

FINANCIAL REPORT 2008



THE ENERGY OF NATURE



THE NATURE OF ENERGY

OAO "GAZPROM"
FINANCIAL REPORT 2008

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**OPEN JOINT STOCK COMPANY «GAZPROM»
STATUTORY ACCOUNTING REPORTS
OF THE PARENT COMPANY ОАО «ГАЗПРОМ» 2008**

AUDIT REPORT
on Statutory accounting reports

To the shareholders of Open Joint Stock Company Gazprom

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO "PwC Audit")

State registration certificate № 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on August 22, 2002.

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002. The license is valid until 20 May 2012.

Member of the Institute of Professional Accountants and Auditors of Russia and of the Audit Chamber of Russia

Client

Open Joint Stock Company Gazprom

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

State registration certificate № 022.726, issued by Moscow Registration Bureau on 25 February 1993.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700070518 issued by the Moscow Department of the Russian Ministry of Taxes and Levies on 2 August 2002.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

AUDIT REPORT
on Statutory accounting reports of Open Joint Stock Company Gazprom

To the shareholders of Open Joint Stock Company Gazprom

1. We have audited the attached Statutory accounting reports of Open Joint Stock Company Gazprom (hereinafter - OAO Gazprom) for the period from 1 January up to 31 December 2008. Statutory accounting reports of OAO Gazprom consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called "Statutory accounting reports"). The Statutory accounting reports were prepared by the management of OAO Gazprom in accordance with the legislation of Russian Federation applicable to Statutory accounting reports. Such Statutory accounting reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

2. Preparation of the Statutory accounting reports is the responsibility of management of OAO Gazprom. Our responsibility as auditors is to express our opinion on the fair presentation, in all material respects, of these Statutory accounting reports based on our audit.

3. We conducted our audit in accordance with The Federal Law "On auditing activity", Federal Auditing Standards, International Standards on Auditing and our internal standards.

Our audit was planned and performed to obtain reasonable assurance about whether the Statutory accounting reports are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory accounting reports, assessing compliance with accounting principles, techniques and rules of Statutory accounting reports preparation, evaluating significant estimates made by the management of OAO Gazprom and the overall Statutory accounting reports presentation. We believe that our audit provides a reasonable basis for our opinion on these Statutory accounting reports.

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AUDIT REPORT

4. In our opinion, the Statutory accounting reports of OAO Gazprom attached to this report have been properly prepared to present fairly, in all material respects, the financial position of OAO Gazprom as at 31 December 2008 and financial results of its operations for the period from 1 January up to 31 December 2008 in accordance with the legislation of Russian Federation applicable for Statutory accounting reports.

26 March 2009

Director of ZAO

A. L. Uzornikova

Statutory auditor
Certificate No K 028205
for general audit
termless

V. V. Konoplin

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

BALANCE SHEET
as at 31 December 2008

Company OAO "Gazprom"
Taxpayer identification number
Field of activity wholesale
Open Joint Stock Company
Unit of measurement: thousands of RR
Address OAO "Gazprom" Russian Federation, 117997, Moscow,
Nametkina str., 16, V-420, GSP-7

Form N1 on OKUD
Date (day, month, year)
on OKPO
INN
on OKVED
on OKOPF/OKFS
on OKEI

Codes
0710001
31.12.2008
00040778
7736 050 003
51
47 31
384

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	49,795	214,359
including :			
patents, licenses, trade marks (service marks), other similar rights and assets	111	49,795	214,359
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	3,386,574,100	3,349,540,798
including :			
land plots and natural resources	121	20,023	187,311
buildings, machinery and equipment	122	3,383,082,671	3,346,070,056
Construction in progress	130	168,945,565	185,954,647
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	1,157,188,792	946,662,260
including :			
investments in subsidiaries	141	975,759,841	712,313,181
investments in associates	142	24,154,898	78,971,403
investments in other entities	143	16,268,935	113,131
loans provided to companies for a period of over 12 months	144	74,511,621	69,990,811
Deferred tax assets	145	7,560,867	71,983,575
Other non-current assets	150	13,638,077	24,780,433
Total section I	190	4,733,957,196	4,579,136,072

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
II. Current assets			
Inventories	210	153,153,969	203,165,676
including:			
raw materials and other inventories	211	1,797,535	2,679,190
livestock	212	131	108
work in progress	213	103,178,165	138,501,525
finished goods and goods for resale	214	40,947,696	56 871,908
goods dispatched	215	2 244 049	1,641,112
expenses related to future periods	216	4 986 393	3,471,833
Value added tax on purchased goods	220	21,009,914	16,743,639
Accounts receivable (payments expected beyond 12 months after the reporting date)	230	132,353,114	298,608,269
including:			
buyers and customers	231	11,866,882	4,135,871
promissory notes receivable	232	-	-
advances issued	234	6,136,550	-
other debtors	235	114,349,682	294,472,398
Accounts receivable (payments expected within 12 months after the reporting date)	240	757,266,257	962,068,712
including:			
buyers and customers	241	291,476,483	322,975,084
promissory notes receivable	242	-	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	27,653,068	28,010,840
other debtors	246	438,136,706	611,082,788
Short-term investments	250	69,945,934	50,797,174
loans provided to other companies for a period within 12 months	251	64,991,728	44,833,509
Monetary assets	260	61,674 969	71,014,461
including:			
cash	261	3,337	4,601
settlement accounts	262	6,765,675	6,858,979
foreign currency accounts	263	52,001,574	60,598,220
other monetary assets	264	2,904,383	3,552,661
Other current assets	270	360	686
Total section II	290	1,195,404,517	1,602,398,617
TOTAL SECTIONS I and II	300	5,929,361,713	6,181,534,689

EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
III. Equity and reserves			
Charter capital	410	118,367,564	118,367,564
Treasury shares	411	-	-
Additional capital	420	3,292,764,983	3,291,511,791
Legal reserve	430	8,636,001	8,636,001
including:			
reserves and provisions formed in accordance with legislation	431	8,636,001	8,636,001
Retained earnings (loss)	470	1,243,697,442	1,355,005,242
Social government fund	480	-	-
Total section III	490	4,663,465,990	4,773,520,598
IV. Non-current liabilities			
Loans and borrowings	510	738,796,027	802,224,074
bank borrowings due for repayment beyond 12 months	511	264,161,744	211,734,186
other borrowings due for repayment beyond 12 months	512	474,634,283	590,489,888
Deferred tax liabilities	515	147,426,398	126,454,942
Other non-current liabilities	520	2,446	-
including:			
promissory notes payable	522	-	-
Total section IV	590	886,224,871	928,679,016
V. Current liabilities			
Loans and borrowings	610	186,259,769	226,037,811
bank borrowings due for repayment within 12 months	611	-	29,752,843
other borrowings due for repayment within 12 months	612	5,395,712	-
current portion of long-term borrowings	613	180,864,057	196,284,968
Accounts payable	620	182,211,031	230,260,829
including:			
suppliers and contractors	621	149,821,281	207,633,390
salaries payable	622	19,415	41,511
payable to state non-budget funds	623	5,800	11,045
taxes payable	624	20,304,441	5,338,373
other creditors, including:	625	12,060,094	17,236,510
promissory notes payable	626	-	-
advances received	627	2,752,004	10,324,906
other creditors	628	9,308,090	6,911,604
Dividends payable to participants (shareholders)	630	806,701	1,173,463
Income of future periods	640	930	-
Reserves for future expenses and payments	650	10,392,421	21,862,972
Other current liabilities	660	-	-
Total section V	690	379,670,852	479,335,075
TOTAL SECTIONS III, IV, V	700	5 929,361,713	6 181,534,689

REFERENCE TO ITEMS ACCOUNTED ON OFF-BALANCE SHEET ACCOUNTS

Line name 1	Line code 2	At beginning of reporting year 3	At end of reporting year 4
Rented fixed assets	910	214,516	425,917
thereof by leasing	911	-	-
Assets in custody	920	33,287	74,730
Goods on commission	930	-	-
Bad debts of insolvent debtors written off to losses	940	14,637,071	15,229,965
Security of liabilities and payments received	950	4,377,485	152,977,139
Security of liabilities and payments issued	960	115,770,989	143,198,723
Housing stock depreciation	970	74,499	64,928
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for use	990	-	-

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**PROFIT AND LOSS ACCOUNT
for 2008**

	Codes
Company OAO "Gazprom"	Form N2 on OKUD 0710002
Taxpayer identification number	Date (day, month, year) 31.12.2008
Field of activity wholesale	on OKPO 00040778
Open Joint Stock Company	INN 7736 050 003
Unit of measurement: thousands of RR	on OKVED 51
	on OKOPF/OKFS 47 31
	on OKEI 384

Item		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
Income from and expenses on ordinary activities			
Sale of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	2,507,009,504	1,774,979,437
including:			
gas	11	2,024,207,385	1,406,856,578
leased assets	12	305,964,055	234,452,737
oil and gas refinery products	13	88,297,396	70,043,728
gas transportation services	14	64,826,514	43,055,537
gas condensate	15	21,725,825	18,886,850
other	16	1,610,994	1,550,785
gas storage services	17	377,335	133,222
Cost of goods, products, work, services sold	20	(938,425,860)	(723,781,021)
including:			
gas	21	(501,175,328)	(387,085,024)
leased out assets	22	(299,844,409)	(231,840,439)
oil and gas refinery products	23	(45,850,431)	(40,443,948)
gas transportation services	24	(75,556,292)	(50,661,520)
gas condensate	25	(13,575,918)	(11,999,269)
other	26	(2,262,666)	(1,672,811)
gas storage services	27	(160,816)	(78,010)
Gross profit	29	1,568,583,644	1,051,198,416
Selling expenses	30	(639,679,363)	(540,917,840)
Administrative expenses	40	(33,278,171)	(23,678,150)
Profit (loss) from operations	50	895,626,110	486,602,426
Other income and expenses			
Interest income	60	13,735,849	13,046,491
Interest expenses	70	(57,968,559)	(53,551,252)
Income from investments in other companies	80	39,441,008	44,696,539
Other income	105	2,533,202,525	2,105,342,710
Other expenses	110	(3,129,453,838)	(2,075,739,210)
Profit (loss) before profit tax	140	294,583,095	520,397,704
Deferred tax assets	141	64,430,461	1,652,240
Deferred tax liabilities	142	20,964,384	(38,825,560)
Current profit tax	150	(207,112,443)	(122,471,142)
Prior year profit tax	153	329,668	(196,893)
Other expenses out of profit	156	(173,535)	(106,799)
Net profit (loss) for the reporting period	190	173,021,630	360,449,550

Item		For reporting period		For the similar period of the prior year	
name	code				
1	2	3		4	
FOR REFERENCE					
Permanent tax liabilities (assets)	200	59,152,775		44,055,801	
Basic earnings (loss) per share	201	7,31		15,23	
Diluted earnings (loss) per share	202	-		-	

BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES

Item		For reporting period		For the similar period of the prior year	
name	code	income	expense	income	expense
1	2	3	4	5	6
Fines and penalties recognized or in respect of which there are court (arbitration) judgements on their recovery	210	456,015	36,396	834,556	87,034
Profit (loss) of prior years	220	526,014	4,038,377	3,010,662	2,824,343
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230	-	-	-	-
Exchange differences on foreign currency transactions	240	160,665,900	260,660,500	86,663,108	74,261,477
Revaluation reserves	250	X	9,890,114	X	5,155,938
Written off past due accounts receivable and accounts payable with expired limitation period	260	11,523	634,009	54,809	2,304,146
Release of revaluation reserve	270	981,166	X	4,717,753	X

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**FLOW OF EQUITY AND FUNDS
for 2008**

Company	OAO "Gazprom"	Form N3 on OKUD	Codes
Taxpayer identification number		Date (day, month, year)	0710003
Field of activity	wholesale	on OKPO	31.12.2008
Open Joint Stock Company		INN	00040778
Unit of measurement: thousands of RR		on OKVED	7736 050 003
			51
		on OKOPF/OKFS	47 31
		on OKEI	384

I. Changes in equity

Item name	code	Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
1	2	3	4	5	6	7	8
Balance as of 31 December of the year preceding the prior year	70	118,367,564	2,582,467,620	8,636,001	945,937,462	-	3,655,408,647
2007 (prior year)							
Changes in the accounting policies	71	X	X	X	(205,656)	X	(205,656)
Revaluation of fixed assets	72	X	-	X	-	X	-
Balance as of 1 January of the prior year	80	118,367,564	2,582,467,620	8,636,001	945,731,806	-	3,655,202,991
Exchange differences	81	X	-	X	X	X	-
Net profit	82	X	X	X	360,449,550	X	360,449,550
Dividends	83	X	X	X	(60,130,723)	X	(60,130,723)
Allocations							
to the legal reserve	84	X	X	-	-	X	-
Increase of equity due to:	85	-	-	-	1,447,867	-	1,447,867
additional share issue	86	-	X	X	X	X	-
increased par value of shares	87	-	X	X	X	X	-
reorganization of the legal entity	88	-	-	-	-	-	-
other transactions	89	-	-	-	1,447,867	-	1,447,867
Reduction of equity due to:	90	-	(1,448,248)	-	-	-	(1,448,248)
reduced par value of shares	91	-	X	X	X	X	-
reduced number of shares	92	-	X	X	X	X	-
reorganization of the legal entity	93	-	-	-	-	-	-
other transactions	94	-	(1,448,248)	-	-	-	(1,448,248)
Balance as of 31 December of the prior year	95	118,367,564	2,581,019,372	8,636,001	1,247,498, 500	-	3,955,521,437

Item		Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
name	code						
1	2	3	4	5	6	7	8
2008 (reporting year)							
Changes in							
the accounting policies	96	X	X	X	-	X	-
Revaluation of fixed assets	97	X	711,745,611	X	(3,801,058)	-	707,944,553
Balance as of 1 January							
of the reporting year	100	118,367,564	3,292,764,983	8,636,001	1,243,697,442	-	4,663,465,990
Exchange differences	101	X	-	X	X	X	-
Net profit	102	X	X	X	173,021,630	X	173,021,630
Dividends	103	X	X	X	(62,967,022)	X	(62,967,022)
Allocations							
to the legal reserve	110	X	X	-	-	X	-
Increase of equity due to:	120	-	322	-	1,253,514	-	1,253,836
additional share issue	121	-	X	X	X	X	-
increased par value of shares	122	-	X	X	X	X	-
reorganization of the legal entity	123	-	-	-	-	-	-
other transactions	125	-	322	-	1,253,514	-	1,253,836
Reduction							
of equity due to:	130	-	(1,253,514)	-	(322)	-	(1,253,836)
reduced par value of shares	131	-	X	X	X	X	-
reduced number of shares	132	-	X	X	X	X	-
reorganization of the legal entity	133	-	-	-	-	-	-
other transactions	135	-	(1,253,514)	-	(322)	-	(1,253,836)
Balance as of							
31 December							
of the reporting year	140	118,367,564	3,291,511,791	8,636,001	1,355,005,242	-	4,773,520,598

II. Reserves

Item		Balance	Addition	Used	Balance
name	code				
1	2	3	4	5	6
Legal reserves formed in accordance with legislation:					
Reserve funds	151	-	-	-	-
prior year	152	8,636,001	-	-	8,636,001
reporting year	153	8,636,001	-	-	8,636,001
Other reserves	154	-	-	-	-
prior year	155	-	-	-	-
reporting year	156	-	-	-	-
Legal reserves formed in accordance with foundation documents:					
Reserve funds	157	-	-	-	-
prior year	158	-	-	-	-
reporting year	159	-	-	-	-
Other reserves	160	-	-	-	-
prior year	161	-	-	-	-
reporting year	162	-	-	-	-

Item		Balance	Addition	Used	Balance
name	code				
1	2	3	4	5	6
Provisions:					
Provision for impairment of receivables	163	-	-	-	-
prior year	164	10,974,667	678,748	(2,224)	11,651,191
reporting year	165	11,651,191	9,699,526	-	21,350,717
Provision for impairment of investments	166	-	-	-	-
prior year	167	3,606,203	167,049	(407,612)	3,365,640
reporting year	168	3,365,640	(139,146)	(651,432)	2,575,062
Provision for impairment of inventories	169	-	-	-	-
prior year	170	-	-	-	-
reporting year	171	-	-	-	-
Other provisions	172	-	-	-	-
prior year	173	-	-	-	-
reporting year	174	-	-	-	-
Provisions for liabilities and charges:					
for vacation bonus expenses	175	-	-	-	-
prior year	176	-	-	-	-
reporting year	177	-	-	-	-
for annual work record bonus expenses	178	-	-	-	-
prior year	179	-	-	-	-
reporting year	180	-	-	-	-
for annual bonus expenses	181	-	-	-	-
prior year	182	683,037	705,175	(659,425)	728,787
reporting year	183	728,787	841,096	(737,248)	832,635
for repair works to be incurred	184	-	-	-	-
prior year	185	-	-	-	-
reporting year	186	-	-	-	-
for warranty and service expenses	187	-	-	-	-
prior year	188	-	-	-	-
reporting year	189	-	-	-	-
for contingent liabilities	190	-	-	-	-
prior year	191	7,981,658	1,681,976	-	9,663,634
reporting year	192	9,663,634	11,366,703	-	21,030,337
Other provisions	193	-	-	-	-
prior year	194	-	-	-	-
reporting year	195	-	-	-	-

REFERENCE

Item		At beginning of reporting year		At end of reporting year	
name	code				
1	2	3		4	
1) Net assets	200	4,663,466,920		4,773,520,598	
		from the budget		from non-budget funds	
		for reporting year	for prior year	for reporting year	for prior year
		3	4	5	6
2) Received for:					
expenses on ordinary					
activities – total	210	-	-	-	-
including:					
capital investments					
in non-current assets	220	-	-	-	-
including:					

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

CASH FLOW STATEMENT
for 2008

	Codes
Company	0710004
Taxpayer identification number	31.12.2008
Field of activity	00040778
Open Joint Stock Company	7736 050 003
Unit of measurement: thousands of RR	51
	47 31
	384

Item		For reporting period	For the similar period of the prior year
name	code	3	4
1	2		
Cash at beginning of reporting year	100	69,721,329	58,461,408
Cash flows from operating activities			
Total cash received, including from	110	5,870,601,486	3,876,401,555
- sale of goods, products, works and services	111	3,355,407,836	2,109,838,271
- sale of other assets	112	2,379,950,143	1,687,420,997
including currency sales	113	2,375,079,646	1,681,058,907
- advances received from buyers (customers)	114	12,239,758	3,054,711
- budget allocations and other special purpose financing	115	-	-
- free of charge	116	-	-
- other income	117	123,003,749	76,087,576
Total cash used, including:	120	(5,044,899,898)	(3,464,824,975)
purchased goods, works, services, raw materials and other current assets	150	(1,412,365,088)	(1,157,442,479)
wages and salaries	160	(6,873,499)	(5,597,696)
dividends and interest	170	(59,153,858)	(57,483,356)
settlement of taxes and duties	180	(229,375,538)	(137,472,198)
custom duties	183	(505,581,517)	(308,622,287)
payments to non-budget funds	190	(806,314)	(603,105)
advances paid	191	(41,315,965)	(31,727,156)
other expenses	192	(2,789,428,119)	(1,765,876,698)
including currency sales	193	(2,626,788,478)	(1,662,869,911)
Net cash received from operating activity	199	825,701,588	411,576,580
Cash flows from investment activities			
Total cash received, including from	200	205,858,132	108,839,584
Sale of fixed assets and other non-current assets	210	282,242	267,579
Sale of securities and other financial investments	220	44,240,410	26,706,340
Dividends received	230	51,094,803	42,533,338
Interest income	240	2,884,960	5,229,802
Repayment of loans provided to other companies	250	97,679,311	29,575,217
Budget allocations and other special purpose financing	255	-	-
Proceeds under the investment contract	256	-	-
Settlement of securities and other investments	257	3,712,929	4,527,308

name	Item	For reporting period		For the similar period
	code	2	3	of the prior year
1	2			4
Other proceeds	260		5,963,477	-
Total cash used, including	270		(959,668,115)	(837,833,544)
Acquisition of subsidiaries	280		(201,686,601)	(268,239,509)
Acquisition of fixed assets, income bearing investments in tangible and intangible assets	290		(7,289,612)	(14,312,856)
Acquisition of securities and other financial investments	300		(110,373,702)	(30,996,314)
Loans provided to other companies	310		(50,998,993)	(94,294,071)
Financing of joint construction	320		-	-
Allocated to capital construction settlements	325		(518,824,956)	(353,802,683)
Other payments, transfers, etc.	330		(70,494,251)	(76,188,111)
Net cash from investment activities	340		(753,809,983)	(728,993,960)
Cash flows from financial activities				
Total cash received, including from	350		166,135,045	566,638,473
Proceeds from issue of shares and other equity securities	351			
Proceeds from loans provided to other companies	352		166,135,045	566,638,473
Other receipts	353			
Total cash used, including	360		(236,733,522)	(246,007,536)
Repayment of loans, credits (net of interest)	361		(236,083,522)	(231,007,536)
Settlement of financial lease	362			
Purchased goods, works, services	363			
Other payments, transfers, etc.	364		(650,000)	(15,000,000)
Net cash from financial activities	370		(70,598,477)	320,630,937
Net increase (decrease) of cash and cash equivalents	380		1,293,128	3,213,557
Cash at the end of reporting year	400		71,014,457	61,674,965
Effect of exchange differences	401		6,350,699	(4,343,482)

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

**SUPPLEMENT TO THE BALANCE SHEET
for 2008**

	Codes
Company OAO "Gazprom"	0710004
Taxpayer identification number	31.12.2008
Field of activity wholesale	00040778
Open Joint Stock Company	7736 050 003
Unit of measurement: thousands of RR	51
	47 31
	384

Intangible assets

Item	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
name	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property) including rights of:	010	50,928	272,024	-	322,952
patent holder for utility invention, individual model, useful model	011	50,407	272,024	-	322,431
holder of right to software, data base	012	-	-	-	-
holder of right to IC patents	013	-	-	-	-
owners of trademarks and service marks, name of goods' origin	014	521	-	-	521
patent holder for plant breeding achievement	015	-	-	-	-
Organisational expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Item	code	At beginning of reporting year	At end of reporting year
name	2	3	4
Total amortization of intangible assets, including	050	1,133	108,593

Fixed assets

Item	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
name	2	3	4	5	6
Buildings	060	314,875,004	16,329,420	(1,705,338)	329,499,086
Structures and transfer mechanisms	061	7,608,932,405	150,628,705	(3,364,585)	7,756,196,525
Machinery and equipment	062	1,047,728,641	77,381,255	(5,479,373)	1,119,630,523
Means of transportation	063	2,157,284	323,328	(155,386)	2,325,226
Production and work appliances	064	3,578,236	345,489	(47,470)	3,876,255
Working livestock	065	2,595	300	(148)	2,747
Productive livestock	066	-	-	-	-
Perennial plants	067	28,508	803	-	29,311
Other types of fixed assets	068	433,797	-	(127,649)	306,148
Plots of lands and natural resources	069	20,023	167,288	-	187,311

Item		At beginning of reporting year	Additions	Disposals	At end of reporting year
name	code				
1	2	3	4	5	6
Capital investments in land rehabilitation	070	-	-	-	-
Total	071	8,977,756,493	245,176,588	(10,879,949)	9,212,053,132

Item		At beginning of reporting year	At end of reporting year
name	code		
1	2	3	4
Total depreciation of fixed assets	140	5,591,182,393	5,862,512,334
including:			
buildings and structure	141	4,785,361,864	5,021,557,477
machinery, equipment, means of transportation	142	804,024,390	838,752,539
other	143	1,796,139	2,202,318
Total fixed assets leased out	150	8,909,561,882	9,136,625,324
including:			
buildings	151	291,098,417	306,210,395
structure	152	7,575,037,584	7,720,213,657
machinery, equipment, means of transportation	153	1,041,786,899	1,108,318,542
other	154	1,638,982	1,882,730
		31,702,645	37,239,031
Suspended fixed assets	160	214,516	425,917
Total fixed assets leased in including:	161		
Fixed assets put into operation and being in the process of state registration	162	106,097,503	71,375,301

