. The present value of payment obligations from future lease rates is recognized as a liability. On the basis of the economic purpose of the agreement, it is determined whether an agreement constitutes or contains a lease. An analysis is undertaken to determine whether the fulfilment of the agreement depends on the use of a particular asset and whether the right to use this asset will be transferred.

The estimated useful lives of various property, plant, and equipment are as follows:

	Useful life in years
Land	indefinite
Buildings	6–50
Technical equipment and machinery	2–20
Fixtures, fittings and equipment	2–20

Investment property is measured at amortized cost. Depreciable property is depreciated over its estimated useful life of 25 to 50 years using the straight line method. If there is an indication that an impairment loss may have occurred, and if the carrying amounts exceed the recoverable amounts, impairments are made. Appropriate reversals are made if the reasons for an impairment no longer exist.

Investments in companies valued at equity are accounted for in accordance with the regulations of IAS 28 or IAS 31.38. Based on the original cost of acquiring the shareholding, the relevant carrying amount is increased or decreased to recognize the group's share of equity changes in the associate or joint venture after acquisition.

Impairment of non-current assets

Non-current assets are impaired when their carrying amount exceeds the higher of their fair value less expected selling costs and value in use.

Goodwill is tested for impairment at least once a year, while other non-current assets are tested when there is an indication of an impairment.

Non-current assets are valued at the level of cash-generating units. These are defined as the smallest identifiable group of assets, which can generate cash inflows from continual use independently of cash inflows from other assets.

The value in use is the present value of the future sustainable cash flows expected from using the asset, calculated on the basis of a four-year plan approved by the company management. If an asset is judged to have an indefinite useful life, the perpetual annuity calculation is based on the forecast for the fourth year. If a non-current asset has a limited useful life, future cash flows are determined for its remaining useful life.

Deferred taxes

The recognition and valuation of deferred taxes is carried out in accordance with IAS 12 using the balance sheet liability method on the basis of the tax rate applicable at the time of realization. Deferred tax assets are recognized for tax advantages from loss carryforwards. The recoverability of deferred tax claims is reviewed at each balance sheet date. Where the value in use of deferred tax claims is not given, value adjustments are made on the basis of this review.

Deferred taxes on differences between the IFRS and tax statements of financial position of individual companies are calculated at the rate of tax specific to each company.

The average income tax rate applied at GPG is 30.2%, including 15.0% corporation tax, a 5.5% solidarity surcharge on corporation tax, and 14.4% trade tax.

Other long-term provisions

Pension provisions from defined benefit plans are recognized using the projected unit credit method according to IAS 19. The present value of defined benefit obligation (DBO) is reduced by plan assets. In case of a surplus to a defined benefit plan, a non-current asset is recognized in the line item Other Financial Assets. Actuarial gains and losses are recognized directly in profit and loss. Allocations to pension provisions including interest are assigned to the operating result.

Provisions for uncertain obligations to third parties pursuant to IAS 37 are formed, when an obligation to a third party currently exists as a result of a past event, and when the obligation is likely to result in a future outflow of resources, which can be reliably estimated. They are recognized at their expected settlement amount and not offset against any recourse claims. Non-current provisions are recognized at their present value, provided that the effect is material. Periodic compounding is recognized as interest cost. Changes in provisions due to an adjustment of the interest rate are accounted for in the operating result, provided no related asset needs to be adjusted.

Contingent liabilities

Contingent liabilities are not accounted for in the balance sheet, unless they have been transferred in the context of a company acquisition. They are stated in the notes under the following circumstances: when the existence of a possible obligation due to past events has yet to be confirmed on the basis of the occurrence or non-occurrence of one or more possible future events, over which the company does not exercise complete control; when an outflow of resources is not probable; or when the amount of the obligation can not be reliably estimated.

Revenue

Revenue is recognized after delivery of services or supply of goods, when the transfer of risk has been completed.

In addition to engaging in energy trading transactions aimed at physical delivery, the group is involved in trading activities, for which a settlement with a counterparty, by entering into offsetting contracts or similar transaction is sought (trading activities). Given the significant volumes involved in these activities, in order to better reflect business development the results of trading activities are presented net, i.e. only the realized gross margin is reflected in revenue.

Currency differences

In order to reflect the effects of volatility in foreign currency exchange differences more adequately, profits and losses (divided into realized and unrealized operative or financial activities) are netted in the group Consolidated Statement of Comprehensive Income. A detailed derivation is included in the notes to the Consolidated Statement of Comprehensive Income.

Discretionary decisions in the application of accounting policies

Particularly with regard to the following issues, discretionary decisions were made on the application of the following accounting policies:

- The fair values of derivative financial instruments, not traded on an active market, are determined using evaluation models. The choice of evaluation models is subject to a management decision.
- Significant discretionary decisions are made in the assessment of whether certain contracts (commodity contracts) can be considered as derivatives and thus recognized at fair value, or whether they fall into the "own-use-exemption" category and should thus be treated in accordance with the accounting principles for pending transactions.
- In valuating provisions for pensions and similar obligations there are different possibilities of recognizing actuarial gains and losses.

Assumptions and estimates

In the preparation of the Group Financial Statements, assumptions and estimates were made which affect the value and presentation of recognized financial assets and liabilities, income and expenses, and contingent liabilities.

In particular, the fair values of **intangible assets** acquired in company acquisitions are determined on the basis of assumptions and estimates. Here assumptions are made with regard to production quantities and price development over periods of up to 25 years.

Moreover, assumptions and estimates are also made with regard to the future in assessing the recoverability of **goodwill**.

In the assessment of **provisions**, assumptions and estimates are made with regard to their probability and discount rate. The price-increase rate for services to be availed of in future is also estimated in the assessment of provisions.

The assumptions and estimates are based on current circumstances. Actual results may differ from these estimates. The assumptions on which estimates are based are regularly reviewed. Changes to estimates for a given period are implemented for this period only. However, if the changes effect the current period and subsequent periods, they are implemented for all of these periods.

Changes in accounting policies

This year, the catalogue of products in trading (trading activities, for which a settlement with a counterparty, by entering into offsetting contracts or similar transactions is sought) has been extended to include liquefied natural gas (LNG), liquefied petroleum gas (LPG), oil, coal, power and emission allowances. In addition, directly attributable related (incidental) costs (e.g. for pipelines and storage) are now included in the figures for trading costs to be netted.

In order to reflect the effects of volatility in foreign currency exchange differences more adequately, profits and losses (divided into realized and unrealized operative or financial activities) are presented netted in the group Consolidated Statement of Comprehensive Income. Figures for the previous years have been adjusted accordingly.

The impact of changes in accounting policies on the statement of comprehensive income:

	2009 before adjustment	Trading activities netting adjustment	Foreign currency exchange differences netting adjustment	2009 after adjustment
	kEUR	kEUR	kEUR	kEUR
Revenue	8,029,475	-39,743		7,989,732
Other operating income	441,070		-343,723	97,347
Cost of materials	-7,588,308	39,743		-7,548,565
Employee benefits expense	-71,664			-71,664
Depreciation and amortization expense; impairment of tangible and intangible assets	-35,010			-35,010
Other tax expense	-188			-188
Other operating expense	-464,853		343,723	-121,130
Result from changes in fair value in operating activities	34,067			34,067
Operating profit	344,589			344,589
Interest income	21,248			21,248
Interest expense	-98,397			-98,397
Result from investments accounted for using the equity method	232,451			232,451
Other result from investments	70,052			70,052
Other financial income	70,395		-38,774	31,621
Other financial expense	-42,840		38,774	-4,066
Result from changes in fair value in financing activities	-24			-24
Result before tax	597,474			597,474
Income tax expense	-100,959			-100,959
Profit for the year	496,515			496,515

	2009 before adjustment	Trading activities netting adjustment	Foreign currency exchange differences netting adjustment	2009 after adjustment
	kEUR	kEUR	kEUR	kEUR
Change in fair value of non-current assets held for sale	46,100			46,100
Cash flow hedges	1,887			1,887
Share of comprehensive income of companies accounted for using the equity method	67,421			67,421
Exchange differences from financial statements of foreign group companies	-1,371			-1,371
Deferred taxes	-16,207			-16,207
Total other comprehensive income	97,830			97,830
Total comprehensive income	594,345			594,345
Group profit for the year	498,009			498,009
Share of profit or loss for the year attributable to non-controlling interest	-1,494			-1,494
Total profit for the year	496,515			496,515
Total group comprehensive income	595,706			595,706
Total comprehensive income attributable to non-controlling interest	-1,361			-1,361
Total comprehensive income	594,345			594,345

Notes to the Consolidated Statement of Comprehensive Income

(1) Revenue

	Gross trading revenue kEUR	Offset against gross cost of materials kEUR	Net trading revenue kEUR	Non-trading revenue kEUR	Total revenue kEUR
2010					
Natural gas	9,085,578	-8,944,846	140,732	7,999,307	8,140,039
Liquefied Natural Gas (LNG)	70,199	-65,992	4,207	394,210	398,417
Power	1,664,065	-1,647,101	16,964	30,751	47,715
Emission allowances	211,053	-217,336	-6,283		-6,283
Oil	32,067	-32,446	-379		-379
Other revenue				83,406	83,406
Total revenue	11,062,962	-10,907,721	155,241	8,507,674	8,662,915
2009					
Natural gas	5,360,372	-5,290,631	69,741	7,686,443	7,756,184
Liquefied Natural Gas (LNG)	85,099	-79,836	5,263	142,546	147,809
Power	2,331,887	-2,311,846	20,041	2,870	22,911
Emission allowances	308,809	-309,340	-531		-531
Other revenue				63,360	63,360
Total revenue	8,086,167	-7,991,653	94,514	7,895,219	7,989,733

