

**ОАО ГАЗПРОМ
IAS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2001**

AUDITORS' REPORT

To the Shareholders of OAO Gazprom

1. We have audited the accompanying consolidated balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 31 December 2001 and the related consolidated statements of operations, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2001, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.
4. Without qualifying our opinion, we draw your attention to Note 27 to the consolidated financial statements. The Government of the Russian Federation is the principal shareholder of the Group and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

Moscow, Russian Federation
26 June 2002

OAO GAZPROM
IAS CONSOLIDATED BALANCE SHEET

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

Notes	31 December	
	2001	2000
Assets		
Current assets		
6	Cash and cash equivalents	46,585
6	Restricted cash	12,121
7	Short-term investments	40,537
8	Accounts receivable and prepayments	27,246
9	Inventories	28,487
14	Other current assets	234,197
	<u>29,196</u>	<u>70,335</u>
	<u>451,612</u>	<u>4,683</u>
		<u>452,596</u>
Long-term assets		
10	Property, plant and equipment	1,548,823
5,11,27	Investments in associated undertakings	1,522,441
12	Other long-term investments	78,253
17	Deferred tax assets	32,507
	Other long-term assets	13,796
	<u>17,100</u>	<u>116,501</u>
	<u>1,690,479</u>	<u>1,781,882</u>
5	Total assets	<u>2,142,091</u>
		<u>2,234,478</u>
Liabilities and equity		
Current liabilities		
13	Accounts payable and accrued charges	103,161
14	Taxes payable	101,250
15	Short-term borrowings and current portion of long-term borrowings	55,048
15	Short-term promissory notes payable	136,029
19	Provisions for liabilities and charges	167,729
	<u>-</u>	132,954
	<u>387,092</u>	<u>10,352</u>
		<u>448,989</u>
Long-term liabilities		
16	Long-term borrowings	206,231
16	Long-term promissory notes payable	243,421
14	Restructured tax liabilities	17,232
19	Provisions for liabilities and charges	7,351
	<u>19,073</u>	<u>10,519</u>
	<u>17,414</u>	<u>29,629</u>
	<u>259,950</u>	<u>290,920</u>
5	Total liabilities	<u>647,042</u>
		<u>739,909</u>
26	Minority interest	15,104
		10,355
Shareholders' equity		
20	Share capital	282,483
20	Treasury shares	282,483
20	Retained earnings and other reserves	(18,131)
	<u>1,215,593</u>	<u>(11,479)</u>
	<u>1,479,945</u>	<u>1,213,210</u>
		<u>1,484,214</u>
	Total liabilities and equity	2,142,091
		2,234,478

A.B. Miller
Chairman of the Management Committee
26 June 2002

E.A. Vasilieva
Chief Accountant
26 June 2002

The accompanying notes are an integral part of these financial statements.

OAO GAZPROM**IAS CONSOLIDATED STATEMENT OF OPERATIONS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)**

Notes		Year ended	
		2001	2000
5, 21	Sales	619,325	641,520
5, 22	Operating expenses	<u>(435,565)</u>	<u>(483,258)</u>
5	Operating profit	183,760	158,262
	Exchange gain	24,293	53,026
	Exchange loss	(28,990)	(56,094)
	Interest income	12,321	13,560
14	Gain on restructured taxes	18,699	20,011
	Interest expense on taxes payable	(6,914)	(23,741)
	Other interest expense	<u>(33,692)</u>	<u>(32,324)</u>
	Net finance costs	(14,283)	(25,562)
	Share of net income of associated undertakings	3,567	755
18	Losses on available-for-sale investments	<u>(863)</u>	<u>(2,666)</u>
	Profit before gain on net monetary position, profit tax and minority interest	172,181	130,789
3	Monetary gain	<u>29,113</u>	<u>52,406</u>
	Profit before profit tax and minority interest	201,294	183,195
17	Current profit tax expense	(82,486)	(82,249)
17	Deferred profit tax (expense) benefit	<u>(102,705)</u>	<u>240,854</u>
17	Profit tax (expense) benefit	(185,191)	158,605
	Profit before minority interest	16,103	341,800
26	Minority interest	<u>(4,638)</u>	<u>(1,801)</u>
23	Net profit	11,465	339,999
24	Basic and diluted earnings per share (in Roubles)	0.54	16.16

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OAO GAZPROM
IAS CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

Notes	Year ended 31 December	
	2001	2000
	Operating activities	
25	Net cash provided by operating activities	135,218
	Investing activities	
	Capital expenditures	(81,190)
	Net change in loans made	(1,041)
	Interest received	10,796
10	Interest paid and capitalised	(14,516)
26	Net cash received on acquisition of subsidiary	292
	Sale of investments	-
	Purchase of investments	(7,840)
	Net cash used for investing activities	(93,499)
	Financing activities	
	Proceeds from long-term borrowings (including current portion)	88,233
	Repayment of long-term borrowings (including current portion)	(42,674)
	Sale of promissory notes	47,264
	Redemption of promissory notes	(67,976)
16	Redemption of bonds	(103)
	Net (repayments of) proceeds from short-term borrowings	(696)
20	Dividends paid	(5,851)
	Interest paid	(25,899)
	Purchases of treasury shares	(47,205)
	Sales of treasury shares (net of profit tax)	43,284
6	Change in cash restricted on borrowings	3,591
	Net cash used for financing activities	(8,032)
	Effect of exchange rate changes on cash and cash equivalents	3,160
	Effect of inflation accounting on cash and cash equivalents	(2,383)
	Increase in cash and cash equivalents	34,464
	Cash and cash equivalents, at beginning of year	12,121
	Cash and cash equivalents, at end of year	46,585

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1 NATURE OF OPERATIONS

RAO Gazprom was established as a Russian joint stock company by Presidential Decree No. 1333 dated 5 November 1992. The Annual General Meeting of shareholders, held on 26 June 1998, approved a recommendation from the Board of Directors on revising the name of the Company in order to comply with the federal law on joint stock companies. Consequently, the Company became the open joint stock company Gazprom or OAO Gazprom.

OAO Gazprom and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world and are responsible for substantially all gas production and high pressure gas transportation in the Russian Federation. The Group is also a major exporter of gas to European countries.

The Group is directly involved in the following principal activities:

- Production – exploration and production of gas and other hydrocarbons;
- Refining – processing of gas condensate and other hydrocarbons, and sales of other hydrocarbon products;
- Transportation – transportation of gas; and
- Distribution – domestic and export sale of gas.

The weighted average number of employees during 2001 and 2000 was 300 thousand and 306 thousand respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of:

- a currency that is not freely convertible outside of the country;
- extensive currency controls;
- a low level of liquidity in the public and private debt and equity markets; and
- high inflation.

Transactions on the Russian stock exchange market are influenced by underdeveloped infrastructure, especially registration and settlement systems which are in the process of formation as well as regulation basis.

The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

3 BASIS OF PRESENTATION

These financial statements are prepared in accordance with International Accounting Standards (“IAS”). The Group subsidiaries and associated undertakings maintain their statutory financial statements in accordance with the Regulation on Accounting and Reporting of the Russian Federation (“RAR”) or the accounting regulations of the country in which the particular Group company is resident. The financial statements of the Group’s subsidiaries and associated undertakings resident in the Russian Federation, which account for substantially all the assets and liabilities of the Group, are based on their statutory records, which are maintained under the historical cost convention with adjustments and reclassifications recorded in the financial statements for the purpose of fair presentation in accordance with IAS. Similar adjustments are recorded in the financial statements in respect of Group companies not resident in the Russian Federation.

ОАО ГАЗПРОМ
NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

3 BASIS OF PRESENTATION (continued)

The preparation of consolidated financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The adjustments and reclassifications made to the statutory accounts for the purpose of IAS reporting include the restatement for changes in the general purchasing power of the Russian Rouble ("RR") in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The restatement was calculated from the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian State Committee on Statistics ("Goscomstat"), and from indices obtained from other published sources for years prior to 1992.

The indices used to restate the consolidated financial statements, based on 1988 prices (1988=100) for the five years 31 December 2001, and the respective conversion factors used are:

Year	Index	Conversion Factor
1997	659,403	3.60
1998	1,216,400	1.95
1999	1,661,481	1.43
2000	1,995,937	1.19
2001	2,371,572	1.00

The significant guidelines followed in restating the consolidated financial statements are:

- all amounts are stated in terms of the measuring unit current as of 31 December 2001;
- monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2001;
- non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current as of 31 December 2001) and shareholders' equity, including the share capital, are restated by applying the relevant conversion factors;
- all items in the consolidated statements of operations and of cash flows are restated by applying appropriate conversion factors;
- the effect of inflation on the Group's net monetary position is included in the consolidated statement of operations as a net monetary gain or loss; and
- comparative amounts for 2000 are restated using the conversion factor 1.19 in order to state them in terms of the monetary unit current as of 31 December 2001.

The consolidated statement of operations includes net monetary gains of RR 29,113 and RR 52,406 for the periods ended 31 December 2001 and 2000, respectively, because on average the Group had net monetary liabilities in both years.

The US dollar to RR exchange rates were 30.14 and 28.16 as of 31 December 2001 and 31 December 2000, respectively. The Euro to RR exchange rates were 26.49 and 26.14 as of 31 December 2001 and 31 December 2000, respectively.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

Significant subsidiary companies in which the Group, directly or indirectly, has an interest of more than 50% of the voting rights or is otherwise able to exercise control over the operations have been consolidated.

Subsidiaries are consolidated from the date on which effective control is transferred and are no longer consolidated from the date from which control ceases. All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made of minority interests.

Acquisitions of subsidiaries are recorded in accordance with the purchase accounting method. The consolidated financial statements of the Group reflect the results of operations of any subsidiaries acquired from the date control is established.

Assets and liabilities of subsidiaries acquired are restated to comply with uniform Group accounting policies. Any excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associated undertaking at the date of acquisition is recorded as goodwill. Goodwill on acquisition of subsidiary undertakings is included in other long-term assets. Goodwill on acquisition of associated undertakings is included in investments in associated undertakings. Goodwill is amortised using the straight-line method over the shorter of its estimated useful life or 20 years.

Associated undertakings

Associated undertakings are undertakings over which the Group has significant influence, but which it does not control. Associated undertakings are accounted for using the equity method. Provisions are recorded for any impairment in value.

The equity method involves recognising in the statement of operations the Group's share of the associated undertakings' profit or loss for the year, less dividends received. The Group's interest in each associate is carried at the balance sheet at an amount that reflects cost, including the goodwill at acquisition, plus share of profit and losses less dividends received less amortisation of goodwill. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

Joint ventures

Joint ventures are contractual agreements whereby two or more parties undertake economic activity, which is subject to joint control. Jointly controlled entities are accounted for using the equity method.