FOR REFERENCE

	code	At beginning of reporting year	At end of reporting year
	2	3	4
Result of fixed assets revaluation:			
historical (replacement) cost	171	1,907,494,884	-
depreciation	172	1,199,550,331	-
	code	At beginning of reporting year	At end of reporting year
	2	3	4
Changes in the value of fixed assets as a result of fitting-out, rigging up, reconstruction, partial liquidation	180	5,777,042	7,158,335

Income bearing investments in tangible assets

Item		At beginning	Additions	Disposals	At end
name	code	of reporting year			of reporting year
1	2	3	4	5	6
Assets to be leased out	190	-	-	-	-
Assets for hiring	191	-	-	-	-
Other	192	-	-	-	-
Total	193	-	-	-	-

	code	At beginning	At end
		of reporting year	of reporting year
Depreciation of income bearing investments in tangible assets	200	-	-

Research and development costs

Types of works		At beginning	Additions	Disposals	At end
name	code	of reporting year			of reporting year
1	2	3	4	5	6
Total	310	3,677,828	3,059,508	(4,059,692)	2,677,644
including:					

FOR REFERENCE

	code	At beginning	At end
		of reporting year	of reporting year
	2	3	4
Total research and development costs in progress	320	2,225,830	1,966,091

FOR REFERENCE

	code	At beginning	At end
		of reporting year	of reporting year
	2	3	4
Total unsuccessful research and development costs posted to non-operating expenses	321	91,232	4,012

Natural resources development costs

Item		At beginning	Additions	Disposals	At end
name	code	of reporting year			of reporting year
1	2	3	4	5	6
Total natural resources development costs	410	11,750,236	12,109,424	2,360,096	21,499,564
including:					
mineral right licences acquisition costs	411	9,951,537	8,437,565	561,397	17,827,705

FOR REFERENCE

	code	At beginning	At end
		of reporting year	of reporting year
	2	3	4
Costs of natural resources development in progress	412	633,489	633,489

	code	For reporting	For the similar period
		period	of the prior year
	2	3	4
Costs of unsuccessful natural resources development charged to non-operating expenses	413	5,427,037	4,816,041

Financial investments

name	Item code	Long-term		Short-term	
		At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
1	2	3	4	5	6
Total investments in share capital of other companies, including subsidiary and associated companies	510	1,017,467,498	792,206,400	-	-
State and municipal securities	515	-	-	-	-
Total securities of other companies, including debt securities (bonds, promissory notes)	520	1,000	1,000	-	-
Loans provided	525	74,511,621	69,990,811	65,001,423	44,843,204
Deposits	530	4,413,898	11,339,078	652,247	1,296,303
Other	535	64,150,720	75,667,843	4,301,959	4,689,857
Total	540	1,160,544,737	949,205,132	69,955 629	50,829,364
Of the total financial investments carried at market value:					
Total investments in share capital of other companies, including subsidiary and associated companies	550	559,323,821	202,358,741	-	-
State and municipal securities	555	-	-	-	-
Total securities of other companies, including debt securities (bonds, promissory notes)	560	-	-	-	-
Other	565	-	-	-	-
Total	570	559,323,821	202,358,741	-	-
FOR REFERENCE					
Changes in financial investments carried at market value due to valuation adjustments	580	97,713,783	(396,183,812)	-	-
For debt securities - the difference between the historic cost and face value charged to financial result of the reporting year	590	-	-	-	-

Accounts receivable and accounts payable

name	Item code	At beginning of reporting year		At end of reporting year	
		3	4	3	4
1	2	3	4	3	4
Accounts receivable:					
total short-term	600	769,644,368	984,117,582		
including:					
receivables from buyers and customers	601	303,854,594	345,023,954		
promissory notes receivable	602				
advances issued	603	27,653,068	28,010,840		
other	604	438,136,706	611,082,788		
total long-term	610	132,353,114	298,608,269		
including:					
receivables from buyers and customers	611	11,866,882	4,135,871		
promissory notes receivable	612		-		
advances issued	613	6,136,550	-		
other	614	114,349,682	294,472 398		
Total	620	901,997,482	1,282,725,851		

Item		At beginning of reporting year		At end of reporting year
name	code			
1	2	3		4
Accounts payable				
total short-term	630	369,197,720		456,996,793
including:				
settlements with suppliers and contractors	631	149,821,281		207,633,390
advances received	632	2,752,004		10,324,906
taxes payable	633	20,310,241		5,349,418
promissory notes payable	634			
credits	635	163,329,131		170,901,124
borrowings	636	22,930,638		55,136,687
other	637	10,054,425		7,651,268
total long-term	640	738,798,473		802,224,074
including:				
credits	641	264,161,744		211,734,186
borrowings	642	474,634,283		590,489,888
other	643	2,446		-
Total	650	1,107,996,193		1,259,220,867

Ordinary operating expenses (by types of expenses)

Item		At beginning of reporting year		At end of reporting year
name	code			
1	2	3		4
Materials	710	821,004,658		665,231,335
Wages and salaries	720	7,999,407		6,365,754
Social contribution	730	847,678		602,320
Depreciation	740	284,532,862		219,900,148
Other expenses	750	33,806,492		24,247,031
Total expenses	760	1,148,191,097		916,346,588
Changes in balances (increase [+], decrease [-]):				
work in progress	765	35,323,360		20,360,528
future period expenses	766	2,751,812		1,143,397
provisions for liabilities and charges	767	103,848		45,750

COLLATERAL

Item		At beginning of reporting year		At end of reporting year
name	code			
1	2	3		4
Received - total	810	4,377,485		152,977,139
including:				
promissory notes	811	-		-
including past due notes	812	-		-
Pledged assets	820	4,377,485		89,764,225
including:				
fixed asset items	821	4,105,273		4,339,939
securities and other financial investments	822	272,212		85,424,286
other	823	-		-

Item		At beginning of reporting year		At end of reporting year
name	code			
1	2	3		4
Issued - total	830	115,770,989		143,198,723
including:				
promissory notes	831	-		-
including past due notes	832	-		-
Pledged assets, including:	840	160,625		128,395
fixed asset items	841	-		-
securities and other financial investments	842	160,625		128,395
other	843			

Government grants

Item		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
Total budget funds received	910	-	-
including:			

	At beginning of reporting year	Received for reporting period	Repaid for reporting period	At end of reporting year
Total credits from the budget	920	-	-	-
including:				

Chief Executive Officer _____ A.B. Miller
(signature)

Chief Accountant _____ E.A. Vasilieva
(signature)

ОАО GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
(in thousands of Russian Roubles, unless otherwise stated)

1. GENERAL INFORMATION

The principal activity of OAO Gazprom (hereinafter "the Company") is the sale of natural gas. The Company is also involved in other types of activities, which includes leasing of assets, organization of services for gas transportation and storage, sales of gas condensate and refined products.

The Company is registered at the following address: 117997, GSP-7, V-420, Moscow, Nametkina street, 16 and has branches in the following cities: Moscow, Kiev, Salekhard, Minsk, Teheran, Peking, Ashkhabad, Algiers, Yuzhno-Sakhalinsk, St. Petersburg, Krasnodar, Novy Urengoi and in Moscow region.

As of 31 December 2008 and 2007 the Company employed 10,815 and 5,768 persons, respectively.

Due to the amendments made in the Federal Law "On products supplies for the federal state needs" and Federal Law "On weapons" and the necessity to ensure the security of the Unified gas supply system facilities the Security Services of OAO Gazprom, its subsidiaries and organizations were restructured and OAO Gazprom branches, interregional security departments were founded that entailed the increase in the number of employees.

As of 31 December 2008 members of the Board of Directors of OAO Gazprom include:

Zubkov Victor Alexeevich – Chairman of the Board of Directors

Ananenkov Alexander Georgievich	Nabiullina Elvira Sakhizadovna
Bergmann Burkhard	Sereda Mikhail Leonidovich
Gazizullin Farit Rafikovich	Khristenko Victor Borisovich
Karpel Elena Evgenievna	Yusufov Igor Hanukovich
Miller Alexei Borisovich	

As of 31 December 2008 members of the Management Committee of OAO Gazprom include:

Miller Alexei Borisovich – Chairman of the Management Committee

Aksyutin Oleg Evgenyevich	Kruglov Andrei Viacheslavovich
Ananenkov Alexander Georgievich	Medvedev Alexander Ivanovich
Vasilieva Elena Alexandrovna	Pavlova Olga Petrovna
Golko Yaroslav Yaroslavovich	Podyuk Vasily Grigorievich
Golubev Valery Alexandrovich	Rusakova Vlada Vilorikovna
Dubik Nikolay Nikolaevich	Seleznev Kirill Gennadjevich
Ilyushin Victor Vasilievich	Fedorov Igor Yuryevich
Kozlov Alexander Nikolayevich	Khomyakov Sergey Fedorovich

As of 31 December 2008 members of the Internal Audit Commission of OAO Gazprom include:

Arkhipov Dmitry Alexandrovich – Chairman of the Internal Audit Commission

Bikulov Vadim Kasymovich	Logunov Dmitry Sergeevich
Ishutin Rafael Vladimirovich	Mikhailova Svetlana Sergeevna
Kobzev Andrey Nikolaevich	Oseled'ko Viktoriya Vladimirovna
Lobanova Nina Vladislavovna	Fomin Andrey Sergeevich

ОАО GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
 (in thousands of Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

The accounting reports of the Company have been prepared in accordance with the accounting and reporting rules effective in the Russian Federation, in particular, Federal Law "On Accounting" No.129-FZ dated 21 November 1996 and the Regulation of Accounting and Reporting in the Russian Federation approved by order of the Russian Federation Ministry of Finance No 34n dated 29 July 1998 as well as the accounting policies adopted by the order of ОАО Gazprom dated 29 December 2007 No 353.

Assets and liabilities are measured at actual purchase costs, except for regularly revalued fixed assets and investments for which current market value is determinable.

Assets, liabilities and transactions denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official rouble exchange rate as at the date of the relevant transaction. Cash in bank and deposit accounts, cash in hand, securities (except for shares), settlement balances, including loans issued and raised except for advances received and issued, prepayments and down payments, denominated in foreign currency were recorded using the official rouble exchange rate on 31 December 2008. The rate of exchange as of 31 December 2008 was RR 29.3804 to USD 1 (as of 31 December 2007 - RR 24.5462), RR 41.4411 to EUR 1 (as of 31 December 2007- RR 35.9332). Exchange differences arising in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded within other income and expenses.

Current and non-current assets and liabilities

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or not determinable. Accounts receivable and accounts payable including loans are treated as non-current, if the term of their circulation (maturity) exceeds 12 months after the reporting date. Investments are classified as current or non-current based on the estimated period of their use (circulation, possession or maturity) after the reporting date.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting standard "Accounting for Fixed Assets" (RAR 6/01) approved by the order of the RF Ministry of Finance dated 30 March 2001, No.26n. Fixed assets include real property assets that are duly recognized in the accounts from the moment they have been put into operation and the documents have been transferred for the state registration.

The fixed assets put into operation before 01.01.2008 are recorded in the balance sheet at replacement cost less depreciation accumulated for the period of their use. The fixed assets put into operation after 01.01.2008 are recorded in the balance sheet at historical cost less depreciation accumulated for the period of their use. Information about the revaluation of fixed assets is presented in Note 3.

OAO GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
 (in thousands of Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Fixed assets acquired before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Asset of the USSR National Economy". Fixed assets acquired after 1 January 2002 are depreciated at rates determined based on their estimated useful lives. Classification of fixed assets by depreciation groups approved by the Resolution of the Government of the Russian Federation dated 1 January 2002 No. 1, is used as one of the sources of information about useful lives of fixed assets. The Company has adopted the following useful lives for fixed asset groups:

	Useful lives of assets recorded on the balance sheet (number of years)	
	before 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12–15	12–15
Machinery and equipment	10–18	5–25
Buildings	20–50	15–50

Fixed assets are depreciated on a straight-line basis.

No depreciation is accrued on the following:

- Land plots;
- Suspended assets (above 3 months);
- Housing assets commissioned prior to 01.01.2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the general procedure);
- Fully depreciated assets, which are not written-off from the balance sheet.

Construction in progress

Construction in progress includes, but is not limited to, completed immovable assets that have been put into operation but documents for which have not been transferred to the State Register as of the reporting date. Such assets are depreciated similarly to fixed assets and presented in the accounting reports at historical cost less accumulated depreciation. Although this practice represents a deviation from the established procedure it ensures adequate representation of the Company's property position as the assets are used for what they were designed for and generate income for the Company.

Investments

Investments are recorded at their historical cost, being their actual cost of acquisition, except for investments for which the current market value is determinable.

Investments for which the market value is determinable are revalued at current market value at the end of the reporting period. The difference between the market value of these investments as of the reporting date and prior value is recorded within other income and expenses.

Investments for which significant and constant impairment indicators exist as of the reporting date are presented in the balance sheet as of the end of the reporting year at their carrying (book) value net of impairment provision. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. When determining the provision amount the Company calculated the estimated cost of investments, for which significant and constant impairment indicators exist based on the available information. The Company made the investment impairment provision for the difference between carrying (book) value of investments and their estimated value. Changes in the above provision based on stock-taking results as of the year-end are posted to other expenses and income.

ОАО GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
(in thousands of Russian Roubles, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Disposals of securities that do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded by types under the FIFO method. Disposals of other investments (including individually identifiable securities such as promissory notes and certificates of deposit) for which the market value is not determinable are recorded at the historical cost of each unit.

Income and expenses attributable to transactions with financial investments are recorded within other income and expenses.

Inventories

The main type of inventory is natural gas pumped into pipelines and underground storage. On the balance sheet gas inventories are measured at the weighted average cost.

Selling and administrative costs

Selling costs, except for the cost of natural gas transportation and storage, are expensed in full on a monthly basis. Costs of natural gas transportation are allocated in proportion to the volumes of gas sold and the volumes of gas pumped into underground storage within the reporting period.

Administrative costs are expensed in full on a monthly basis.

Trade accounts receivable

Trade accounts receivable are recorded based on prices agreed between the Company and buyers (customers) taking into account all discounts and mark-ups provided by the Company. Bad debts are written off when identified as such.

Unsecured overdue trade receivables are stated net of bad debt provisions. These provisions are based on the judgment of the Company management as to the extent to which the debts will not be recovered. Bad debt provisions are recorded within other expenses. Corresponding amount of provision is released upon repayment of doubtful receivables previously provided for as bad debts.

Loans received

Interest on loans received and additional costs related to the receipt of credits and loans are included in other expenses in the reporting period in which they are incurred.

Deferred taxes

For accounting and reporting purposes the Company recognizes deferred tax assets, deferred tax liabilities, permanent tax assets and permanent tax liabilities, i.e. amounts that can affect current profit tax expenses in the current and/or future reporting periods. Information about permanent and temporary differences is based on the supporting documents. Current profit tax is determined based on the theoretical expense (theoretical income) related to profit tax, permanent tax assets and liabilities, deferred tax assets and deferred tax liabilities for accounting purposes. This amount corresponds to current tax according to profit tax return.

Deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

Revenue recognition

Revenue from sales of goods (products) and services rendered (works performed) is recognized when goods are shipped (or services rendered) and related settlement documents submitted to customers. Revenue is presented net of value added tax, excise, customs duties, and other similar mandatory charges.

ОАО GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
 (in thousands of Russian Roubles, unless otherwise stated)

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE INFORMATION

In connection with the enactment of order of the Russian Ministry of Finance No.147n dated 25 December 2007 “On the Amending Regulation on Accounting for Assets and Liabilities Denominated in Foreign Currencies” (PBU 3/2006), to be applied starting from the 2008 accounting reports, the Company changed the procedure of accounting for and reporting of assets and liabilities related to advances received or issued, prepayments and down payments that are denominated in foreign currency. Starting from 1 January 2008, after being recognized in accounts the above items shall not be revalued for changes in the exchange rate for the accounting and reporting purposes. Assets and expenses that the Company paid in advance or in settlement of which the Company made an advance payment or a down payment shall be recognized at their rouble equivalent based on the exchange rate effective as of the date when the advance payment, down payment or a prepayment is translated into roubles. Income of the Company provided an advance payment, a down payment or a prepayment are received, shall be recognized in accounts in their rouble equivalent based on the rate effective as of the date when the advance payment, down payment or a prepayment is translated into roubles. Assets and liabilities related to advances received or issued, prepayments and down payments denominated in foreign currency, received or paid prior to 1 January 2008 but not settled as of that date were recognized for accounting purposes in roubles at the exchange rate as of 31 December 2007.

Inventories include assets that meet the criteria of recognizing as fixed assets and with value less than RR 20,000 (inclusively) per unit (previously with value less than RR 10,000) including tools and other inventory, which are not fully consumed after their transfer to production and which useful life does not exceed 12 months, and assets with the useful lives exceeding 12 months that do not generate direct economic benefits (income).

Opening data as of 1 January 2008

As of 1 January 2008 the cost of the Company's fixed assets is recorded considering the revaluation performed by independent appraiser, Ernst&Young - Value Consulting. The performed revaluation resulted in adjusting the data recorded in “Non-current assets” and “Equity and reserves” of the balance sheet by 707,944,553 as of the beginning of the reporting period.

The data recorded in line 142 of the balance sheet as of 1 January 2008 were formed by adjusting the balance sheet data as of the end of 2007: the Company's investment in Nord Stream AG was recorded in the line “Investments in associates” (line 142) of the balance sheet.

Line code	Article	Before the adjustment	Adjustment	After the adjustment
120	Property, plant and equipment	2,678,629,547	707,944,553	3,386,574,100
141	Investments in subsidiaries	978,190,402	(2,430,561)	975,759,841
142	Investments in associates	21,724,337	2,430,561	24,154,898
420	Additional capital	2,581,019,372	711,745,611	3,292,764,983
470	Retained earnings	1,247,498,500	(3,801,058)	1,243,697,442

Comparative data for 2007

To ensure comparability of the 2008 cash flow statement data the comparative amounts for 2007 have been adjusted for the changes in the accounting policies related to recognition of advances issued to purchase equipment and other non-current assets.

Line code	Article	Before the adjustment	Adjustment	After the adjustment
150	Purchased goods, works, services, raw materials and other current assets	1,167,673,650	(10,231,171)	1,157,442,479
191	Advances paid	34,045,678	(2,318,522)	31,727,156
325	Allocated to capital construction settlements	351,484,161	2,318,522	353,802,683
330	Other payments, transfers	65,956,940	10,231,171	76,188,111

OAO GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
 (in thousands of Russian Roubles, unless otherwise stated)

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE INFORMATION (continued)

Changes in the 2009 accounting policies

Starting from 2009 the following accounting regulations became effective:

- RAR 1/2008 Accounting policies of the company
- RAR 2/2008 Accounting for construction contracts
- RAR 15/2008 Accounting for borrowing costs
- RAR 21/2008 Changes in estimates

The Company believes that application of Russian accounting rules should not result in significant changes related to comparability of the 2008 comparative data in the accounting reports for 2009.

4. SEGMENT INFORMATION

Under RAR 12/2000 "Segment Information", based on the analysis of source and character of risks as well as generated profit, the organizational and management structure and internal reporting systems for the purposes of reporting segment information primary breakdown is by operational segments and secondary breakdown is by geographical segments.

The following principal operational segments can be identified in the Company's activities:

- Domestic and export sales of gas;
- Assets leasing out.

Other types of the Company's activities mainly include organization of services for gas transportation and storage, sale of gas condensate and refinery products and other. None of these other activities meet the reporting requirements for segments as per RAR 12/2000 "Segment Information". Therefore, information for those operational segments is not disclosed.

The Company's assets are primarily located on the territory of the Russian Federation. Information on gas sales to different geographical regions is presented in Note 13.

	Domestic and export sale of gas	Property leasing out	Other	Total
For 2007				
Segment revenue	1,406,856,578	234,452,737	133,670,122	1,774,979,437
Segment profit/(loss)	461,454,747	(515,292)	25,662,971	486,602,426
Unallocated expenses	x	x	x	(126,152,876)
Capital expenditures for the period	-	197,030,527	4,893,799	201,924,326
Depreciation of fixed assets and intangible assets	-	216,083,614	798,937	216,882,551
Unallocated depreciation of fixed assets and intangible assets	x	x	x	275,225
For 2008				
Segment revenue	2,024,207,385	305,964,055	176,838,064	2,507,009,504
Segment profit/(loss)	858,007,717	2,059,709	35,558,684	895,626,110
Unallocated expenses	x	x	x	(722,604,480)
Capital expenditures for the period	-	257,751,934	6,878,153	264,630,087
Depreciation of fixed assets and intangible assets	-	278,884,025	1,138,018	280,022,043
Unallocated depreciation of fixed assets and intangible assets	x	x	x	1,147,100

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4. SEGMENT INFORMATION (continued)

	Domestic and export sale of gas	Property leasing out	Other	Total
As of 31 December 2007				
Segment assets	439,812,915	3,245,422,784	40,964,425	3,726,200,124
Unallocated assets	x	x	x	1,495,217,036
Total assets				5,221,417,160
Segment liabilities	50,270,268	13,121,767	9,539,692	72,931,727
Unallocated liabilities	x	x	x	1,192,963,996
Total liabilities				1,265,895,723
As of 31 December 2008				
Segment assets	580,049,787	4,159,127,365	46,245,894	4,785,423,046
Unallocated assets	x	x	x	1,396,111,643
Total assets				6,181,534,689
Segment liabilities	84,317,323	12,136,882	18,522,211	114,976,416
Unallocated liabilities	x	x	x	1,293,037,675
Total liabilities				1,408,014,091

Segment revenue (income) is generated from transactions with customers. Administrative costs are allocated by operational segments in proportion to segment revenue. Profit tax expenses and other similar compulsory payments, interests payable and receivable, income from participation in other organizations are not included in segment profit (loss). Other income and expense are not allocated between segments as it is deemed impractical since the required allocation base can not be determined.

Segment assets include primarily fixed assets, construction in progress, work in progress, finished goods, goods for resale, accounts receivable and other current assets. VAT recoverable on purchased transportation and storage services are not included in segment assets because required allocation base is not available. Financial investments are not included in segment assets as they are not directly related to the reporting segments.

Segment liabilities include predominantly short-term liabilities except for payables for transportation and storage services, profit tax payable to the budget and loans and borrowings received for financing of the Company's activity in general.

Segment capital expenditures include investments in fixed and intangible assets of the corresponding period.

5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31.12.2007						
Historical (replacement) cost	4,895,700,763	581,975,027	873,797,067	244,597,310	474,191,442	7,070,261,609
Accumulated depreciation	3,045,272,405	422,217,813	654,985,494	96,995,307	172,161,043	4,391,632,062
Net book value	1,850,428,358	159,757,214	218,811,573	147,602,003	302,030,399	2,678,629,547
As of 31.12.2008						
Historical (replacement) cost	6,281,208,933	797,559,881	1,119,630,523	329,499,086	684,154,709	9,212,053,132
Accumulated depreciation	4,042,504,625	590,908,848	837,698,601	133,601,582	257,798,678	5,862,512,334
Net book value	2,238,704,308	206,651,033	281,931,922	195,897,504	426,356,031	3,349,540,798

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5. FIXED ASSETS (continued)

Net book value of fixed assets leased out to subsidiaries amounted to 3,309,934,692 and 2,650,531,468 as of 31 December 2008 and 2007, respectively.

6. CONSTRUCTION-IN-PROGRESS

	31 December	
	2008	2007
Construction in progress	185,853,487	168,844,405
Equipment for installation	101,160	101,160
Total	185,954,647	168,945,565

As of 31 December 2008 and 2007 construction in progress included assets of 178,340,140 and 159,320,721, respectively (net of accumulated depreciation of 1,299,643 and 1,038,270, respectively), which had been constructed and put into operation but were still to be registered by the State Authority. As of 31 December 2008 most significant assets to be registered were "North-European gas pipeline (part Gryazovets-Vyborg, 436-597 km)", "Gas pipeline to Arkhangelsk, Severodvinsk, 400-642.7 km", "Gas pipeline Pochinki-Gryazovets, part Pochinki-Yaroslavl, 0.0-65.0" and other infrastructure assets.