(2) Other operating income

	2010 kEUR	2009 kEUR
Income from rents and leases	16,880	2,270
Income from disposals of property, plant and equipment and investment property	16	28
Gains from foreign currency exchange differences in operating activities	2,311	84,279
Income from purchased receivables	41,037	
Sundry	17,448	10,770
Total other operating income	77,692	97,347

Gains and losses due to foreign currency exchange differences in operating activities are recognized at their net value. The following gross amounts were offset:

	Realized kEUR	Unrealized kEUR	Total kEUR
2010			
Gains from foreign currency exchange differences	245,972	87,075	333,047
Losses from foreign currency exchange differences	-246,364	-84,764	-331,128
Net gain or loss from foreign currency exchange differences in operating activities	-392	2,311	1,919
2009			
Gains from foreign currency exchange differences	356,396	71,606	428,002
Losses from foreign currency exchange differences	-294,665	-49,058	-343,723
Net gain or loss from foreign currency exchange differences in operating activities	61,731	22,548	84,279

(3) Cost of materials

	2010 kEUR	2009 kEUR
Natural gas	15,692,423	11,830,996
Power	1,664,463	2,309,185
Transmission costs	1,118,515	846,130
Liquefied Natural Gas (LNG)	252,916	153,802
Emission allowances	216,210	309,340
Storage costs	38,378	31,957
Oil	32,114	
Service and maintenance	2,575	1,211
Other cost of materials	121,663	57,598
Subtotal	19,139,257	15,540,219
Offset against revenue	-10,907,721	-7,991,653
Total cost of materials	8,231,536	7,548,566

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(4) Employee benefits expense

	2010 kEUR	2009 kEUR
Salaries	93,908	61,538
Social security and other benefits	8,568	5,483
Retirement benefit costs	6,288	4,643
Total employee benefits expense	108,764	71,664

Retirement benefit costs include:

	2010 kEUR	2009 kEUR
Current service costs	260	113
Interest costs	185	167
Income from plan assets	-108	-79
Actuarial gains and losses	478	445
Defined benefit plans	815	646
Contributions to state pension plans	2,518	2,367
Contributions to the corporate pension scheme	2,955	1,630
Defined contribution plans	5,473	3,997
Total retirement benefit costs	6,288	4,643

Average annual number of employees

	2010	2009
Employees	772	513
Apprentices and trainees	7	7
Employees	779	520

(5) Depreciation and amortization expense; impairment of intangible assets and property, plant and equipment

	Notes	2010 KEUR	2009 KEUR
Depreciation and amortization of:			
– Intangible assets		4,769	4,662
– Property, plant and equipment		6,641	5,010
Total depreciation and amortization		11,410	9,672
Impairment of:			
– Intangible assets		4,916	755
– Property, plant and equipment		11,274	24,583
Total impairment		16,190	25,338
Total depreciation and amortization expense; impairment of intangible assets and property, plant and equipment		27,600	35,010

(6) Other operating expense

Legal and consulting fees		30,230	19,379
Promotion, sponsorship, representation		23,979	24,734
Rents and leases	(36)	22,018	2,235
Discounting of receivables		12,415	12,484
Allowances for advance payments		11,239	4,656
Sales commission on natural gas contracts		7,200	5,105
Allowances for doubtful accounts	(19)	3,507	5,223
Losses from foreign currency exchange differences in operating activities	(2)	392	
Losses from disposal of intangible assets, property, plant and equipment and investment property		79	4,747
Depreciation of investment property	(24)	45	6
Sundry		49,304	42,561
Total other operating expense		160,408	121,130

(7) Result from changes in fair value in operating activities

	2010 kEUR	2009 kEUR
Gains from fair value changes of derivative financial instruments in operating activities	1,951,531	2,720,120
Losses from fair value changes of derivative financial instruments in operating activities	-1,945,428	-2,681,380
Changes in fair value of inventories	38,018	-4,855
Changes in fair value of emission allowances	5,642	182
Other changes in fair value	64	
Total result from changes in fair value in operating activities	49,827	34,067

(8) Interest income

Interest income from:		
– Financial instruments	26,033	18,642
– Finance lease	2,573	2,606
Total interest income	28,606	21,248

(9) Interest expense

Interest expense for:		
– Financial instruments	25,427	10,925
– Liabilities from assets held for sale		86,942
– Sundry	142	530
Total interest expense	25,569	98,397

(10) Result from investments accounted for using the equity method

	Notes	2010 KEUR	2009 KEUR
Share of profits		198,054	230,276
Share of losses		-40,165	-3,598
Gains realized from options			5,793
Impairment losses			-20
Total result from investments accounted for using the equity method		157,889	232,451

(11) Other result from investments

Income from other investments		11,052	38,855
Gains from disposals of other participations		1	
Gains from disposals of investments held for sale			31,197
Losses from disposals of other participations		-57	
Impairment losses from other investments	(26)	-12,746	
Liquidation gains from affiliated companies		8	
Liquidation losses from affiliated companies		-1,435	
Total other result from investments		-3,177	70,052

(12) Other financial income

Gains from foreign currency exchange differences in financing activities	(13)	2,475	31,621
Total other financial income		2,475	31,621

Gains and losses due to foreign currency exchange differences in financing activities are recognized at their net value. The following gross amounts were offset:

	Realized kEUR	Unrealized kEUR	Total kEUR
2010			
Gains from foreign currency exchange differences	2,507	9,119	11,626
Losses from foreign currency exchange differences	-32	-9,589	-9,621
Net gain or loss from foreign currency exchange differences in financing activities	2,475	-470	2,005
2009			
Gains from foreign currency exchange differences	69,210	1,185	70,395
Losses from foreign currency exchange differences	-37,589	-1,562	-39,151
Net gain or loss from foreign currency exchange differences in financing activities	31,621	-377	31,244

(13) Other financial expense

	Notes	2010 kEUR	2009 kEUR
Bank charges		6,947	3,689
Losses from foreign currency exchange differences in financing activities	(12)	470	377
Total other financial expense		7,417	4,066

(14) Result from changes in fair value in financing activities

	Notes	2010 KEUR	2009 KEUR
Fair value changes from:			
– Interest rate swaps		–848	–24
Total result from changes in fair value in financing activities		–848	–24

(15) Income tax expense

Income tax expense for the period		85,900	135,846
Income tax expense for prior periods		296	4,076
Current taxes		86,196	139,922
Deferred taxes	(27)	45,880	–38,963
Total income tax expense		132,076	100,959

The differences between calculated and actual income tax may be reconciled as follows:

	2010 kEUR	2010 %	2009 kEUR	2009 %
Result before tax	413,792		597,474	
Calculated income tax	124,965	30.2	180,437	30.2
Income tax expense for prior periods	296	0.1	4,076	0.7
Difference compared to individual tax rates	-22,078	-5.3	-51,766	-8.7
Effect of tax rate changes on deferred tax	-29		720	0.1
Non-deductible expenses	20,693	5.0	38,110	6.4
Tax-free income	-3,130	-0.8	-19,926	-3.3
Tax changes on losses carried forward	31,138	7.5	-1,149	-0.2
Effects of investments accounted for using the equity method	-48,562	-11.7	-47,381	-7.9
Outside basis differences	-47		1,108	0.2
Other tax effects	28,830	7.0	-3,270	-0.5
Effective income tax	132,076	31.9	100,959	16.9

Income tax for prior periods results both from tax refunds and tax payments for previous years and from the reversal of income tax provisions.

(16) Other comprehensive income

	Change in fair value of available-for- sale financial assets	Change in fair value of noncurrent assets held for sale	Cash flow hedge	Share in the comprehen- sive income of companies recognized using the equity method	Exchange differences from financial statements of foreign group companies	Total income and expenses recognized directly in equity
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
01/01/2009		-46,100	-10,592	-65,116	-37,455	-159,263
Additions				-4,790	-1,371	-6,161
Disposals (included in cost of materials)			1,887			1,887
Disposals (included in result from investments)		46,100		72,211		118,311
Deferred taxes			-4,110	-12,097		-16,207
Total changes in 2009		46,100	-2,223	55,324	-1,371	97,830
31/12/2009			-12,815	-9,792	-38,826	-61,433
Additions	136,172		47,210	5,538	57,100	246,020
Disposals (included in result from investments)				-1,450		-1,450
Deferred taxes	-2,054		-9,154	2,738		-8,470
Total changes in 2010	134,118		38,056	6,826	57,100	236,100
31/12/2010	134,118		25,241	-2,966	18,274	174,667

(17) Share of total comprehensive income attributable to non-controlling interest

	2010 kEUR	2009 kEUR
Share in profit	3,340	
Share in losses	-840	-1,494
Total non-controlling interest in the profit or loss for the year	2,500	-1,494
Share of other comprehensive income (foreign currency exchange differences)	3,125	133
Total comprehensive income attributable to non-controlling interest	5,625	-1,361

Notes to the Consolidated Balance Sheet

(18) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

As in the previous year, cash and cash equivalents were not subject to restrictions on disposal as of 31 December 2010. Short-term and fixed-term deposits occur for different time periods of up to three months. Each deposit is subject to the prevailing market interest rates for shortterm deposits.