Mutual cancellation and barter transactions

A significant portion of accounts receivable arising from sales are settled either through a chain of non-cash transactions (mutual cancellations), sometimes involving several enterprises, or, to a lesser extent, through direct settlement by goods from the final customer (barter). A portion of operations, including capital expenditures, is transacted by mutual cancellations or barter. Such transactions are excluded from investing and financing activities in the consolidated statement of cash flows. Net cash received from operating activities in the consolidated statement of cash flow also represents actual cash flow transactions. However, individual items within operating activities are stated inclusive of both cash and non-cash transactions due to the significance of non-cash transactions in the form of barter and mutual-cancellation offsets. Management believes the costs which would be required to be expended to determine such information would outweigh the benefits of having such information.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and payables that expect to be settled by mutual settlements, barter or other non-cash settlements, are recognized based on management's estimate of the fair value to be received or given up. Approximately, 18% and 22% of accounts receivable from gas sales settled during the years ended 31 December 2001 and 2000, respectively, were settled in this manner.

Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using a balance sheet liability method for financial reporting and accounting for deferred income taxes. Deferred tax is recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

The balance sheets of foreign subsidiaries and associated undertakings and the monetary assets and liabilities which are held by the Group and denominated in foreign currencies at the year end are translated into Roubles at the exchange rates prevailing at the year end. Exchange differences arising on the retranslation of the net assets of foreign subsidiaries and associated undertakings are recognised as translation differences and included in shareholders' equity. Statements of operations of foreign entities are translated at average exchange rates for the year.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of operations.

Property, plant and equipment

Property, plant and equipment are carried at historical cost after deduction of accumulated depreciation restated to the equivalent purchasing power of the RR as of 31 December 2001 on the basis of the indices included in Note 3.

Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of successful development and exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred.

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

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

The return to a governmental authority of social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation are recorded only upon both the transfer of title to, and termination of operating responsibility for, the social assets. These disposals are deemed to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a charge to other reserves.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated on a straight-line basis. Depreciation on wells and production equipment has been calculated on cost restated to the equivalent purchasing power of the Rouble as of 31 December 2001, using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method as the difference is not material. Assets under construction are not depreciated.

As the Group operates in the gas exploration, extraction and transportation industry in the Russian Federation, its normal activity probably results in damage to the environment. The Group annually evaluates its contingent obligations under environmental regulations. Environmental provisions are determined as the fair value of costs for restoration of wells and plants. As obligations are determined, they are recognised immediately. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalised.

The estimated useful lives of the Group's assets are as follows:

	<u>Years</u>
Pipelines	33
Wells and production equipment	12-40
Machinery and equipment	10-18
Buildings	30-40
Roads	20-40
Social assets	10-40

Investments

As of 1 January 2001 the Group adopted IAS 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets; during the period the Group did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in fair value, are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently re-measured to fair value. The most part of available-for-sale investments comprise principally non-marketable equity securities, which are not publicly traded or listed on the Russian stock exchange and, due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. For these investments, fair value is estimated by reference to the discounted operating cash flows of the investee. For other investments traded in active markets, fair value is determined by reference the current market value at the close of business on 31 December 2001.

Realized and unrealized gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the statement of operations in the period in which they arise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to the adoption of IAS 39 the Group had valued its marketable equity securities at the lower of cost restated to the equivalent purchasing power of the Rouble at the reporting date on the basis of indices included in Note 3, or market value. Long-term investments were reflected at cost restated to the equivalent purchasing power at the reporting date. Provision for impairment was only made where, in the opinion of the Group's management, there was a diminution in value, which was other than temporary. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount was charged or credited to the consolidated statement of operations.

In the cash flow statement, purchases and sales of trading investments are presented within the section on operating activities as part of changes in working capital.

In the statement of operations, changes in fair values of trading investments are recorded in other operating expenses.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term investments which are readily converted to cash and have an original maturity of three months or less.

Treasury shares

Treasury shares are recorded at cost, using the specific identification method. The gains (losses) arising from treasury share transactions are recognised as a movement in shareholders' equity, net of associated costs including taxation.

Dividends

Dividends are recognised as a liability and deducted from equity in the period in which they are declared.

Accounts receivable

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the origination of receivables.

Inventories

Inventories are valued at the lower of net realisable value or weighted average cost restated to the equivalent purchasing power of the RR as of 31 December 2001 on the basis of indices included in Note 3.

Borrowings

Borrowings are recognised initially at the fair value of the proceeds received (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price), net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective yield method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions, including provisions for environmental liabilities, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Impairment of assets

At each balance sheet date management assess whether there is any indication that the recoverable value of the Group's assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of operations in the period in which the reduction is identified.

Pension and other post-retirement benefits

The Group operates a defined benefit plan. Pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to operating expenses within the consolidated statement of operations so as to spread the regular cost over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service live of employees.

The Group owns and controls NPF Gazfund, which administers the Group's defined benefit plan. Members of Group's management are trustees of NPF Gazfund. The assets of NPF Gazfund primarily consists of shares of OAO Gazprom. The parent/subsidiary relationship between the Group and NPF Gazfund means that the assets held by NPF Gazfund do not meet the definition of plan assets and are, therefore, recognized in the consolidated balance sheet as treasury shares or other investments, as appropriate.

Mandatory contributions to the State pension plan, which is defined as a contribution plan, are expensed when incurred and are included within staff costs in operating expenses. The cost of providing other discretionary post-retirement obligations (including constructive) is charged to the consolidated statement of operations so as to spread the regular cost over the service lives of employees.

Revenue recognition

Sales are recognised for financial reporting purposes when products are delivered to customers and title passes and are stated net of VAT, excise taxes and other similar compulsory payments.

Interest

Interest income and expense are recognised in the statement of operations for all interest bearing instruments on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development

Research and development expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. However, development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

Financial instruments

The Group adopted IAS 39 “Financial Instruments: Recognition and Measurement” as of 1 January 2001. The financial effects of adopting IAS 39 are disclosed in Note 18.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial risk factors

The Group’s activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

- Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro.

In an operational sense, the Group’s exposure to foreign exchange risk is reduced by the existence of both costs (principally transit expenses) and income denominated in foreign currency. Similarly, the Group has significant receivables denominated in foreign currency, which in effect act as a partial economic hedge against similarly denominated liabilities, principally long-term borrowings.

The Group has investments in foreign entities (see Notes 11 and 26), whose net assets are exposed to currency translation risk. Currency exposure of the net assets of the subsidiaries is reduced primarily through borrowings denominated in Euro. Exchange differences on the euro loans are recognized in the statement of operations.

- Interest rate risk

The Group borrows long-term debt principally at variable (LIBOR referenced) rates. Currently the Group does not operate a formal management programme focusing on the unpredictability of financial markets or seeking to minimize potential adverse effects on the financial performance of the Group. The Group has no significant interest-bearing assets.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Credit risk

Financial instruments, which potentially subject the Group to concentrations of credit risk primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored and are considered when impairment provisions are created. A significant portion of the Group's accounts receivable are from local gas distribution companies and energy companies. Although collection of these receivables could be influenced by governmental and other economic factors affecting these industries, management believes there is no significant risk of losses to the Group, other than to the extent to which provision for impairment of receivables has already been made.

The Group does not have formal hedging arrangements to mitigate interest rate risks or foreign exchange risks of the Group's operations.

Accounting for derivative financial instruments

As part of trading activities, primarily by the banking subsidiaries, the Group is also party to derivative financial instruments including forward and options contracts in foreign exchange and precious metals. The Group's normal policy is to measure these instruments at fair value using contractual rates, with resultant gains or losses being reported within the consolidated statement of operations.

The Group does not apply hedge accounting in preparation of its financial statements.

Fair value estimation

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date.

Quoted market prices or dealer quotes for the specific or similar instruments are used for fair value estimation of long-term debt. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. The fair value of unquoted financial instruments is estimated from the future cash flows expected from both the periodic income generated by the investments and from their disposal, discounted by a rate that reflects the risk inherent in the investment.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of accounts receivable for disclosure purposes is estimated by discounting the value of expected cash flows at the market rate of interest for similar borrowers at the balance sheet date.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

5 SEGMENT INFORMATION

Management does not separately identify segments within the Group as it operates as a vertically integrated business with substantially all external sales generated by the gas distribution business. However, following the practice suggested by IAS 14, "Segment Reporting", Revised 1997 ("IAS 14") for vertically integrated businesses, information can be analysed based on the following business segments:

- Production – exploration and production of gas and other hydrocarbons;
- Refining – processing of gas condensate and other hydrocarbons, and sales of other hydrocarbon products;
- Transportation – transportation of gas;
- Distribution – domestic and export sale of gas; and
- Other – other activities, including banking.

	Production	Refining	Transport	Distribution	Other	Total
31 December 2001						
Segment assets	465,711	37,245	1,077,512	172,841	206,246	1,959,555
Associated undertakings	-	1,822	58,154	9,169	9,108	78,253
Unallocated assets						211,168
Inter-segment eliminations						<u>(106,885)</u>
Total assets						2,142,091
Segment liabilities	17,358	19,812	21,938	116,736	41,267	217,111
Unallocated liabilities						536,816
Inter-segment eliminations						<u>(106,885)</u>
Total liabilities						647,042
Capital expenditures for the period	61,586	5,359	67,143	96	15,261	149,445
Depreciation	26,786	2,403	55,791	136	3,985	89,101
Charges for impairment and provisions	2,284	5,045	12,533	24,931	782	45,575
31 December 2000						
Segment assets	466,165	19,783	1,082,630	228,429	234,763	2,031,770
Associated undertakings			65,048	2,855	7,068	74,971
Unallocated assets						236,037
Inter-segment eliminations						<u>(108,300)</u>
Total assets						2,234,478
Segment liabilities	26,000	5,189	24,993	117,626	35,742	209,550
Unallocated liabilities						638,659
Inter-segment eliminations						<u>(108,300)</u>
Total liabilities						739,909
Capital expenditures for the period	51,643	3,151	49,493	394	36,899	141,580
Depreciation	24,745	2,140	53,910	120	3,573	84,488
Charges for impairment and provisions	13,070	13,541	19,098	35,338	1,737	82,784