7. INVESTMENTS

Long-term investments

Investments in subsidiaries and associated undertakings

Information on financial investments in subsidiary and associated undertakings is provided in Note 17.

Investments in subsidiaries (balance sheet line 141) are presented net of provision for impairment of 51,232 and 304,300 as of 31 December 2008 and 2007, respectively.

Investments in associated undertakings (balance sheet line 142) are presented net of provision for impairment of 757,268 and 766,899 as of 31 December 2008 and 2007, respectively.

In May 2007 the Company signed a contract with the State Property Committee of the Republic of Belarus under which the Company shall acquire a 50% equity interest in ОАО Beltransgaz for USD 2,500,000 thousand within four years starting from 2007. In accordance with the signed agreement, in June 2008 the Company acquired a 12.5% equity interest in ОАО Beltransgaz for USD 625,000 thousand. Considering 12.5% purchased by the Company in June 2007 for USD 625,000 thousand Company's investment in ОАО Beltransgaz of USD 1,250,000 thousand as of 31 December 2008 amounted to 25% and was included in balance sheet line "Investments in associates" (line 142) (see Note 17).

Investments in other companies

Investments in other companies (balance sheet line 143) are presented net of provision for impairment of 185 and 212,625 as of 31 December 2008 and 2007, respectively.

Loans issued for a period over 12 months

In November 2006 the Company provided a loan to Gazprom Germany GmbH payable in 2007-2013 with the interest rate of 6.2%. In December 2007 the Company signed an amendment to the loan agreement under which the total debt amount including accrued interest shall be paid in 2013. Loan of 58,604,348 and 48,961,690 as of 31 December 2008 and 2007 was presented in the balance sheet line "Loans issued for a period over 12 months" (line 144). This loan is secured by the guarantee of ZGG Kaiman Holding Ltd. and 588,835 shares of ОАО Novatek. The collateral value of shares is 2,159,847.

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7. INVESTMENTS (continued)

In 2007 the Company provided a number of loans to OAO Severneftegazprom at 6.4%-7.2% interest rates payable in 2013-2015. The value of loans outstanding as of 31 December 2007 was 20,018,864. In 2008 the loans were fully repaid in cash.

Other long-term investments

	31 December	
	2008	2007
Joint activity	72,165,416	56,688,681
including:		
development of oil and gas fields on the Barents and Pechora Seas shelf (operator - OOO Sevmorneftegaz)	51,092,544	41,373,063
development of a satellite communication system (operator - OAO Gazcom)	3,165,102	3,165,102
Long-term deposits	11,339,078	4,413,898
Other,	1,769,240	5,390,918
including:		
South Pars (oil and gas field located in Iran)	1,726,568	5,363,398
Total	85,273,734	66,493,497

Other long-term investments (balance sheet line 140) are presented net of the impairment provision of 1,734,187 and 2,072,121 as of 31 December 2008 and 2007, respectively. The provision relates to investments in joint activities.

Short-term investments

In April 2007 the Company issued a loan to Gazprom Sakhalin Holding B.V of USD 2,300,000 thousand at 5.79% interest rate payable in 2008. During 2008 three amendments to the loan agreement were signed. According to the latest amendment a part of the principle was repaid in November 2008. The value of loan outstanding as of 31 December 2008 and 2007 was 32,228,635 and 56,456,260, respectively. According to the above amendment remaining part of the loan and corresponding interest accrued shall be repaid on 31 March 2009.

Other short-term loans accounted for in the balance sheet line "Loans issued for a period within 12 months" (line 251) are mainly loans issued to subsidiaries of 8,065,254 and 8,441,816 as of 31 December 2008 and 2007, respectively. Short-term loans are presented net of impairment provision of 9,695 as of 31 December 2008 and 2007, respectively.

8. ACCOUNTS RECEIVABLE
Trade accounts receivables

	31 December	
	2008	2007
Accounts receivable for gas sold:	275,093,768	251,948,480
in Russia	47,752,712	62,864,863
outside Russia (net of bad debt provision in the amount of 21,693,219 and 11,992,147 as of 31 December 2008 and 2007, respectively), including	227,341,056	189,083,617
far abroad countries (net of bad debt provision in the amount of 3,621,855 and 3,224,816 as of 31 December 2008 and 2007, respectively)	161,023,112	126,878,489

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8. ACCOUNTS RECEIVABLE (continued)

	31 December	
	2008	2007
Accounts receivable for assets leased out (net of bad debt provision in the amount of 30,813 as of 31 December 2007, bad debt provision as of 31 December 2008 was not created)	39,640,605	25,370,099
Accounts receivable for gas transportation services (net of bad debt provision in the amount of 346,916 and 289,836 as of 31 December 2008 and 2007, respectively)	2,195,098	2,152,359
Accounts receivable for gas condensate and refinery products sale (net of bad debt provision in the amount of 8,735 and 65,315 as of 31 December 2008 and 2007, respectively)	4,379,011	4,467,514
Other trade receivables	5,802,473	19,404,913
Total	327,110,955	303,343,365

The decrease in accounts receivable for gas was primarily due to decrease in accounts receivable from ООО Mezhregiongaz of 40,290,625 and 56,658,737 as of 31 December 2008 and 2007, respectively.

The increase in the accounts receivable for the gas sold outside the Russian Federation was due to gas prices increase.

Increase in accounts receivable for assets leased out was mainly due to revaluation of fixed assets as of 1 January 2008 and due to assets constructed in 2007-2008 and leased out in 2008 (see Note 14).

RosUkrEnergо AG accounts receivable as of 31 December 2008 and 2007 were 49,562,094 and 51,162,562, respectively. In 2006 RosUkrEnergо AG debt was partially restructured. As of 31 December 2007 the long-term portion of the restructured account receivable presented in the balance sheet line "Trade accounts receivable (payments expected beyond 12 months after the reporting date)" (line 231) was 6,946,575. As of 31 December 2008 there was no long-term portion.

In 2007 the Company and ООО Factoring-Finance signed the agreement for debt assigning to ООО Mezhregiongaz in the total amount of 14,798,781 including accounts receivable in the amount of 14,477,662 for gas supplied in 2002-2004 and receivables of 321,119 for penalty and interest. Under the debt assignment agreement the Company should receive from ООО Factoring-Finance of 14,798,781 by 2010. As of 31 December 2008 accounts receivable from ООО Factoring-Finance recorded in the balance sheet line "Trade accounts receivable (payments expected beyond 12 months after the reporting date)" (line 235) was 12,874,625.

The accounts receivable recorded in the balance sheet line "Trade accounts receivable (payments expected within 12 months after the reporting date)" (line 241) are presented net of bad debt provision of 22,048,870 and 12,378,111 as of 31 December 2008 and 2007, respectively. Bad debt provision was calculated net of deferred excise of 698,153 and 726,920 as of 31 December 2008 and 2007, respectively. Deferred excise reduces the balance sheet line "Other creditors" (line 628).

Advances given

Advance payment to NAK Naftogaz Ukraine for gas transportation services in 2008-2009 of 9,546,519 and 6,136,550 as of 31 December 2008 and 2007, respectively, was presented in balance sheet line "Advances given" (payments expected within 12 months after the reporting date) (line 245).

Other accounts receivable

Company has concluded investment agreements with developers (mainly its subsidiaries) for fixed asset construction. The Company is the owner of all the assets constructed under the investment agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of the assets constructed.

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8. ACCOUNTS RECEIVABLE (continued)

The long-term portion of receivables from subsidiaries related to amounts received for financing of the investment projects is presented in the balance sheet line "Receivables from other debtors (payments expected beyond 12 months after the reporting date)" (line 235) at the amount of 261,175,908 and 87,711,381 as of 31 December 2008 and 2007, respectively.

The current portion of receivables from subsidiaries related to amounts received for financing of the investment projects is presented in the balance sheet line "Receivables from other debtors (payments expected within 12 months after the reporting date)" (line 246) at the amount of 347,313,463 and 303,251,506 as of 31 December 2008 and 2007, respectively.

Balance sheet line "Other accounts receivable (payments expected within 12 months after the reporting date)" (line 246) include receivable from ООО Gazoenergeticheskaya kompania for a guarantee issued by the Company of 38,339,216 and 39,365,574 as of 31 December 2008 and 2007, respectively. The Company issued the guarantee to secure the loans obtained by ООО Gazoenergeticheskaya kompania from ОАО Gazprombank (Open Joint Stock Company) to finance the purchase of RAO UES Rossii shares.

As of 31 December 2008 accounts receivable in the balance sheet line "Other accounts receivable (payments expected within 12 months after the reporting date)" (line 246) also includes cash contributed to the share capital of ООО Gazoenergeticheskaya kompaniya of 66,756,932 and share capital of Gazprom Sakhalin Holdings B.V. of 10,563,588 (see Note 17).

9. CASH

The balance sheet line "Other monetary assets" (line 264) includes cash balances of 3,532,187 and 2,892,116 as of 31 December 2008 and 2007, respectively, which are restricted according to the terms of certain loan agreements (see Note 11).

The Cash Flow Statement line "Other income" (line 117) includes cash paid to the Company by principals under gas transit agency agreements of 60,601,196 and 33,748,527 in 2008 and 2007, respectively.

The Cash Flow Statement line "Other expenses" (line 192) includes cash paid by the Company to contractors (subsidiaries) as payment for gas transport services under the above agency agreements of 53,847,784 and 37,852,582 in 2008 and 2007, respectively.

10. SHAREHOLDERS' EQUITY

The Company's charter capital of 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RR 5 each) did not change in 2008.

In accordance with the resolution of the general shareholders' meeting, based on the Company's results for the year 2007 final dividends were accrued at the amount of RR 2.66 per common share. Based on the 2006 results the dividends were accrued at the amount of RR 2.54 per common share.

In 2008 and 2007 the Company did not make any contributions to the reserve fund from net profit as the target limit of the fund was reached (7.3% of the charter capital).

As of 1 January 2008 the additional capital increased due to revaluation of fixed assets (see Note 3).

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11. LOANS AND BORROWINGS
Bank loans

Lender	Currency	Maturity period	31 December	
			2008	2007
Credit Suisse International	Japanese yen	2018	58,653,562	-
ABN AMRO Bank N.V	US Dollar	2013	53,065,287	44,334,017
Deutsche Bank AG	US Dollar	2008-2014	25,552,475	29,617,354
ABN AMRO Bank N.V. ¹	US Dollar	2008-2012	24,453,575	24,809,310
Salomon Brothers AG	US Dollar	2008-2009	20,974,632	17,523,503
ABN AMRO Bank N.V. ¹	US Dollar	2008-2010	19,791,617	24,804,605
Dresdner Bank AG ¹	US dollar	2008-2010	18,558,084	23,282,830
ABN AMRO N.V. ¹	US dollar	2008-2010	18,534,565	24,428,628
Credit Suisse International	Euro	2009	16,680,304	14,466,647
Credit Suisse International ¹	US dollar	2017	15,413,611	12,877,482
JP Morgan Chase Bank	US dollar	2009	14,920,065	-
Credit Suisse International	US dollar	2009	14,712,451	12,291,690
Credit Suisse International	Euro	2010	10,418,223	9,036,266
Societe General Bank	US dollar	2009	10,326,279	-
Credit Suisse International	Euro	2009	8,466,203	7,245,649
Deutsche Bank AG	US dollar	2008-2011	8,454,627	8,717,403
OAO Bank of Moscow	Roubles	2008-2010	7,528,988	-
Gazprombank (open joint stock company)	Roubles	2012	7,508,197	-
PNB PARIBAS S.A. ¹	US dollar	2009	5,945,668	4,913,179
Credit Suisse International	US dollar	2009	5,894,061	4,930,571
GK Vnesheconombank	US dollar	2009	4,506,499	-
JP Morgan Chase Bank	US dollar	2008-2011	4,428,552	4,942,115
OAO Bank of Moscow	Roubles	2009	2,533,420	-
ABN AMRO N.V. ¹	US dollar	2008-2009	2,452,843	4,105,274
Deutsche Bank AG	US dollar	2008-2009	666,143	1,671,673
Citibank International PLC ¹	US dollar	2008 ²	-	43,050,890
Credit Suisse International ¹	US dollar	2008 ²	-	40,249,614
Dresdner Bank AG ¹	US dollar	2008	-	15,515,920
Depfa Investment Banl Ltd. ¹	US dollar	2008	-	12,590,496
Credit Suisse International	US dollar	2008	-	12,040,997
JP Morgan Chase Bank ¹	Roubles	2008	-	11,833,443
Credit Suisse International	Euro	2008	-	7,278,533
ABN AMRO N.V. ¹	US dollar	2008 ²	-	5,673,506
Mannesmann (Deutsche Bank AG) ¹	Euro	2008	-	3,011,265
Other bank loans	Various	Various	2,195,379	2,248,015
Total, including			382,635,310	427,490,875
Due within one year, including current portion of long term loans			170,901,124	163,329,131

¹ These loans were received from bank syndicates. Bank-agent was presented as a creditor.

² This loan was redeemed before maturity date stated in loan agreement.

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11. LOANS AND BORROWINGS (continued)

Total amount of bank loans received in 2008 was 75,792,056; total amount of bank loans and interest repaid in 2008 was 210,289,908.

In 2008 and 2007 interest rates related to long-term foreign currency loans ranged from 2.74% to 10.59% and from 3.76% to 10.5%, respectively.

In 2008 interest rate related to short-term foreign currency loans ranged from 5.77% to 8.54%; in 2007 the Company did not have short-term foreign currency loans.

In 2008 interest rates on the long-term bank loans denominated in Russian roubles ranged from 6.25% to 8.0%; in 2007 interest rate was 6.77%.

Borrowings

Lender	Currency	Maturity period	31 December	
			2008	2007
Gaz Capital S.A.	Euro	2018	52,628,043	43,650,533
Gaz Capital S.A.	US dollar	2013	47,201,251	39,434,839
Gaz Capital S.A.	Euro	2015	42,861,321	37,164,661
Gaz Capital S.A.	Euro	2010	42,291,267	36,668,358
Gaz Capital S.A.	Euro	2012	41,556,583	36,033,334
Gaz Capital S.A.	US dollar	2016	39,930,462	33,360,373
Gaz Capital S.A.	US dollar	2022	38,981,900	32,567,886
Gaz Capital S.A.	US dollar	2037	37,729,208	31,521,309
Gaz Capital S.A.	US dollar	2034	35,788,632	29,900,033
Gaz Capital S.A.	Euro	2014	33,705,629	29,225,263
Gaz Capital S.A.	US dollar	2018	32,903,476	-
Gazprom International S.A.	US dollar	2008-2020	30,451,398	28,645,411
Gaz Capital S.A.	Euro	2014	29,273,082	25,381,796
Gazprom Netherlands B.V.	Euro	2009	23,188,334	-
Gaz Capital S.A.	Euro	2017	21,551,507	18,685,146
Gaz Capital S.A.	Euro	2017	20,905,843	18,126,827
Gaz Capital S.A.	US dollar	2013	15,107,034	-
Gaz Capital S.A.	US dollar	2013	11,943,955	-
Gaz Capital S.A.	US dollar	2012	7,728,844	6,457,154
Gaz Capital S.A.	US dollar	2010	5,150,539	4,303,078
Gazstream S.A.	US dollar	2008-2010	4,637,626	5,673,215
Gazprom Finance B.V.	Russian Roubles	2008	-	5,395,712
Liberty Hamshir Corporation (DE)	Russian Roubles	2008	-	5,066,840
Gazstream S.A.	US dollar	2008-2012	4,565,191	4,767,553
A4 series Russian bonds	Russian Roubles	2010	5,157,650	5,155,400
A6 series Russian bonds	Russian Roubles	2009	5,139,000	5,137,100
A9 series Russian bonds	Russian Roubles	2014	5,131,700	5,129,750
A8 series Russian bonds	Russian Roubles	2011	5,059,450	5,057,550
A7 series Russian bonds	Russian Roubles	2009	5,057,650	5,055,800
Total, including			645,626,575	497,564,921
Due within one year, including current portion of long term borrowings			55,136,687	22,930,638

Total amount of borrowings received in 2008 was 66,976,002; total amount of borrowings and interest repaid in 2008 was 44,429,515.

As of 31 December 2008 and 2007 long-term borrowings amounting to 30,451,398 and 28,645,411 are secured by export revenues from gas sales to Western Europe.

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11. LOANS AND BORROWINGS (continued)

As of 31 December 2008 and 2007 the long-term borrowings include the loan from Gaz Capital S.A. related to bonds issued in 2004 of USD 1,200 million due on 28 April 2034 at 8.63% interest rate. The bonds issued can be redeemed at the amount of principal and interest accrued on 28 April 2014 (put option exercise date).

In 2008 interest rates on long-term borrowings denominated in foreign currency received from Gaz Capital S.A., Gazprom International and Gazstream S.A. as a result of Loan Participation Notes ranged from 4.56% to 8.63% (the same in 2007).

In 2008 the Company borrowed USD 500 million from Gaz Capital S.A. by way of issuing of Loan Participation Notes due in 2013. Interest rate is variable and depends on Brent oil prices. In 2008 the above interest rate was 6.81%.

In 2008 interest rates on long-term borrowings (including bonds) denominated in Russian Roubles ranged from 6.25 to 8.22% (the same in 2007).

In 2008 the interest rate on short-term borrowings denominated in Russian Roubles was 5% (the same in 2007).

12. TAXATION

Profit tax

Theoretical profit tax charge for the reporting year determined based on accounting profit amounted to 62,235,155 (in 2007 - 115,785,554). According to the tax returns for the year 2008 total profit tax charge amounted to 206,782,775, including adjusted profit tax per adjusted tax returns for 2006-2007 at the amount of minus 329,668 (tax charge reduction). Total amount for the year 2008 disclosed in line "Current income tax" (profit and loss statement line 150) is equal to 207,112,443 (in 2007 - 122,471,142).

In 2008 permanent differences, which increase the taxable profit over those permanent differences, that decrease the taxable profit, by 246,521,563 (in 2007 - 183,575,323). Permanent differences primarily relate to non-deductible expenses, such as excess of depreciation charge on fixed assets revalued for accounting purposes over depreciation charge on the same fixed assets in taxation.

In 2008 deductible temporary differences that impact the difference between the theoretical profit tax charge and current profit tax charge amounted to 273,240,202 (in 2007 - 9,852,451). Deductible temporary differences redeemed during the reporting year amounted to 4,779,948 (in 2007 - 2,968,115).

In 2008 deferred tax assets at the amount of 7,753 (in 2007 - 6,275) were written off.

Deductible temporary differences primarily relate to:

- accounting revaluation in respect of investments, for which the current market value can be determined;
- different treatment of exploration expenses in accounting and taxation.

In 2008 taxable temporary differences that impact the difference between the theoretical profit tax charge and the current profit tax charge amounted to 58,370,009 (in 2007 - 170,486,806). Taxable temporary differences redeemed in the reporting year amounted to 145,628,673 (in 2007 - 8,689,009).

In 2008 deferred tax liabilities at the amount of 7,072 (in 2007 - 832) were written off.

Taxable temporary differences primarily relate to:

- accounting revaluation in respect of investments, for which the current market value can be determined;
- longer useful lives of certain fixed assets in accounting as compared to useful lives of these items in taxation;
- tax recognition of 10% deduction of historical value of constructed assets put into operation;
- different accounting treatment of gas storage costs in accounting and taxation.

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12. TAXATION (continued)

Total taxable profit amounted to 898,197,192 and 548,239,183 in 2008 and 2007, respectively.

Other taxes

VAT accrued in respect of goods dispatched (works, services, property rights) including VAT accrued in respect of prepayments received, amounted to 258,364,024 and 189,075,186 for 2008 and 2007, respectively.

VAT payable related to accounts receivable for goods (work, services, property rights) supplied in prior reporting periods at the amount of 288,446 and 2,418,115 for 2008 and 2007, respectively.

Outstanding deferred VAT and deferred excise were 698,153 and 1,016,151 as of 31 December 2008 and 2007, respectively.

13. SALE OF GOODS, WORK AND SERVICES

	2008	2007
Revenue from gas sales:		
in Russia	543,223,095	426,975,003
outside Russia, including	1,480,984,290	979,881,575
far abroad countries	1,192,543,330	749,815,724
	2,024,207,385	1,406,856,578
Revenue from assets leasing	305,964,055	234,452,737
Revenue from sale of gas condensate and refined products	110,023,221	88,930,578
Revenue from sale of gas transportation services	64,826,514	43,055,537
Other	1,988,329	1,684,007
Total	2,507,009,504	1,774,979,437

The 43.9% increase in gas sales was primarily the result of increased prices of natural gas sold to far abroad and former Soviet Union countries and on the domestic market.

14. COST OF SALES AND SELLING EXPENSES (LINES 020 AND 030 OF THE PROFIT AND LOSS ACCOUNT)

	2008	2007
Purchase cost of gas, including gas sold		
in Russia	193,464,127	158,128,947
outside Russia, including	307,711,201	228,956,077
far abroad countries	134,278,979	81,840,098
	501,175,328	387,085,024
Gas transportation costs, including		
in Russia	300,056,664	248,703,500
outside Russia, including	338,112,192	290,845,900
far abroad countries	294,574,340	252,591,064
	638,168,856	539,549,400
Cost of assets leased out	299,844,409	231,840,439
Cost of purchased gas condensate, oil products and their refinery and transportation	60,936,856	53,811,657
Cost of gas transportation services	75,556,292	50,661,520
Cost of other sales	2,423,482	1,750,821
Total	1,578,105,223	1,264,698,861

Increase in expenses on gas purchases resulted from increased inter-group prices for gas purchased from the Company's subsidiaries as well as increased price for gas purchased from Turkmenistan.

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14. COST OF SALES AND SELLING EXPENSES (LINES 020 AND 030 OF THE PROFIT AND LOSS ACCOUNT) (continued)

The increase in gas transportation costs mainly resulted from the increase of inter-group transportation tariffs.

The increase in costs and revenue associated with assets leased out was due to the revaluation of fixed assets as of 1 January 2008 and putting into operation fixed assets constructed in 2007-2008 and leased out in 2008 (see Note 13).

15. OTHER INCOME AND EXPENSES

	2008		2007	
	Income	Expenses	Income	Expenses
Sale of foreign currency	2,329,984,168	2,331,516,902	1,850,277,639	1,851,486,957
Exchange differences on foreign currency transactions	160,665,900	260,660,500	86,663,108	74,261,477
Contributions to subsidiaries' property	x	60,855,105	x	62,562,235
Movement of securities, including promissory notes	8,475,092	263,059	34,754,770	20,756,931
Repayment of debt acquired under credit assignment agreement	22,414,463	22,414,463	-	-
Agreement of to accounts receivable (see Note 8)	648,213	648,213	18,581,345	19,516,075
Bank services	x	3,018,936	x	5,141,726
Bad debt provision accrual/release	109,188	9,808,714	4,173,551	4,852,299
Costs of mineral resources development	x	5,427,037	x	4,816,041
Market value revaluation of investments	-	396,183,812	100,579,660	2,865,877
Contingent liabilities provision accrual/release	-	11,366,703	-	1,681,976
Investments impairment provision accrual/release	871,978	81,400	544,202	303,639
Other	10,033,523	27,208,994	9,768,435	27,493,977
Total	2,533,202,525	3,129,453,838	2,105,342,710	2,075,739,210

The line "Contributions to Subsidiaries' Property" includes contributions made to the property of subsidiaries by decisions made by the participant (the Company) in 2004-2008. As of 31 December 2008 and 2007 outstanding contributions to the subsidiaries' property amounted to 10,465,928 and 15,780,511, respectively.

In 2008 the Company recognized expenses of 396,183,812 related to the revaluation of investments as of 31 December 2008 due to dramatic decrease of the market prices of the shares. The Company's investments in its subsidiaries and associates are of a long-term nature and are not intended to derive profit from the fluctuations of the shares prices in Russian stock exchanges.

In 2007 the Company recognized profit of 100,579,660 from the market revaluation of investments as of 31 December 2007.

Income and expenses from the accrual and release of doubtful debt and contingency provisions are presented in the Company's accounting reports on a net basis except for income from a release of the bad debt provision in the part related to accounts receivable settled during the year.