(19) Trade and other receivables

	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Primary financial instruments			
Trade receivables		1,235,277	904,924
Other receivables		403,495	166,795
Total primary financial instruments	(37)	1,638,772	1,071,719
Derivative financial instruments			
Commodity derivatives		830,761	658,076
Foreign currency derivatives		12,321	16,346
Other derivatives		17,424	2,903
Total derivative financial instruments	(38)	860,506	677,325
Other assets			
Advance payments		21,830	434,731
Other tax receivables		12,787	8,045
Trading stock of emission allowances		7,676	4,491
Deferred expenses		2,984	3,571
Total other assets		45,277	450,838
Total trade and other receivables		2,544,555	2,199,882

The book value of the primary financial instruments is determined after deductions of allowances made for doubtful accounts:

Primary financial instruments, gross	1,647,776	1,077,156
Allowances for doubtful accounts	-9,004	-5,437
Total primary financial instruments, book value	1,638,772	1,071,719

Allowances made for doubtful accounts have developed as follows:

	Allowances made for doubtful accounts kEUR
01/01/2009	0
Exchange rate differences	214
Additions	5,223
31/12/2009	5,437
Exchange rate differences	48
Changes to the scope of consolidation	12
Additions	3,507
31/12/2010	9,004

Default risk associated with the primary financial instruments can be assessed on the basis of the following age structure:

	31/12/2010 kEUR	31/12/2009 kEUR
Receivables neither impaired nor overdue on the balance sheet date	1,632,434	1,062,773
Receivables not impaired:		
– up to 90 days overdue	5,496	5,278
– up to 180 days overdue	425	195
– up to 360 days overdue	417	
Receivables impaired	9,004	8,910
Total primary financial instruments, gross	1,647,776	1,077,156

No securities have been furnished by business partners. Thus, the maximum credit risk of the primary financial instruments corresponds to the book value. There is no indication that debtors might fail to fulfil their payment obligations with regard to receivables, which were neither impaired nor overdue on the balance sheet date.

(20) Non-current assets held for sale

This refers to shares and investments expected to be sold in the following year:

Company, registered office	Shares 31/12/2010 %	via	Shares 31/12/2009 %	via
CEA Centrex Italia S.r.l., Milan, Italy	50.14	24		
SEP Company Kft., Budapest, Hungary	50.00	GPG	50.00	GPG
South Stream AG, Zug, Switzerland	50.00	GPG	50.00	GPG

(21) Inventories

	31/12/2010 KEUR	31/12/2009 KEUR
Gas in pipelines and gas storage facilities measured at fair value	101,743	91,961
Raw materials, consumables and goods for resale	1,143	13
Total inventories	102,886	91,974

(22) Movements in intangible assets

	Goodwill kEUR	Contractual rights kEUR	Exploration rights kEUR	Other intangible assets kEUR	Total intangible assets kEUR
01/01/2009	2,162	5,239	17	6,880	14,298
Exchange rate differences	114			674	788
Additions				8,260	8,260
Disposals	-755			-546	-1,301
Total acquisition costs 31/12/2009	1,521	5,239	17	15,268	22,045
01/01/2009		2,910	17	3,311	6,238
Exchange rate differences				-455	-455
Additions	755	582		4,080	5,417
Disposals	-755			-546	-1,301
Total accumulated amortization 31/12/2009		3,492	17	6,390	9,899
Total net book value 31/12/2009	1,521	1,747		8,878	12,146

	Goodwill kEUR	Contractual rights kEUR	Exploration rights kEUR	Other intangible assets kEUR	Total intangible assets kEUR
01/01/2010	1,521	5,239	17	15,268	22,045
Exchange rate differences	-5	251		153	399
Changes to the scope of consolidation				66	66
Additions	4,643			20,797	25,440
Transfers		3,222		-2,229	993
Disposals	-4,916			-12	-4,928
Total acquisition costs 31/12/2010	1,243	8,712	17	34,043	44,015
01/01/2010		3,492	17	6,390	9,899
Exchange rate differences		74		104	178
Changes to the scope of consolidation				13	13
Additions	4,916	1,178		3,591	9,685
Transfers		2,413		-1,420	993
Disposals	-4,916			-7	-4,923
Total accumulated amortization 31/12/2010		7,157	17	8,671	15,845
Total net book value 31/12/2010	1,243	1,555		25,372	28,170

There are no restrictions on disposal.

Additions to goodwill result from the difference between the acquisition cost of Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom, and its equity. No transaction costs were incurred.

Goodwill is tested for impairment annually using the discounted cash flow method in accordance with IAS 36. The value in use was calculated using the present value of future free cash flow after tax on the basis of plan data up to 2014 (2009: up to 2013). The free cash flows were discounted at rates of between 5.35% and 13.89% in 2010 (2009: 6.31% up to 8.87%). The discount rates were deter-

mined using the weighted average cost of capital (WACC) approach. An energy industry-specific beta factor of 0.727 (2009: 0.627) was applied.

As a result, the goodwill of Gazprom Global Energy Solutions Ltd., Manchester, United Kingdom, in the amount of kEUR 4,643 (kGBP 3,898) was written down in full and is disclosed as a disposal. Due to the reasons of materiality, no further disclosures in accordance with IFRS 3.59 f are made in the consolidated financial statements of the Group.

Furthermore, the goodwill in the amount of kEUR 372 due to a merger with the legal predecessor of GPG in 2004 was written down in full and recognized as a disposal.

The additions of intangible assets include cash neutral transfers from fixed assets in the amount of kEUR 106 (2009: kEUR 840).

Apart from the assets and expenses due to depreciation recognized here, there are no further asset, liability, income, and expense items connected to [exploration rights](#).

(23) Movements in property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and other equipment	Construction in progress	Total property, plant and equipment
	kEUR	kEUR	kEUR	kEUR	kEUR
01/01/2009	27,547	3,024	31,491	31,656	93,718
Exchange rate differences	1,067	252	183		1,502
Changes to the scope of consolidation		133	173	9	315
Additions	124	1,172	2,281	13,593	17,170
Transfers		-19	19		
Disposals		-7	-886	-5,287	-6,180
Total acquisition costs 31/12/2009	28,738	4,555	33,261	39,971	106,525
01/01/2009	3,573	1,952	11,256		16,781
Exchange rate differences	77	168	142		387
Changes to the scope of consolidation		11	153		164
Additions	4,765	637	3,610	20,581	29,593
Transfers		19	-19		
Disposals		-8	-487		-495
Total accumulated amortization 31/12/2009	8,415	2,779	14,655	20,581	46,430
Total net book value 31/12/2009	20,323	1,776	18,606	19,390	60,095

	Land and buildings kEUR	Plant and machinery kEUR	Fixtures, fittings and other equipment kEUR	Construction in progress kEUR	Total property, plant and equipment kEUR
01/01/2010	28,738	4,555	33,261	39,971	106,525
Exchange rate differences	1,327	141	133		1,601
Changes to the scope of consolidation	9,039	1,458	228		10,725
Additions	637	1,044	22,462	22,381	46,524
Transfers		-4,253	4,220		-33
Disposals			-358		-358
Total acquisition costs 31/12/2010	39,741	2,945	59,946	62,352	164,984
01/01/2010	8,415	2,779	14,655	20,581	46,430
Exchange rate differences	762	88	102		952
Changes to the scope of consolidation		219	83		302
Additions	7,963	274	5,382	4,296	17,915
Transfers		-2,614	2,581		-33
Disposals			-204		-204
Total accumulated amortization 31/12/2010	17,140	746	22,599	24,877	65,362
Total net book value 31/12/2010	22,601	2,199	37,347	37,475	99,622

There are no restrictions on disposal.

Disposals amounting to kEUR 106 (2009: kEUR 840) include cash neutral transfers to intangible assets.

Facilities under construction have been impaired in cases where their projected realizable value is lower than the costs they have already incurred.

(24) Movements in investment property

	Investment property kEUR
01/01/2009	293
Additions	1,128
Total acquisition costs 31/12/2009	1,421
01/01/2009	40
Additions	6
Total accumulated depreciation and amortization 31/12/2009	46
Net book value 31/12/2009	1,375
01/01/2010	1,421
Additions	1,680
Disposals	-101
Total acquisition costs 31/12/2010	3,000
01/01/2010	46
Additions	45
Disposals	-15
Total accumulated depreciation and amortization 31/12/2010	76
Net book value 31/12/2010	2,924

The book values of investment properties are regularly compared with market data. These book values correspond to the recoverable amounts as of the balance sheet date. There are no restrictions on disposal.

Income from the investment property amounted to kEUR 4 (2009: kEUR 9), while operating expenses, including repairs and maintenance directly attributable to the investment properties, amounted to kEUR 48 (2009: kEUR 8).

(25) Investments accounted for using the equity method

	Notes	Investments accounted for using the equity method kEUR
01/01/2009		1,296,404
Exchange rate differences		-3,218
Changes to the scope of consolidation		1,205
Cash contribution		2,950
Acquisition of additional shares		5,832
Share of profits GAZPROM Germania	(10)	232,471
Share of other comprehensive income	(16)	70,640
Dividends received		-287,321
Impairment	(10)	-20
Transfer of provisions for transfer of losses	(28)	19
Net book value 31/12/2009		1,318,962
01/01/2010		1,318,962
Exchange rate differences		6,398
Changes to the scope of consolidation		-1,177
Cash contribution		4,400
Share of profits GAZPROM Germania	(10)	157,889
Share of other comprehensive income	(16)	-5,058
Dividends received		-220,645
Transfer of provisions for transfer of losses	(28)	-19
Net book value 31/12/2010		1,260,750

On 4 January, 8 March and 3 August 2010, ZMB Gasspeicher Holding GmbH, Vienna, Austria, made contributions to the subscribed capital of [WINGAS Storage UK Ltd.](#), London, United Kingdom, each amounting to kEUR 1,350.