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5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
Year ended 31 December 2001						
Segment revenues						
Inter-segment sales	73,040	13,467	177,327	12,120	-	275,954
External sales	<u>1,744</u>	<u>64,838</u>	<u>15,832</u>	<u>508,021</u>	<u>28,890</u>	<u>619,325</u>
Total segment revenues	74,784	78,305	193,159	520,141	28,890	895,279
Segment expenses						
Inter-segment expenses	(1,960)	(11,929)	(16,249)	(245,816)	-	(275,954)
External expenses	<u>(58,943)</u>	<u>(60,315)</u>	<u>(131,520)</u>	<u>(147,952)</u>	<u>(28,533)</u>	<u>(427,263)</u>
Total segment expenses	<u>(60,903)</u>	<u>(72,244)</u>	<u>(147,769)</u>	<u>(393,768)</u>	<u>(28,533)</u>	<u>(703,217)</u>
Segment result	13,881	6,061	45,390	126,373	357	192,062
Unallocated operating expenses						<u>(8,302)</u>
Operating profit						183,760
Year ended 31 December 2000						
Segment revenues						
Inter-segment sales	50,358	11,221	118,677	7,013	-	187,269
External sales	<u>6,455</u>	<u>35,177</u>	<u>31,757</u>	<u>532,929</u>	<u>35,202</u>	<u>641,520</u>
Total segment revenues	56,813	46,398	150,434	539,942	35,202	828,789
Segment expenses						
Inter-segment expenses	(1,235)	(5,512)	(9,686)	(170,836)	-	(187,269)
External expenses	<u>(66,780)</u>	<u>(36,712)</u>	<u>(142,972)</u>	<u>(181,461)</u>	<u>(29,157)</u>	<u>(457,082)</u>
Total segment expenses	<u>(68,015)</u>	<u>(42,224)</u>	<u>(152,658)</u>	<u>(352,297)</u>	<u>(29,157)</u>	<u>(644,351)</u>
Segment result	(11,202)	4,174	(2,224)	187,645	6,045	184,438
Unallocated operating expenses						<u>(26,176)</u>
Operating profit						158,262

The inter-segment revenues mainly consist of:

- Production – sale of gas to the Distribution segment and sale of hydrocarbons to the Refining segment;
- Refining – sale of refined products to other segments;
- Transport – rendering transportation services to the Distribution segment; and
- Distribution – sale of gas to the Transport segment for operational needs.

Internal transfer prices are established by the management of the Group with the objective of providing for the specific medium and long-term funding requirements of the individual segments. Provisions for guarantees (see Note 28) have been included within unallocated expenses. Also included within unallocated expenses are corporate expenses, including provision for the impairment of other investments.

Segment assets consist primarily of property, plant and equipment and current assets. Unallocated assets include other investments and deferred tax assets. Segment liabilities comprise operating liabilities, excluding items such as taxes payable, borrowings, and deferred tax liabilities.

Capital expenditures comprise additions to property, plant and equipment. Charges for impairment and provisions relate only to those charges made against allocated assets and include provisions for accounts receivable, assets under construction, investments, inventory and other long-term assets.

Substantially all of the Group's operating assets are located in the Russian Federation. Gas sales to different geographical regions are disclosed in Note 21.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)**

6 CASH AND CASH EQUIVALENTS

Balances included within cash and cash equivalents in the consolidated balance sheet represent cash in hand and balances with banks. Included within restricted cash are balances of cash and cash equivalents totalling RR 34,269 and RR 38,608 as of 31 December 2001 and 31 December 2000, respectively, which are restricted as to withdrawal under the terms of certain borrowings. In addition, restricted cash comprises of balances of cash RR 5,881 and RR 5,929 as of 31 December 2001 and 31 December 2000, respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

7 SHORT-TERM INVESTMENTS

	31 December	
	2001	2000
Trading investments	13,188	15,948
Available-for-sale investments	<u>14,058</u>	<u>12,539</u>
	<u>27,246</u>	<u>28,487</u>

Trading investments primarily comprise marketable equity and debt securities held by the Group's banking subsidiaries with a view to generating short-term profits. These investments are traded in active markets and are valued at market at the close of business on reporting date by reference to stock exchange quoted bid prices.

Available-for-sale investments primarily comprise promissory notes of third parties and maturing within twelve months of the balance sheet date or other debt and equity securities intended for sale within twelve months of the balance sheet date.

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	2001	2000
Trade receivables (net of impairment provision of RR 93,520 and RR 83,021 as of 31 December 2001 and 2000, respectively)	141,020	201,821
Prepayments and advances paid (net of impairment provision of RR 9,972 and RR 6,421 as of 31 December 2001 and 2000, respectively)	41,152	32,060
Other receivables (net of impairment provision of RR 27,144 and RR 17,993 as of 31 December 2001 and 2000, respectively)	<u>52,025</u>	<u>58,552</u>
	<u>234,197</u>	<u>292,433</u>

The fair value of accounts receivable and prepayments is RR 242,993 as of 31 December 2001.

Management has considered the likelihood of collection of receivables beyond 2002 when determining the amount of the impairment provision on receivables.

RR 71,096 and RR 94,446 of trade receivables are denominated in hard currency, mainly US dollars, as of 31 December 2001 and 2000, respectively.

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8 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Other receivables include RR 35,429 and RR 26,614 relating to the operations of AB Gazprombank (ZAO) and National Reserve Bank (see Note 26) as of 31 December 2001 and 2000, respectively. These balances mainly represent deposits with other banks and loans issued to customers at commercial rates, depending on credit risks and maturities. As of 31 December 2001, the average year-end interest rate on banking deposits and loans ranged from 12.6% to 16.6% on balances denominated in Russian Roubles and from 2.3% to 10.7% on balances denominated in foreign currency. As of 31 December 2000, the average year-end interest rate on banking deposits and loans ranged from 4.7% to 23.6% on balances denominated in Russian Roubles and from 4.9% to 11.5% on balances denominated in foreign currency.

As of 31 December 2001 and 2000, AB Gazprombank (ZAO) had pledged deposits with banks and other financial institutions of RR 7,444 and RR 10,067, respectively. There are pledged as collateral for borrowings received by ОАО Газпром and credit exposures of Altanos Ertekgalimi Bank Rt (“AEB”).

The fair value of banking deposits and loans approximate the carrying values, as the majority are short-term in nature and at commercial rates.

9 INVENTORIES

	31 December	
	2001	2000
Materials and supplies	32,045	34,972
Gas (in pipelines and storage)	32,845	29,699
Refined products	3,340	497
Goods for resale	<u>6,008</u>	<u>5,167</u>
	<u>74,238</u>	<u>70,335</u>

Inventories are presented net of a provision for obsolescence of RR 14,060 and RR 14,339 as of 31 December 2001 and 31 December 2000, respectively.

10 PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells and production equipment	Machinery and equipment	Buildings and roads	Total operating assets	Social assets	Assets under construction	Total
As of 31.12.99								
Cost	1,018,845	324,625	396,766	496,160	2,236,396	115,863	268,288	2,620,547
Accumulated depreciation	<u>(448,776)</u>	<u>(157,629)</u>	<u>(244,767)</u>	<u>(232,382)</u>	<u>(1,083,554)</u>	<u>(21,972)</u>	-	<u>(1,105,526)</u>
Net book value at 31.12.99	570,069	166,996	151,999	263,778	1,152,842	93,891	268,288	1,515,021
Depreciation	(30,032)	(9,787)	(23,771)	(17,603)	(81,193)	(3,295)	-	(84,488)
Additions	217	194	5,425	2,147	7,983	21	133,576	141,580
Transfers	16,818	13,240	41,416	39,845	111,319	12,385	(123,704)	-
Disposals	(3)	(885)	(2,542)	(3,369)	(6,799)	(9,671)	(3,505)	(19,975)
Impairment charge							<u>(29,697)</u>	<u>(29,697)</u>
Net book value at 31.12.00	<u>557,069</u>	<u>169,758</u>	<u>172,527</u>	<u>284,798</u>	<u>1,184,152</u>	<u>93,331</u>	<u>244,958</u>	<u>1,522,441</u>

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Pipelines	Wells and production equipment	Machinery and equipment	Buildings and roads	Total operating assets	Social assets	Assets under construction	Total
As of 31.12.00								
Cost	1,035,924	336,868	439,690	533,914	2,346,396	116,734	244,958	2,708,088
Accumulated depreciation	(478,855)	(167,110)	(267,163)	(249,116)	(1,162,244)	(23,403)	-	(1,185,647)
Net book value at 31.12.00	557,069	169,758	172,527	284,798	1,184,152	93,331	244,958	1,522,441
Depreciation	(31,171)	(10,565)	(24,617)	(19,477)	(85,830)	(3,271)	-	(89,101)
Additions	12,558	10	162	138	12,868	268	135,345	148,481
Acquisition of subsidiary	-	-	340	334	674	-	289	963
Transfers	60,220	34,396	45,634	72,809	213,059	1,073	(214,132)	-
Disposals	(45)	(295)	(4,450)	(8,456)	(13,246)	(6,404)	(8,662)	(28,312)
Impairment charge							(5,649)	(5,649)
Net book value at 31.12.01	598,631	193,304	189,596	330,146	1,311,677	84,997	152,149	1,548,823
As of 31.12.01								
Cost	1,108,646	370,360	480,099	597,717	2,556,822	111,282	152,149	2,820,253
Accumulated depreciation	(510,015)	(177,056)	(290,503)	(267,571)	(1,245,145)	(26,285)	-	(1,271,430)
Net book value at 31.12.01	598,631	193,304	189,596	330,146	1,311,677	84,997	152,149	1,548,823

Assets under construction are presented net of a provision for impairment of RR 88,997 and RR 83,348 as of 31 December 2001 and 2000, respectively.

For the year ended 31 December 2001, disposals include RR13,615 related to the disposal of OAO Lebedinsky GOK (see Note 26).

Included in additions above is capitalized interest of RR 16,380 and RR 18,699 for the years ended 31 December 2001 and 2000, respectively. Capitalization rates of 7.3% and 8.2% were used representing the weighted average actual borrowing cost of the relevant loans for the years ended 31 December 2001 and 2000, respectively.

Included in the property, plant and equipment above are fully depreciated assets which are still in service of RR 512,019 and RR 275,788 as of 31 December 2001 and 2000, respectively. Also included in additions above are non-cash additions of RR 42,680 and RR 56,564 for the years ended 31 December 2001 and 2000, respectively.

Depreciation disclosed above includes RR 571 and RR 905 for the years ended 31 December 2001 and 2000, respectively, which is considered a cost of self-constructed assets and thus capitalized rather than expensed in the consolidated statement of operations. Similarly, RR 12,814 and RR 11,035 of depreciation for the years ended 31 December 2001 and 2000, respectively, is capitalized as a component of gas inventories and expensed in the consolidated statement of operations when the gas is sold.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation of RR 38,644 and RR 43,300 as of 31 December 2001 and 2000, respectively. The Group intends to continue the transfers of social assets to governmental authority as stipulated in original privatisation arrangements.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS**

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's gas fields are operated under licenses granted by federal and local authorities. These licenses to develop and extract hydrocarbons expire between 2013 and 2019, however they may be extended. Management intends to extend the existing licenses on properties expected to produce hydrocarbons subsequent to their current expiration dates.