The line "Repayment of debt acquired under credit assignment agreement" for 2008 includes income and expenses of 22,414,463 each related to the repayment of the debt of OOO Russian Energy Projects that the Company had acquired under the credit assignment agreement in April 2008.

The line "Other expenses" includes pension contributions of 539,053 and 664,679 transferred to OAO Gazprom's joint account in NPF Gazfund in 2008 and 2007, respectively. Non-state pensions shall be paid to employees of the Company when corresponding conditions are met.

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16. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year. The weighted average number of shares was 23,672,238 and 23,673,513 during the years ended 31 December 2008 and 2007, respectively.

The weighted average number of shares outstanding during the reporting year has been calculated taking into account the Company's buy-out of its own shares in March 2008 under the Stock Option Plan for top management of ОАО Gazprom and its subsidiaries in the total number of 1,700,000 shares of 536,248 in value. In December 2008 the Company sold these shares to the Gazprom Stimul Fund.

As of the beginning and the end of the reporting period the Company did not have any potentially dilutive securities and therefore the diluted profit per share was not calculated.

17. RELATED PARTIES

Major 100% subsidiaries of ОАО Gazprom:

000 Burgaz	000 Gazpromtrans
000 VNIIGAZ	000 Gazflot
000 Gazprom Dobycha Astrakhan	000 Gazoenergeticheskaya kompaniya
000 Gazprom Dobycha Noyabrsk	000 Gazprom Export
000 Gazprom Dobycha Nadym	000 Gazprom PHG
000 Gazprom Dobycha Orenburg	000 Airline GAZPROMAVIA
000 Gazprom Dobycha Urengoy	000 Gazprominvestholding
000 Gazprom Dobycha Yamburg	000 IRTs Gazprom
000 Gazprom Transgaz Volgograd	000 Georesource
000 Gazprom Transgaz Kazan	000 Informgaz
000 Gazprom Transgaz Moskva	000 Kap-Infin
000 Gazprom Transgaz Makhachkala	000 Krasnoyarsgazdobycha
000 Gazprom Transgaz Nizhni Novgorod	000 Kubangazprom
000 Gazprom Transgaz Ekaterinburg	000 Mezhhregiongaz
000 Gazprom Transgaz Saint Petersburg	000 Novourengoysky GHK
000 Gazprom Transgaz Samara	000 Project Finance
000 Gazprom Transgaz Saratov	000 Sevmorneftegaz
000 Gazprom Transgaz Stavropol	000 Szhizhennyi Gas
000 Gazprom Transgaz Surgut	000 Surgutstroygaz
000 Gazprom Transgaz Tomsk	000 Trans-Invest
000 Gazprom Transgaz Ufa	000 TyumenNilgiprogaz
000 Gazprom Transgaz Ukhta	ZAO Yamalgazinvest
000 Gazprom Transgaz Chaykovsky	Gazprom-Finance B.V.
000 Gazprom Transgaz Yugorsk	Gazprom (U.K.) Limited
000 Gazprom Pererabotka	Gazprom Sakhalin Holdings B.V.
000 Gazkomplektimpex	000 Gazsvyaz
000 Gazprom Dobycha Shelf	Gazprom Netherlands B.V.

All the above companies, excluding Gazprom-Finance B.V., Gazprom Netherlands B.V. and Gazprom Sakhalin Holding B.V., which are registered in Holland, and Gazprom (UK) Ltd., which is registered in Great Britain, are registered in Russia. These companies are mainly engaged in production, transporting and selling natural gas.

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17. RELATED PARTIES (continued)

In 2007-2008 the Company continued reorganization of its wholly-owned subsidiaries. For the purposes of separating core types of activities into specialized companies the following wholly-owned subsidiaries were founded in 2007: OOO Gazprom PHG, OOO Gazprom Pererabotka, OOO Gazprom Severpodzemremont, OOO Gazprom Yugpodzemremont. Also, in 2008 the Company continued to consolidate its core types of activities and assets (that were spun-off from existing gas transportation and gas production subsidiaries into separate legal entities) in the specialized companies.

In April 2008, following the additional issue of preferred shares of Gazprom Sakhalin Holding B.V., the Company bought 384 shares of Gazprom Sakhalin Holdings B.V. for USD 599 million. As a result the Company's interest in Gazprom Sakhalin Holding B.V. did not change and remained 100% as of 31 December 2008.

In August 2008 the Company contributed 20,206,000 to the charter capital of OOO Gazprom Pererabotka. The Company's interest in the equity of OOO Gazprom Pererabotka did not change and remained 100% as of 31 December 2008.

In November - December 2008 the Company contributed 66,756,932 to the charter capital of OOO Gazoenergeticheskaya kompaniya. As of 31 December 2008 no increase in the charter capital of OOO Gazoenergeticheskaya kompaniya was registered, therefore the Company did not recognize any increase of its investment into the equity of OOO Gazoenergeticheskaya kompaniya. As of 31 December 2008 the above amount is included in line "Accounts receivable from other debtors (Payment of which are expected within 12 months of the reporting date)" (line 246) of the Company's balance sheet (see Note 8).

In November 2008 the Company contributed 10,563,588 to the charter capital of OOO Gazprom Sakhalin Holdings B.V. As of 31 December 2008 no record on the increase of the Company's interest in the charter capital of OOO Gazprom Sakhalin Holdings B.V. was made in the shareholders register, therefore the Company did not recognize any increase of its relevant investment. As of 31 December 2008 the above amount is included in line "Accounts receivable from other debtors (Payment of which are expected within 12 months of the reporting date)" (line 246) of the Company's balance sheet (see Note 8).

Other major subsidiaries of OAO Gazprom:

Company's name	% of interest	Type of activity	Location
OOO GazpromPurInvest	99.99	Investment	Russia
OAO TsentrGaz	99.99	Construction	Russia
OAO Gazmash	99.99	Manufacture of household fuel using equipment	Russia
OAO VostokGazprom	99.98	Production, processing and sale of gas and gas condensate	Russia
ZAO Kaunasskaya TEC	99.5	Generation and sales of electricity	Lithuania
OAO GazpromtrubInvest	99.36	Manufacturing and sale of pipes	Russia
OOO GaztorgPromstroy	99.0	Trading	Russia
OAO Lazurnaya	98.4	Design and construction	Russia
OAO ZapsibGazprom	76.69	Construction	Russia
ZAO ArmRosGazprom	75.55	Transportation and sale of gas	Armenia
ZAO Gazprom YuRGM Trading	75.0	Gas production, storage and transportation	Russia
OAO SevernefteGazprom	65.0	Production, processing and sale of gas and gas condensate	Russia
ZAO Gazprom Neft Orenburg	61.8	Oil production, processing and refinery	Russia
OAO Gazprom Neft	59.01	Oil production, processing and refinery	Russia
OAO Mosenergo	53.47	Generation and sales of electricity	Russia
OAO Volgogradneftemash	51.5	Manufacture of oil refinery equipment	Russia
DOAO SpetsGazavtOtrans OAO Gazprom	51.0	Transportation services	Russia
Shtockman Development AG	51.0	Gas field development	Switzerland

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17. RELATED PARTIES (continued)

In December 2008 the Company acquired part of common shares additionally issued by ОАО Severneftegazprom, for 15,274,405. As of 31 December 2008 and 2007 the Company's share in the total number of voting shares of ОАО Severneftegazprom was 75% plus two shares and 75% plus one share respectively. As of 31 December 2008 and 2007 the Company's interest in the total charter capital (including preferred shares of ОАО Severneftegazprom) was 65%.

Major associates of ОАО Gazprom:

Company's name	% of interest	Type of activity	Location
Nord Stream AG	51.0	Construction	Switzerland
АО Moldovagaz	50.0	Transportation and sale of gas	Moldova
АО Slovrusgaz	50.0	Sale of gas	Slovakia
Blue Stream Pipeline Company B.V.	50.0	Gas transportation	Netherlands
ТОО KazRosGaz	50.0	Transportation and sale of gas	Kazakhstan
RosUkrEnergo AG	50.0	Transportation and sale of gas	Ukraine
АО YugoRosGaz	50.0	Transportation and sale of gas	Serbia
ОАО Belgazprombank	48.08	Banking	Byelorussia
EuRoPol Gaz A.O.	48.0	Transportation and sale of gas	Poland
АО Turusgaz	45.0	Sale of gas	Turkey
Gazprombank (Open Joint Stock Company)	41.7	Banking	Russia
АО Lietuvos Dujos	37.1	Transportation and sale of gas	Lithuania
ЗАО Rosshelf	39.5	Production of gas	Russia
АО Latvijas Gaze	34.0	Transportation and sale of gas	Latvia
ЗАО Stella Vitae	30.0	Transportation and sale of gas	Lithuania
ОАО TGC-1	28.7	Generation and sale of electricity and heat	Russia
ОАО Beltransgaz	25.0	Gas transportation	Byelorussia
АО Gazum	25.0	Sale of gas	Finland
ОАО Daltransgaz	25.0	Gas transportation	Russia

In March 2008 as a result of the additional issue of Nord Stream AG vinkulated shares the Company acquired 462,570 shares of Nord Stream AG for Euro 277 million and USD 448 million. As a result the Company's interest in the equity of Nord Stream AG did not change and remained 51% as of 31 December 2008.

In July 2008 the Company acquired from RAO UES 28.7% interest in ОАО TGC-1 for 39,218,732 paid in cash.

Other major related parties:

Wingas GmbH	ОАО Gazenergoset
Wintershall Erdgas Handelshaus GmbH & Co. KG	ОАО Novatek
Wintershall Erdgas Handelshaus Zug AG	АО Overgas Inc.
GWH Gas und Varen Handelshaus GmbH	АО Panrusgaz
Gazprom Germany GmbH	АО Promgaz S.P.A.
ЗАО Gasenergoprom-Invest	АО Prometheus Gas
ZMB (Schweiz) AG	Sakhalin Energy Investment Company Ltd.
Zarubezhgaz Management und Beteiligungsgesellschaft GmbH (ZMB)	ОАО Tsentrenergoholding
ЗАО Gazenergoprombank	АО Fragas
ОАО Salavatnefteorgasintez	Gazprom Marketing and Trading Ltd.
	Tancredo Enterprises Ltd.

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17. RELATED PARTIES (continued)

The Company owns directly or through its subsidiaries the blocks of shares or has ownership interest in the above companies. In addition, the Company has its representatives in the Boards of Directors thus influencing their business significantly. The above companies, except for ОАО Salavatnefteorgsintez, ЗАО Газэнергопром-Invest, ЗАО Газэнергопромбанк, ОАО Газэнергосет, АО Prometheus Gaz and ОАО Тsentrenergoholding are engaged in gas transport and sales.

Related party transactions:

ОАО Gazprom transactions with major wholly owned subsidiaries

	2008	2007
Sales (net of VAT, excise, custom duties and similar payments):		
gas	536,252,891	420,081,869
leasing out asset	291,369,883	227,140,235
gas transportation services	24,465,718	17,296,400
Purchase:		
gas transportation and storage services	606,629,543	490,057,740
gas	260,208,591	235,227,076
liquid hydrocarbons	38,088,431	29,650,677
liquid hydrocarbons processing services	16,391,534	11,651,773

Prices for gas, gas transportation and storage services purchased from wholly owned subsidiary companies of ОАО Gazprom were set in accordance with the Price-List "Internal Settlement (wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage for ОАО Gazprom Entities" approved by ОАО Gazprom ("Inter-Group Tariffs"). Gas and gas transportation services were provided to major wholly owned subsidiaries based on the above price-list. Prices for liquid hydrocarbons and liquid hydrocarbons processing services purchased from major wholly owned subsidiaries were set in accordance with the Price-List "Internal Settlement (wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage for ОАО Gazprom Entities" approved by ОАО Gazprom.

Accounts receivable and accounts payable from major wholly owned subsidiaries of ОАО Gazprom were as follows:

	31 December	
	2008	2007
Accounts receivable	765,241,580	522,790,477
Accounts payable	159,504,627	130,095,072

In 2008 and 2007 no doubtful debt provision was formed for accounts receivable from major wholly owned subsidiaries of ОАО Gazprom.

Loans receivable from major wholly owned subsidiaries of ОАО Gazprom were as follows:

	31 December	
	2008	2007
Loans due beyond 12 months of the reporting date	1,250,185	3,002,195
Loans due within 12 months of the reporting date	33,140,379	58,347,033

Interest on loans that the Company provided to its major wholly owned subsidiaries was 3,486,615 and 2,671,137 in 2008 and 2007, respectively. In 2008 the Company granted loans to major subsidiaries at the interest rate in the range from 5.79% to 8.5% , (the same in 2007).

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17. RELATED PARTIES (continued)

The Company's loans payable to its major wholly owned subsidiaries were as follows:

	31 December	
	2008	2007
Loans due within 12 months of the reporting date	23,188,334	5,395,712

Interest on loans that the Company received from its major wholly owned subsidiaries was 919,687 and 539,839 in 2008 and 2007, respectively. The Company received loans from its major wholly owned subsidiaries at the interest rate in the range from 5.0% to 5.3% and from 5.0% to 5.62% in 2008 and 2007, respectively.

Guarantees issued by the Company on behalf of its major wholly owned subsidiaries were equal to 28,389,263 and 16,193,602 as of 31 December 2008 and 2007, respectively.

Transactions with other major subsidiaries

	2008	2007
Sales (net of VAT, excise, custom duties and similar payments):		
gas transportation services	8,510,604	1,223,405
gas	1,086,845	720,238
Purchase:		
gas	33,408,654	1,995,219
liquid hydrocarbons	3,036,561	2,530,977

Gas sales to one of its major subsidiaries - ZAO Kaunasskaya TEC - was executed at fixed prices based on the contract and supplements thereto.

Accounts receivable and accounts payable from other major subsidiaries of the Company were as follows:

	31 December	
	2008	2007
Accounts receivable	8,594,560	9,862,913
Accounts payable	6,450,789	2,228,527

In 2008 and 2007 no doubtful debt provision was accrued in respect of accounts receivable from other major subsidiaries of OAO Gazprom.

Loans received from other major subsidiaries of the Company were as follows:

	31 December	
	2008	2007
Loans due beyond 12 months of the reporting date	-	20,018,864
Loans due within 12 months of the reporting date	6,475,000	5,446,543

Interest on loans that the Company provided to its other major subsidiaries was 1,165,011 and 1,519,482 in 2008 and 2007, respectively. The Company provided loans to its other major subsidiaries at the interest rate in the range from 6.98% to 8.0% and from 5.4% to 8.42% in 2008 and 2007, respectively.

The Company had no loans received from other major subsidiaries.

Guarantees issued by the Company for its other major subsidiaries were equal to 37,443,457 and 1,085,910 as of 31 December 2008 and 2007, respectively.

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17. RELATED PARTIES (continued)

Transactions with major associates

	2008	2007
Sales (net of VAT, excise, custom duties and similar payments):		
gas	314,109,042	243,758,857
Purchase:		
gas	23,984,171	23,782,096
gas transportation and storage services, including through the commissioner OOO Gazprom Export	34,312,513	30,374,012
	19,718,809	18,381,049

Prices for gas in 2008 and 2007 for major associates on the external market varied from USD 120.73 to USD 557.40 and from USD 100.75 to USD 324.09 per thousand cubic meters, respectively.

Prices for gas transportation and storage services purchased from major associates were defined based on the relevant market prices.

Accounts receivable and accounts payable from major associates of the Company were as follows:

	31 December	
	2008	2007
Accounts receivable	83,597,745	94,028,634
Accounts payable	7,460,157	4,870,490

As of 31 December 2008 and 2007 the doubtful debt allowance of 18,071,364 and 8,767,331, respectively, was accrued on accounts receivable from major associated companies.

Major associated companies had no loans payable to OAO Gazprom.

The Company loans payable to major associate - Gazprombank (Open Joint Stock Company) - were as follows:

	31 December	
	2008	2007
Loans due beyond 12 months of the reporting date	7,500,000	-
Loans due within 12 months of the reporting date	8,197	-

As of 31 December 2007 the Company did not have any loans payable to its associates.

Interest on the loan that the Company received from Gazprombank in 2008 at 8.0% was 8,197.

Guarantees issued by the Company in respect of its major associates were equal to 27,697,378 and 28,608,054 as of 31 December 2008 and 2007, respectively.

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17. RELATED PARTIES (continued)

Transactions with other major related parties

	2008	2007
Sales (net of VAT, excise, custom duties and similar payments):		
gas	328,488,676	196,826,294
gas condensate and oil refinery products	36,927,766	26,213,471
gas transportation services	12,159,599	9,230,278
Acquisition:		
gas	27,570,282	5,761,135
gas transportation and storage services, including through the commissioner OOO Gazprom Export	5,958,344	5,530,699
	5,958,344	5,530,699

Prices for gas in 2008 and 2007 for other major related parties on the external market varied from USD 107.58 to USD 531.35 and from USD 72.35 to USD 511.55 per thousand cubic meters, respectively.

In 2008 and 2007 OAO Novatek sold its gas on the domestic market at RR 813.00 and RR 650.00 per thousand cubic meters, respectively.

Prices for gas transportation and storage services purchased from other major related parties were set up based on the contracts by reference to the level of relevant market prices.

Accounts receivable and accounts payable from settlements with other major related parties of the Company were as follows:

	31 December	
	2008	2007
Accounts receivable	53,500,494	43,424,032
Accounts payable	5,714,308	1,242,860

In 2008 and 2007 no doubtful debt provision was accrued for accounts receivable from other major related parties of the Company.

The debt of other major subsidiaries of the Company in respect of loans received was as follows:

	31 December	
	2008	2007
Loans due beyond 12 months of the reporting date	58,604,348	48,961,690

Interest on loans that the Company provided to its other major related parties was 3,601,736 and 3,205,594 in 2008 and 2007, respectively. The Company provided loans to its major related parties at the interest rate in the range from 6.2% to 6.64% in 2008 and at the rate of 6.2% in 2007.

The Company had no loans received from other major related parties.

Guarantees issued by the Company other major related parties were equal to 28,779,531 as of 31 December 2007. As of 31 December 2008 there were no guarantees issued by the Company on behalf of other major related parties.

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17. RELATED PARTIES (continued)
Remuneration of key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of the Company, amounted to 994,078 and 867,228 for the years ended 31 December 2008 and 2007, respectively. The above amounts include personal income tax and unified social tax. Government officials, who are directors, do not receive any remuneration from the Company. Remuneration of members of the Board of Directors is approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of directors) is determined by the terms of the annual employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Company makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

The Company provided medical insurance and indemnity insurance for key management personnel. Voluntary medical insurance was 564 and 606 and indemnity insurance was 2,082 and 0 as of 2008 and 2007, respectively.

18. CONTINGENCIES
Contingencies in respect of guarantees issued

	31 December	
	2008	2007
Outstanding guarantees issued on behalf of:		
OAO Severneftegazprom	33,643,303	-
Blue Stream Pipeline Company B.V.	27,697,378	28,608,054
OOO Novourengoysky GHK	15,424,811	4,930,958
OOO Sevmorneftegaz	10,819,918	10,045,615
Gazprom Lybia B.V.	8,579,077	4,467,408
OAO Gazprom Space Systems	6,998,885	4,446,091
MRK Energy DMSS	6,958,760	-
EM Interfinance Ltd.	5,822,939	6,135,470
Dereve Capital International Ltd.	5,691,441	5,543,203
ZAO Achimgaz	4,960,534	4,590,737
Blackrock Capital Investments Ltd.	4,934,303	5,528,487
ZAO Gaztransit	1,293,650	1,500,216
ZAO Kaunasskaya TEC	1,263,958	1,085,910
Mortgage Lending Assistance Fund "Gazpromipoteka"	1,213,480	3,321,829
DSL Asset International Ltd.	887,935	1,500,398
United Energy Investments Ltd.	887,292	1,499,311
ZAO Gasenergoprom-Invest	-	28,779,531
ZAO Purgaz	-	1,595,062
Other	6,121,059	2,192,709
Total	143,198,723	115,770,989

In April 2008 the Company issued guarantees for the loan received by MRK Energy DMSS from Credit Swiss International to finance the pipeline construction. The guarantees are valid until October 2009.

In July 2008 the Company issued a guarantee for the loan received by OAO Severneftegazprom from the bank Societe Generale to finance operating costs, repayment of operating credits and development of the Yuzhno-Russky field. The guarantee is valid until July 2009.

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18. CONTINGENCIES (continued)

In August 2008 the Company issued a guarantee for the loan received by OOO Novourenogovskiy GHK from the banks ABN AMRO Bank and Calion to finance the construction of the Novourenogovskiy complex and for general purposes. The guarantee is valid until August 2013.

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Company, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Company guaranteed the above loans until July 2013. As of 31 December 2008 and 2007 the guarantees amounted to 25,493,848 and 26,767,089, respectively. The guarantee for the loan that Depfa Investment Bank Ltd. granted to Blue Stream Pipeline Company B.V. until July 2009 amounted to 2,203,530 and 1,840,965 as of 31 December 2008 and 2007, respectively.

In June 2005 the Company issued guarantees for the loans received by OOO Sevmorneftegas from ING Bank N.V. to finance the construction of fixed assets. The guarantees are valid until November 2015. In January 2007 the Company issued the additional guarantee for the liabilities of OOO Sevmorneftegas to Blueward Shipping Company Ltd. and Nostalgic Mun Shipping Company Ltd. under shipping agreements. The guarantee shall be valid for 25 years after the vessels are transferred to OOO Sevmorneftegaz.

In 2006 the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands for five companies (Devere Capital International Ltd., Blackrock Capital Investments Ltd., DSL Assets International Ltd., United Energy Investments Ltd., EM Interfinance Ltd.) registered in Ireland with respect to the bonds issued by them and due in December 2012, June 2018, December 2009, December 2009, and December 2015, respectively. The bonds were issued for the purposes of financing the construction of a transit pipeline on the territory of Poland carried out by EuroPol Gaz A.O. Total amount of guarantees issued to Asset Repackaging Trust Five B.V. was 18,223,910 and 20,206,869 as of 31 December 2008 and 2007, respectively.

The Company believes that it will have to pay some of its obligations under guarantees issued. Therefore, as of 31 December 2008 and 2007 provision for the guarantees issued was accrued by the Company at the amount of 21,030,337 and 9,663,634, respectively.

The above provision amount was formed based on the discounted amount of the contingent liability. In the above provision calculations the discount rate of 10.55% was used for liabilities associated with payments which are due within one to three years, and the rate of 11.15% was used for liabilities associated with payments which are due beyond three years. The discount rates were determined on the basis of risk-free market rates of return as the Company believes that the use of the discount rate to a large extent corresponds to changes in the general purchasing power of the RR in the period when the corresponding contingency exists. The total provision for contingencies, without account for the discounting effect, was 22,106,195 and 9,663,634 in 2008 and 2007, respectively.

Operating environment

The ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. The debtors (borrowers) of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed.

The uncertainty in the global markets combined with other local factors has led in 2008 to very high volatility in the Russian stock markets and at times much higher than normal interbank lending rates.

At present management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

ОАО GAZPROM
EXPLANATORY NOTES TO THE 2008 ACCOUNTING REPORTS
(in thousands of Russian Roubles, unless otherwise stated)

18. CONTINGENCIES (continued)

Legal proceedings

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

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. As of 31 December 2008 management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

19. POST BALANCE SHEET EVENTS

Due to the decrease in income tax rate from 24% to 20%, the Company has recalculated deferred tax assets and deferred tax liability as at 1 January 2009. The result from the decrease in assets and liabilities was accounted for in retained earnings (loss). As a result of the adjustment as of 1 January 2009 the amount of deferred tax assets has decreased by 11,997,263, deferred tax liabilities – by 21,075,276, and retained earnings increased by 9,078,013 in comparison with similar items in the balance sheet as at 31 December 2008. Effect of the income tax rate change will be presented in the opening balances of the financial statements for 2009.

In February 2009 the Company paid USD 625,000 thousand for 12,5% shares of ОАО Beltransgaz and increased its total interest in its entity to 37,5%.