On 1 April 2010, GPG increased its share in [Erdgasspeicher Peissen GmbH](#), Halle/Saale, Germany, as a result of a cash payment of kEUR 350.

Also the share of losses in excess of the investment in [Bosphorus Gaz Corporation A.S.](#), Istanbul, Turkey, amounting to kEUR 214 is not recognized until it can be offset against a future share in profits.

No published price quotations are available for investments accounted for using the equity method.

The balance sheet and income statement data for investments accounted for using the equity method is as follows:

	2010 kEUR	2009 kEUR
Assets		
– joint ventures	968,114	908,774
– associated companies	4,695,697	4,292,663
Liabilities		
– joint ventures	821,016	720,786
– associated companies	3,516,865	2,814,156
Revenue		
– joint ventures	4,130,761	3,982,847
– associated companies	7,185,352	7,690,839
Profit for the year		
– joint ventures	59,214	232,366
– associated companies	98,675	141,440
Contingent liabilities (attributable to GAZPROM Germania)		
– from guarantees	9,787	29,359
– from the obligation to acquire shares		867
Total share of contingent liabilities	9,787	30,226

The contingent liabilities are in relation to associated companies and apply mainly to the subsequent annual period.

In the context of impairment tests the value in use has been determined based on the present value of future free cash flow after tax on the basis of plan data up to 2014 (2009: up to 2013). Free cash flows were discounted individually for each company. The discount rates of between 5.35% and 13.89% in 2010 (2009: 6.05% to 11.49%) were determined using the weighted average cost of capital (WACC) approach. An energy industry-specific beta factor of 0.727 (2009: 0.627) was applied. Beyond the four-year planning period a maximum growth rate of 2% has been assumed.

(26) Other financial assets

	Other participations	Loans	Other long-term receivables	Total primary financial instruments measured in accordance with IAS 39	
	kEUR	kEUR	kEUR	kEUR	
01/01/2009	31,618	314,627	39,858	386,103	
Changes to the scope of consolidation		817		817	
Exchange rate differences		-936	-8,493	-9,429	
Additions	8	117,264	267,197	384,469	
Disposals		-10	-1,294	-1,304	
Changes in fair value					
Total acquisition costs 31/12/2009	31,626	431,762	297,268	760,656	
01/01/2009		500		500	
Total accumulated depreciation 31/12/2009		500		500	
Net book value 31/12/2009	31,626	431,262	297,268	760,156	
01/01/2010	31,626	431,762	297,268	760,656	
Changes to the scope of consolidation			-48	-48	
Exchange rate differences		962	22,425	23,387	
Additions	180,033	42,778	1,531	224,342	
Interest compounding		2,214		2,214	
Disposals	-136	-15	-282,354	-282,505	
Transfers		235	-95	140	
Changes in fair value	136,172			136,172	
Total acquisition costs 31/12/2010	347,695	477,936	38,727	864,358	
01/01/2010		500		500	
Additions	12,746			12,746	
Total accumulated depreciation 31/12/2010	12,746	500		13,246	
Net book value 31/12/2010	334,949	477,436	38,727	851,112	

Long-term derivative financial instruments	Other receivables and accrued items	Total other financial assets
kEUR	kEUR	kEUR
188,801	45	574,949
		817
17,917		8,488
	3,110	387,579
	-45	-1,349
-46,460		-46,460
160,258	3,110	924,024
		500
		500
160,258	3,110	923,524
160,258	3,110	924,024
		-48
4,814	-91	28,110
	39,848	264,190
		2,214
	-1,605	-284,110
	-2,637	-2,497
90,033		226,205
255,105	38,625	1,158,088
		500
	11,239	23,985
	11,239	24,485
255,105	27,386	1,133,603

In the previous year, additions to other long-term receivables amounting to kEUR 267,197 resulted from reclassified trade and other receivables whose payment conditions have changed. This reclassification was non-cash.

Other participations include:

Company, registered office		Share 31/12/2010 %	via	Share 31/12/2009 %	via
41	VNG Verbundnetz Gas AG, Leipzig, Germany	10.52	GPG	5.26	GPG
42	Bunde-Etzel-Pipeline Verwaltungs- gesellschaft mbH, Hamburg, Germany	16.00	GPG	16.00	GPG
43	Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG, Hamburg, Germany	16.00	GPG	16.00	GPG
44	Urdaneta GAZPROM-1 S. A., Caracas, Venezuela	1.00	GPG	1.00	GPG
45	Urdaneta GAZPROM-2 S. A., Caracas, Venezuela	1.00	GPG	1.00	GPG
46	Podzemno skladiste gasa Banatski Dvor, d.o.o., Novi Sad, Serbia	0.08	GPG		
...	erdgas mobil GmbH & Co. KG, Essen, Germany			4.50	GPG
...	erdgas mobil Verwaltungs-GmbH, Essen, Germany			4.50	GPG

On 22 March 2010, GPG increased its share in the VNG Verbundnetz Gas AG, Leipzig, Germany, from 5.26% to 10.52%. The purchase price was kEUR 180,000. As of the balance sheet date, 31 December 2010, the shares were re-evaluated at their fair value. This resulted in an impairment loss of kEUR 12,746 for new shares. The difference between the initial fair value and the purchase price represented a profit of kEUR 136,172, which was added to the reserve for changes in available-for-sale financial assets.

For other participations, excluding VNG Verbundnetz Gas AG, Leipzig, Germany, fair values cannot be reliably estimated for the relevant closing balance sheet dates.

With a cash contribution of kEUR 22 on 10 February 2010, GPG participated in the founding of the Podzemno skladiste gasa Banatski Dvor d.o.o., Novi Sad, Serbia. The purpose of the company is the construction and operation of gas storage facilities.

By a shareholder resolution of 23 March 2010, GPG sold its shares in erdgas mobil GmbH & Co. KG, Essen, Germany, and erdgas mobil Verwaltungs-GmbH, Essen, Germany, to erdgas mobil GmbH, Berlin, Germany. The proceeds from the sale were kEUR 80.

Loans were granted to:

	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Investments accounted for using the equity method		454,457	422,696
Other companies		22,979	8,566
Total loans		477,436	431,262

Default risk associated with loans and other long-term receivables can be assessed on the basis the following age structure:

Financial instruments neither impaired nor overdue on the balance sheet date		516,163	728,427
Impaired financial instruments		500	500
Non-impaired financial instruments			
– more than 360 days overdue			103
Total long-term primary financial instruments, gross		516,663	729,030

Long-term derivative financial instruments include:

Commodity derivatives		188,313	103,194
Foreign currency derivatives		2,282	555
Other derivatives		64,510	56,509
Total long-term derivative financial instruments	(38)	255,105	160,258

(27) Deferred tax

Deferred tax assets and liabilities are allocated as follows:

	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Current assets		512	330
Non-current assets		17,661	11,829
Current liabilities		26,005	26,642
Non-current liabilities		9,032	9,155
Tax losses carried forward		137	29,240
Offsetting of deferred tax assets and liabilities		-49,266	-47,523
Total deferred tax assets		4,081	29,673
Current assets		-39,529	-27,785
Non-current assets		-82,137	-78,174
Current liabilities		-11,015	-62
Non-current liabilities		-4,098	-384
Outside basis differences		-1,061	-1,108
Offsetting of deferred tax assets and liabilities		49,266	47,523
Total deferred tax liabilities		-88,574	-59,990
Deferred taxes from changes to the scope of consolidation, exchange rate differences, etc.		-174	-855
Deferred taxes through profit tax expense	(15)	45,880	-38,963
Deferred taxes in reserve for changes in fair value	(16)	8,470	16,207
Total changes in deferred taxes		54,176	-23,611

Losses, interest carryforwards and loss carryforwards are recognized as deferred tax assets. If, based on current assessment, these are of no use in the future, impairments are made for them. The domestic tax-loss carryforwards presented below comprise mainly interest carryforwards of GPG in the amount of kEUR 121,827. Domestic tax losses carried forward are calculated considering the effect resulting from § 8. 1a of the Trade tax law.

	31/12/2010 kEUR	31/12/2009 kEUR
Domestic tax losses carried forward	107,329	106,072
Foreign tax losses carried forward	42,574	43,301
Total tax losses carried forward	149,903	149,373
Deferred tax assets on losses carried forward gross	44,324	36,697
Writedowns	-44,187	-7,457
Total net deferred tax losses carried forward	137	29,240

Deferred taxes on investments in subsidiaries and joint ventures, which have not been recognized (IAS 12.81 [f] in conjunction with IAS 12.39) is kEUR 14,249 (2009: kEUR 12,515).

(28) Other long-term provisions

	Pensions	Exploration costs	Dismantling obligations	Obligations from losses transfer agreements from investments accounted for using the equity method	Others	Total other long-term provisions
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
01/01/2009	995	7,147	878	2,284	3	11,307
Exchange rate differences					-6	-6
Interest compounding	167					167
Utilization	-92			-2,284		-2,376
Reversals	-147					-147
Additions	113	2,958	151	19	159	3,400
Net book value 31/12/2009	1,036	10,105	1,029	19	156	12,345
Thereof short-term	100					100
01/01/2010	1,036	10,105	1,029	19	156	12,345
Exchange rate differences					12	12
Changes to the scope of consolidation					-6	-6
Interest compounding	185	265	58			508
Utilization	-103					-103
Reversals	-290	-2,548		-19		-2,857
Additions	260		2,293		54	2,607
Net book value 31/12/2010	1,088	7,822	3,380		216	12,506
Thereof short-term	100				216	316

Cash outflows from provisions are expected as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Following year 1	316	100
Following years 2–5	376	734
Thereafter	22,891	11,703
Total expected cash outflows from provisions	23,583	12,537

Pension benefit obligations are based on individual agreements. Pension obligations are based solely on defined benefit plans of the parent company.