11 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Notes		31 December	
		2001	2000
27	EuRoPol GAZ S.A.	38,009	42,654
27	WINGAS GmbH	16,986	20,452
27	Armrosgazprom	3,369	-
28	Blue Stream Pipeline Company (BSPC)	2,101	-
	Other (net of provision for impairment of RR 7,406 and RR 7,143 as of 31 December 2001 and 2000, respectively)	<u>17,788</u>	<u>11,865</u>
		<u>78,253</u>	<u>74,971</u>

Principal associated undertakings

<u>Associated undertaking</u>	<u>Country</u>	<u>Nature of operations</u>	% of share capital held	
			<u>2001</u>	<u>2000</u>
Agrochemical Azot	Russia	Sale of agricultural chemicals	46	-
AEB	Hungary	Banking	26	26
Armrosgazprom	Armenia	Gas distribution and transportation	45	-
BSPC	Netherlands	Construction and gas transportation	50	50
EuRoPol GAZ S.A.	Poland	Gas distribution and transportation	48	48
Gas und Warenhandelsgesellschaft GmbH	Austria	Gas distribution	50	50
Gasym Oy	Finland	Gas distribution and transportation	25	25
Moldovagaz	Moldova	Gas distribution and transportation	50	50
Latvias Gaze	Latvia	Gas distribution and transportation	25	25
Overgaz Inc.	Bulgaria	Gas distribution	50	50
Panrusgaz	Hungary	Gas distribution	31	31
Prometheus Gas	Greece	Construction	50	50
Sibur-Tyumen	Russia	Refining investments	42	-
Slovrusgaz	Slovakia	Gas distribution	50	50
Stella Vitae	Lithuania	Gas distribution and transportation	30	30
Turusgaz	Turkey	Gas distribution	45	45
WINGAS GmbH	Germany	Gas distribution and transportation	35	35

Dividends received from associated undertakings were RR 716 and RR 772 for the years ended 31 December 2001 and 2000, respectively.

OAO GAZPROM**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****12 OTHER LONG-TERM INVESTMENTS**

	31 December	
	2001	2000
South Pars project (net of provision for impairment of RR 1,770 and nil as of 31 December 2001 and 2000, respectively)	16,996	13,833
Other joint ventures (net of provision for impairment of RR 14,889 and RR 15,408 as of 31 December 2001 and 2000, respectively)	1,814	2,269
Available-for-sale investments (net of provision for impairment of RR 12,136 and RR 6,712 as of 31 December 2001 and 2000, respectively)	<u>13,697</u>	<u>15,460</u>
	<u>32,507</u>	<u>31,562</u>

South Pars is a joint venture with Total South Pars and Parsi International Ltd. established in 1997 to provide services to National Iranian Oil Company in relation to development of South Pars oil and gas field in Iran. Under the terms of agreement OAO Gazprom has a 30% interest in the joint venture. Management have assessed the recoverable amount of the Group's investment in the South Pars joint venture based on the present value of expected future cash flows and applying a discount rate of 16%. As a result, a RR 1,770 impairment has been recognised and recorded within operating expenses in the consolidated statements of operations for the year ended 31 December 2001. The impairment is primarily due to revised timing of cash inflows and outflows associated with the joint venture.

Available for sale investments include the Group's 14.3% interest in ZAO Media-Most. The interest in ZAO Media-Most was acquired in 1999 via the settlement of ZAO Media-Most's debt to the Group. ZAO Media-Most is a holding company owning interests in a number of mass media companies (see Note 28).

13 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December	
	2001	2000
Trade payables	40,099	33,676
Accounts payable in respect of acquisition of property, plant and equipment	30,306	27,141
Advances received	1,930	2,063
Accruals and deferred income	2,400	1,300
Other payables	<u>28,426</u>	<u>37,070</u>
	<u>103,161</u>	<u>101,250</u>

Other payables includes RR 11,800 and RR 16,441 related to the operations of the Group's banking subsidiaries as of 31 December 2001 and 2000, respectively. These balances mainly represent amounts due to the banks' customers with terms at commercial rates, varying by maturity of deposit, ranging from 2.4% to 8.5% per annum as of 31 December 2001 and from 3.6% to 11.6% per annum as of 31 December 2000.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****14 TAXES PAYABLE**

	31 December	
	2001	2000
Excise tax (including deferred amounts of RR 20,875 and RR 24,141 as of 31 December 2001 and 2000, respectively)	34,123	40,388
Tax penalties and interest	20,034	39,857
Net VAT	979	25,724
Road users tax (including deferred amounts of RR 2,261 and RR 2,943 as of 31 December 2001 and 2000, respectively)	5,572	12,628
Profit tax	463	9,813
Royalty and mineral restoration taxes (including deferred amounts of RR 2,043 and RR 2,025 as of 31 December 2001 and 2000, respectively)	6,220	9,458
State pension fund and other social taxes	549	2,742
Other taxes	<u>6,181</u>	<u>5,938</u>
	74,121	146,548
Less: long term portion of restructured tax liabilities	<u>(19,073)</u>	<u>(10,519)</u>
	<u>55,048</u>	<u>136,029</u>

The deferred amounts included in the taxes above are payable upon settlement of the related trade receivable balances. Substantially all accrued taxes above, excluding the deferred amounts and restructured tax liabilities (see below) incur interest at a rate of 1/300 of the refinancing rate of the Central Bank of the Russian Federation per day (the refinancing rate was last set at 25.0% per annum on 4 November 2000). Interest does not accrue on tax penalties and interest.

As of 31 December 2000, net VAT comprised current, deferred and restructured VAT liabilities of RR 18,360, RR 4,051 and RR 3,313, respectively. As of 31 December 2001, net VAT represents only restructured VAT payable as the Group had net VAT prepayments for current and deferred VAT amounting to RR 12,772; these receivables are included within other current assets.

As of 31 December 2000, profit tax payable included current, differed and restructured liabilities of RR 8,985, RR nil and RR 828, respectively. As of 31 December 2001, profit tax payable represents only restructured profit tax as the Group had a net prepayment for current profit tax amounting to RR 7,278; these receivables are included within other current assets.

In 2001 excise tax rate for gas sales to CIS countries was reduced from 30% to 15%, effective from 1 January 2001. Meanwhile, certain excise tax exemptions were abolished effective 1 October 2001 (see Note 28).

During 2001 the Group continued to negotiate the restructuring of its tax liabilities in accordance with current tax regulations. The Group's current restructuring agreements presume payments of outstanding restructured taxes over a period of ten years through 2011, in accordance with agreed payment schedules. Interest expense on restructured tax liabilities is accrued quarterly based on outstanding restructured tax liabilities, applying the refinancing rate of the Central Bank of the Russian Federation.

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14 TAXES PAYABLE (continued)

The long-term portion of the restructured tax and penalties liabilities has the following maturity profile:

	31 December	
	2001	2000
Due for repayment:		
Between one and two years	3,994	2,703
Between two and five years	6,061	8,092
After five years	<u>39,756</u>	<u>17,654</u>
	49,811	28,449
Less: unamortized discount on restructured taxes	<u>(30,738)</u>	<u>(17,930)</u>
	<u>19,073</u>	<u>10,519</u>

The gain recorded upon restructured taxes is disclosed in the statements of operations as a part of net finance costs in the amount discounting of RR 18,699 and RR 20,011 for the years ended 31 December 2001 and 2000, respectively. The amortization of the discount on restructured taxes is recorded within other interest expense and amounted to RR 3,052 and RR 2,081 for the years ended 31 December 2001 and 2000, respectively.

15 SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December	
	2001	2000
Short-term borrowings:		
RR denominated borrowings	67,947	74,806
Foreign currency denominated borrowings	<u>20,723</u>	<u>2,652</u>
	88,670	77,458
Current portion of long-term borrowings (see Note 16)	<u>79,059</u>	<u>55,496</u>
	<u>167,729</u>	<u>132,954</u>

Short-term RR denominated borrowings had average interest rates ranging from 5.0% to 25.0% and 17.0% to 37.0% for the years ended 31 December 2001 and 2000, respectively. Short-term foreign currency denominated borrowings had average interest rates ranging from 6.5% to 15.0% and from 7.0% to 18.0% for the years ended 31 December 2001 and 2000, respectively.

The Group's short-term promissory notes payable had average interest rates ranging from 18.0% to 24.7% and 18.0% to 53.0% for the years ended 31 December 2001 and 2000, respectively.

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16 LONG-TERM BORROWINGS

	Currency	Due	31 December	
			2001	2000
Long-term borrowings payable to:				
A French banking consortium	US dollar	2001-2005	69,744	94,897
A German banking consortium	US dollar	2001-2005	51,698	71,762
An Italian banking consortium	US dollar	2001-2007	28,618	38,323
Vneshtorgbank	US dollar	2001-2004	20,227	-
A German banking consortium	Euro	2001-2008	17,057	21,284
An International banking consortium	Euro	2001-2007	11,309	15,064
Sberbank of RF	Roubles	2001-2003	10,147	-
A German banking consortium	Euro	2001-2007	9,506	11,730
A Cyprus banking consortium	US dollar	2001-2006	6,615	9,050
HVB Luxembourg	Euro	2001-2006	6,317	-
Moskovsky Narodny Bank Limited	US dollar	2001-2006	6,053	-
Fuji Bank	US dollar	2003-2010	5,544	-
Eurobonds issued by AB Gazprombank (ZAO)	Euro	2001-2003	5,298	-
A German banking consortium	Euro	2001-2003	4,103	8,050
Hungarian banking consortium	US dollar	2001-2005	3,948	-
Other long-term borrowings		Various	<u>29,106</u>	<u>28,757</u>
Total long-term borrowings			285,290	298,917
Less: current portion of long-term borrowings			<u>(79,059)</u>	<u>(55,496)</u>
			206,231	243,421

	31 December	
	2001	2000
Due for repayment:		
Between one and two years	79,059	57,786
Between two and five years	111,415	153,274
After five years	<u>15,757</u>	<u>32,361</u>
	206,231	243,421

Long-term borrowings include fixed rate loans with a carrying value of RR 59,144 and RR 38,323 and fair value of RR 50,355 and RR 33,687 as of 31 December 2001 and 2000, respectively. All other long-term borrowings have variable interest rates linked to LIBOR, and the carrying amounts approximate fair value.