Chief Executive Officer _____ A.B. Miller
 (signature)

Chief Accountant _____ E.A. Vasilieva
 (signature)

**STATUTORY CONSOLIDATED ACCOUNTING REPORTS
OF ОАО GAZPROM AND ITS SUBSIDIARIES FOR 2008 PREPARED
IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS**

AUDIT REPORT
on Statutory consolidated accounting reports

To the shareholders of Open Joint Stock Company Gazprom:

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit)

State registration certificate № 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on August 22, 2002.

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002. The license is valid until 20 May 2012.

Member of the Audit Chamber of Russia

Client

Open Joint Stock Company Gazprom

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

State registration certificate № 022.726 was issued by the Moscow Registration Bureau on 25 February 1993.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700070518 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 2 for the Moscow City on August 7, 2002.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

AUDIT REPORT

on Statutory consolidated accounting reports of OAO Gazprom and its subsidiaries prepared in accordance with Russian Accounting Standards

To the shareholders of Open Joint Stock Company Gazprom:

1. We have audited the attached Statutory consolidated accounting reports of Open Joint Stock Company Gazprom (OAO Gazprom) and its subsidiaries (the Group) for the period from 1 January up to 31 December 2008. The Statutory consolidated accounting reports of the Group consist of Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in the Shareholders' Equity, Consolidated Statement of Cash Flow and Notes to the consolidated accounting reports (hereinafter all the reports together are called "Statutory consolidated accounting reports"). These Statutory consolidated accounting reports were prepared by the management of OAO Gazprom in accordance with the legislation of Russian Federation applicable to Statutory consolidated accounting reports. Such Statutory consolidated accounting reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

2. Preparation of the Statutory consolidated accounting reports is the responsibility of the management of OAO Gazprom. Our responsibility as auditor is to express our opinion on the fair presentation, in all material respects, of these Statutory consolidated accounting reports based on our audit.

3. We conducted our audit in accordance with the Federal Law "On Auditing activity", Federal Auditing Standards, International Standards on Auditing and our internal standards.

Our audit was planned and performed to obtain reasonable assurance about whether the Statutory consolidated accounting reports are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory consolidated accounting reports, assessing compliance with accounting principles, techniques and rules of Statutory consolidated accounting reports preparation, evaluating significant estimates made by the management of OAO Gazprom and the overall Statutory consolidated accounting reports presentation. We believe that our audit provides a reasonable basis for our opinion on these Statutory consolidated accounting reports.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

4. In our opinion, the Statutory consolidated accounting reports attached to this report have been properly prepared to present fairly, in all material respects the financial position of the Group as at 31 December 2008 and financial results of its operations for the period from 1 January up to 31 December 2008 in accordance with the legislation of Russian Federation applicable for Statutory consolidated accounting reports.

29 April 2009

Director of ZAO

Statutory Auditor

Certificate K013014
for general audit
termless



R. Justice

V.Y. Sokolov

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

OAO GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2008
 (in million Roubles)

Note	ASSETS	As of 1 January 2008	As of 31 December 2008
	I. NON-CURRENT ASSETS		
	Intangible assets, including:	456,618	509,971
5,21,22	goodwill on subsidiaries	450,736	508,630
6	Fixed assets, including:	4,007,941	4,023,464
	buildings, constructions, machinery and equipment	3,962,493	3,979,231
7	Construction in progress	701,555	969,207
8,18,21,22	Long-term financial investments, including:	969,952	940,845
	investments in subsidiaries	55,975	43,375
	investments in associates	493,117	688,735
	investments in other companies	328,376	61,721
	loans issued to companies beyond 12 months	53,300	102,069
	other long-term financial investments	39,184	44,945
14	Deferred tax assets	29,446	40,150
	Other non-current assets	61,529	104,830
	TOTAL Section I	6,227,041	6,588,467
	II. CURRENT ASSETS		
	Inventories, including:	295,638	333,884
	raw materials and other inventories	115,081	122,339
	work in progress	10,023	6,540
	finished goods and goods for resale	144,709	180,532
	goods dispatched	4,943	2,917
	expenses related to future periods	20,882	21,556
	Value added tax on purchased goods	122,461	116,460
9	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	69,524	104,714
	buyers and customers	22,276	12,685
	promissory notes, bills of exchange receivable	608	355
	advances paid	25,091	54,190
	other accounts receivable	21,549	37,484
9	Accounts receivable (payment expected within 12 months of the reporting date), including:	679,384	822,283
	buyers and customers	349,483	414,538
	promissory notes, bills of exchange receivable	675	569
	advances paid	164,777	188,286
	other accounts receivable	164,449	218,890
	Short-term financial investments, including:	98,083	126,327
	loans issued to companies due within 12 months	7,237	27,250
10,22	other short-term financial investments	90,846	99,077
11,22	Monetary assets, including:	174,976	252,820
	cash on hand	74	136
	rouble bank accounts	70,795	102,037
	non-rouble bank accounts	96,338	141,731
	other monetary assets	7,769	8,916
	Other current assets	669	463
	TOTAL Section II	1,440,735	1,756,951
	TOTAL ASSETS	7,667,776	8,345,418

OAO GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2008
 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2008	As of 31 December 2008
12	III. EQUITY AND RESERVES		
	Charter capital	118,368	118,368
	Treasury shares	(331)	(597)
	Additional capital	3,588,410	3,618,029
	Legal reserves, including:	22,812	23,643
	reserves and provisions formed in accordance with legislation	9,247	9,602
	reserves formed in accordance with foundation documents	13,565	14,041
	Retained earnings	2,031,897	2,478,291
2,6	Social government fund	1,963	1,265
	TOTAL Section III	5,763,119	6,238,999
	Minority interest	240,305	206,679
	IV. NON-CURRENT LIABILITIES		
13,22	Loans and borrowings, including:	852,210	904,578
	bank borrowings due for repayment beyond 12 months of the reporting date	334,384	278,380
	loans due for repayment beyond 12 months of the reporting date	517,826	626,198
14	Deferred tax liabilities	158,047	147,689
	Other non-current liabilities	2,439	4,340
	TOTAL Section IV	1,012,696	1,056,607

ОАО GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2008
(in million Roubles)

Note	V. CURRENT LIABILITIES	As of 1 January 2008	As of 31 December 2008
13	Loans and borrowings, including:	284,347	373,451
	bank borrowings due for repayment within 12 months of the reporting date	47,145	112,806
	loans due for repayment within 12 months of the reporting date	13,613	21,331
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	223,589	239,314
22	Accounts payable, including:	335,909	425,325
	suppliers and contractors	222,825	318,960
	promissory notes, bills of exchange payable	1,015	142
	salaries payable	7,699	7,535
	payable to state non-budget funds	1,484	1,064
	payable to budget	61,088	57,673
	advances received	17,460	23,375
	other accounts payable	24,338	16,576
	Dividends payable	10,174	8,112
	Income of future periods	3,655	1,409
23	Provisions for future expenses and payments	17,571	34,836
	TOTAL Section V	651,656	843,133
	TOTAL EQUITY AND LIABILITIES	7,667,776	8,345,418


A.B. Miller
Chairman of the Management Committee


E.A. Vasilieva
Chief Accountant

29 April 2009

OAO GAZPROM
CONSOLIDATED STATEMENT OF INCOME for the year ended 31 December 2008
 (in million Roubles)

Note		For 2008	For 2007
	INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES		
15	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	3,618,204	2,522,428
16	Cost of goods, products, works and services sold	(2,220,051)	(1,642,415)
16	Commercial expenses	(236)	(256)
16	Management expenses	(136,203)	(109,835)
	Profit from sales	1,261,714	769,922
	OTHER INCOME AND EXPENSES		
	Interest income	17,923	15,144
	Interest expense	(69,323)	(61,370)
	Income from investments in other companies	2,809	3,038
17	Other income	3,193,144	2,703,531
17	Other expenses	(3,616,293)	(2,680,609)
	Capitalized profit of associates	44,612	26,345
	Profit before profit tax	834,586	776,001
14	Deferred tax assets	11,533	6,133
14	Deferred tax liabilities	13,920	(25,785)
14	Current profit tax	(305,685)	(210,474)
14	Other similar payments	(1,495)	(2,075)
	Net profit of the reporting period before minority interest	552,859	543,800
	Minority interest	(46,939)	(51,053)
	Net profit of the reporting period	505,920	492,747
	FOR REFERENCE:		
14	Non-temporary tax liabilities	77,796	40,273
20	Basic earnings per share (in Roubles)	21.40	20.84


 A.B. Miller
 Chairman of the Management Committee


 E.A. Vasilieva
 Chief Accountant

29 April 2009

ОАО GAZPROM
CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY For the year ended 31 December 2008
 (in million Roubles)

Note		For 2008	For 2007
	Balance at the end of the prior reporting period	4,965,037	4,600,813
3	Change in opening balance	798,082	(362)
	Balance at the beginning of the reporting period (Section III of the Consolidated Balance Sheet)	5,763,119	4,600,451
	(Increase) decrease of treasury shares	(266)	13,403
	Increase of additional capital, including:	29,619	9,006
	change in the Group structure and change of interest in subsidiaries	2,536	7,357
	differences resulting from the translation of foreign investments	31,123	5,212
	revaluation surplus upon disposal of revalued fixed assets	(4,199)	(3,893)
	other movements	159	330
	Increase (decrease) of legal reserve, including:	831	(135)
	change in the Group structure and change of interest in subsidiaries	285	(145)
	allocation from retained earnings	546	429
	other movements	-	(419)
	Decrease in retained earnings, including:	(59,526)	(147,835)
	change in the Group structure and change of interest in subsidiaries	(1,015)	(285)
	revaluation surplus upon disposal of revalued fixed assets	4,199	3,893
	dividends	(62,614)	(59,765)
	allocations to legal reserve	(546)	(429)
	other movements	450	(91,249)
	Net profit of the reporting period	505,920	492,747
	Decrease of social government fund, including:	(698)	(996)
6	social assets transferred to State authorities	(698)	(996)
	Decrease of special purpose financing	-	(1,604)
	Balance at the end of the reporting period (Section III of the Consolidated Balance Sheet)	6,238,999	4,965,037

A.B. Miller
 Chairman of the Management Committee

E.A. Vasilieva
 Chief Accountant

29 April 2009

OAO GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOW For the year ended 31 December 2008
 (in million Roubles)

Note		For 2008	For 2007
11	Cash at the beginning of the reporting period	191,389	146,259
	Cash provided by operating activities		
	Total cash received, including:	5,198,479	3,185,738
	sales of goods, products, works and services	4,905,204	2,986,677
	sales of accounts receivable and other assets	6,418	9,666
	advances received from buyers (customers)	15,564	16,679
	other receipts	271,293	143,886
	impact of changes in exchange rates on sales and purchases of currency	-	28,830
	Total cash used, including:	(4,213,841)	(2,649,078)
	payment for purchased goods, works, products, services	(1,807,272)	(1,198,341)
	wages, salaries and social payments	(227,545)	(198,129)
	dividend and interest payments	(68,013)	(69,329)
	settlements with budget	(685,809)	(505,182)
	settlements with customs	(699,253)	(429,995)
	advances paid	(103,430)	(75,352)
	interest payments for borrowings and loans received	(74,540)	(55,348)
	other payments	(238,217)	(117,402)
	impact of changes in currency rates under exchange operations	(309,762)	-
	Net cash provided by operating activities	984,638	536,660
	Cash flows used for investing activities		
	Total cash received, including:	334,059	201,368
	sales of fixed assets and other non-current assets	4,670	3,767
	sales of securities and other financial investments	54,834	64,402
	redemption of securities and other financial investments	213,225	64,749
	return of loans issued	16,411	17,045
	other receipts	44,919	51,405
	Total cash used, including:	(1,205,324)	(1,100,373)
	acquisition of fixed assets and other non-current assets	(32,591)	(60,032)
	acquisition of subsidiaries	(32,237)	(103,392)
11	acquisition of securities and other financial investments	(415,507)	(458,141)
	construction in progress	(603,362)	(417,748)
	loans issued	(85,338)	(42,783)
	other payments	(36,289)	(18,277)

ОАО GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOW For the year ended 31 December 2008
(in million Roubles)

Note		For 2008	For 2007
	Net cash used for investing activities	(871,265)	(899,005)
	Cash flows provided by financing activities		
	Total cash received, including:	469,053	807,512
	loans and borrowings received	457,780	807,163
	sales of treasury shares	1,526	-
	other receipts	9,747	349
	Total cash used, including:	(521,070)	(416,516)
	repayment of borrowings (net of interest)	(501,515)	(404,028)
	purchase of treasury shares	(1,794)	(65)
	other payments	(17,761)	(12,423)
	Net cash (used for) provided by financing activities	(52,017)	390,996
	Net increase of cash	61,356	28,651
11	Cash at the end of the reporting period	252,745	174,910
	FOR REFERENCE:		
	Impact of changes in exchange rates	12,664	(6,088)

A.B. Miller

Chairman of the Management Committee

29 April 2009

E.A. Vasilieva

Chief Accountant

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

1. GENERAL INFORMATION

ОАО 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 a major exporter of gas to European countries. The Group is engaged in oil production, refining activities and electricity generation.

The Group is directly involved in the following principal activities:

- Exploration and production of gas;
- Transportation of gas;
- Sales of gas on internal and external markets;
- Production of crude oil and gas condensate;
- Processing of oil, gas condensate and other hydrocarbons, and sales of refined products.

Other activities primarily comprise production and sale of electric and heat energy, construction and storage of gas.

The Group operates as a vertically integrated business (see Note 4). The Group's assets are mainly located on the territory of the Russian Federation.

On average, the Group employed 456,185 and 436,096 people in 2008 and 2007, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

The statutory consolidated accounting reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 29 November 1996 No. 129-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by Order of the Ministry of Finance of the Russian Federation dated 29 July 1998 No. 34n, and other statutory accounting and reporting regulatory acts included in accounting and reporting regulatory system of organizations in the Russian Federation.

Assets and liabilities are accounted for at actual purchase costs, except for fixed assets that are revalued on a regular basis, investments for which fair value is determinable, and other assets against which impairment provisions have been formed in accordance with the applicable accounting rules and regulations.

Basis of consolidation

In accordance with the methodology recommendations on preparing consolidated accounting reports, approved by Order of the Russian Ministry of Finance dated 30 December 1996 No. 112 (“the Methodology recommendations”), the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Shareholder's Equity, Consolidated Statement of Cash Flow and the Notes to the consolidated accounting reports (together, the “statutory consolidated accounting reports”) comprise a consolidation of the statutory accounting reports of ОАО Gazprom and its principal subsidiaries and associates.

Accounting policy of ОАО Gazprom and its subsidiaries is approved by Order No. 337 dated 27 December 2007.

All significant investments in subsidiary undertakings which exercise a significant influence on the financial position and financial results of the Group have been included in the consolidated accounting reports in compliance with the consolidation methodology, with the exception of the Group's banking subsidiaries which have been accounted for on the basis prescribed for inclusion in the consolidated accounting reports of investments in associates and included within investments in subsidiaries. Investments in companies with 50% owned by the Group and in case the Group does not exercise control on these companies are accounted as investments in associates.

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

The Group included financial data of ОАО Gazprombank and its subsidiaries (including ОАО Sibur Holding and its subsidiaries and the Gazprom-Media Group) in its consolidated accounting reports until 30 June 2008 due to the fact that ОАО Gazprom representatives occupied the majority of seats in the Board of Directors of ОАО Gazprombank. At the general shareholders meeting of ОАО Gazprombank on 24 June 2008, the shareholders elected the new Board of Directors. Five out of twelve newly elected Board members are representatives of the Group. As a result of the change in the Board composition effective 24 June 2008 the Group lost its ability to control the financial and operating policies of the bank and its subsidiaries, including ОАО Sibur Holding and its subsidiaries and Gazprom-Media Group. As the Group has retained significant influence over ОАО Gazprombank, it is accounted for as an associate starting from 24 June 2008 (see Notes 18, 22).

Statutory consolidated accounting reports include investments in associates, financial results and net assets of which are stated on the equity basis in these consolidated accounting reports.

Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate determined by Central Bank of Russian Federation as of the date of the relevant transaction. Cash on currency and deposit accounts, cash on hand, securities (except for shares) and settlement balances, including loans issued and raised (except for advances received and issued, prepayments and down payments) denominated in foreign currency were recorded using the official Rouble exchange rate as of 31 December 2008. The rate of exchange as of 31 December 2008 was RR 29.3804 to USD 1 (as of 31 December 2007 – RR 24.5462), RR 41.4411 to EUR 1 (as of 31 December 2007 – RR 35.9332).

Exchange differences resulting from transactions with assets and liabilities during the year (except for advances received and issued, prepayments and down payments denominated in foreign currency) denominated in foreign currency, and from their recalculation as of the reporting date, are included in the Consolidated Statement of Income as other income and expenses.

Exchange differences arising from the translation of the assets and liabilities and income and expenses of foreign subsidiaries and associates are recognized as translation differences and included in additional capital. Statements of Income of foreign entities are translated at average exchange rates for the year.

Current and non-current assets and liabilities

On the Consolidated Balance Sheet accounts receivable and accounts payable, including loans and borrowings, are treated as current if the term of their maturity does not exceed 12 months after the reporting date or is not specified. All other assets and liabilities are treated as non-current.

Investments are classified as current or non-current based on the estimated period of use (circulation, possession or maturity) after the reporting date.

Goodwill of subsidiaries

In the consolidated accounting reports goodwill arising on the acquisition of subsidiary undertakings represents the difference between the carrying value of acquired investments in subsidiaries and the nominal value of the shares at the date of their acquisition. Goodwill is amortized on a straight-line basis over 20 years starting from the month following the month of acquisition. Amortization charge of goodwill for the period is shown within other expenses in the Consolidated Statement of Income.

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting rule “Accounting for Fixed Assets” (RAR 6/01) approved by Order of the Russian Ministry of Finance dated 30 March 2001, No. 26n. Fixed assets include real estate assets which have been put into operation, documents for the state registration of title for which were submitted.

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

In the consolidated accounting reports fixed assets are recorded at replacement cost (as of 1 January 2008) or historical cost (additions of 2008 year) net of depreciation accumulated for the period of their use. Certain assets of the certain group companies (including Gazprom нефт Group entities, ОАО WGC-2, ОАО WGC-6, ОАО Mosenergo) are reported at historical cost net of depreciation accumulated for the period of their use. The management of ОАО Gazprom does not believe that the exclusions from the revaluation process of these assets have a material impact on the consolidated accounting reports.

Fixed assets recorded on the subsidiaries' balance sheets include state social assets. The Group's companies received these assets without title transfer, in the course of restructuring of the unified gas supply system and assets of the state gas concern Gazprom. These assets were accounted for in accordance with the procedures effective at that period by creating the fund of social assets in the amount equal to their net book value. When the subsidiaries were restructured to the joint-stock companies of the Group these assets jointly with the fund of social assets were transferred to the Group's companies.

When these assets are transferred to the municipal authorities (or disposed otherwise) their net book value is charged to the above mentioned fund recorded in line "Social government fund" of the Consolidated Balance Sheet. Although this practice represents a deviation from the established procedure, Management of ОАО Gazprom believes that it ensures fair presentation of the Group's property relations as the assets are used according to their functional purposes and the Group is held liable for their maintenance and safety.

Fixed assets accounted before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy". Fixed assets acquired after 1 January 2002 are depreciated at rates based on estimated useful lives of these assets. Classification of fixed assets by depreciation groups approved by Government Resolution of the Russian Federation No.1 dated 1 January 2002, is used as one of the sources of information about useful lives of fixed assets. The Group has adopted the following useful lives for fixed asset groups:

	Useful lives of assets recorded on the balance sheet (number of years)	
	before 1 January 2002	after 1 January 2002
Trunk pipelines	33	25
Wells	12–15	7–15
Machinery and equipment	10–18	5–25
Buildings and roads	8–100	10–50
Social assets	5–50	5–50

All fixed assets are depreciated on a straight-line basis.

The following assets are not depreciated:

- land;
- suspended assets (above 3 months);
- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing assets commissioned prior to 1 January 2006 (similar assets acquired after 1 January 2006 are depreciated in accordance with the general procedure), public amenities and other similar assets.

Construction in progress

Construction in progress includes, but without limitation to, completed fixed assets, which have been put into operation but documents for the state registration of title for which have not been submitted to the State Register. Such assets are depreciated similarly to depreciation of fixed assets and in the consolidated accounting reports they are recorded at historical cost less accumulated depreciation. Although this practice represents a deviation from the established procedure, the management of ОАО Gazprom believes that it ensures appropriate presentation of the Group's operations as the assets are used in practice and generate income to the Group.

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NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Financial investments

Investments are recorded at their historical cost (actual acquisition costs) except for investments for which market value is determinable and investments for which impairment provision is created.

Investments for which market value is determinable are restated to their market value as of the end of the reporting year. The change in the investment value is recorded in other income and expenses.

Investments for which market value is non-determinable and there are indications as of the reporting date that the decline in their value is significant and constant are recorded on the Consolidated Balance Sheet as of the end of the reporting year at their carrying (book) value net of impairment provision. The investment impairment provision is determined annually based on the stock taking results as of 31 December. While determining the provision, the Group calculated the estimated value of investments, showing significant steady decline, based on available information and created the investment impairment provision in the amount by which the carrying value of investments exceeded their estimated value. Changes in provision in accordance with stock-taking as of 31 December are posted to other expenses and income.

Securities which do not have market value (except for those individually identifiable, including promissory notes and certificates of deposit) are recorded by types in the statutory accounting reports upon disposal under the first in, first out (FIFO) method. Other investments (including individually identifiable securities such as promissory notes and certificates of deposit) for which the market value is not determinable are recorded upon disposal at the historical cost of each unit.

Income and expenses related to investments are included within other income and expenses.

Inventories and costs

Raw materials are recognized at their actual cost of purchase or production. Dispatch into production or other disposals of inventories are recorded using the average cost method.

Oil and gas produced and purchased but unsold as of the end of the reporting period, are reported in line "Finished goods and goods for resale" of the Consolidated Balance Sheet. Disposals of finished goods and goods for resale are recorded using the average cost method.

Transportation costs related to the transportation of natural gas on the territory of Russia and abroad are allocated between volumes of gas sold and gas in pipelines and storage as of the end of the reporting period. Transit costs for gas, oil and refined products are shown in "Cost of goods, products, works and services sold" of the Consolidated Statement of Income.

Impairment provision is created for raw materials and other inventories used in production, works and services, if current market value of those goods, works and services is less than their actual cost as of reporting date.

Work in progress is carried at actual cost of production less general administrative expenses.

Finished goods are carried at the simplified actual cost of production less general administrative expenses.

Cash

In accordance with the approved methodological guidelines on the procedures for preparing statutory accounting reports (Order of the Ministry of Finance of the Russian Federation dated 22 July 2003 No. 67n "On Reporting Forms") foreign currency cash balances and all foreign currency receipts and payments reported in the Consolidated Statement of Cash Flow are restated using the exchange rates of the Central Bank of the Russian Federation effective at the end of the respective periods.

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Cash used for the acquisition of subsidiaries is disclosed in the Consolidated Statement of Cash Flow in line “Acquisition of subsidiaries” within investing activities. Cash on the balance of acquired subsidiaries at the date of acquisition is disclosed in the Consolidated Statement of Cash Flow line “Other receipts” within investing activities.

Management expenses

These expenses include general administrative costs, which are expensed in the reporting period, on a monthly basis.

Accounts receivable

Trade receivables are recorded based on prices contracted between the Group and buyers (customers) taking account of all discounts (markups) provided by the Group. Bad debts are written off when recognized as such.

Unsecured overdue accounts receivable, including “Other accounts receivable” are stated net of bad debt provisions. These provisions are based on the judgement as to the extent to which the debts will not be recovered. Bad debt provisions are recorded within other expenses in the Consolidated Statement of Income. Corresponding amount of provision is released upon repayment of doubtful receivables previously provided as bad debts.

Despite the fact, that provision for other accounts receivable is a deviation from Russian Accounting Standards, management of OAO Gazprom believes, that such presentation gives more true and fair view of the position of the Group, as the provision was created mainly for the payments under guarantee agreements and there is a significant uncertainty relating to the receipt of these payments in the future.