In accordance with the benefit plans, 16 (2009: 16) people are entitled to pension benefits as of the balance sheet date based on their average salaries in the last 12 months before reaching retirement age. In addition, 3 (2009: 1) former employees have become eligible for pension benefits. 6 (2009: 5) retired employees receive benefits as of the balance sheet date under these benefit plans. No further post-employment benefits are provided for.

Valuation in accordance with IAS 19 is based on the following assumptions:

	31/12/2010 %	31/12/2009 %
Discount rate	5.30	5.90
Projected trends in wages and salaries	5.00	5.00
Projected pension trends	1.00	1.00
Expected return on plan assets	4.50	4.50

Provisions for pensions have developed as follows:

	Defined benefit obligation (DBO) kEUR	Plan assets kEUR	Net of DBO and plan assets kEUR
As of 01/01/2009	4,062	-3,067	995
Interest compounding	167		167
Current service costs	113		113
Employer contributions		-513	-513
Benefits paid	-242	150	-92
Income from plan assets		-79	-79
Actuarial gains and losses	445		445
As of 31/12/2009	4,545	-3,509	1,036
As of 01/01/2010	4,545	-3,509	1,036
Interest compounding	185		185
Current service costs	260		260
Employer contributions		-660	-660
Benefits paid	-175	72	-103
Income from plan assets		-108	-108
Actuarial gains and losses	-1,000	1,478	478
As of 31/12/2010	3,815	-2,727	1,088

Asset funding of pension plans is structured as follows:

	Defined benefit obligation (DBO) kEUR	Plan assets kEUR	Net of DBO and plan assets kEUR
Partially funded pension plans			
31/12/2006	2,944	-1,421	1,523
31/12/2007	4,108	-2,775	1,333
31/12/2008	4,062	-3,067	995
31/12/2009	4,545	-3,509	1,036
31/12/2010	3,815	-2,727	1,088

Plan assets consist of cash payments into a benefit fund.

Provisions associated with [the exploration costs](#) have been established in connection with the obligations arising from the Haidach (Austria) storage facility project.

[Dismantling obligations](#) refer to the Haidach (Austria), Schweinrich (Germany) and Hinrichshagen (Germany) storage facility projects.

[Other provisions](#) mainly include obligations to employees.

(29) Financing liabilities

	31/12/2010 kEUR	Thereof short-term kEUR	31/12/2009 kEUR	Thereof short-term kEUR
Loans	349,561	83,904	74,596	19,351
Other liabilities to banks	741	741	6,054	6,054
Payables from financial lease	108	23	22	16
Total financing liabilities	350,410	84,668	80,672	25,421

Expected cash outflows from financing liabilities are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Up to three months	76,019	6,302
Over 3 months until the end of the following year 1	8,649	21,075
Following year 2	242,545	15,656
Following year 3	1,362	28,059
Following year 4	26,852	743
Following year 5	11	15,737
Total expected cash outflows from financing liabilities	355,438	87,572

From derivative financial instruments:

	31/12/2010 kEUR	31/12/2009 kEUR
Up to three months	351,217	233,438
Over 3 months until the end of the following year 1	434,140	391,214
Following year 2	159,186	88,175
Following year 3	26,797	63,294
Following year 4	752	
Following year 5	-11	
Total expected cash outflows from derivative financial instruments	972,081	776,121

The following loans have been granted:

	Currency	Maturity	Nominal value kEUR	Interest rate 31/12/2010
From banks				
Commerzbank AG, Berlin	EUR	2012	16,450	1.79% variable
Gazprombank OJSC, Moscow	USD	2011	7,484	6.00% fixed
Bank consortium				
Promissory note loan 1	EUR	2014	7,500	5.70% fixed
Promissory note loan 2	EUR	2012	500	4.65% fixed
Promissory note loan 3	EUR	2014	7,500	4.35% variable
Promissory note loan 4	EUR	2012	18,000	3.85% variable
Promissory note loan 5	EUR	2012	50,000	3.85% variable
Promissory note loan 6	EUR	2012	4,500	4.62% fixed
Promissory note loan 7	EUR	2012	61,500	3.85% variable
Promissory note loan 8	EUR	2014	8,500	5.70% fixed
Promissory note loan 9	EUR	2014	2,000	4.35% variable
Promissory note loan 10	EUR	2012	90,000	3.75% variable
BNP Paribas, New York	USD	2011	64,707	2.50% variable
From companies accounted for using the equity method				
Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin	EUR	2011	62,641	Interest-free
From third parties				
Centrex Europe Energy & Gas AG, Vienna	EUR	2011	8,000	4.64% variable
Centrex Europe Energy & Gas AG, Vienna	EUR	2011	4,020	6.00% fixed
Total loans				

Interest rate 31/12/2009	31/12/2010 kEUR	Thereof short-term kEUR	31/12/2009 kEUR	Thereof short-term kEUR
2.43% variable	16,450	8,400	24,850	8,399
9.00% fixed	7,484	7,484	6,942	6,942
5.70% fixed	7,500		7,500	
4.65% fixed	500		500	
7.19% variable	7,500		7,500	
6.19% variable	18,000		18,000	
	50,000			
	4,500			
	61,500			
	8,500			
	2,000			
	90,000			
	1,422	1,422		
	275,356	17,306	65,292	15,341
Interest-free	62,641	62,641		
	62,641	62,641		
8.02% variable	7,607		5,294	
6.00% fixed	3,957	3,957	4,010	4,010
	11,564	3,957	9,304	4,010
	349,561	83,904	74,596	19,351

Of the total bank loans, kEUR 16,450 (2009: kEUR 24,850) are secured by [pledging shares](#) in WINGAS Storage UK Ltd., London, United Kingdom.

The group has access to the following [credit facilities](#):

	31/12/2010 kEUR	31/12/2009 kEUR
Total loans from banks and third parties	349,561	74,596
Loan facilities not utilized		
– from banks	425,821	566,889
– from third parties	404	1,216
Total financing facilities	775,786	642,701

(30) Trade and other payables

Notes	31/12/2010 kEUR	Thereof short-term kEUR	31/12/2009 kEUR	Thereof short-term kEUR
Primary financial instruments				
Trade and other payables	1,261,125	1,261,125	875,307	875,307
Outstanding invoices	104,507	104,507	51,627	51,627
Other liabilities	349,437	349,219	11,742	11,127
Total primary financial instruments (37)	1,715,069	1,714,851	938,676	938,061
Derivative financial instruments				
Commodity derivatives	922,044	768,862	678,599	592,060
Foreign currency derivatives	12,077	9,791	3,869	3,110
Interest rate derivatives	1,932		1,083	40
Other derivatives	35,861	6,704	46,772	7,264
Total derivative financial instruments (38)	971,914	785,357	730,323	602,474
Other liabilities				
Prepayments received	3,927	3,927	702	702
Payables from other taxes	28,490	28,490	30,927	30,927
Deferred income	35,163	7,626	934	871
Total other liabilities	67,580	40,043	32,563	32,500
Total trade and other payables	2,754,563	2,540,251	1,701,562	1,573,035

No securities have been granted.

In 2010, the export chain of Uzbek gas was changed. This change shall have no impact on the advance delivery payments. Reflecting economic reality, a net amount is

recognized at balance sheet date. Therefore, the following net amount is disclosed under liabilities:

	31/12/2010 kEUR
Trade payables	636,789
less	
Advance payments	-425,070
Total payables from Uzbek gas deliveries	211,719

The **maturities** of the primary and derivative financial instruments are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Primary financial instruments		
Up to three months	1,709,592	850,209
Over 3 months until the end of the following year 1	5,259	87,852
Following years 2–5	218	615
	1,715,069	938,676
Derivative financial instruments		
Up to three months	403,888	240,878
Over 3 months until the end of the following year 1	381,469	361,596
Following years 2–5	186,299	127,662
Thereafter	258	187
	971,914	730,323
Total financial instruments	2,686,983	1,668,999

In determining the maturities for derivative financial instruments, a settlement on a net basis is assumed.

Payables from other taxes are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Value-added tax	17,650	24,759
Other taxes	10,840	6,168
Total payables from other taxes	28,490	30,927

(31) Subscribed capital

Subscribed capital consists of one share at a nominal value of kEUR 225,595 and is paid in completely.

(32) Non-controlling interest

Group company	Partners	Shares %	31/12/ 2010 kEUR	Shares %	31/12/ 2009 kEUR
ZMB Gasspeicher Holding GmbH, Vienna	Centrex Europe Energy & Gas AG, Vienna	33,33	9.225	33.33	6,412
Vemex s.r.o., Prague	Centrex Europe Energy & Gas AG, Vienna	49,86	2.733	49.86	-918
Vemex Energo s.r.o., Bratislava	Centrex Europe Energy & Gas AG, Vienna (indirectly)	49,86	-166	49.86	-43
CEA Centrex Energy & Gas AG, Vienna	Centrex Europe Energy & Gas AG, Vienna	49,86	-978	49.86	-1,900
Baltic LNG AG, Zurich	Sovcomflot OJSC, St. Petersburg	20,00	872	20.00	910
Baltysky szhizhenny gaz LLC, Kingisepp	Sovcomflot OJSC, St. Petersburg (indirectly)	20,00	-986	20.00	-737
CEA Centrex Italia S.r.l., Milan	Centrex Europe Energy & Gas AG, Vienna (indirectly)			49.86	-1,012
Total non-controlling interest			10.700		2,712

Negative shares will be compensated for by the non-controlling interest.