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

	31 December	
	2001	2000
Fixed rate long-term borrowings	8.86%	7.64%
Variable rate long-term borrowings	6.33%	7.38%

Substantially all long-term borrowings received from international banking consortiums are secured by contractual obligations to sell gas in Europe.

The Group has no subordinated debt and no debt that may be converted into an equity interest in the Group.

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16 LONG-TERM BORROWINGS (continued)

Other long-term borrowings include RR 2,786 and RR 3,182 as of 31 December 2001 and 31 December 2000, respectively, of coupon non-documentary bearer bonds issued by OAO Gazprom in 1999. The issue

amounted to 3.0 million bonds, each with a nominal value of 1,000 roubles each and a due date of 15 April 2003.

During the years 2000 and 2001, the Group repurchased 577 thousand bonds. The total liability recorded in respect of the bonds excludes the unamortized discount related to future periods.

The Group's long-term promissory notes payable had average interest rates ranging from 22.0% to 26.5% and 21.5% to 51.0% for the years ended 31 December 2001 and 2000, respectively.

Included within the current portion of long-term borrowings as of 31 December 2001 is an interest free loan provided by RAO UES with a fair value of RR 8,754 and nominal value of RR 10,140. The loan was received on 27 December 2001. The purpose of the loan is to finance settlements of current tax liabilities of the Group's subsidiaries. The loan is to be settled by the delivery of gas from January 2002 to December 2002.

17 PROFIT TAX

The Group accrues current profit tax at the rate of 35% and 43% on profits from non-banking and banking activities, correspondingly, computed in accordance with the Russian tax legislation. The tax rates applied were enacted on 1 January 2001.

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

	Year ended 31 December	
	2001	2000
Profit before profit tax and minority interest	201,294	183,195
Theoretical tax charge at a statutory rate thereon	(70,453)	(54,958)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-temporary element of net monetary gains	(80,379)	(54,058)
Non-deductible expenses	(33,220)	(47,154)
Statutory tax concessions	11,919	23,465
Other non-temporary differences	(9,004)	(6,340)
Inflation effect on deferred profit tax balance at beginning of year	6,458	6,251
Effect of increase in taxable base due to statutory revaluation	-	274,756
Effect of change in tax rate	<u>(10,512)</u>	<u>16,643</u>
Profit tax (expense) benefit	<u>(185,191)</u>	<u>158,605</u>

The non-temporary impact of monetary gains reflects the effect of inflation on the theoretical tax charge with respect to non-monetary items of a non-temporary nature (primarily social assets and equity).

Profit tax expense in the consolidated statement of operations is stated net of RR 825 and RR 974 of tax attributable to gains arising on treasury share transactions for the year ended 31 December 2001 and 2000, respectively (see Note 4).

In August 2001 the Profit tax chapter of the Tax Code was enacted, which introduced a new profit tax rate of 24%. This rate will become effective starting from 1 January 2002.

Differences between the recognition criteria in Russian statutory taxation regulations and IAS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24%, as appropriate.

OAO GAZPROM

NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

17 PROFIT TAX (continued)

	31 December 2001	Effect of changes in tax rules	Differences recognition and reversals	31 December 2000
Tax effects of taxable temporary differences:				
Accounts receivable	(17,136)	7,854	6,224	(31,214)
Investments	(818)	375	(253)	(940)
Tax effects of deductible temporary differences:				
Property, plant and equipment	29,163	(13,366)	(106,084)	148,613
Inventories	2,587	(1,185)	7,920	(4,148)
Impairment provision for accounts receivable	-	(4,190)	-	4,190
Total net deferred tax asset (liability)	13,796	(10,512)	(92,193)	116,501

Deferred tax assets and liabilities arise mainly from differences in the taxable and financial reporting bases of property, plant and equipment. These differences are due to the fact that a significant proportion of the tax base is based upon independent appraisals while the financial reporting base is historical cost restated for changes in the general purchasing power of the RR (see Note 3).

The deferred tax expense of RR 106,084 for the year ended 31 December 2001 mostly arose due to the impact of inflation eroding the tax-deductible value of the Group's property, plant and equipment.

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 47,493 and RR 43,577 as of 31 December 2001 and 31 December 2000, respectively. A deferred tax liability on these temporary differences was not recognized because management controls the timing of the reversal of the temporary differences and believes that they will not reverse in the foreseeable future.

18 FINANCIAL INSTRUMENTS

The Group adopted IAS 39 at 1 January 2001. The impact on shareholders' equity at 1 January 2001 was a net gain of RR 545 in retained earnings for the re-measurement of available-for-sale securities, stated at fair value as of 1 January 2001. In accordance with IAS 39, the comparative financial statements for the year ended 31 December 2000 are not restated.

Available-for-sale investments: amounts reported in the statement of operations

	31 December 2001
Unrealized fair value losses, net	(1,052)
Realized net gains on sale	189
Total loss on available-for-sale investments	(863)

Foreign exchange off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. As of 31 December 2001 the Group's banking subsidiaries had outstanding contracts to purchase and sell precious metals at the market price at the date of maturity. The Group expects to settle these contracts in the normal course of business.

The nominal amounts for off-balance sheet financial instruments are not reflected in the consolidated balance sheet.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****18 FINANCIAL INSTRUMENTS (continued)**

The following table provides an analysis of the principal or agreed amounts of contracts outstanding at the year-end. The table includes both the contracts for which the date of maturity has past due and no settlements had been completed as of 31 December 2001, and the contracts with maturity dates subsequent to 31 December 2001. The amounts included in the table are presented on a net basis after gross positions were grouped and netted off by counterparty, where appropriate.

	Principal or agreed amount	
	Domestic	Foreign
Deliverable forward currency	2,954	574
Deliverable forward precious metal contracts	2,049	-
Written foreign currency option contracts	<u>-</u>	<u>10,135</u>
Total	<u>5,003</u>	<u>10,709</u>

At 31 December 2001 the Group had outstanding forward foreign exchange contracts with Russian and foreign banks whereby it had agreed to buy or sell Russian Roubles in exchange for another currency at an exchange rate agreed to at the date of the contract. Some of these contracts were entered into prior to 17 August 1998 and matured during 1998, but have not yet been settled. The Group has been able to settle outstanding contracts with a few counterparties and any resultant gains or losses have been recorded in the consolidated statement of operations.

The Civil Code of the Russian Federation stipulates a three-year period for commencing action to enforce contracts. This period expired during 2001. On the basis of legal advice regarding the enforceability of these contracts under Russian law, market practices and the activities of other participants in the derivatives market in Russia, as well as a significant passage of time, Management is of the opinion that these contracts with domestic banks are no longer legally enforceable, and that therefore no losses will arise for the Group as a result of these contracts.

Management has therefore not recorded any liabilities in respect of these contracts with domestic banks in the consolidated financial statements of the Group for the year ended 31 December 2001. Previously recorded liabilities under these contracts, amounting to RR 8,113, have been released and recorded as derivative gains within operating expenses for the year ended 31 December 2001.

19 PROVISIONS FOR LIABILITIES AND CHARGES

Notes	31 December	
	2001	2000
Provision for pension obligations	12,093	9,307
28 Provision for guarantees	-	10,352
28 Provision for environmental liabilities	1,196	5,311
Other	<u>4,125</u>	<u>15,011</u>
	17,414	39,981
Less: current portion of provisions for liabilities and charges	<u>-</u>	<u>(10,352)</u>
	<u>17,414</u>	<u>29,629</u>

Total expenses associated with pension obligations are included within operating expenses in the consolidated statement of operations and amount to RR 3,062 and RR 1,444 for years ended 31 December 2001 and 2000, respectively.

ОАО ГАЗПРОМ
NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

19 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Movements in the provision for pension obligations recognized in the balance sheet are as follows:

	<u>Year 2001</u>
As of 1 January 2001	9,307
Current service costs	1,443
Interest costs	1,619
Pensions paid	<u>(276)</u>
As of 31 December 2001	<u>12,093</u>

Principal actuarial assumptions used (expressed as weighted average):

	<u>31 December</u>	
	<u>2001</u>	<u>2000</u>
Real discount rate	8%	8%
Future salary increases	2%	0%

20 SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR 282,483 as of 31 December 2001 and 31 December 2000 and consists of 23.7 billion ordinary shares, each with a historical par value of RR 5.

Dividends

In 2000, the Group accrued and paid total dividends in the amount of RR 0.17 (including interim dividends in the amount of RR 0.07 per share as well as final dividends in respect of 1999, in the amount of RR 0.10 per share). In 2001, the Group accrued and paid final dividends for the year ended 31 December 2000 in the amount of RR 0.23 per share.

In 2002 the Board of Directors recommended payment of a final dividend for the year ended 31 December 2001 in the amount of RR 0.44 per share. Because this decision of the Group management was reached after the balance sheet date, the final dividend proposed in respect of 2001 has not been recognised in the consolidated balance sheet. The final dividend of RR 10,416 (including income tax on dividends in the amount of RR 625) will be paid prior to 31 December 2002.

Treasury shares

As of 31 December 2001, subsidiaries of OAO Gazprom held 2,672 million of the ordinary shares of OAO Gazprom (as of 31 December 2000 - 2,684 million). The Group controls the voting rights of these shares.

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement to the equivalent purchasing power of the Rouble as of 31 December 2001, and cumulative translation differences of RR 1,331 and RR (745) arising on the retranslating of the net assets of foreign subsidiaries and associated undertakings as of 31 December 2001 and 2000, respectively.

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****20 SHAREHOLDERS' EQUITY (continued)**

Other reserves include a statutory fund for social assets, created at the time of privatisation in accordance with Russian legislation. The Group is negotiating to return certain of these assets to governmental authorities, though this process is expected to be protracted. Social assets with a net book value of RR 4,656 and RR 6,440 have been transferred to governmental authorities during the years ended 31 December 2001 and 2000, respectively. These transactions have been recorded as a charge to other reserves.

The statutory accounting reports of the parent company, OAO Gazprom, are the basis for profit distribution and other appropriations. The basis of distribution is defined by legislation as the current year net profit, as calculated in accordance with RAR. For 2001, the statutory profit for the parent company was RR 71,928. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

21 SALES

	Year ended 31 December	
	2001	2000
Gas sales (including excise tax, net of VAT) to customers in:		
Russian Federation	115,694	102,477
Former Soviet Union (excluding Russian Federation)	48,837	69,503
Europe	<u>452,265</u>	<u>473,298</u>
Gross sales of gas	616,796	645,278
Excise tax	<u>(107,031)</u>	<u>(105,894)</u>
Net sales of gas	509,765	539,384
Sales of gas condensate and oil and gas products (net of sales taxes)	64,838	35,177
Gas transportation sales	15,832	31,757
Other revenues	<u>28,890</u>	<u>35,202</u>
	<u>619,325</u>	<u>641,520</u>

Commencing in 1999 the Group has been participating in the creation of regional companies involved in the distribution of gas in Russia. The interest of the Group in the majority of such companies as of 31 December 2001 and 2000 amounted to less than 20% of their respective share capital (see Note 29).