Loans and borrowings received

Interest on credits and loans received and additional costs attributable to the receipt of credits and loans are included in other expenses in the reporting period, in which they are incurred.

Provisions for future expenses and payments

The Group records provisions for future expenses related to annual performance bonuses. The provision for year-end bonuses payable to its employees is determined based on the Group's established procedures for calculating year-end bonuses and charged to expenses on ordinary activities.

Deferred taxes

For the purposes of consolidated accounting reports the Group recognizes non-temporary tax assets and non-temporary tax liabilities, deferred tax assets and deferred tax liabilities, i.e. amounts that can affect current profit tax expenses in the current or future reporting periods.

Information about non-temporary and temporary differences is based on the supporting documents. Current profit tax is determined based on theoretical expense (theoretical income) related to profit tax, non-temporary tax assets and liabilities, deferred tax assets and liabilities for accounting purposes. The amount corresponds to current tax according to profit tax return. Deferred tax assets and deferred tax liabilities are recorded within non-current assets or non-current liabilities on a gross-up basis.

Revenue and other income recognition

Revenues from sales of goods and services rendering are recognized at the moment when goods are shipped (or services rendered) and corresponding settlement documents are submitted to customers. In the consolidated accounting reports revenues are presented net of value added tax, customs duties and other similar mandatory payments.

DAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Other income primarily include transactions related to the sale of foreign currency and investments, positive exchange differences arising from foreign currency transactions and charges (releases of) impairment provisions for doubtful debts and investments.

3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS

Changes in the 2008 accounting policies

In connection with the enactment of Order of the Russian Ministry of Finance No.147n dated 25 December 2007 "On the Amending Regulation on Accounting for Assets and Liabilities Denominated in Foreign Currencies" (PBU 3/2006), to be applied starting from the 2008 accounting reports, the Group changed the procedure of accounting for and reporting of assets and liabilities related to advances received or issued, prepayments and down payments which are denominated in foreign currency.

Starting from 1 January 2008, after being recognized in accounts the above items shall not be restated for changes in the exchange rate for the accounting and reporting purposes. Assets and expenses that the Group paid in advance or in settlement of which the Group made an advance payment or a down payment shall be recognized at their Rouble equivalent based on the exchange rate effective as of the date when the advance payment, down payment or a prepayment) is translated into Roubles (in the part related to the advance payment, down payment or a prepayment).

Income of the Group provided an advance payment, a down payment or a prepayment are received, shall be recognized in accounts in their Rouble equivalent based on the rate effective as of the date when the advance payment, down payment or a prepayment) is translated into Roubles (in the part related to the advance payment, down payment or a prepayment). Assets and liabilities related to advances received or issued, prepayments and down payments denominated in foreign currency, received or paid prior to 1 January 2008 but not settled as of that date were recognized for accounting purposes in Roubles at the exchange rate as of 31 December 2007.

Inventories include assets that meet the criteria of recognizing as fixed assets and with value less than RR 20,000 (inclusively) per unit (previously with value less than RR 10,000) including assets (tools and other inventory), which are not fully consumed after their transfer to production and which useful life does not exceed 12 months, and assets with the useful lives exceeding 12 months which do not generate direct economic benefits (income).

Opening data as of 1 January 2008

The 2008 opening balance sheet has been formed by way of adjusting the 2007 closing balance sheet for:

- revaluation of fixed assets performed by independent appraisers according to the management of subsidiaries and associates of OAO Gazprom decision;
- transfer of Nord Stream AG investment cost from the line "Investments in subsidiaries" to the line "Investments in associates";
- reclassification of loans received due to incorrect recognition of a lender as a credit organisation;
- reclassification of capital construction advances issued from short-term to long-term receivables as the offset is expected beyond 12 months of the reporting date.

The above mentioned corrections impacted the Consolidated Balance Sheet as follows:

Item	As of 31 December 2007	Adjustment	As of 1 January 2008
I. NON-CURRENT ASSETS			
Fixed assets, including:	3,210,945	796,996	4,007,941
buildings, constructions, machinery and equipment	3,170,330	792,163	3,962,493
Long-term financial investments, including:	965,400	4,552	969,952
investments in subsidiaries	58,406	(2,431)	55,975
investments in associates	486,134	6,983	493,117

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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3. CHANGES IN THE ACCOUNTING POLICIES, OPENING AND COMPARATIVE AMOUNTS (continued)

Item	As of 31 December 2007	Adjustment	As of 1 January 2008
TOTAL Section I	5,425,493	801,548	6,227,041
II. CURRENT ASSETS			
Accounts receivable (payment expected beyond 12 months of the reporting date), including:			
advances paid	65,317	4,207	69,524
Accounts receivable (payment expected within 12 months of the reporting date), including:			
advances paid	20,884	4,207	25,091
Accounts receivable (payment expected within 12 months of the reporting date), including:	683,591	(4,207)	679,384
advances paid	168,984	(4,207)	164,777
TOTAL Section II	1,440,735	-	1,440,735
TOTAL ASSETS	6,866,228	801,548	7,667,776
III. EQUITY AND RESERVES			
Additional capital	2,781,745	806,665	3,588,410
Retained earnings	2,040,480	(8,583)	2,031,897
TOTAL Section III	4,965,037	798,082	5,763,119
Minority interest	236,839	3,466	240,305
IV. NON-CURRENT LIABILITIES			
Loans and borrowings, including:	852,210	-	852,210
bank borrowings due for repayment beyond 12 months of the reporting date	345,386	(11,002)	334,384
loans due for repayment beyond 12 months of the reporting date	506,824	11,002	517,826
TOTAL section IV	1,012,696	-	1,012,696
V. CURRENT LIABILITIES			
Loans and borrowings, including:	284,347	-	284,347
bank borrowings due for repayment within 12 months of the reporting date	51,142	(3,997)	47,145
loans due for repayment within 12 months of the reporting date	9,616	3,997	13,613
TOTAL Section V	651,656	-	651,656
TOTAL EQUITY AND LIABILITIES	6,866,228	801,548	7,667,776

Changes in the 2009 accounting policies

Starting from 1 January 2009 following accounting regulations became effective:

- RAR 1/2008 "Accounting policy of the Company"
- RAR 2/2008 "Accounting for construction contracts"
- RAR 15/2008 "Accounting for borrowing costs"
- RAR 21/2008 "Changes in estimates"

Management of the Group believes that application of Russian accounting rules should not result in significant changes to comparability of the 2008 comparative data in the accounting reports for 2009.

4. SEGMENT INFORMATION

Under RAR 12/2000 "Segment Information", for segment information purposes information by business segments is deemed primary and information by geographical segments – secondary based on the analysis of sources and inherent risks as well as generated profit, the organizational and management structure and internal reporting systems.

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

4. SEGMENT INFORMATION (continued)

The following business segments are identified within the Group:

- Production of gas – exploration and production of gas;
- Transportation – transportation of gas;
- Distribution of gas – sales of gas on internal and external markets;
- Production of crude oil and gas condensate – exploration of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Other – other activities, including production and sales of electric and heat energy, construction and gas storage.

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
As of 1 January 2008							
Segment assets	1,076,416	3,263,919	631,637	695,477	386,763	784,659	6,838,871
Unallocated assets							1,080,267
Inter-segment elimination							(251,362)
Total assets							7,667,776
Segment liabilities	52,117	134,655	175,508	60,615	82,255	55,064	560,214
Unallocated liabilities							1,355,500
Inter-segment elimination							(251,362)
Total liabilities							1,664,352
For 2007							
Capital expenditures for the period	153,327	176,712	27,571	56,382	30,841	46,493	491,326
Depreciation	45,089	175,349	1,672	17,454	8,867	14,049	262,480
Capitalized profit (loss) of associates	861	4,374	20,056	(12,202)	6,570	6,686	26,345
As of 31 December 2008							
Segment assets	1,184,713	3,356,622	803,086	723,366	422,209	831,044	7,321,040
Unallocated assets							1,328,631
Inter-segment elimination							(304,253)
Total assets							8,345,418
Segment liabilities	82,324	153,857	241,385	80,051	68,478	94,255	720,350
Unallocated liabilities							1,483,643
Inter-segment elimination							(304,253)
Total liabilities							1,899,740
For 2008							
Capital expenditures for the period	220,213	227,485	34,701	72,551	44,871	74,292	674,113
Depreciation	60,642	222,541	2,284	22,247	10,538	22,192	340,444
Capitalized profit (loss) of associates	1,057	1,404	26,989	531	2,421	12,210	44,612

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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4. SEGMENT INFORMATION (continued)

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other non-current assets. Investments into unconsolidated subsidiaries, associates, equity investments and joint activity are allocated to the reporting segments on the basis of primary activity of these entities. Other financial investments are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

Segment liabilities include primarily short-term liabilities except for profit tax and other taxes payable to the budget for which there is no basis for allocation and loans and borrowings received to finance the Group operations.

Inter-segment elimination include intercompany balances.

Segment capital expenditures include capital investments in fixed assets of the corresponding periods.

Assets of the Group are primarily located on the territory of the Russian Federation.

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
For 2008							
Segment revenues							
Inter-segment sales	290,847	561,050	118,021	178,280	8,462	20,994	1,177,654
External sales	11,678	63,468	2,249,604	269,427	652,956	371,071	3,618,204
Total segment revenues	302,525	624,518	2,367,625	447,707	661,418	392,065	4,795,858
Segment expenses							
Inter-segment expenses	(6,427)	(71,352)	(853,380)	-	(196,291)	(50,204)	(1,177,654)
External expenses	(243,985)	(518,625)	(632,164)	(340,305)	(308,017)	(313,394)	(2,356,490)
Total segment expenses	(250,412)	(589,977)	(1,485,544)	(340,305)	(504,308)	(363,598)	(3,534,144)
Segment profit from sales	52,113	34,541	882,081	107,402	157,110	28,467	1,261,714
For 2007							
Segment revenues							
Inter-segment sales	245,206	493,517	64,560	95,418	6,242	17,027	921,970
External sales	5,623	41,740	1,536,884	183,863	529,667	224,651	2,522,428
Total segment revenues	250,829	535,257	1,601,444	279,281	535,909	241,678	3,444,398
Segment expenses							
Inter-segment expenses	(5,129)	(51,669)	(739,410)	-	(110,013)	(15,749)	(921,970)
External expenses	(205,282)	(403,784)	(446,621)	(168,287)	(320,540)	(207,992)	(1,752,506)
Total segment expenses	(210,411)	(455,453)	(1,186,031)	(168,287)	(430,553)	(223,741)	(2,674,476)
Segment profit from sales	40,418	79,804	415,413	110,994	105,356	17,937	769,922

OAO GAZPROM
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4. SEGMENT INFORMATION (continued)

The inter-segment sales mainly consist of:

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

Internal transfer prices mainly for Production of gas and Transportation segments are established by OAO Gazprom management with the objective of providing for the specific funding requirements of the individual subsidiaries within separate segment. Prices are determined on the basis of the statutory accounting reports of the individual subsidiaries on a cost plus basis.

Segment revenues (income) of the Group are generated from transactions with customers. Profit tax expense and other similar mandatory payments, interest income and expense, income from investments in other companies are not included in the segment profit (loss). Other income and expenses are not allocated by segments because it is deemed impracticable and as the required allocation base is not available.

Information on sales by geographical segments is presented in Note 15. Information on assets by geographical segments is not disclosed as assets of the Group are mainly located on the territory of the Russian Federation.

5. GOODWILL ON SUBSIDIARIES

Note		Gross book value	Accumulated amortization	Net book value
	As of 1 January 2008			
	OAO Gazprom Neft	401,193	(44,522)	356,671
	OAO Mosenergo	46,560	(1,001)	45,559
	OOO Sevmorneftegas	37,416	(5,204)	32,212
	Sibur group	13,148	(3,940)	9,208
	Gazprom-Media group	4,736	(4,736)	-
	Others	8,112	(1,026)	7,086
	Total	511,165	(60,429)	450,736
	Additions			
18,21	OAO WGC-2	45,468		
18,21	OAO WGC-6	41,611		
	OAO Daltransgas	5,702		
	OAO Mosenergo	52		
	Others	1,481		
	Total	94,314		
22	Disposals			
	Sibur group	(13,148)	4,678	
	Gazprom-Media group	(4,736)	4,736	
	Total	(17,884)	9,414	

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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5. GOODWILL ON SUBSIDIARIES (continued)

Note		Gross book value	Accumulated amortization	Net book value
2, 17	Accumulated amortization			
	OAO Gazprom Neft		(19,793)	
	OAO Mosenergo		(3,330)	
	OOO Sevmorneftegas		(1,865)	
	OAO WGC-2		(947)	
	OAO WGC-6		(867)	
	Sibur group		(738)	
	Others		(410)	
	Total		(27,950)	
	As of 31 December 2008			
18	OAO Gazprom Neft	401,193	(64,315)	336,878
18	OAO WGC-2	45,468	(947)	44,521
18	OAO Mosenergo	46,612	(4,331)	42,281
18	OAO WGC-6	41,611	(867)	40,744
18	OOO Sevmorneftegas	37,416	(7,069)	30,347
18	OAO Daltransgas	5,702	-	5,702
	Others	9,593	(1,436)	8,157
	Total	587,595	(78,965)	508,630

6. FIXED ASSETS

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
	Net book value as of 31 December 2006					
	1,911,129	204,440	272,298	387,099	277,634	3,052,600
	Correction of revaluation of fixed assets					
	1	-	(4)	(85)	2	(86)
	Net book value as of 1 January 2007					
	1,911,130	204,440	272,294	387,014	277,636	3,052,514
	As of 1 January 2007					
	Historical (replacement) cost					
	4,821,610	644,376	990,307	549,221	483,586	7,489,100
	Accumulated depreciation					
	(2,910,480)	(439,936)	(718,013)	(162,207)	(205,950)	(4,436,586)
	Net book value					
	1,911,130	204,440	272,294	387,014	277,636	3,052,514
	Additions					
	100,448	45,147	116,115	77,049	92,376	431,135
	Disposals					
	(4)	(109)	(2,885)	(4,857)	(2,369)	(10,224)
4	Depreciation					
	(142,711)	(24,494)	(51,635)	(18,987)	(24,653)	(262,480)
	Net book value as of 31 December 2007					
	1,868,863	224,984	333,889	440,219	342,990	3,210,945
3	Revaluation					
	502,676	49,239	33,727	128,676	82,678	796,996

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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6. FIXED ASSETS (continued)

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total	
	Net book value as of						
	1 January 2008						
	2,371,539	274,223	367,616	568,895	425,668	4,007,941	
As of 1 January 2008							
	Historical (replacement) cost	6,244,418	887,352	1,310,822	808,923	731,381	9,982,896
	Accumulated depreciation	(3,872,879)	(613,129)	(943,206)	(240,028)	(305,713)	(5,974,955)
	Net book value	2,371,539	274,223	367,616	568,895	425,668	4,007,941
	Additions	75,142	39,554	130,630	79,717	86,059	411,102
	Disposals	(59)	(17)	(19,597)	(19,925)	(15,537)	(55,135)
4	Depreciation	(179,659)	(31,823)	(64,514)	(27,620)	(36,828)	(340,444)
	Net book value						
	as of 31 December 2008						
	2,266,963	281,937	414,135	601,067	459,362	4,023,464	
As of 31 December 2008							
	Historical (replacement) cost	6,319,733	923,322	1,397,433	863,457	793,037	10,296,982
	Accumulated depreciation	(4,052,770)	(641,385)	(983,298)	(262,390)	(333,675)	(6,273,518)
	Net book value	2,266,963	281,937	414,135	601,067	459,362	4,023,464

In 2008 the Group entities continued to transfer social assets to local authorities (see Note 2).

The transferred assets which were obtained in the course of privatization amounted to RR 698 in 2008 (in 2007 – RR 996).

7. CONSTRUCTION IN PROGRESS

	As of 1 January 2008	As of 31 December 2008
Construction in progress	650,031	903,810
Equipment for installation	51,524	65,397
Total	701,555	969,207

The balance of construction in progress as of 1 January and 31 December 2008 includes assets constructed and put into operation in the amount of RR 190,750 and RR 241,905 (net of accumulated depreciation in the amount of RR 1,653 and RR 2,842), respectively, subject to registration of the title in the State Register, documents for which had not yet been submitted.

Construction in progress mostly consists of construction of new wells and related facilities for gas treatment on Bovanenkovskoe and Yuzno-Russkoe fields, construction of new objects of transport infrastructure, including realisation of project for building the gas pipeline SRTO-Torzhok and North Europe pipeline.

8. LONG-TERM FINANCIAL INVESTMENTS
Investments in subsidiaries

Included within investments in subsidiaries in the Consolidated Balance Sheet are investments in bank subsidiaries of the Group in the amount of RR 28,546 and RR 7,408 as of 1 January and 31 December 2008, respectively (see Note 18).

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 8,780 and RR 5,459 as of 1 January and 31 December 2008, respectively. The impairment provision primarily relates to non-core investments.

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8. LONG-TERM FINANCIAL INVESTMENTS (continued)

Investments in associates

The cost of investment in the statutory fund of Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) in the amount of 50% plus one share was equal to RR 220,280 and RR 219,974 as of 1 January and 31 December 2008, respectively. Sakhalin Energy is the operator of the Sakhalin-2 project. The Sakhalin-2 project involves the off-shore development and production of crude oil, natural gas and liquefied natural gas from the Piltun-Astokhskoye and Lunskeye fields.

As of 1 January and 31 December 2008 the Consolidated Balance Sheet includes an investment in Wintershall Gas GmbH & Co. KG in the amount of 50% less one share in statutory fund, with carrying value amounting to RR 32,200 and RR 47,884, respectively and an investment in Wintershall AG in the amount of 49% of shares in statutory fund, with carrying value amounting to RR 10,259 and RR 12,856 as of 1 January and 31 December 2008, respectively. Wintershall AG is the license holder for the development of Libian oil concessions.

The line “Investments in associates” of the Consolidated Balance Sheet includes an investment in OAO TGC – 1 in the amount of 28.73% of shares in statutory fund, with carrying value amounting to RR 39,286 as of 31 December 2008.

As of 1 January and 31 December 2008 an investment in OAO Tomskneft VNK amounting to 50% of shares in statutory fund had a carrying value of RR 88,181 and RR 89,519, respectively. OAO Tomskneft VNK is a large oil producing company.

In February 2008 the Group made payment for 12.5% of shares in statutory fund of OAO Beltransgas in the amount of USD 625 mln, thus, increasing its share in the entity to 25%. As of 31 December 2008 investment is shown in line “Investments in associates” of the Consolidated Balance Sheet in amount of RR 32,202. As of 1 January 2008 investment is shown in line “Investments in other companies” of the Consolidated Balance Sheet in amount of RR 16,156.

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 2,078 and RR 1,167 as of 1 January and 31 December 2008, respectively.

Investments in other companies

The line “Investments in other companies” includes an investment in OAO TGC-5 in the amount of 5% of shares in statutory fund, with carrying value amounting to RR 1,353 and RR 246 as of 1 January and 31 December 2008, respectively and an investment in OAO WGC-5 in the amount of 5.27% of shares in statutory fund, with carrying value amounting to RR 8,045 and RR 1,947 as of 1 January and 31 December 2008, respectively.

As of 1 January 2008 investments in other companies included an investment in RAO UES of Russia in the amount of 10.49% of shares in statutory fund, with carrying value amounting to RR 143,407. Following reorganisation of RAO UES of Russia in July 2008 shares of RAO UES of Russia owned by the Group were converted to shares of other energy companies, total carrying value of which amounted to RR 12,357 as of 31 December 2008. Besides, in the result of reorganisation of RAO UES of Russia in July 2008 shares of RAO UES of Russia owned by the Group were converted to shares of OAO WGC-2 and OAO WGC-6 in the amount of 44.39% and 42.88% of shares in statutory funds, respectively (see Note 21).

Investments in other companies also included an investment in OAO Novatek in the amount of 19.39% of shares in statutory fund, with carrying value amounting to RR 110,470 and RR 33,130 as of 1 January and 31 December 2008, respectively.

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 257 and RR 901 as of 1 January and 31 December 2008, respectively. The impairment provision primarily relates to non-core investments.

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8. LONG-TERM FINANCIAL INVESTMENTS (continued)

Loans issued to companies due beyond 12 months

Loans issued to companies due beyond 12 months in the Consolidated Balance Sheet include the foreign currency loan to the associated undertaking Wintershall Gas GmbH & Co. KG maturing in 2015 in amount of RR 10,163 and RR 11,721 as of 1 January and 31 December 2008, respectively. In 2008 and 2007 the average interest rate on this loan was 5.6% and 5.3%, respectively.

Other long-term financial investments

	As of 1 January 2008	As of 31 December 2008
Joint activity, including:	16,952	22,783
development of a satellite communication system (operator – ОАО Gazprom kosmicheskiye sistemy)	3,165	3,165
Other, including:	22,232	22,162
third party promissory notes	9,769	6,704
long-term deposits	6,861	13,548
South Pars project (oil and gas field in Iran)	5,363	1,727
Total	39,184	44,945

The Group's long-term deposits in subsidiary banks amounted to RR 6,041 and RR 13,193 as of 1 January and 31 December 2008, respectively.

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 2,340 and RR 1,734 as of 1 January and 31 December 2008, respectively, related primarily to joint activity.

9. ACCOUNTS RECEIVABLE

Accounts receivable (payment expected beyond 12 months of the reporting date)

Accounts receivable from buyers and customers in the Consolidated Balance Sheet include amounts related to pipes supplied by ОАО Gazprom to its associate, SGT EuRoPol GAZ s.a. (see Note 19), for construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the SGT EuRoPol GAZ s.a. debt is RR 4,511 and RR 3,967 as of 1 January and 31 December 2008, respectively. Also long-term receivables from buyers and customers contain debt for gas in the amount of RR 9,547 and RR 1,610 as of 1 January and 31 December 2008, respectively (including restructured debt of RosUkrEnergo AG in amount of RR 6,947 and RR 0 as of 1 January and 31 December 2008, respectively).

As of 1 January and 31 December 2008 advances paid in the Consolidated Balance Sheet include the advance of RR 6,137 and RR 0 paid by ОАО Gazprom to NAK Naftogaz Ukraine for transit services.

Accounts receivable (payment expected within 12 months of the reporting date)

As of 1 January and 31 December 2008 accounts receivable from buyers and customers in the Consolidated Balance Sheet include accounts receivable for gas supplies in the amount of RR 245,799 and RR 315,859, respectively (including RosUkrEnergo AG debt amounting to RR 48,659 and RR 69,911 as of 1 January and 31 December 2008, respectively).

The increase in accounts receivable is mostly due to growth of gas price (see Note 15).

The short-term portion of the SGT EuRoPol GAZ s.a. debt totals RR 1,127 and RR 1,322 as of 1 January and 31 December 2008, respectively.

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9. ACCOUNTS RECEIVABLE (continued)

As of 1 January and 31 December 2008 accounts receivable from buyers and customers are stated net of impairment provision of RR 54,023 and RR 89,295, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 727 and RR 698 as of 1 January and 31 December 2008, respectively.

As of 1 January and 31 December 2008 advances paid in the Consolidated Balance Sheet include advances of RR 6,136 and RR 9,547, respectively, paid by ОАО Gazprom to NAK Naftogaz Ukraine for gas transportation services.

As of 1 January and 31 December 2008 other accounts receivable of the Consolidated Balance Sheet include the following:

	As of 1 January 2008	As of 31 December 2008
Settlements on claims	19,644	20,306
Overpayment of taxes to the budget	57,572	67,799
Other	87,233	130,785
Total	164,449	218,890

As of 1 January and 31 December 2008 other accounts receivable are stated net of the impairment provision of RR 10,740 and RR 10,005, respectively.

10. OTHER SHORT-TERM FINANCIAL INVESTMENTS

	As of 1 January 2008	As of 31 December 2008
Short-term deposits	52,067	83,443
Shares, bonds and participatory interests	7,373	8,297
Third party promissory notes	24,682	6,172
Other	6,724	1,165
Total	90,846	99,077

The Group's short-term deposits in subsidiary banks amount to RR 27,048 and RR 4,860 as of 1 January and 31 December 2008, respectively.