Notes to the Consolidated Cash Flow Statement

(33) Adjustments

Adjustments to the indirect determination of cash flows from operating activities are as follows:

	Notes	2010 kEUR	2009 kEUR
Depreciation/amortization, impairment	(5), (6)	27,645	35,016
Gains/losses from asset disposals	(2), (6)	63	4,719
Gains/losses from allowances for receivables	(6)	3,507	5,223
Non-cash-relevant result from investments accounted for using the equity method	(25)	-157,889	-232,451
Gains/losses from unrealized foreign exchange differences	(2), (12)	-1,841	-12,634
Other non-cash relevant income and expenses		16,867	-101,285
Interest expense	(9)	25,569	98,397
Interest income	(8)	-28,606	-21,248
Total result from changes in fair value	(7), (14)	-49,688	-34,043
Changes in long-term provisions and liabilities		27,738	1,024
Subtotal		-136,635	-257,282
Changes in short-term assets			
– Inventories		29,975	-43,666
– Receivables and other short-term assets		-119,428	977,697
Changes in short-term liabilities		450,966	-663,552
Total changes in working capital		361,513	270,479
Total adjustments		224,878	13,197

(34) Cash funds transferred in the purchase of group companies

Additions to the scope of consolidation resulted in the transfer of cash and cash equivalents in the amount of kEUR 129 (2009: kEUR 9).

(35) Distribution of dividends

In 2010 a dividend for 2009 amounting to kEUR 50,000 was paid. The payment of a further special dividend in the amount of kUSD 473,330 (kEUR 360,330) was decided upon in this reporting year and shall be proceeded with at the end of the first quarter 2011.

Other Notes

(36) Leases

Finance leases as lessor apply in the case of the gas storage facility project in Haidach (Austria), which has been leased on a long-term basis to the shareholder Gazprom export LLC, Moscow, Russia. Leasing receivables include refund claims from Gazprom export LLC amounting to kEUR 439 (2009: kEUR 432).

	Minimum lease payment 31/12/2010 kEUR	Interest proportion 31/12/2010 kEUR	Present value 31/12/2010 kEUR	Minimum lease payment 31/12/2009 kEUR	Interest proportion 31/12/2009 kEUR	Present value 31/12/2009 kEUR
Due the following year	3,822	-2,440	1,382	3,861	-2,525	1,336
Due in following years 2-5	15,062	-8,817	6,245	15,080	-9,209	5,871
Due thereafter	43,559	-13,005	30,554	47,322	-15,053	32,269
Total	62,443	-24,262	38,181	66,263	-26,787	39,476

Operating Leases. Future lease payments under irredeemable operating lease contracts are expected to be distributed over the following terms to maturity:

	31/12/2010 kEUR	31/12/2009 kEUR
Following year 1	46,852	1,706
Following years 2-5	125,562	3,582
Thereafter	331,985	651
Total payables from operating leases	504,399	5,939

Obligations from rental and lease agreements concern only those rental agreements where the group companies are not the economic owners of the leased assets. Leasing contracts were primarily concluded for LNG cargoes, as well as vehicles, and office equipment.

(37) Financial instruments

	Book value 31/12/2010	Meas- urement accord- ing to IAS 17	Measurement according to IAS 39			Fair value 31/12/2010
			Amortized cost	Fair value recognized through profit and loss	Fair value directly in equity	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Derivates unhedged	1,115,611			1,115,611		1,115,611
Total financial instruments held for trading	1,115,611			1,115,611		1,115,611
Cash and cash equivalents	1,258,307		1,258,307			1,258,307
Trade and other receivables	1,638,772	1,382	1,637,390			1,638,772
Loans and other financial assets	516,163	37,068	479,095			516,163
Total loans and receivables extended	3,413,242	38,450	3,374,792			3,413,242
Other financial assets	334,949		198,777		136,172	334,949
Total financial instruments available-for-sale	334,949		198,777		136,172	334,949
Financing liabilities	-350,410	-108	-350,302			-350,410
Trade and other payables	-1,715,069		-1,715,069			-1,715,069
Total liabilities measured at amortized cost	-2,065,479	-108	-2,065,371			-2,065,479
Derivates unhedged	-971,914			-971,914		-971,914
Total financial liabilities held for trading	-971,914			-971,914		-971,914
Net financial instruments	1,826,409	38,342	1,508,198	143,697	136,172	1,826,409

	Book value 31/12/2009	Meas- urement accord- ing to IAS 17	Measurement according to IAS 39			Fair value 31/12/2009
			Amortized cost	Fair value recognized through profit and loss	Fair value directly in equity	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Derivatives unhedged	775,637			775,637		775,637
Total financial instruments held for trading	775,637			775,637		775,637
Cash and cash equivalents	516,367		516,367			516,367
Trade and other receivables	1,071,719	1,336	1,070,383			1,071,719
Loans and other financial assets	728,530	38,408	690,122			728,530
Total loans and receivables extended	2,316,616	39,744	2,276,872			2,316,616
Other financial assets	31,626		31,626			31,626
Total financial instruments available-for-sale	31,626		31,626			31,626
Derivatives hedged	61,946				61,946	61,946
Total other financial assets	61,946				61,946	61,946
Financing liabilities	-80,672	-22	-80,650			-80,672
Trade and other payables	-938,676		-938,676			-938,676
Total liabilities measured at amortized cost	-1,019,348	-22	-1,019,326			-1,019,348
Derivatives unhedged	-707,404			-707,404		-707,404
Total financial liabilities held for trading	-707,404			-707,404		-707,404
Derivatives hedged	-22,919				-22,919	-22,919
Total other financial liabilities	-22,919				-22,919	-22,919
Net financial instruments	1,436,154	39,722	1,289,172	68,233	39,027	1,436,154

Net gains/losses from financial instruments are as follows:

	Interest income	Interest expense	From other expenses	From subsequent valuation			Net result 2010
				At fair value	Foreign currency exchange differences	Valuation allowance	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans granted and receivables	26,033		-19,362		3,924	-3,507	7,088
Financial instruments available-for-sale				136,172		-12,746	123,426
Financial assets and liabilities held for trading				5,255			5,255
Liabilities accounted for at amortized cost		-25,427					-25,427
Total net gain/loss	26,033	-25,427	-19,362	141,427	3,924	-16,253	110,342
Thereof recognized:							
– through profit or loss	26,033	-25,427	-19,362	-41,955	3,924	-16,253	-73,040
– directly in equity				183,382			183,382

	Interest income	Interest expense	From other expenses	From subsequent valuation			Net result 2009
				At fair value	Foreign currency exchange differences	Valuation allowance	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans granted and receivables	18,642		-16,173		110,635	-5,223	107,881
Financial assets and liabilities held for trading				38,716			38,716
Liabilities accounted for at amortized cost		-10,925			-36,166		-47,091
Total net gain/loss	18,642	-10,925	-16,173	38,716	74,469	-5,223	99,506
Thereof recognized:							
– through profit or loss	18,642	-10,925	-16,173	36,829	74,469	-5,223	97,619
– directly in equity				1,887			1,887

Bank charges and interest expenses from discounting are recognized under Other Expenses.

(38) Risk management and derivative financial instruments

GPG's Risk Management ensures that risk is identified, assessed, managed, and monitored from an early stage throughout the group. In the management of equity capital risk, group risks are calculated and limited in accordance with the Value at Risk (VaR) method using a concept based on economic capital. Cash-flow risks are also managed using a VaR-based method whereby risks are measured and continually compared with the group's available liquidity.

VaR is an estimate of the maximum possible loss the portfolio can incur during a specific holding period at a given confidence level under normal market conditions.

To manage risks, a Risk Oversight Committee (ROC) has been set up at GPG. The ROC meets monthly and is chaired by a representative of Gazprom export LLC's Risk Management department. In addition to the ongoing monitoring of group risk, the ROC sets and approves risk limits for individual business partners and activities.

The aggregate risks for the group are calculated using the VaR method for a holding period of one year at a confidence level of 99.8% and reported to the ROC. The major risks of the group are market, default, liquidity, and operational risk.

As far as possible, larger group companies are included in the group economic capital. In the calculation of group risk the risks of these group companies are included as individual items and risk correlations between group companies, in particular default risk correlations, are thus taken into account.

As of the balance sheet date, the wholly-owned subsidiary Gazprom Marketing & Trading Ltd., London, United Kingdom, and its shareholdings, as well as the subsidiaries WINGAS GmbH & Co. KG, Kassel, Germany, Vemex s.r.o., Prague, Czech Republic, Bosphorus Gaz Cooperation A.S., Istanbul, Turkey, and PremiumGas S.p.A., Milan, Italy, were included in the group economic capital.

As far as possible, the risks of the subsidiaries are managed by their appointed risk committees in which GPG is represented by voting members. The tasks and authority of these committees are the same as those of GPG's risk committee. They include in particular the approval of risk measurement methods, counterparties and commodities. At the time of reporting, risk committees are in place at Gazprom

Marketing & Trading Ltd., London, United Kingdom, Vemex s.r.o., Prague, Czech Republic, and PremiumGas S.p.A., Milan, Italy.