Gas sales (net of VAT and excise tax) to customers in Russia include sales made to the regional companies of 222 billion cubic meters (bcm) and 141 bcm, or RR 81,752 and RR 49,137 for 2001 and 2000, respectively. Sales are made to the regional companies at prices approximately 4% below regulated prices set for sales to final customers in Russia.

Transportation charges are provided at rates established by the Federal Energy Commission.

Gas transportation sales (net of VAT) are primarily comprised of sales to companies of the Itera Group totalling RR 13,843 (64 bcm) and RR 25,841 (71 bcm) for the years ended 31 December 2001 and 2000, respectively. Trade receivables in respect of gas transportation services supplied to the Itera Group amounted to RR 10,419 and RR 12,854 as of 31 December 2001 and 2000, respectively. The Itera Group is a producer and distributor of gas in the Russian Federation and the former Soviet Union.

OAO GAZPROM**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****22 OPERATING EXPENSES**

	Year ended 31 December	
	2001	2000
Depreciation	86,751	83,555
Transit costs	82,614	92,753
Staff costs	51,647	51,632
Materials	48,638	38,969
Taxes other than on income	40,210	48,796
Impairment provision for accounts receivable and debts written off	30,464	31,374
Repairs and maintenance	17,766	15,245
Purchased refined products	14,945	-
Processing services	10,941	-
Electricity	9,929	9,618
Purchased gas	6,485	10,543
Provision for impairment of assets under construction	5,649	29,697
Losses on disposal of property, plant and equipment	5,081	12,360
Research and development	3,787	5,068
Cost of goods for resale	2,753	1,543
Provision for impairment and write-off of investments and other long-term assets	2,673	26,561
Provisions for guarantees and other charges	-	1,151
Provision for inventory obsolescence	-	7,146
Derivative gains	(8,113)	(3,365)
Other	<u>23,345</u>	<u>20,612</u>
	<u>435,565</u>	<u>483,258</u>

During the year ended 31 December 2000, the Group purchased 9.0 bcm of Turkmenian gas from Itera LLC for RR 15,197. No gas was purchased from Itera LLC in 2001. Additionally, in 2001 various Group subsidiaries purchased 1.4 bcm of gas from other Itera Group companies for RR 740.

Purchases and processing of refined products mainly relate to the acquisition of OAO AK Sibur in January 2001 (see Note 26).

Due to changes in the tax legislation of the Russian Federation, effective 1 January 2001, accounts receivable written off are subject to VAT. For the year ended 31 December 2001, this resulted in a charge of RR 10,303 related to VAT on accounts receivable balances written off during the period. The charge is included within the impairment provision for accounts receivable and debts written off.

Taxes other than on income consist of:

	Year ended 31 December	
	2001	2000
Royalty	10,974	8,972
Road users tax and housing fund	8,621	25,148
Property tax	8,307	5,136
Mineral restoration tax	7,896	4,507
Other taxes	<u>4,412</u>	<u>5,006</u>
	<u>40,210</u>	<u>48,796</u>

Taxes other than on income included in operating expenses are computed as follows:

- Road users tax – is charged on sales of Group entities; changes in legislation effective 1 January 2001 reduced the road users tax from 2.5% to 1.0% and abolished the housing fund tax.
- Royalty is imposed at rates ranging from 6% to 16% of the sales value of gas and hydrocarbons produced. The actual rates of the tax are dictated in field licenses and are based on various factors;

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****22 OPERATING EXPENSES (continued)**

- Property tax is imposed at a maximum rate of 2% on the average annual net book value of fixed assets, intangible assets, inventory and (effective from 1 January 2001) on assets under construction which were not completed within contacted terms. Legislation provides for the exclusion of trunk pipelines from the taxable base; and
- Mineral restoration tax is imposed at the rate of 10.0% of the sales value of gas and hydrocarbons sold by the production subsidiaries. Under current legislation, up to 100.0% of mineral restoration tax assessments may be offset by a sum equal to the value of certain exploration works performed and paid for by the Group. In 2001 and 2000, the Group recovered 32.4% and 39.9% of mineral restoration tax assessments, respectively.

All taxes and rates discussed above are calculated based on amounts recorded in accordance with Russian statutory accounting regulations.

23 RECONCILIATION OF RAR PROFIT TO IAS NET PROFIT

	Year ended 31 December	
	2001	2000
RAR profit per statutory accounts	100,387	72,064
Effects of IAS adjustments:		
Derecognition of income related to penalties and fines	(21,359)	-
Net effect on decrease (increase) of depreciation	5,427	(38,652)
Net effect of additional tax other than on income	(2,763)	(2,250)
Impairment provision for accounts receivable and debts written off	(8,998)	69,832
Other impairment provisions	(25,024)	(71,537)
Derivative gains	8,113	3,365
Gain on restructured taxes	18,699	20,011
Net effect on indexation of revenues and costs	22,107	25,816
Monetary gain	29,113	52,406
Deferred tax	(102,705)	240,854
Elimination of gain from sale of treasury shares	(3,763)	(2,272)
Expenses charged directly to equity under RAR	(2,924)	(13,050)
Other	<u>(4,845)</u>	<u>(16,588)</u>
IAS net profit	<u>11,465</u>	<u>339,999</u>

24 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares (see Note 20).

There were 21.0 billion weighted average shares outstanding for the year ended 31 December 2001 and 21.0 billion weighted average shares outstanding for the year ended 31 December 2000.

ОАО GAZPROM

NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

25 NET CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended 31 December	
	2001	2000
Profit before profit tax and minority interest	201,294	183,195
Adjustments to net profit before profit tax		
Depreciation	86,751	83,555
Impairment provisions for investments, other long-term assets, property, plant and equipment and inventories	8,286	61,496
Net unrealised foreign exchange losses	8,146	7,058
Impairment provision for accounts receivable	30,464	31,374
Interest expense	33,692	32,324
Gain on restructured taxes	(18,699)	(20,011)
Loss on disposal of property, plant and equipment	5,081	12,360
Monetary effects on non-operating balances	(60,706)	(75,394)
Interest income	(12,321)	(13,560)
Decrease in provisions for liabilities and charges	(22,567)	(12,443)
Net increase in long-term assets	20,740	10,801
Mutual cancellations and barter settlements	(43,677)	(63,286)
(Gain) loss on fair value adjustment for trading and available-for-sale investments	<u>(1,324)</u>	<u>2,666</u>
Total effect of adjustments	33,866	56,940
Adjusted profit before changes in working capital	235,160	240,135
Changes in working capital		
Decrease (increase) in accounts receivable and prepayments	62,170	(38,694)
Increase in inventories	(7,915)	(14,087)
(Increase) decrease in other current assets	(22,967)	5,073
Increase in accounts payable and accrued charges, excluding interest, dividends and capital construction	8,124	18,273
Decrease in taxes payable (other than profit tax)	(53,381)	(25,469)
Decrease (increase) in available-for-sale and trading investments	<u>5,400</u>	<u>(2,591)</u>
Total effect of working capital changes	(8,569)	(57,495)
Profit tax paid	<u>(91,373)</u>	<u>(80,549)</u>
Net cash provided by operating activities	135,218	102,091
Total cash taxes paid:		
	Year ended 31 December	
	2001	2000
Excise	112,695	110,605
Profit tax	91,373	80,549
VAT	58,456	32,064
Custom duties	35,600	27,877
Other	18,686	5,284
Royalty and mineral restoration tax	18,468	4,743
Road users tax	12,360	15,190
Property tax	<u>7,346</u>	<u>4,368</u>
Total taxes paid	354,984	280,680

ОАО ГАЗПРОМ**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****26 SUBSIDIARY UNDERTAKINGS****Principal subsidiary undertakings, 100% owned**

Astrakhangazprom	Gazsviaz	Permtransgaz
Bashtransgaz	Zarubezhgaz Erdgashandel GmbH (ZGG)	Samaratransgaz
Burgaz	Informgaz	Severgazprom
VNIlgaz	IRTs Gazprom	Servicegazprom
Volgogradtransgaz	Kavkaztransgaz	Liquified gas
Volgotransgaz	Kaspygazprom	Surgutgazprom
Gazkomplektimpex	Kubangazprom	Tattransgaz
Gaznadzor	Leadville Investments Limited	Tomsktransgaz
Gazobezopasnost	Lentransgaz	TyumenNIIgiprogaz
Gazpromavia	Mezhregiongaz	Tyumentransgaz
Gazprominvestholding	Mostransgaz	Uraltransgaz
Gazprom-Media	Nadymgazprom	Urengoygazprom
Gazprom Finance B.V.	Nadymstroygazdobytcha	Yugtransgaz
Gaztorgpromstroy	Novourengoy GSC	Yamalgazinvest
Gazflot	Noyabrskgazdobytcha	Yamburggazdobytcha
Gazexport	Orenburggazprom	

All of these subsidiaries are incorporated in the Russian Federation, with the exception of Gazprom Finance B.V., ZGG and Leadville Investments Limited, which are incorporated in the Netherlands, Germany and Cyprus, respectively. Gazprom Finance B.V. was established in February 1999 for the purpose of obtaining financing for the Group outside Russia. ZGG acts as the holding company for the Group's interests in a number of gas distribution, storage and transportation companies operating in Central Europe. Leadville Investments Limited was established in 2000 to manage the Group's investments in Russian media companies. Other companies are mainly involved in production, transportation and sale of gas.

Principal subsidiary undertakings, less than 100% owned

	Percent of share capital held as of 31 December	
	2001	2000
ОАО Газавтоматика	49	51
ОАО Газэнергосервис	51	51
АВ Газпромбанк (ЗАО)	98	97
ОАО Газсибcontract	96	51
ЗАО Геросгаз	51	51
ЗАО Костроматрубinvest	99	99
ОАО Лебединский ГОК	-	57
ОАО АKB National Reserve Bank	40	40
ОАО АК Сибур	51	-
ЗАО АKB Sovfintrade	94	65
ОАО Спецгазавтотранс	51	51
ОАО Волгограднефтемаш	51	51
ОАО Востокгазprom	51	51
ОАО Зapsibgazprom	34	34

In 2001 the Group's interest in ОАО Газавтоматика decreased from 51% to 49% as the Group did not participate in an additional share issue by ОАО Газавтоматика.

In August 2001 the Group participated in the fourth stock issue of ЗАО АKB Sovfintrade and as a result, the Group's interest in the bank's share capital increased from 65% to 94%, including 26% held by АВ Газпромбанк (ЗАО).