As of 1 January and 31 December 2008, other short-term financial investments in Consolidated Balance Sheet are stated net of impairment provision of RR 3,534 and RR 1,226, respectively.

11. MONETARY ASSETS

The Group had cash balances in Roubles and foreign currencies with its banking subsidiaries of RR 80,280 and RR 20,882 as of 1 January and 31 December 2008, respectively.

Other monetary assets in the Consolidated Balance Sheet include balances of RR 2,974 and RR 3,585 as of 1 January and 31 December 2008, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

Monetary assets used for acquisition of shares of ОАО TGC-1 in amount of RR 39,219, Nord Stream AG in amount of RR 24,627, ОАО Salavatnefteorgsintez in amount of RR 19,557 and ОАО Beltransgaz in amount of 18,363 are included within cash used for acquisition of subsidiaries in the investing activities of the Consolidated Statement of Cash Flow.

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12. EQUITY

ОАО Gazprom's charter capital amounted to RR 118,368. The number of ordinary shares issued and paid did not change in 2008 and amounted to 23,674 million with nominal value of 5 Roubles each.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group, excluding the banks, totals 29 million and 30 million as of 1 January and 31 December 2008, respectively. As of 1 January and 31 December 2008 the Group's banking subsidiaries held 37 million and 0 million shares of ОАО Gazprom, respectively. Shares held by subsidiaries are not taken into account in calculation of earnings per share (see Note 20).

The Group retains control over all treasury shares held by its subsidiaries.

In accordance with the decision of the General shareholders meeting, based on the 2007 results of ОАО Gazprom, final dividends were paid in 2008 in the amount of 2.66 Roubles per ordinary share. Based on the 2006 results dividends were paid in 2007 in the amount of 2.54 Roubles per ordinary share.

13. LOANS AND BORROWINGS

Bank borrowings

Lender	Currency	Maturity	As of 1 January 2008	As of 31 December 2008
Credit Suisse International	Japanese yen	2018	-	58,654
ABN AMRO Bank NV	US Dollar	2013	44,334	53,065
ABN AMRO Bank NV*	US Dollar	2007-2012	49,614	44,245
Banque Societe Generale	US Dollar	2009	-	42,021
Calion Credit Agricole CIB*	US Dollar	2007-2010	54,289	41,183
WestLB AG*	US Dollar	2008-2013	-	29,760
Deutsche Bank AG	US Dollar	2008-2014	29,618	25,553
Salomon Brothers AG	US Dollar	2009	17,524	20,975
Dresdner Bank AG*	US Dollar	2007-2010	23,283	18,558
ABN AMRO Bank NV*	US Dollar	2006-2010	24,429	18,535
Credit Suisse International	Euro	2009	14,467	16,680
Salomon Brothers AG	US Dollar	2009	12,903	15,436
Credit Suisse International	US Dollar	2017	12,877	15,414
JP Morgan Chase Bank	US Dollar	2009	-	14,920
Credit Suisse International	US Dollar	2009	12,292	14,712
Commerzbank AG*	US Dollar	2009-2010	-	12,358
Credit Suisse International	Euro	2010	9,036	10,418
Banque Societe Generale	US Dollar	2009	-	10,326
ABN AMRO Bank NV*	US Dollar	2009	4,889	9,627
Banque Societe Generale	Euro	2009	-	8,888
Credit Suisse International	Euro	2009	7,246	8,466
Deutsche Bank AG	US Dollar	2008-2011	8,718	8,455
ОАО Bank Moskvyy	Rouble	2008-2010	-	7,529
ОАО Gazprombank	Rouble	2012	-	7,508
BNP Pariba SA*	US Dollar	2009	4,913	5,946
Credit Suisse International	US Dollar	2009	4,931	5,894
ABN AMRO Bank NV*	US Dollar	2013	-	5,068
Citibank International Plc	US Dollar	2006-2009	10,908	4,803
GK Vneshekonombank	US Dollar	2009	-	4,506
JP Morgan Chase Bank	US Dollar	2008-2011	4,942	4,429

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13. LOANS AND BORROWINGS (continued)

Lender	Currency	Maturity	As of 1 January 2008	As of 31 December 2008
GK Vneshekonombank	US Dollar	2009	-	4,422
European Bank for reconstruction and development	Rouble	2007-2012	4,321	3,878
OAO Gazprombank	US Dollar	2010	-	2,978
ZAO Raiffeisenbank-Austria	US Dollar	2009	-	2,939
European Bank for reconstruction and development	Rouble	2007-2018	2,914	2,792
OAO Bank Moskvyy	Rouble	2009	-	2,533
ABN AMRO Bank NV	US Dollar	2007-2009	4,105	2,453
Citibank International Plc*	US Dollar	2008	43,051	-
Credit Suisse International	US Dollar	2008	40,250	-
Dresdner Bank AG	US Dollar	2008	16,582	-
Dresdner Bank AG*	US Dollar	2008	15,516	-
Depfa Investment Bank Ltd.*	US Dollar	2008	12,590	-
Credit Suisse International	US Dollar	2008	12,041	-
JP Morgan Chase Bank	Rouble	2008	11,833	-
Credit Suisse International	Euro	2008	7,279	-
ABN AMRO Bank NV*	US Dollar	2008	5,674	-
ABN AMRO Bank NV*	US Dollar	2008	4,450	-
Mannesmann (Deutsche Bank AG)*	Euro	2008	3,011	-
Other	Various	Various	52,484	31,894
Total, including			587,314	597,821
Due within one year, including current portion of long-term borrowings			252,930	319,441

*Loans received from syndicate of banks, named lender is the bank-agent

In 2008 interest rates on the long-term bank loans denominated in foreign currency ranged from 1.56% to 12.5%. In 2007 the rates ranged from 3.76% to 12.5%.

In 2008 interest rates on long-term loans denominated in Russian Roubles ranged from 6.25% to 15%. In 2007 the rates ranged from 6.77% to 8.25%.

Interest rates on short-term foreign currency denominated borrowings ranged from 3.18% to 8.54% and on Rouble short-term borrowings from 9.6% to 18% in 2008. In 2007 these rates ranged from 4.43% to 8.9% on the short-term foreign currency denominated borrowings and from 7% to 10.5% on the Rouble short-term borrowings.

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13. LOANS AND BORROWINGS (continued)
Loans

Borrowing / Creditors	Currency	Maturity	As of 1 January 2008 2008	As of 31 December 2008
Loan participation notes issued in October 2007*	Euro	2018	43,651	52,628
Loan participation notes issued in June 2007*	GBP	2013	39,435	47,201
Loan participation notes issued in May 2005*	Euro	2015	37,165	42,861
Loan participation notes issued in September 2003*	Euro	2010	36,668	42,291
Loan participation notes issued in December 2005*	Euro	2012	36,033	41,557
Loan participation notes issued in November 2006*	US Dollar	2016	33,360	39,930
Loan participation notes issued in March 2007*	US Dollar	2022	32,568	38,982
Loan participation notes issued in August 2007*	US Dollar	2037	31,521	37,729
Loan participation notes issued in April 2004*	US Dollar	2034	29,900	35,789
Loan participation notes issued in October 2006*	Euro	2014	29,225	33,706
Loan participation notes issued in April 2008*	US Dollar	2018	-	32,903
Structured export notes issued in July 2004**	US Dollar	2007-2020	28,645	30,451
Loan participation notes issued in June 2007*	Euro	2014	25,382	29,273
Loan participation notes issued in November 2006*	Euro	2017	18,685	21,552
Loan participation notes issued in March 2007*	Euro	2017	18,127	20,906
Loan participation notes issued in July 2008*	US Dollar	2013	-	15,107
Loan participation notes issued in April 2008*	US Dollar	2013	-	11,944
OOO Aragon*****	Euro	2010	9,882	11,397
Loan participation notes issued in November 2007*	Japanese yen	2012	6,457	7,729
Russian bonds issued in July 2007***	Rouble	2010	-	5,192
A4 series Russian bonds, issued in February 2005	Rouble	2010	5,155	5,158
Loan participation notes issued in November 2007*	Japanese yen	2010	4,303	5,151
A9 series Russian bonds, issued in February 2007	Rouble	2014	5,130	5,132

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13. LOANS AND BORROWINGS (continued)

Borrowing / Creditors	Currency	Maturity	As of 1 January 2008 2008	As of 31 December 2008
A6 series Russian bonds, issued in August 2005	Rouble	2009	5,137	5,100
A8 series Russian bonds, issued in November 2006	Rouble	2011	5,058	5,059
A7 series Russian bonds, issued in November 2006	Rouble	2009	5,056	5,058
Russian bonds-01 Series, issued in September 2006****	Rouble	2011	5,107	4,908
Russian bonds-02 Series, issued in March 2006****	Rouble	2016	5,129	4,731
Wintershall Holding AG *****	Euro	2010	4,063	4,686
Gazstream SA	US Dollar	2006-2010	5,673	4,638
Gazstream SA	US Dollar	2006-2012	4,768	4,565
Russian bonds issued in April 2007***	Rouble	2012	-	2,915
Wintershall Holding AG *****	Rouble	2008	6,975	-
Liberty Hamshir Corporation	Rouble	2008	5,067	-
GazEnergo Capital Limited*****	Euro	2008	3,997	-
Wintershall Holding AG *****	Rouble	2008	3,000	-
Other loans	Various	Various	18,921	23,979
Total, including			549,243	680,208
Due within one year, including current portion of long-term borrowings			31,417	54,010

* Issuer of these bonds is Gaz Capital S.A.

** Issuer of these bonds is Gazprom International S.A.

*** Issuers of these bonds are OAO WGC-2 and OAO WGC-6

**** Issuer of these bonds is OAO Mosenergo

***** Loans were obtained for development of Yuzhno-Russkoye oil and gas field.

As of 1 January and 31 December 2008 long-term loans (including current portion of long-term loans) of RR 28,645 and RR 30,451, respectively, were secured by cash from gas sales contracts to Western Europe.

Interest rates on long-term foreign currency denominated borrowings ranged from 4.56% to 8.9% in 2008 and from 4.56% to 8.63% in 2007. In 2008 and 2007 interest rates on long-term borrowings denominated in Russian Roubles (including bonds) ranged from 6.25% to 13.8% and from 6.25% to 8.22%, respectively.

In 2008 interest rates on short-term borrowings denominated in Russian Roubles ranged from 1% to 16% and interest rate on short-term borrowings denominated in foreign currency ranged from 1% to 6.62%. In 2007 interest rates on short-term borrowings denominated in Russian Roubles ranged from 2% to 10.5%. In 2007 interest rates on short-term borrowings denominated in foreign currency amounted to 8.9%.

As of 1 January and 31 December 2008 long-term borrowings included loans received from Gaz Capital S.A. in connection with the issue in 2004 of the loan participation notes of USD 1,200 million at an interest rate of 8.625% due on 28 April 2034. The loan participation notes can be presented for payment in the amount of the principal debt and accumulated interest before the maturity date, i.e. on 28 April 2014 (put option exercise date).

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14. TAXATION

Profit tax

In 2008 and 2007 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 202,436 and RR 189,853, respectively. According to the tax returns the profit tax in 2008 and 2007 included within line Current Profit Tax amounted to RR 305,685 and RR 210,474, respectively.

In 2008 non-temporary differences which increase the taxable profit exceeded non-temporary differences which decrease the taxable profit by RR 332,624 (in 2007 by RR 175,679). The non-temporary differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued for accounting purposes as compared to depreciation charge for tax purposes, social expenses, charitable donations, expenses exceeding prescribed limits and other non-production costs.

In 2008 and 2007 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 104,476 and RR 69,132, respectively.

Deductible temporary differences incurred in 2008 principally arise from the elimination of profit from intergroup transactions, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes, investments revaluation and the fact that geological and geophysical exploration and annual bonuses are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2008 and 2007 totaled RR 56,422 and RR 43,572, respectively. Settlement of these differences in 2008 is principally due to decrease of the current tax base related to geological and geophysical exploration, annual bonuses and other expenses recognized for accounting purposes in prior periods.

In 2008 and 2007 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 92,048 and RR 126,126, respectively. Taxable temporary differences in 2008 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, excess costs of storage included in the cost of finished goods.

Taxable temporary differences settled in 2008 and 2007 totaled RR 151,291 and RR 19,180, respectively. Settlement of these differences in 2008 is principally due to increase of the current tax base for amount of investment revaluation recognized for accounting purposes in prior periods and for the amount of excess costs of storage included in the cost of finished goods.

Other similar payments

Other similar payments in the Consolidated Statement of Income include other charges payable to budget and non-budget funds out of current year profit:

	For 2008	For 2007
Other similar payments:		
Fines	29	159
Late payment charges and other taxes	1,459	1,912
Total paid and payable to budget	1,488	2,071
Total paid and payable to non-budget funds (penalties and late payment charges)	7	4
Total	1,495	2,075

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15. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES

	For 2008	For 2007
Gas sales (net of VAT, excise and other similar mandatory payments)		
Russian Federation	474,268	399,452
Former Soviet Union countries (excluding Russian Federation)	356,514	269,645
Europe and other countries	1,430,500	873,410
Net sales of gas	2,261,282	1,542,507
Sales of refined products (net of VAT, excise and other similar mandatory payments)		
Russian Federation	378,182	304,319
Former Soviet Union countries (excluding Russian Federation)	44,980	42,181
Europe and other countries	229,794	183,167
Net sales of refined products	652,956	529,667
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russian Federation	81,468	47,129
Former Soviet Union countries (excluding Russian Federation)	26,570	19,586
Europe and other countries	161,389	117,148
Net sales of oil and gas condensate	269,427	183,863
Sales of electric and heat energy (net of VAT)		
Russian Federation	131,964	34,977
Former Soviet Union countries (excluding Russian Federation)	2,370	1,773
Europe and other countries	62,897	12,534
Net sales of electric and heat energy	197,231	49,284
Sales of gas transportation services (net of VAT)		
Russian Federation	62,863	41,252
Former Soviet Union countries (excluding Russian Federation)	605	488
Europe and other countries	-	-
Net sales of gas transportation services	63,468	41,740
Other sales (net of VAT)		
Russian Federation	156,303	163,516
Former Soviet Union countries (excluding Russian Federation)	7,685	6,021
Europe and other countries	9,852	5,830
Total other sales	173,840	175,367
Net sales	3,618,204	2,522,428

Compared to 2007 revenues from sales of gas in 2008 increased by 47% mostly resulting from higher gas prices.

Revenues from electric and heat energy sales totalled RR 197,231 and RR 49,284 in 2008 and 2007, respectively. Most part of it relates to revenue of OAO Mosenergo amounting RR 90,476 and RR 34,521 for 2008 and 2007 respectively. Also increase of revenue from electric and heat energy sales in 2008 compared to 2007 was affected by growth of Gazprom Germania GmbH and its subsidiaries sales and acquisition of OAO WGC-2 and OAO WGC-6 (see Note 21).

16. COST OF GOODS, PRODUCTS, WORKS AND SERVICES SOLD, COMMERCIAL AND MANAGEMENT EXPENSES

	For 2008	For 2007
Purchased gas	514,299	314,012
Depreciation and amortization	328,364	262,141
Taxes included in cost of sales	255,159	219,120
Staff costs and social expenses	221,404	194,106
Purchased oil	205,289	91,669
Transit costs for gas, oil and refined products	198,263	163,075
Cost of goods for resale	170,355	108,692

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16. COST OF GOODS, PRODUCTS, WORKS AND SERVICES SOLD, COMMERCIAL AND MANAGEMENT EXPENSES (continued)

	For 2008	For 2007
Repairs and maintenance	157,396	126,466
Materials	98,176	104,096
Energy	49,065	45,099
Rent, lease payments	23,781	20,458
Insurance	21,657	17,630
Other	113,282	85,942
Total cost of goods, products, works and services sold, commercial and management expenses	2,356,490	1,752,506

The increase of purchased gas was primarily related to growth of price on gas purchased in Turkmenistan and also to growth of volumes of gas purchased in Europe for the purpose of resale to Western Europe and Former Soviet Union.

The natural resources production tax within Taxes included in cost of sales amounted to RR 188,494 and RR 165,176 for 2008 and 2007, respectively.

The cost of purchased oil increased mainly due to growth of volumes of oil purchased by 67% and also due to growth of average world market prices.

Other expenses primarily include costs of refining, transportation services, legal and consulting fees, heat energy transfer services to final consumers, telecommunication, advertisement and other services.

17. OTHER INCOME AND EXPENSES

	For 2008		For 2007	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	2,854,469	2,855,428	2,376,957	2,377,847
Exchange differences	196,299	331,587	96,296	73,868
Adjustment of investments (to fair value)	-	130,655	34,851	-
Transactions with securities, including promissory notes	67,559	58,017	93,913	79,073
Bad debt provision	-	36,981	364	-
Amortization of goodwill	-	27,950	-	25,347
Social expenses	-	22,636	-	18,272
Provisions for contingent events	-	14,175	-	3,548
Profit and losses of previous years identified in the reporting period	5,164	9,526	6,992	9,316
Income and expenses from sale and contribution of fixed assets to charter capital	6,355	4,724	4,770	3,810
Services of credit organizations	-	5,252	-	7,430
Income /expenses related to gratuitous transfer of assets	74	3,064	73	2,253
Accounts receivable write off	-	2,990	-	7,520
Transfer of the Group claims to third parties	1,490	1,400	10,160	11,084
Fees and penalties for breach of contracts	983	692	4,062	633
Investments impairment provision	1,558	-	8,728	-
Reversal of fines and penalties payable to budget and non-budget funds	35	-	1,050	-
Other	59,158	111,216	65,315	60,608
Total	3,193,144	3,616,293	2,703,531	2,680,609

Other income and expenses related to accrual (release) of bad debt provision, impairment provision for financial investments and provision for contingent events are reported net in the consolidated accounting reports of the Group.

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18. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP
Principal subsidiaries as of 31 December 2008

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ZAO ArmRosgazprom	76	Gas transportation and gas distribution	Armenia
	OOO Burgaz	100	Exploration, wells construction	Russia
	OOO VNIIGAZ	100	Research and development	Russia
	OAO Vostokgazprom	99	Gas production	Russia
	OOO Gazoenergeticheskaya Companiya	100	Investing activity	Russia
	OOO Aviapredpriyatie Gazpromavia	100	Air transportation services	Russia
	Gazprom Germania GmbH	100	Gas distribution	Germany
	OOO Gazprom dobycha Astrakhan	100	Production and refining of hydrocarbons	Russia
	OOO Gazprom dobycha Krasnoyarsk (OOO Krasnoyrskgazdobycha)**	100	Production and refining of hydrocarbons	Russia
	OOO Gazprom dobycha Nadym	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Noyabrsk	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Orenburg	100	Production, refining and transportation of hydrocarbons	Russia
	OOO Gazprom dobycha Urengoy	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha shelf	100	Development of hydrocarbons fields	Russia
	OOO Gazprom dobycha Yamburg	100	Production of hydrocarbons	Russia
	OOO Gazprom invest Vostok	100	Construction and engineering	Russia
	OOO Gazprom invest Zapad	100	Construction and engineering	Russia
	ZAO Gazprom invest Yug (ZAO Gazpromstroyengineering)**	100	Construction and engineering	Russia
	OOO Gazprom investholding (OOO Gazprominvestholding)**	100	Investing activity	Russia
	OOO Gazprom komplektaciya (OOO Gazkomplektimpeks)**	100	Trading activities	Russia
	Gazprom Libyen Verwaltungs GmbH	100	Investing activity	Germany
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	Great Britain
	ZAO Gazprom neft Orenburg (ZAO Stimul)**	100	Oil and gas production and distribution	Russia
	Gazprom Neft Trading GmbH	100	Petroleum products trading	Austria
	OAO Gazprom neft	76	Production, refining and sales of oil	Russia
	Gazprom Netherlands B.V.	100	Investments, asset management	Netherlands
	OOO Gazprom Pererabotka	100	Refining and transportation of gas, oil, gas condensate	Russia
	OOO Gazprom podzemremont Orenburg (OOO Gazprom yugpodzemremont)***	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom podzemremont Urengoy (OOO Gazprom severpodzemremont)***	100	Repairs, modernization, reconstruction and conservation of gas production wells	Russia
	OOO Gazprom PKhG	100	Gas storage services	Russia
	Gazprom Sakhalin Holding B.V.	100	Foreign investing activity	Netherlands

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18. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO Gazprom transgas Volgograd	100	Gas transportation services	Russia
	OOO Gazprom transgas Ekaterinburg	100	Gas transportation services	Russia
	OOO Gazprom transgas Kazan	100	Gas transportation services	Russia
	OOO Gazprom transgas Makhachkala	100	Gas transportation services	Russia
	OOO Gazprom transgas Moskva	100	Gas transportation services	Russia
	OOO Gazprom transgas Nizhny Novgorod	100	Gas transportation services	Russia
	OOO Gazprom transgas Samara	100	Gas transportation services	Russia
	OOO Gazprom transgas St.Petersburg	100	Gas transportation services	Russia
	OOO Gazprom transgas Saratov	100	Gas transportation services	Russia
	OOO Gazprom trasgas Stavropol (OOO Kavkaztransgaz)**	100	Gas transportation services	Russia
	OOO Gazprom transgas Surgut	100	Gas transportation services	Russia
	OOO Gazprom transgas Tomsk	100	Gas transportation services	Russia
	OOO Gazprom transgas Ufa	100	Gas transportation services	Russia
	OOO Gazprom transgas Ukhta	100	Gas transportation services	Russia
	OOO Gazprom transgas Tchajkovsky	100	Gas transportation services	Russia
	OOO Gazprom transgas Yugorsk	100	Gas transportation services	Russia
	OOO Gazprom transgas Kuban	100	Gas transportation services	Russia
	Gazprom Finance B.V.	100	Investing activity	Netherlands
	OOO Gazprom centremont	100	Repairs and reconstruction of gas equipment	Russia
	OOO Gazprom export	100	Foreign trade activity	Russia
	ZAO Gazprom YuRGM Trading****	100	Gas distribution	Russia
	Gazprom Global LNG Ltd.	100	Participation in LNG production and realization projects	Great Britain
	OOO Gazpromneft-Vostok	100	Oil and gas production	Russia
	ZAO Gazpromneft – Kuzbass (ZAO Kuzbassnefteproduct)**	100	Oil products trading	Russia
	OAO Gazpromneft – Noyabrskneftegaz (OAO Sibneft-Noyabrskneftegaz)**	100	Oil and gas production	Russia
	OAO Gazpromneft-Omsk (OAO Sibneft – Omsknefteproduct)**	100	Oil products trading	Russia
	OAO Gazpromneft – Omskiy NPZ (OAO Sibneft-Omskiy NPZ)**	100	Oil refining	Russia
	ZAO Gazpromneft-Severo-Zapad (ZAO Sibneft-Severo-Zapad)**	100	Oil products trading	Russia
	OOO Gazpromneftfinans	100	Investing activity	Russia
	OOO Gazpromneft-Hantos	100	Oil and gas production	Russia
	OOO Gazpromneft-Centr (OOO Sibneft-AZS Service)**	100	Fuel station operation	Russia

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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18. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OOO GazpromPurInvest	100	Investing activity	Russia
	OAO Gazpromregiongaz	100	Gas network operation	Russia
	OOO Gazpromtrans	100	Forwarding services	Russia
	OAO Gazpromtrubinvest	99	Production and sales of pipes	Russia
	OOO Gaztorgpromstroy	100	Trading	Russia
	OOO Gazflot	100	Transportation, offshore field development	Russia
	ZAO Gazenergoprombank	73	Banking activity	Russia
	OOO Georesurs	100	Exploration, geophysics	Russia
	ZAO Gerosgaz	51	Investing and consultancy activities	Russia
	OAO Daltransgaz	73	Construction and gas transportation	Russia
	Jones Resources Ltd.	100	Investing activity	Virgin Islands
	Dolby International Holdings Ltd.	100	Investing activity	Virgin Islands
	OOO Zapolyarneft	100	Oil and gas production	Russia
	OAO Zapsibgazprom	77	Construction	Russia
	ZGG Cayman Ltd.	100	Investing activity	Cayman Islands
	ZGG Cayman Holding Ltd.	100	Investing activity	Cayman Islands
	ZMB (Schweiz) AG	100	Gas distribution	Switzerland
	ZMB-Zarubezhgaz Management und Beteiligungsgesellschaft mbH (ZMB GmbH)	100	Gas distribution	Germany
	ZAO Kaunasskaya termofikatsionnaya electrostantsiya	99	Heat and electric power generation and distribution	Lithuania
	OAO Krasnoyarskgazprom	75	Exploration, geophysics	Russia
	OOO Kubangazprom	100	Gas production	Russia
	OOO Mezhrefiongaz	100	Gas distribution	Russia
	OAO Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	OOO NK Sibneft-Yugra	99	Oil and gas production	Russia
	OOO Novourenogysky GCC	100	Construction	Russia
	OAO Obshestvenno-delovoy centr Ohta	77	Investing activity	Russia
21	OAO WGC-2	57	Production and sales of electric and heat energy	Russia
21	OAO WGC-6	60	Production and sales of electric and heat energy	Russia
	ZAO Purgaz	51	Gas production	Russia
	OAO Regiongazholding	56	Construction and maintenance of gas facilities	Russia
	Richard Enterprises S.A.	100	Investing activity	Virgin Islands
	ZAO Rosshelf	57	Investments in oil and gas fields	Russia
	ZAO RSh Centr	99	Transportation services	Russia

OAO GAZPROM
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18. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OAO Severneftegazprom****	75	Production and sales of hydrocarbons	Russia
	Sib Oil Trade Ltd.	100	Investing activity	Virgin Islands
	OOO Sevmorneftegaz	100	Development of oil and gas fields	Russia
	OOO Sibneft-Chukotka	100	Exploration, production, transportation of crude oil	Russia
	OAO Spetsgazavtotrans	51	Construction and transportation services	Russia
	OAO Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	OOO Factoring-Finance	90	Investing activity	Russia
	Ferenco Investment Ltd.	100	Investing activity	Cyprus
	OAO Tsentrgaz	100	Construction	Russia
	OAO Tsentrenergogaz	62	Repair and maintenance of gas equipment	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia

* cumulative share of Group companies in charter capital of investments

** marked subsidiaries were renamed (their former name is presented in brackets)

*** marked subsidiaries were established in 2008 in the course of reorganization of the corporate operation management structure

**** Group's portion of voting shares.

Starting from 24 June 2008 investment in OAO Gazprombank is included within investments in associates of the Consolidated Balance Sheet and is accounted for on the basis prescribed for inclusion in the consolidated accounting reports of investments in associates (see Notes 2, 22).