The risks of other group companies are estimated on the basis of their current book value or – in case of consolidated companies – their assets and the default probability identified in the internal credit rating.

Risks of the group are managed on the basis of pre-tax ratios. Therefore, no after-tax risk effects are presented for the purposes of clarity.

a) Market risks

The primary market risks facing the group arise from changes in commodity prices and exchange rates that affect trading.

Gazprom Marketing & Trading Ltd., London, United Kingdom, is engaged in energy trading – in particular, gas trading – at organized trading hubs and enters into open positions within the scope of a defined limit system. Chaired by a representative of GPG, Gazprom Marketing & Trading Ltd.'s Risk Oversight Committee (ROC) meets monthly and continually monitors risks arising from trading activities by way of regular reports. Every day, open separate positions are aggregated to create an overall risk position that counts towards a defined limit.

As of the balance sheet date, the portfolio of Gazprom Marketing & Trading Ltd., London, United Kingdom, showed a VaR of GBP 3.321 million calculated for a holding period of one day at a confidence level of 97.5%. In 2009 it showed a VaR of GBP 1.126 million. (This amount differs from the one reported in 2009 when the VaR of Gazprom Marketing & Trading USA Inc., Delaware, USA, was determined separately). This VaR includes commodity price and foreign exchange risks and was within the market risk limit.

Gazprom Marketing & Trading Ltd., London, United Kingdom, uses a variance-covariance approach with linear approximation. By using the Exponentially Weighted Moving Average (EWMA) approach of weighting time series, recent market observations receive a higher weighting than historical observations. Price movements are modelled using multivariate normal distribution. As the company's risk policy does not permit transactions involving short uncovered option positions, in a linear approximation risk tends to be overestimated in case of doubt.

In considering market risk limit of Gazprom Marketing & Trading Ltd., London, United Kingdom, in the group's economic capital, the market risk limit is scaled to a one-year holding period and a group-wide confidence level using the square root of time rule assuming normal distribution of profit and loss across the portfolio. As the risks of Gazprom Marketing & Trading Ltd., London, United Kingdom, are calculated in GBP, a further currency exchange risk arises for the group. As of the balance sheet date, the company's total market risk of EUR 287.7 million was included in the group economic capital. An increase from the previous year's value of EUR 139 million was due to an approved rise in the market risk limit in 2010.

In order to determine the foreign currency and commodity price risks of GPG and Vemex s.r.o., Prague, Czech Republic, a Monte Carlo simulation is used, whereby the distribution of profit and loss is estimated statistically over a one-year holding period. This simulation allows modelling of commodity price and exchange rate changes and their correlation. VaR results from the 99.8% quantile based on a statistical ranking.

The market risks for PremiumGas S.p.A., Milan, Italy, and WINGAS GmbH & Co. KG, Kassel, Germany, are calculated by their respective risk management departments and reported to GPG each month.

Currency risks are hedged primarily by managing the times of cash inflows and outflows in the various foreign currencies. Where possible, any remaining risks are treated by way of appropriate hedging transactions. Apart from the functional currencies of the various group companies, the most important transaction currencies used by the group are the US dollar (USD) and the pound sterling (GBP).

As of the balance sheet date, the group's currency risks, excluding foreign currency derivatives of Gazprom Marketing & Trading Ltd., London, United Kingdom, amounted to EUR 30.5 million. The drop in currency risk from the previous year's value of EUR 70.2 million is largely due to the reduction of the position in US dollars.

The currency risk is calculated using the aforementioned Monte Carlo simulation. For the most part, currency risks arise due to net receivables or liabilities held in foreign currency on the balance sheet date.

As per 31 December 2010, the overall market risks of the group are valued at EUR 503.2 million, taking account of currency risks and the group companies included in the economic capital. The increase from EUR 310.0 million in 2009 is mainly due to the increase of market risk at Gazprom Marketing & Trading Ltd., London, United Kingdom, included in the economic capital of the group.

In the context of risk management, **derivative financial instruments** serve to hedge against commodity and currency risks arising in the course of business operations. They include forward contracts, futures, options, and swaps.

The fair values of energy trading contracts, commodity futures, and swaps are based on market quotes on the balance sheet date ("level 1" in accordance with the valuation hierarchy of IFRS 7.27a and 7.27b).

Customary valuation models were used to value financial instruments which are not traded in active markets. The fair values are based on inputs other than quoted prices from Level 1 that are observable either directly or indirectly (Level 2 of the fair value hierarchy).

The fair values of Emission Reduction Purchase Agreements ("ERPA") for the acquisition of post 2012 emission allowances generating from pre-2012 registered Clean Development Mechanism ("CDM") projects are based on the inputs that are not based on observable market data (Level 3 of the fair value hierarchy). Changing one or more of the inputs to reasonably possible alternative assumptions would not change fair value significantly.

Due to the absence of active markets for LNG, the pricing of these contracts is linked to underlying natural gas indices such as Henry Hub, NBP and SoCal. Long term price assumptions have been made in order to determine the fair value of these instruments where a liquid market does not exist. Where the valuation technique employed incorporates significant unobservable input data such as these long term price assumptions, contracts have been categorized as level 3 in the fair value hierarchy. Given such assumptions, sensitivity analysis of the fair values would provide misrepresentative fluctuations of fair values and hence have not been presented here. This is due to the zero valued options in the contracts surrounding selling LNG stock at different delivery times and locations.

The following fair value hierarchies emerged for the derivative financial instruments:

Derivative financial instruments by valuation hierarchy	Level 1 kEUR	Level 2 kEUR	Level 3 kEUR	Total kEUR
31/12/2010				
Derivative financial instruments assets				
– short-term	37,169	806,622	16,715	860,506
– long-term	10,622	199,708	44,775	255,105
Derivative financial instruments liabilities				
– short-term	–54,044	–728,901	–2,412	–785,357
– long-term	–17,786	–157,116	–11,655	–186,557
Total derivative financial instruments	–24,039	120,313	47,423	143,697
31/12/2009				
Derivative financial instruments assets				
– short-term	44,812	632,513		677,325
– long-term	22,903	137,355		160,258
Derivative financial instruments liabilities				
– short-term	–16,414	–586,060		–602,474
– long-term	–7,588	–120,261		–127,849
Total derivative financial instruments	43,713	63,547		107,260

Derivative financial instruments valued at level 3 of the fair value hierarchy have developed as follows:

Derivative financial instrument development under level 3 of the valuation hierarchy	Assets kEUR	Liabilities kEUR	Total kEUR
As of 01/01/2010			
Additions through profit and loss	61,490	-14,067	47,423
As of 31/12/2010	61,490	-14,067	47,423

No transfers were undertaken between the valuation hierarchies.

Risks from derivative financial instruments (including foreign currency derivatives) for Gazprom Marketing & Trading Ltd., London, United Kingdom, are taken into account in the company's market risk limit. Beyond this there were no foreign currency derivative positions at balance sheet date.

The following derivative financial instruments are disclosed at balance sheet dates:

	Volumes		Nominal value 31/12/		Fair value 31/12/			
	2010	2009	2010 kEUR	2009 kEUR	2010 kEUR	Thereof short-term kEUR	2009 kEUR	Thereof short-term kEUR
Commodity derivatives gas (km ³)	93,722,626	146,608,104	22,061,862	15,533,348	36,427	-9,734	78,787	61,728
Commodity derivatives LNG (km ³)	1,454,356		160,794		26,034	35,382		
Commodity derivatives oil (t)	661,717	1,625,408	256,624	257,408	-3,735	-3,794	-12,525	-11,895
Commodity derivatives power (GWh)	86,988	22,152	4,187,828	1,140,898	38,304	40,045	16,409	16,183
Total commodity derivatives			26,667,108	16,931,654	97,030	61,899	82,671	66,016
Foreign exchange derivatives			29,819	1,004,872	2,526	2,530	13,032	13,236
Interest swaps			261,450	49,700	-1,932		-1,083	-40
Other derivatives			362,269	329,602	46,073	10,720	12,640	-4,361
Total derivatives			27,320,646	18,315,828	143,697	75,149	107,260	74,851

The nominal volumes and nominal values of derivative financial instruments correspond to the total purchase and sale values of all derivatives and are presented gross without offsetting.

The maturities are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Up to three months	1,925	61,806
Between three months and the end of following year 1	73,224	13,045
Following years 2–5	61,185	29,815
Thereafter	7,363	2,594
Total fair value	143,697	107,260

Interest rate risk arises from potential changes in market interest rates. This risk may result in changes to fair value in respect of fixed rate financial instruments and lead to fluctuations in interest payments in the case of floating rate financial instruments.

Floating rate loans granted to or by group companies are based on EURIBOR and LIBOR. In respect of financial instruments held or issued as of the balance sheet date, a decrease or increase in the benchmark interest rate by 150 basis points would have the following effect on the Group's result. Insignificant interest rate risk arising from forward contracts is not considered.

Effects of interest rate fluctuations	Quotation change by	31/12/2010 kEUR	31/12/2009 kEUR
Interest rate increase	+150 basis points	668	2,792
Interest rate decrease	-150 basis points	-668	-2,782

A change in interest rates by 150 basis points is a conservative estimate of the potential interest rate movements based on the historic development of the 6-month EURIBOR over the period 2002–2010. The development of LIBOR is based on the same deviation range. The number of interest rate adjustments per annum was taken into account when determining the sensitivity of the interest rate positions.

b) Default risk

Default risk arises from the group's sales and distribution activities, trading activities, and investment holdings. To assess and limit this risk, an internal credit rating procedure is used and changes to this rating are monitored on an ongoing basis.