OA0 GAZPROM**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****26 SUBSIDIARY UNDERTAKINGS (continued)**

As of 31 December 2001, the Group's interest in the equity capital of OAO AKB National Reserve Bank is 40%, in OAO Zapsibgazprom – 34% and OAO Gazavtomatika – 49%. However, due to the fact that the Group continued to exercise control over activities of the above companies, they were still considered as subsidiaries.

Acquisition of OAO AK SIBUR

In January 2001 the Group acquired 51% of the voting shares of OAO AK Sibur. OAO AK Sibur is a leading seller of petrochemical products in Russia, it is also involved in light hydrocarbons processing. The consideration of RR 2,619 was settled by a combination of cash, promissory notes of Group companies and other securities.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

Cash paid	750
Promissory notes of Group companies	1,185
Shares in other investments	<u>684</u>
Total purchase consideration	2,619
Fair value of identifiable net assets acquired	<u>(982)</u>
Goodwill	<u>1,637</u>

Other than for short-term investments, the fair value of the net assets approximated the book value of the net assets acquired.

The net cash flow arising from the acquisition is as follows:

Total purchase consideration	<u>2,619</u>
Less:	
Cash and cash equivalents acquired	(1,042)
Promissory notes of the Group companies	(1,185)
Shares in other investments	<u>(684)</u>
Net cash received on acquisition	<u>(292)</u>

OAO AK Sibur is one of the founders of OAO Gazsibcontract with a 45% interest in the charter capital. As a result of acquiring OAO AK Sibur the Group's effective share in the charter capital of OAO Gazsibcontract increased from 51% to 74%.

In December 2001 the Group subsidiary OAO AK Sibur purchased interests in the following companies:

Companies (subsidiaries and associated undertakings)	Purchased interest as of 31 December 2001 (%)
OAO Kemerovsky Azot	75
OAO Kautchuk	100
OAO Uralorgsintez	51
OAO Volzhsky AKZ	51
OAO Sibur-Tyumen	42
OAO Stinol	42

OAO GAZPROM**NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS****(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)****26 SUBSIDIARY UNDERTAKINGS (continued)**

Interests in the above companies, all of which are involved in the petrochemical industry in the Russian Federation, were purchased from OOO IT. Total fair value of consideration paid to OOO IT was RR 6,491, of which RR 3,691 was attributable to acquired subsidiaries. The Group management is currently unable to assess whether the transaction with OOO IT is a related party transaction or if OOO IT is a related company to former management of OAO AK Sibur.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

Promissory notes of OAO AK Sibur's related parties and contractors at fair value	<u>3,691</u>
Total purchase consideration	3,691
Less fair value of identifiable net assets acquired	<u>(1,252)</u>
Goodwill at acquisition	2,439
Less goodwill impaired	<u>(2,439)</u>
Unamortised goodwill as of 31 December 2001	-

Lebedinsky GOK

In January 2001 the Group exchanged a 57% interest in Lebedinsky GOK and a 17% interest in Oskolsky EMK for a 48% interest in ZAO Gazmetall. ZAO Gazmetall is a metallurgical holding company with controlling interests in Lebedinsky GOK and Oskolsky EMK. As the Group intends to sell its shares of ZAO Gazmetall, the investment has been classified as an available-for-sale investment. During the third quarter of 2001 management revalued the investment in ZAO Gazmetall to its estimated current market value of RR 2,000, recognising the net effect of revaluation in gains and losses on available-for-sale securities in the consolidated statement of operations (See Note 7). In March 2002 the Group made an agreement to sell its 48% interest in ZAO Gazmetall for USD70 million. In accordance with the agreement the buyer of the above shares is OAO Oskolsky Metallurgical Plant, a subsidiary of ZAO Gazmetall.

Minority interest

	Year ended	
	31 December	
	2001	2000
Minority interest at the beginning of the reporting period	10,355	8,819
Minority interest share of net profit of subsidiary undertakings	4,638	1,801
Change in minority interest as a result of acquisitions/(disposals)	<u>111</u>	<u>(265)</u>
Minority interest at the end of reporting period	<u>15,104</u>	<u>10,355</u>

27 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Government

The Government of the Russian Federation, the principal shareholder of the Group, owns approximately 38.37% of the issued shares of the Group. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ОАО ГАЗПРОМ

NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

27 RELATED PARTIES (continued)

As a condition of privatisation in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices.

Directors' remuneration

The Company paid to members of the Board of Directors and Management Committee remuneration (salary and bonuses) of approximately RR 73 and RR 67 for the years ended 31 December 2001 and 2000, respectively. The remuneration of members of the Board of Directors is subject to approval by the General shareholders meeting. Compensation paid to members of the Management Committee is determined by the terms of annual employment contracts.

Associated undertakings

Included within associated undertakings (see Note 11) is the loan receivable from EuRoPol GAZ S.A., in the amount of RR 27,030 and RR 27,855 as of 31 December 2001 and 2000, respectively, issued by AB Gazprombank (ZAO), a subsidiary of the Group, at an interest rate of LIBOR + 2.6 %. Also included within associated undertakings (see Note 11) are USD denominated receivables from EuRoPol GAZ S.A. as a component of the carrying amount of RR 10,854 and RR 14,405 as of 31 December 2001 and 2000, respectively.

Also included within associated undertakings (see Note 11) is a loan receivable from WINGAS GmbH, in the amount of RR 11,928 and RR 15,399 as of 31 December 2001 and 2000, respectively. The interest rates vary for different loan tranches. As of 31 December 2001 the aggregate effective interest rate for the loan receivable from WINGAS GmbH was LIBOR + 2.17%.

Included within accounts receivable (see Note 8) are accounts receivable from Group associates (excluding EuRoPol GAZ S.A.) in the amount of RR 29,016 and RR 13,140 as of 31 December 2001 and 2000, respectively.

During periods ended 31 December 2001 and 2000 the Group recorded sales of gas to its associates in the amount of RR 72,407 and RR 64,669, respectively.

Gas is sold to associates, except for that sold to AO Moldovagaz, on the basis of long-term contracts, at index prices based on world oil and gas prices. Gas prices per thousand cubic meters for such sales ranged from USD 75 to USD 144 and from USD 64 to USD 133 in the year ended 31 December 2001 and 2000, respectively. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices of gas per thousand cubic meters sold to Moldova amounted to USD80 in the year ended 31 December 2001 and 2000, respectively.

The Group's impairment provision on accounts receivable included RR 12,490 and RR 14,100 in respect of amounts due from AO Moldovagaz as of 31 December 2001 and 2000, respectively.

In addition, the Group purchased gas transportation services from certain of the associated undertakings, principally EuRoPol GAZ S.A., which amounted to RR 8,738 and RR 10,166 for the year ended 31 December 2001 and 2000, respectively. The cost of these services was determined based on prices of gas sold to these companies.

As of 31 December 2001, the Group had accounts payable as contribution to charter capital due to ZAO Armrosgazprom of USD 126 million (RR 3,798). The Group expects to pay its contribution into the charter capital of ZAO Armrosgazprom by July 2002, the date established under legislation of the Armenian Republic as the deadline for shareholders to settle their obligations.

ОАО ГАЗПРОМ
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27 RELATED PARTIES (continued)

ОАО АК Сибур

Set out below is condensed financial statement information for ОАО АК Сибур as of and for the year ended 31 December 2001, before Group intercompany eliminations and adjustments for minority interests:

	<u>As of 31 December 2001</u>
Non-current assets	6,670
Current assets	20,102
Non-current liabilities	(4,300)
Current liabilities	(40,017)
Net liabilities	(17,545)

	<u>Year ended 31 December 2001</u>
Sales	49 694
Operating expenses	(57 935)
Net loss	(20 590)

Operating expenses include:	<u>Year ended 31 December 2001</u>
Materials	16 514
Purchases and processing of refined products	14 945
External processing of refined products	10 941
Provision for impairment and write-off of other long-term assets	5 189
Impairment provision for accounts receivable and debts written off	5 147
Purchased gas	2 679
Other	2 520
	<u>57 935</u>

A substantial portion of ОАО АК Сибур's transactions were executed with related parties. ОАО АК Сибур's related party transactions included those with its associated undertakings and the following companies:

ZAO Gazoneftekhimicheskaya Companya	OAO Tobolskiy NKhK
Megler Group	OAO Tomsky NKhZ
OAO Omskshina	OAO Voronezhskiy sintezkauchuk
Petrochemical Holding AG	OAO Yaroslavskiy Shinniy Zavod
OAO Salavatnefteorgsintez	

In the first quarter of 2002 external supervision has been introduced in respect of ОАО АК Сибур under decision of the arbitration court. The arbitration court has cancelled the decision on placement of additional stock issue as a result of which ОАО Газпром could have lost control over ОАО АК Сибур. ОАО Газпром maintains control over ОАО АК Сибур.

ОАО Стройтрансгаз

In the normal course of business, the Group enters into transactions with ОАО Стройтрансгаз for the construction of pipelines in the Russian Federation on the basis of the results of tenders. During the years ended 31 December 2001 and 31 December 2000 certain representatives of the Group Board of Directors and members of their families owned significant shareholdings in ОАО Стройтрансгаз.

ОАО ГАЗПРОМ

NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

27 RELATED PARTIES (continued)

ОАО Стройтрансгаз rendered construction services for the Group in the amounts of RR 41,135 and RR 28,141 for the year ended 31 December 2001 and 2000, respectively. As of 31 December 2001 and 31 December 2000, the Group had advances and receivables due from ОАО Стройтрансгаз in the amounts of RR 7,390 and RR 2,015, respectively. As of 31 December 2001 and 31 December 2000, the Group had accounts payable to ОАО Стройтрансгаз in respect of construction of RR 16,166 and RR 10,826, respectively. Included within other long-term assets is a receivable due from ОАО Стройтрансгаз in connection with finance arrangements for construction for the Group undertaken by ОАО Стройтрансгаз in the amount of RR 3,518 and RR 6,944 as of 31 December 2001 and 31 December 2000.

AEB

In 2001 and 2000 the Group raised short-term loans from AEB, an associated undertaking of AB Gazprombank (ZAO), for the total amount of RR 2,939 (11.0% - 14.8% p.a.) and RR 2,923 (12.5% p.a.), respectively.

ООО Interprokom

During the years ended 31 December 2001 and 2000, respectively, certain members of the families of certain members of the Board of Directors of the Company owned significant interests in ООО Interprokom.