Principal associates as of 31 December 2008

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Exploration and production of gas	Russia
OAO Beltransgaz	25	Transportation and gas supply	Belarus
Bosforus Gas Corporation A.C.	40	Gas distribution	Turkey
Vemex s.r.o.	33	Gas distribution	Czech republic
Wintershall AG	49	Production of oil and gas distribution	Germany
Wintershall Gas GmbH & Co. KG	50	Transportation and sales of gas	Germany
Wintershall Erdgas Handelshaus GmbH & Co. KG	50	Gas distribution	Germany
Wintershall Erdgas Handelshaus Zug AG	50	Gas distribution	Switzerland
Gaz Project Development Central Asia AG	50	Gas distribution	Switzerland
OAO Gazprombank	42	Banking	Russia
AO Gazum	25	Gas distribution	Finland
Blue Stream Pipeline Company B.V.	50	Construction, gas transportation	Netherlands
STG EuRoPol GAZ s.a.	48	Transportation and gas distribution	Poland
TOO KazRosGaz	50	Gas processing and sales of gas and refined products	Kazakhstan
AO Latvijas Gaze	34	Transportation and gas distribution	Latvia
AO Lietuvos Dujos	37	Transportation and gas distribution	Lithuania
AO Moldovagaz	50	Transportation and gas distribution	Moldova

OAO GAZPROM
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 (in million Roubles)

18. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP (continued)

Company	Share in Charter Capital*, %	Type of activity	Location
OAO Moscovsky NPZ	39	Processing and distribution of refined products	Russia
ZAO Nortgaz	51	Exploration and sale of gas and gas condensate	Russia
Nord Stream AG	51	Construction, gas transportation	Switzerland
AO Overgaz Inc.	50	Gas distribution	Bulgaria
RosUkrEnergog AG	50	Gas distribution	Switzerland
OAO Salavatnefteorgsintez**	50	Processing and distribution of refined products	Russia
Sakhalin Energy Investment Company Ltd.	50	Oil production, production of LNG	Bermuda Islands
OOO Sibmetahim	50	Gas processing and sales of petrochemicals	Russia
OAO NGK Slavneft	50	Production of oil, sale of oil and refined products	Russia
OAO TGC-1	29	Production and transfer of electric and heat energy	Russia
OAO Tomskneft VNK	50	Oil production	Russia
AO Turusgas	45	Gas distribution	Turkey
Centrex Beteiligungs GmbH	38	Gas distribution	Austria
Shtockman Development AG	51	Exploration and production of gas	Switzerland

* cumulative share of the Group in charter capital of investments

** investment in OAO Salavatnefteorgsintez is included within investments in associates of the Consolidated Balance Sheet. According to charter documents of OAO Salavatnefteorgsintez, investor that purchases more than 30% of total amount of shares can use the voting rights of shares that comprise not more than 30% of share capital until it sends public offer to the company. The public offer was sent by the Group in February 2009.

19. RELATED PARTIES

As defined by RAR 11/2008 "Related parties", parties are considered to be related if one party has the ability to control another party or exercise significant influence over another party in making financial and operational decisions, parties are engaged in joint activity. A non-state pension fund acting in favor of employees is also considered a related party.

Associates and other major related parties

In 2008 and 2007 the Group had following operations with major associates and other related parties:

	For 2008	For 2007
Revenue (net of VAT, excises and other similar mandatory payments):		
Gas sales		
RosUkrEnergog AG	230,093	172,242
Wintershall Erdgas Handelshaus GmbH & Co.KG	115,317	67,656
ZAO Panrusgaz	74,878	43,179
OAO Beltransgaz	60,509	-
Wintershall Gas GmbH & Co.KG	56,092	41,251
AO Gazum	26,822	17,001
Wintershall Erdgas Handelshaus Zug AG	25,740	19,031

OAO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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19. RELATED PARTIES (continued)

	For 2008	For 2007
Promgaz SPA	14,864	8,003
AO Overgaz Inc	14,088	8,101
GWH – Gaz und Warenhandels GmbH	10,336	6,082
AO Lietuvos Dujos	9,039	5,389
AO Moldovagaz	8,999	6,509
AO Latvijas Gaze	6,533	3,775
AO Turusgas	5,733	3,100
OAO TGC-1	5,492	-
OAO Mosenergo	-	19,566
Gas transportation services		
RosUkrEnergo AG	23,455	11,278
OAO Novatek	11,262	8,248
Crude oil, gas condensate and refined products sales		
OAO NGK Slavneft and its subsidiaries	15,137	14,195
OAO Salavatnefteorgsintez	14,207	14,081
Gas refining services		
TOO KazRosGas	3,735	3,303
Purchases:		
Gas purchases		
RosUkrEnergo AG	39,341	44,458
TOO KazRosGas	17,265	13,246
OAO Novatek	5,505	3,953
Gas transportation services		
STG EuRoPol GAZ s.a.	12,206	11,081
OAO Beltransgaz	11,864	-
Blue Stream Pipeline Company B.V.	7,513	7,300
Oil and oil products purchases		
OAO NGK Slavneft and its subsidiaries	79,511	64,198
OAO Tomskneft VNK and its subsidiaries	32,958	-
Oil and oil product refining services		
OAO NGK Slavneft and its subsidiaries	5,816	5,013
OAO Moskovsky NPZ	2,486	2,430
Pension fund contributions:		
NPF Gazfund	7,623	6,091

On the territory of Russia the Group sold gas to associates and other major related parties mainly using tariffs set by FTS. Export sales (except for RosUkrEnergo AG) were based on long-term contracts with prices linked to world commodity prices.

In 2008 gas prices varied from USD 33 to USD 557 per mcm, in 2007 the prices varied from USD 30 to USD 344 per mcm.

In 2008 and 2007 the Group recorded sales of gas produced in Russia and Central Asia to its associated undertaking RosUkrEnergo AG in the total amount of 62 bcm and 65 bcm, respectively. Prices for sales of gas produced in Russia ranged from USD 230 to USD 553 per mcm in 2008 and from USD 130 to USD 285 per mcm in 2007, and average prices for sales of Central Asian gas were USD 146 and USD 103 per mcm in 2008 and 2007, respectively.

In 2008 gas sales to AO Moldovagaz were based quarterly on a formula which takes into account price indexes on gasoil and fuel oil. In 2007 gas sales to AO Moldovagaz were made at a fixed price of USD 170 per mcm.

For 2008 revenue received in non-cash assets totalled RR 42,535, compared to RR 59,880 in 2007.

OAO GAZPROM
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19. RELATED PARTIES (continued)

In 2008 and 2007 the Group purchased gas from TOO KazRosGaz at average prices of USD 110 and USD 87 per mcm, respectively.

A portion of gas transportation services provided by associates and other related parties was provided under agency agreements.

The following balances of accounts receivable from and payable to major associates and other related parties were recorded on the Consolidated Balance Sheet of the Group as of 1 January and 31 December 2008:

	As of 1 January 2008	As of 31 December 2008
Accounts receivable:		
Payment expected beyond 12 months of the reporting date:		
RosUkrEnergo AG	6,947	-
STG EuRoPol GAZ s.a.	4,511	3,967
Payment expected within 12 months of the reporting date:		
RosUkrEnergo AG	72,337	76,514
Wintershall Gas GmbH &Co.KG	14,833	13,888
Wintershall Erdgas Handelshaus Zug AG	12,439	11,925
ZAO Panrusgaz	6,583	11,341
OAO Beltransgaz	-	8,664
AO Gazum	2,868	4,322
AO Moldovagaz*	1,260	3,274
OAO NGK Slavneft and its subsidiaries	2,341	2,843
OAO Salavatnefteorgsintez	1,130	2,493
Wintershall Erdgas Handelshaus GmbH &Co.KG	4,078	1,783
STG EuRoPol GAZ s.a.	1,127	1,322
OAO Gazprombank	-	1,077
Short-term accounts payable:		
Wintershall Gas GmbH &Co.KG	3,245	9,239
RosUkrEnergo AG	2,001	9,176
STG EuRoPol GAZ s.a.	2,456	4,470
TOO KazRosGas	1,787	1,994
OAO NGK Slavneft and its subsidiaries	3,928	1,368
OAO Beltransgaz	-	1,351
OAO Novatek	375	1,111
OAO Gazprombank	-	970

* Net of provision for doubtful debts amounting to RR 27,281 and 37,125 as of 1 January 2008 and 31 December 2008, respectively.

Loans issued to major associates as of 1 January 2008 and 31 December 2008 are:

	As of 1 January 2008	As of 31 December 2008
Loans and promissory notes due for repayment beyond 12 months of the reporting date:		
OAO Gazprombank	-	2,536
Wintershall Gas GmbH &Co.KG	10,163	11,721
Promissory notes due for repayment within 12 months of the reporting date:		
OAO Gazprombank	-	419

AOO GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
(in million Roubles)

19. RELATED PARTIES (continued)

Loans received from major associates as of 1 January 2008 and 31 December 2008 are presented as follows:

	As of 1 January 2008	As of 31 December 2008
Loans and borrowings due for repayment beyond 12 months of the reporting date:		
AOO Gazprombank	-	9,513
Loans and borrowings due for repayment within 12 months of the reporting date:		
AOO Gazprombank	-	7,875
AOO Tomskneft VNK and it's subsidiaries	-	8,478
Wintershall Erdgas Handelshaus GmbH & Co.KG	1,770	2,344

The Group received loans from it's major associates in Russian Roubles at rates ranging from 8.0% to 16.0% in 2008. Loans nominated in foreign currency were received at rates ranging from 8.11% to 12.5%.

Remuneration to key management personnel

Key management personnel's (the members of the Board of Directors and Management Committee of OAO Gazprom) short-term compensation, including salary, bonuses and remuneration for serving in the management bodies of OAO Gazprom and its subsidiaries, amounted to RR 2,056 and RR 1,697 for the years ended 31 December 2008 and 2007, respectively.

The above amounts include personal income tax and unified social tax. Government representatives serving in the Board of Directors do not receive any remuneration from OAO Gazprom and its subsidiaries. Remuneration of members of the Board of Directors is approved by the annual meeting of shareholders. Compensation of key management personnel (other than remuneration of the Board of Directors) paid by OAO Gazprom and its subsidiaries is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel.

AOO Gazprom provided medical insurance and liability insurance to key management personnel. Voluntary medical insurance amounted to RR 1 and RR 1 and liability insurance amounted to RR 2 and RR 0 for 2008 and 2007, respectively.

20. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the reporting year. The weighted average number of ordinary shares outstanding for 2008 and 2007 amounted to 23,644 and 23,645 million shares, respectively.

The weighted average number of ordinary shares outstanding for the reporting year has been calculated taking into consideration the repurchase of 1,700,000 of own shares by OAO Gazprom at the amount of RR 536 in March 2008 under realization of OAO Gazprom management remuneration program. In December 2008 OAO Gazprom sold the shares to Gazprom Stimul Fund.

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares as of 31 December 2008 and 2007.

ОАО GAZPROM
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21. ACQUISITION OF ОАО WGC-2 AND ОАО WGC-6

In October 2007, the Group purchased 12.22% of the voting shares of ОАО WGC-2 for cash of RR 15,983. In December 2007, the Group purchased 17.13% of the voting shares of ОАО WGC-6 for cash of RR 20,999.

As a result of the reorganization of RAO UES in July 2008 the Group exchanged its shares in RAO UES for interest in certain companies, including additional 44.39% interest in ОАО WGC-2 and additional 42.88% interest in ОАО WGC-6. As of 1 January 2008 and 31 December 2008 the Group's share in the charter capital of ОАО WGC-2 was 12.84% and 57.28%, respectively and in the charter capital of ОАО WGC-6 was 17.13% and 60.07%, respectively.

The goodwill resulting from the above transactions amounted to RR 59,279 and RR 52,798 for ОАО WGC-2 and ОАО WGC-6, respectively. The amounts of goodwill arising from the acquisition of interest in ОАО WGC-2 and ОАО WGC-6 during the year 2008, was reduced by RR 13,811 and RR 11,187, respectively, i.e. by the Group's portions of the share premiums related to additionally issued shares of ОАО WGC-2 and ОАО WGC-6 that were bought by the Group in 2007 (see Note 5).

22. DECONSOLIDATION OF ОАО GAZPROMBANK AND ITS' SUBSIDIARIES

As a result of the change in the Board composition of ОАО Gazprombank the Group lost its ability to control the financial and operating policies of the bank and its subsidiaries, including ОАО Sibur Holding and its subsidiaries and Gazprom-Media Group (the Gazprombank Group) and ceased to consolidate ОАО Gazprombank and its subsidiaries (see Notes 2, 18).

The deconsolidation of Gazprombank Group had the following increase/decrease on the Consolidated Balance Sheet of the Group:

Consolidated Balance Sheet	Increase / (decrease)
I. NON-CURRENT ASSETS	
Intangible assets	(12,332)
Fixed assets	(40,142)
Construction in progress	(13,887)
Long-term financial investments	(1,997)
Deferred tax assets	(2,813)
Other non-current assets	(2,906)
TOTAL Section I	(74,077)
II. CURRENT ASSETS	
Inventories	(23,344)
Value added tax on purchased goods	(8,763)
Accounts receivable (payment expected beyond 12 months of the reporting date)	(1,454)
Accounts receivable (payment expected within 12 months of the reporting date)	(10,394)
Short-term financial investments	(22,141)
Monetary assets	(3,826)
Other current assets	(142)
TOTAL Section II	(70,064)
TOTAL ASSETS	(144,141)
III. EQUITY AND RESERVES	
Additional capital	(58)
Retained earnings	8,190
TOTAL Section III	8,132

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

22. DECONSOLIDATION OF ОАО GAZPROMBANK AND ITS' SUBSIDIARIES (continued)

Consolidated Balance Sheet	Increase / (decrease)
Minority interest	(109,046)
IV. NON-CURRENT LIABILITIES	
Loans and borrowings due for repayment beyond 12 months of the reporting date	(7,874)
Deferred tax liabilities	(1,570)
Other non-current liabilities	1,427
TOTAL Section IV	(8,017)
V. CURRENT LIABILITIES	
Loans and borrowings due for repayment within 12 months of the reporting date	(17,625)
Accounts payable	(10,870)
Dividends payable	(4,817)
Income of future periods	(1,693)
Provisions for future expenses and payments	(205)
TOTAL Section V	(35,210)
TOTAL EQUITY AND LIABILITIES	(144,141)

23. CONTINGENCIES

Guarantees issued

	As of 1 January 2008	As of 31 December 2008
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	28,608	27,698
MRK Energy DMCC	-	6,959
EM Interfinance Limited	6,135	5,823
Devere Capital International Limited	5,543	5,691
ZAO Achimgaz	4,591	4,961
Blackrock Capital Investments Limited	5,528	4,934
ОАО Group E4	-	3,562
Nord Stream AG	-	2,536
DSL Assets International Limited	1,500	888
United Energy Investments Limited	1,499	887
Gazprom Libya B.V.	4,467	-
Other	12,352	16,052
Total	70,223	79,991

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 1 January and 31 December 2008 outstanding amounts of these loans were RR 26,767 and RR 25,494, respectively, which were guaranteed by the Group, pursuant to its obligations.

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
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23. CONTINGENCIES (continued)

The guarantee of the loan issued by Depfa Investment Bank Ltd. to Blue Stream Pipeline Company B.V. amounted to RR 1,841 and RR 2,204 as of 1 January and 31 December 2008, respectively.

In April 2008 the Group provided a guarantee to Credit Suisse International and AKB National Reserve Bank (ОАО) on behalf of MRK Energy DMCC as a security of loans received and used for construction of gas pipeline: Kudarsky pereval – Tskhinval (South Ossetia). As of 31 December 2008 the above guarantee amounted to RR 6,959.

In 2006 the Group provided guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands on behalf of the five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland, with respect to bonds issued by them. The guarantees amounted to RR 20,205 and RR 18,223 as of 1 January and 31 December 2008, respectively.

In May 2008 the Group provided a guarantee to ОАО Bank of Moscow on behalf of ОАО Group E4 as a security of loans under the contracts for delivering of power units. As of 31 December 2008 the above guarantee amounted to RR 3,562.

In 2007 the Group provided a guarantee to Wintershall Vermögens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky Deposits of the Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 1 January and 31 December 2008 the above guarantee amounted to RR 4,591 and RR 4,961, respectively.

In January 2008 the Group provided a guarantee to Europipe GmbH (supplier of large diameter steel pipes) on behalf of Nord Stream AG related to pipe supply contract for construction of Nord Stream pipeline. As of 31 December 2008 the above guarantee amounted to RR 2,536.

Other guarantees include mainly guarantees issued by the Group under contracts for the purchase of equipment and construction and installation works.

The management believes that it will have to pay some of its obligations under guarantees issued. Therefore, provision for the guarantees issued was created by the Group in the amount of RR 4,597 and RR 6,681 as of 1 January and 31 December 2008, respectively.

Operating environment

As a result of continuous global liquidity crisis among other factors, there has been a significant decline in the possibility of attracting of financing through capital markets, decline of the Russian bank system's liquidity and increase of interbank lending interest rates.

The uncertainty on the global financial market has led to banks bankruptcy and necessity for measures undertaking to save banks of USA, West Europe and Russia.

Such circumstances may influence the ability of the Group to attract new borrowings or refinance the existing ones under original conditions. The Group's debtors can also be affected by the lack of liquidity that may lead to their insolvency and inability to repay their debts.

The uncertainty on the global markets together with other local factors in 2008 has led to very high volatility of the Russian stock markets and overstated interbank lending interest rates which sometimes well exceeded the standard interest rates level.

In the current circumstances the management can not reliably predict the influence of the further decline of financial markets' liquidity and increase of volatility in currency and security markets on the Group's financial position. The management believes it undertakes all the required measures to provide support for stability and growth of the Group business under the given circumstances.

OAO GAZPROM
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23. CONTINGENCIES (continued)**Legal proceedings**

The Group is a party to certain legal cases arising in the normal 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. The management of OAO Gazprom believes that there are no current legal cases or other claims outstanding, which could have a material negative effect on the result of operations or financial position of the Group.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. As of 31 December 2008 interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions will be sustained.

24. POST BALANCE SHEET EVENTS**Taxation**

Corporate income tax rate was decreased from 24% to 20% effective 1 January 2009. Therefore as of 1 January 2009 the Group recalculated the values of deferred tax assets and deferred tax liabilities. The decrease of deferred tax assets and deferred tax liabilities due to recalculations was included in retained earnings. As a result as of 1 January 2009 the amounts of deferred tax assets and deferred tax liabilities have decreased by RR 6,556 and RR 23,894, respectively. Accordingly, retained earnings increased by RR 17,338 in comparison with the respective data as of 31 December 2008. The consequences of the corporate income tax rate decrease are to be disclosed in the Group's Consolidated accounting reports for 2009.

Significant deterioration in domestic currency

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. The Group has significant foreign currency denominated assets and liabilities.

The official Russian Rouble ("RR") to US dollar ("USD") exchange rates as determined by the Central Bank of the Russian Federation increased from 29.3804 to 33.5533 in the period from 31 December 2008 to 24 April 2009. The official RR to Euro exchange rates as determined by the Central Bank of the Russian Federation increased from 41.4411 to 43.6596 in the period from 31 December 2008 to 24 April 2009.

Investments

In February 2009 the Group acquired 51% interest in Naftna Industrija Srbija for Serbian dinars 38 billion (Euro 400 million) paid in cash.

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

On 24 April 2009 the Group exercised the option agreement with ENI S.p.A. to purchase the additional 20% interest in OAO Gazprom Neft for USD 4,1 billion. In the result of this transaction the Group has increased its interest in OAO Gazprom Neft to 95.68%. The Group obtained credits from a group of banks in order to finance the transaction.

ОАО GAZPROM
NOTES TO THE CONSOLIDATED ACCOUNTING REPORTS
 (in million Roubles)

24. POST BALANCE SHEET EVENTS (continued)

Borrowings and loans

In January 2009 the Group obtained the credit from GK Vneshekonombank in the amount of USD 375 million due in 2010 at an interest rate of 10.75%.

In February 2009 the Group obtained credit from Sberbank in the amount of USD 724 million due in 2010 at fixed interest rate of 10.25%.

In March 2009 the Group obtained the second tranche from GK Vneshekonombank in the amount of USD 150 million due in 2010 at an interest rate of LIBOR + 5% to refinance part of the syndicated loan from Calyon Credit Agricole CIB obtained in September and November 2007.

In March 2009 the Group obtained two loans from White Nights Finance B.V. in the amount of USD 500 million and USD 800 million due in 2014 at an interest rate of 10.5%.

In April 2009 the Group obtained a credit from Sberbank in the amount of USD 3,000 million due in 2014 at an interest rate of 10%.

In April 2009 the Group obtained a loan from OAO Russian Agricultural Bank in the amount of USD 600 million due in 2014 at an interest rate of 10%.

In April 2009 the Group obtained a loan from GPB Credit Risk Management S.A. in the amount of USD 600 million due in 2014 at an interest rate of 10%.

In April 2009 the Group issued USD 2,250 million Loan Participation Notes due in 2019 at an interest rate 9.25% and CHF 500 million Loan Participation Notes due in 2011 at an interest rate 9% under the USD 30,000 million Programme for the Issuance of Loan Participation Notes.

In April 2009 the Group issued bonds in the amount of RR10,000 due in 2019 at an interest rate of 16.7% with two years buy-back put option.



A.B. Miller
 Chairman of the Management Committee

29 April 2009



E.A. Vasilieva
 Chief Accountant