Unless corporate strategic risk is concerned, decisions on loan extensions are made on the basis of the counterparty's credit rating and the potential loss. Where possible, this risk is managed by means of framework agreements with customary hedging and netting provisions. Financial transactions and the energy trading activities of Gazprom Marketing & Trading Ltd., London, United Kingdom, are generally restricted to business relationships with creditworthy counterparties.

The group's default risk is assessed using a credit risk model developed by Risk Management which takes account of default correlations and the probability that the counterparty or subsidiary will default.

The credit risk of group companies not included in the group economic capital is based on their current book value. By contrast, in modelling the credit risk of group companies integrated into the group economic capital, the default risks of their counterparties are taken into account. Exposures due to positions of these group companies are aggregated and correlations between counterparties taken into account.

The credit risk associated with derivative financial instruments comprises the total of positive fair values. To reduce the credit risk arising from derivatives, global netting agreements are made with counterparties in accordance with standard trading agreements.

At the end of 2010 43% of all accounts receivable were due from the major counterparty 1 (2009: 20%) and 1% were due from the major counterparty 2 (2009: 2%). 11% of other current receivables are due from a major counterparty 1 (2009: 0%). 15% of all other longterm receivables were due from the major counterparty 1 (2009: 35%).

c) Liquidity risk

Liquidity risk arises from the variability of future cash inflows and outflows. This risk can be countered by synchronizing cash flows and aligning foreign currency assets. It is calculated each month using a Value at Risk approach and reported to the ROC. In the management of this risk, risks pertaining to available liquidity are compared taking account of free credit lines.

d) Operational risk

Operational risk is a risk of loss as a result of inadequate or flawed internal processes, human error, system failure, or external events. Regular risk audits are carried out to facilitate the early recognition of operational risk, the assessment of its quality and quantity, its monitoring, and prompt reporting to the management. Operational risk is managed using the basic indicator approach under Basel II.

e) Capital structure management

Capital structure management for GPG and its subsidiaries aims to ensure the group's capacity for financial action at all times. It is conducted using the equity figure. The risks pertaining to these figures are measured each month and included in the monthly risk reports.

Management is conducted using the equity capital ratio and a leverage figure. Both figures are also used as financial covenants in the context of credit agreements with banks. The leverage figure is determined as a ratio between the adjusted EBITDA and the net financial liabilities. Equity capital ratio of more than 20% and leverage ratio less than 2.5 were defined as the threshold levels for these figures. The group complied with these thresholds both in this and previous financial years.

(39) Risk from litigation and claims

WINGAS Storage UK Ltd., London, United Kingdom, together with other companies, is involved in litigation proceedings in which the aggregate amount of claims is EUR 20 million. The company is accused of having defaulted on pro rata license fee payments arising from a contract signed in 1964.

(40) Contingent liabilities

	31/12/2010 kEUR	31/12/2009 kEUR
Liabilities arising from guarantees and letters of comfort	271,835	219
Others	291,618	126,281
Total contingent liabilities	563,453	126,500

Maturities of the contingent liabilities are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Following year 1	531,578	98,877
Following years 2–5	12,092	11,657
Thereafter	19,783	15,966
Total contingent liabilities	563,453	126,500

Other contingent liabilities concern payment guarantees in particular.

At the time these Consolidated Financial Statements were prepared, no claims in respect of the group are expected.

(41) Other financial commitments

	Notes	31/12/2010 kEUR	31/12/2009 kEUR
Purchase commitments from investments in:			
– Intangible assets		2,600	345
– Property, plant and equipment			9,273
– Investments		8,456	32,385
		11,056	42,003
Commitments arising from gas purchase and other long-term purchase contracts		7,294,935	3,737,516
Commitments arising from long-term leases (excluding finance leases)	(36)	504,399	5,939
Total other financial commitments		7,810,390	3,785,458

The maturities of other financial commitments are as follows:

	31/12/2010 kEUR	31/12/2009 kEUR
Following year 1	5,576,393	251,900
Following years 2–5	1,902,011	618,206
Thereafter	331,986	2,915,352
Total other financial commitments	7,810,390	3,785,458

(42) Related party transactions

Companies which control GPG or exercise a strong influence over it as well as companies affiliated with GAZPROM OJSC are referred to as related parties in accordance with IAS 24.

In addition, all companies, which are controlled or significantly influenced by GPG, as well as their supervisory board members and top management, fall into this category.

Transactions with related parties have developed as follows:

	Revenue and other income kEUR	Supplies and services received kEUR	Assets kEUR	Liabilities kEUR
Controlling companies	6,298,273	4,135,183	1,123,112	781,676
Other GAZPROM group companies	120,138	1,260,356	30,117	132,607
Joint ventures	97,788		59,511	62,641
Associated companies	336,851	758,539	520,477	95,693
Other related parties		4,443		1,979
Total transactions with related parties 2010	6,853,050	6,158,521	1,733,217	1,074,596
Controlling companies	5,600,985	4,616,326	528,685	362,486
Other GAZPROM group companies	84,411	771,287	20,132	71,271
Joint ventures	186,657	19,343	46,147	194
Associated companies	334,937	988,683	413,680	85,530
Other related parties		3,089		1,684
Total transactions with related parties 2009	6,206,990	6,398,728	1,008,644	521,165

Distribution of dividends is not included in this disclosure.

Controlling companies: Through Gazprom export LLC, GAZPROM OJSC owns 100% of shares in GPG. Business relations concern the gas business (primarily with Gazprom export LLC, Moscow).

Other GAZPROM OJSC companies: 97% (2009: 99%) of trade and other payables involved gas deliveries including third party access fees from KazRosGaz LLP, Almaty, Kazakhstan and Sakhalin Energy Investment Company Ltd., Bermuda.

Joint ventures: 98% (2009: 57%) of revenue and income from joint ventures resulted from gas delivery contracts with Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland (in 2009 they amounted to 41% with PremiumGas S.p.A, Milan, Italy, whereas 100% of trade and other payables concerned Gas Project Development Central Asia AG, Baar, Switzerland).

The major amount of assets (88%) concerned receivables with Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland.

100% of liabilities concern Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland. 2009: 100% of liabilities were towards PremiumGas S.p.A, Milan, Italy.

Associated companies: 99% (2009: 97%) of revenue and income from associated companies resulted from gas delivery contracts with WINGAS GmbH & Co. KG, Kassel, Germany. 100% (2009: 100%) of trade and other receivables concerned WINGAS GmbH & Co. KG, Kassel, Germany. 94% (2009: 97%) of assets involve WINGAS GmbH & Co. KG, Kassel, Germany. 97% (2009: 99%) of liabilities were towards WINGAS GmbH & Co. KG, Kassel, Germany.

Other related parties: Members of GPG top management were granted remuneration of kEUR 3,502 (2009: kEUR 2,402). Additionally, retirement benefit obligations for these individuals amount to kEUR 1,979 (2009: kEUR 1,684).

(43) Remuneration of the Supervisory Board

Remuneration of the Supervisory Board amounted to kEUR 775 (2009: kEUR 687).

(44) Remuneration of top management

Remuneration of the top management totalled kEUR 3,535 (2009: kEUR 2,402) for top managers. Additionally, retirement benefit obligations amount to kEUR 299 (2009: kEUR 1,684).

(45) Group audit fees

The fees for the audit of the group consolidated financial statements totalled:

	Fees of appointed auditor 2010 kEUR	Fees of supplementary auditor 2010 kEUR	Total kEUR
Annual statutory audit	593	403	996
Other auditing services		49	49
Tax advice services		11	11
Other services	459	690	1,149
Total group audit fees	1,052	1,153	2,205

(46) Post balance sheet date events

GPG sold its 50.14% shareholding in CEA Centrex Italia S.r.l., Milan, Italy, with effect from 11 January 2011. The proceeds from the sale were kEUR 81.

These financial statements were approved by the Management on 28 February 2011 and released for publication.

Berlin, 8 April 2011

Vladimir Kotenev Andrey Biryulin
Senior Managing Director Managing Director

Auditors' Report

We audited the consolidated financial statements, consisting of a statement of comprehensive income, a balance sheet, a statement of changes in equity, a cash flow statement, the notes to the financial statements and the Group management report of GAZPROM Germania GmbH, Berlin, for the financial year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as applied in the EU, and the supplementary provisions stated in Section 315a (1) HGB, are the responsibility of the Company's Management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB, and in conformity with the German auditing standards promulgated by the German Institute of Certified Public Accountants (IDW), thereby observing the international standards on auditing (ISA). These audit standards require that we plan and perform the audit so that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the accounting principles applied and the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting disclosures and valuations in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of companies included in consolidation, the definition of the consolidated group, the accounting and consolidation principles applied, and significant estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion and based on the information acquired during our audit, the consolidated financial statements comply with IFRS as applicable in the EU and the provisions of Section 315a (1) HGB. The consolidated financial statements provide a true and fair view of the Group's net assets, financial position and result of operations in accordance with said provisions. The Group management report is consistent with the consolidated financial statements and provides, as a whole, a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Berlin, 12 April 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
(Auditing Company)

Harald Herrmann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Sten Kunzmann
Wirtschaftsprüfer
(German Public Auditor)



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Contact Susanne Fleischer

GAZPROM Germania GmbH
Markgrafenstraße 23
10117 Berlin

Phone +49 30 20195-0
Fax +49 30 20195-313
info@gazprom-germania.de
www.gazprom-germania.de