ООО Interprokom acts as an agent for the Group in the acquisition of equipment and is remunerated for those services based on a fixed commission percentage. ООО Interprokom acted as an agent in the Group's acquisition of RR 10,086 and RR 5,482 of equipment year ended 31 December 2001 and 2000, respectively. As of 31 December 2001 and 2000, the Group had advances and receivables due from ООО Interprokom in the amount of RR 565 and RR 2,910, respectively. Commission paid to ООО Interprokom amounted to RR 93 and RR 72 for year ended 31 December 2001 and 2000, respectively. As of 31 December 2001 and 2000, the Group had accounts payable to ООО Interprokom in respect of equipment supplies of RR 7,564 and RR 6,050, respectively.

AB Gazprombank (ZAO), the Group's principal banking subsidiary, had outstanding import letters of credit issued on behalf of ООО Interprokom and sub-contractors of ООО Interprokom in the amount of RR 8,470 and RR 9,630 as of 31 December 2001 and 2000 and, respectively. These import letters of credit are issued to third party suppliers in connection with the purchase of equipment by ООО Interprokom on behalf of the Group.

28 COMMITMENTS AND CONTINGENCIES

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. The nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings, are not predictable.

Legal proceedings

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

28 COMMITMENTS AND CONTINGENCIES (continued)

Taxation

Tax legislation in the Russian Federation is subject to varying interpretations and frequent changes. Further, the interpretation of tax legislation by tax authorities of as applied to the transactions and activity of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. Under Russian legislation, penalties are levied at 20% of the tax amount underpaid and interest is charged at a rate of 1/300 of the refinancing rate of the Central Bank of the Russian Federation per day (see Note 14). The Group's tax records remain open to review by the tax and customs authorities with respect to tax liabilities for three years.

In June 2002, the tax authorities completed an audit of the accrual and payment of natural gas excise tax by OAO Gazprom covering the period from 1 January 1999 to 30 June 2001. Following the completion of this excise tax audit, the tax authorities issued a tax act to OAO Gazprom. In accordance with estimations of the tax authorities included within the tax act, the amount of additional potential excise tax due is RR 19,037, exclusive of penalties and interest. The major part of this amount relates to the tax audit's interpretation of the method of determination of gas volumes exempt from excise tax under Russian tax law. OAO Gazprom management intends to dispute the total amount of the tax authorities' claim in court as it does not comply with the tax legislation. Accordingly no accrual has been recorded. Management does not believe that the financial effect of this contingency will be material to the Group.

Group changes

The Group is continuing to undergo significant restructuring and reform initiatives and the future direction and effects of such reforms are the subject of political considerations. Potential reforms in tariff setting policies, settlements of outstanding debts by governmental entities, and other government initiatives could each have a significant, but undeterminable, effect on enterprises operating in the Group.

Environmental matters

The Group periodically evaluates its obligations under environmental regulations. Potential liabilities which might arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation or regulation cannot be estimated, but could be material. In the current enforcement climate, under existing legislation, management believes that there are no significant liabilities for environmental damage, other than amounts that have been accrued in the consolidated financial statements.

Social commitments

The Group significantly contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees in the areas of its production, including contributions toward the construction, development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

Financial guarantees

The Group had outstanding issued guarantees to third parties in the amount of RR 69,739 and RR 59,351 (including guarantees denominated in USD of USD 2,502 million and USD 1,659 million) as of 31 December 2001 and 2000, respectively.

Management believes that the Group will be required to settle certain of the obligations under the guarantees issued. Provisions of RR nil and RR 10,352 were recorded within provisions for liabilities and charges as of 31 December 2001 and 2000, respectively, in respect of the outstanding issued guarantees.

ОАО ГАЗПРОМ
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28 COMMITMENTS AND CONTINGENCIES (continued)

Note	31 December	
	2001	2000
	Outstanding guarantees issued on behalf of :	
		BSPC
	19,015	-
		Interconnector (UK) Limited
	33,154	33,460
11		ZAO Media-Most
	-	8,749
		Itera Group companies
	3,897	5,617
		OAO AK Sibur
	-	5,397
		Other
	<u>13,673</u>	<u>6,128</u>
	69,739	59,351
19		Less: provisions for guarantees
	<u>(-)</u>	<u>(10,352)</u>
	69,739	48,999

In April 2000, credit facilities were provided to BSPC, an associated undertaking (see Note 11), by a group of Italian and Japanese banks for the amount of RR 61,877 (USD 2,053 million) for the construction of the offshore portion of the Blue Stream pipeline. In 2001, the Group was obligated to provide guarantees on behalf of BSPC in respect of RR 35,776 (USD 1,187) related to these credit facilities. As of 31 December 2001 BSPC had used RR 33,934 (USD 1,126 million) of the credit facilities of which RR 19,015 (USD 631 million) was guaranteed by the Group, pursuant to its obligation.

The Group provided guarantees on behalf of Interconnector (UK) Limited in connection with equipment and fixed assets leased for the construction of the Interconnector gas pipeline linking the United Kingdom to Continental Europe. The Group has a 10% interest in Interconnector (UK) Limited.

In July 2001 ZAO Media-Most defaulted on a payment obligation of RR 8,749 under a loan agreement. This balance was settled by the Group in accordance with a loan guarantee agreement. The terms of the guarantee agreement provided for collateral in respect of the guarantee in the form of a 19% interest in NTV and a 25% interest in a number of other ZAO Media-Most operating companies.

As of 31 December 2001 the Group held a 65 % interest in NTV and 50 % plus one share interest in a number of ZAO Media-Most operating companies. These interests are included in short-term available-for-sale investments as the Group does not view investments in these companies as long-term investments and intends to sell its interest in these companies.

Line "Other" includes mainly guarantees issued by subsidiaries under contracts for purchasing equipment, construction and installation works. As of 31 December 2001 this balance includes guarantees issued by OAO AK Sibur to third parties of RR 6,709.

Capital commitments

In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. The Board has approved a capital expenditure budget for 2002 of RR 140,800 including RR 55,666 in respect of capital expenditures related to the Yamal project (that includes, in particular, construction of the Yamal-Europe pipeline).

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2001 no loss is expected to result from these long-term commitments.

ОАО ГАЗПРОМ

NOTES TO THE IAS CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble as of 31 December 2001)

29 POST BALANCE SHEET EVENTS

Financial investments

In March 2002 a consortium of the German gas company Ruhrgas and French gas company Gaz de France acquired a 49% interest in Slovensky Plynarensky Priemysel (SPP) for USD 2,700 million. SPP is the State gas company in Slovakia involved in gas production and transportation. Under an agreement with the consortium, the Group has the ability to purchase an interest from the consortium before 31 March 2004.

In connection with changes in RF Federal law No.208-FZ of 26 December 1995 "On Joint Stock Companies", effective from 1 January 2002, the Group was not able to exercise its conversion rights on preference shares in OAO AKB National Reserve Bank. The Group has, therefore, lost the opportunity to obtain voting rights on these shares and no longer exercises control over the activities of the bank (see Note 26). In June 2002, the Board of Directors approved the sale of the Group's interest in OAO AKB National Reserve Bank.

In April 2002 the Federal Securities Commission cancelled the registration of additional stock issued by OAO Zapsibgazprom, a subsidiary of the Group. As a result, the Group increased its interest in the charter capital of OAO Zapsibgazprom to 51%. At present, at the Group's initiative, external supervision has been introduced in respect of OAO Zapsibgazprom under decision of the arbitration court.

In the second quarter of 2002 the Federal Securities Commission cancelled the registration of additional stock issued by OAO Severneftegazprom, which if not canceled would have reduced the Group's interest in the company's charter capital to 20%. As a result, the Group's interest in the charter capital of OAO Severneftegazprom is 49%.

In April 2002, the Group completed the repurchase of 32% of the shares in ZAO Purgas from Itera pursuant to the repurchase option provided by a share purchase agreement dated 10 February 1999. As a result Group's interest in ZAO Purgas rose from 19% to 51%. ZAO Purgas has a licence for the development of the Gubkinskoye gas field in western Siberia. In connection with the acquisition of these ZAO Purgas shares, the Group paid Itera RR 32 thousand and financed ZAO Purgas repaying RR 5,800 of financing provided by Itera to ZAO Purgas to finance development work.

In April 2002, the shareholders of EuRoPol GAZ s.a., an associated company of the Group, agreed to increase the charter capital of the company. The decision is aimed at providing additional financing for the further construction of the Polish section of the Yamal – Europe pipeline. The amount and timing of the additional contribution into charter capital is under consideration by the shareholders.

During the first quarter of 2002, the Group increased its interest in the majority of the regional companies, in which it held investments, from less than 20% to 51%. These companies are involved in the distribution of gas in Russia (see Note 21).

29 POST BALANCE SHEET EVENTS (continued)

Borrowings

During the first quarter of 2002 the Group signed an additional agreement of USD 50 million for a five-year period with a consortium led by Moskovsky Narodny Bank Ltd. (interest rate LIBOR +3.75%), a loan agreement of USD 300 million for a six year period with a consortium led by Bayerische Hupo und Ferajnsbank AG (interest rate LIBOR + 3.75 %), loan agreements of USD 150 million with Deutsche Bank AG (London) for a one year period (interest rate – 9.5 %) and of USD 50 million with the AEB bank for a one year period (interest rate – 8.5 %).

During the second quarter of 2002 the Group signed additional loan agreement of USD 200 millions for a two-year period with ABN AMRO Bank N.V. (interest rate – LIBOR+6.15%) and a loan agreement of USD 250 million for a six-year period with a consortium led by Societe Generale (interest rate – LIBOR+3.65%).

In April 2002 the Group issued USD 500 million of Loan Participation Notes due 2007 with an interest rate of 9.125%.

Changes in the profit taxation

Chapter 25 “Profit Tax” of the Russian Federation Tax Code became effective since 1 January 2002.

Among other changes the profit taxation procedure has been changed as follows:

- reduced tax rate;
- elimination of the majority of allowances;
- recognition of sales revenue for tax purposes on an accrual basis.
- different depreciation rates for different groups of fixed assets;

Currently it is impossible to accurately assess the impact of the changes in the taxation procedure on the financial position and financial results of the Group.

Starting from 1 January 2002 the Group has been implementing the required tax accounting policy which provides separate accounting for tax liabilities and settlements with the budget in accordance with requirements of Chapter 25 of the Tax Code of the Russian Federation.

Changes in taxation of mineral resources

Effective 1 January 2002, royalty, mineral restoration tax and oil condensate have been replaced with a mineral severance tax, which will be imposed at the rate of 16.5% of the value of gas and RR 340 per ton of oil and gas condensate produced. The latter rate is subject to adjustments depending on fluctuations of oil price and the RR exchange rate.

ОАО ГАЗПРОМ
INVESTOR RELATIONS

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