





TABLE OF CONTENTS

Letter from the Chairman of the Board of Directors and the Chairman of the Management Committee to Gazprom's shareholders	4
Gazprom is 10 Years Old	6
Events of the Year	8
Gazprom's Board of Directors	9
Gazprom's Management Committee	16
Structure of Gazprom's Administration	23
Compliance with the Corporate Governance Code	25
List of Major Companies with Gazprom's Shareholding	28
Shares and Share Capital	30
Results of Business Operations	34
Risk Factors	37
Mineral Resource Base. Geological Exploration	38
Drilling	42
Production	45
Refining	46
Transportation	49
Underground Gas Storage	50
Supplies	51
Science and Technology	57
Capital Construction	59
Other Types of Activities	62
Personnel	66
Social Partnership	69
Charity and Sponsorship	70
Environment and Energy saving	73
Official Addresses and Contacts	75

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE MANAGEMENT COMMITTEE TO GAZPROM'S SHAREHOLDERS



Dear shareholders and colleagues!

Presenting this report on Gazprom's operations we are pleased to mention that the Company's work in 2002 was successful.

It is for the first time in the past several years that the hydrocarbon reserves went up and the gas production increased. This became possible due to activating geological exploration work and developing new production capacities at the fields, primarily at the Zapolyarnoye oil and gas condensate field. After reaching the design capacity, the gas production at this field will be 100 billion cubic meters per year, which is nearly one fifth of Gazprom's total production. There is full confidence that Gazprom will provide for its target gas production level of 530 billion cubic meters per year set for the period up to 2020 and provide for the relevant growth in the explored gas reserves.

The construction of the Blue Stream pipeline, which runs under the Black Sea to Turkey, has been completed. The implementation of this unique project will provide the Company and the federal budget with additional revenues from gas export. We have launched a project to develop a North European gas pipeline, which will run under the Baltic Sea and provide gas transportation to consumers in Western Europe.

One of the positive results of our work in 2002 was the recovery of the assets, which had been lost. Control has been regained over AK Sibur, Zapsibgazprom, Vostokgazprom and Purgaz, while a 100% shareholding has been acquired in Severneftegazprom.

Gazprom is actively working at cost reduction, tougher control over the expenditure and optimization of the debt structure. The cost reduction program adopted by the Company allowed it to save over 9.2 billion roubles in 2002. An even more radical cost reduction is planned for 2003, which will reach up to 40 billion roubles. Gazprom is consistently striving to diversify its sources of capital, reduce cost and prolong the maturity of borrowings.


The measures taken will improve the Company's competitiveness. It is this direction in Gazprom's work that the President of Russian Federation pointed out speaking at the celebration of Gazprom's tenth anniversary.

We link Gazprom's successful development in the next few years to the gradual liberalization of the gas market in Russia. Market pricing (rather than regulated pricing) will create the environment for higher investment attractiveness of the Company and inflow of investments into the gas industry, benefit the country's fuel balance, and ensure active implementation of power saving technologies.

The strategic priorities in Gazprom's export policy include strengthening of its presence in the traditional and new markets as well as expanding gas supply channels.

We are confident that Gazprom's personnel will keep making all the efforts to raise the Company's economic efficiency for the benefit of its shareholders. At the same time, Gazprom will provide continuous gas supply to the Russian consumers and fulfill all its contractual obligations with respect to its foreign partners.

Chairman of Gazprom's Board of Directors
Dmitri Medvedev



Chairman of Gazprom's Management Committee
Alexei Miller



GAZPROM IS 10 YEARS OLD

Russian Joint Stock Company «Gazprom» was created in accordance with Presidential Decree dated November 5, 1992 and Resolution of the Council of Ministers of the Government of the Russian Federation dated February 17, 1993. The Company's¹⁾ shareholders meeting of June 26, 1998 approved the proposal of the Board of Directors to bring the Company name in compliance with the Russian Federal Law «On Joint Stock Companies». The new name is Open Joint Stock Company «Gazprom».

Gazprom has been dynamically developing for 10 years increasing its assets and influence in the internal market and abroad. Over this period 30 fields were discovered as well as 24 deposits in the hydrocarbon fields, which had been discovered earlier. The most significant discoveries are those of Severo-Samburgskoye and Severo-Parusovoye fields in Western Siberia, Zapadno-Pechorogorodskoye field in the Republic of Komi, Dolginskoye field in the Pechora Sea, as well as Kamennomyszkoye Sea and Severo-Kamennomyszkoye field in the Ob bay. As a result of geological exploration work the reserves increased by 2,011.2 mtoe.

The Komsomolskoye, Yubileinoye, West Tarkosalinsk, Yamsovieyskoye, Zapolarnoye and Severo-Vasyuganskoye fields have been commissioned over the past 10 years. 30 booster compressor stations and over 2 thousand gas wells have been constructed and launched. 5.9 tcm of gas and 93.6 million tons of oil and gas condensate have been produced.

In 2001, the total volume of gas produced in the Yamal-Nenets autonomous region reached 10 trillion cubic meters. In the same year, the Zapolyarnoye field – the largest oil and gas condensate field – was launched. Due to these events as well as measures taken to maintain the production at the operating fields the production of gas went up by 9.9 bcm in 2002 compared to the previous year.

The Gazprom Group's plants have processed 353.3 bcm of gas during the ten-year period.

Gazprom has gained reputation of a reliable business partner both in the internal and external market, its reputation being flawless. Gazprom Group has supplied over 2.9 tcm of natural gas to the internal market, over 0.7 tcm to the CIS member states and the Baltic States and 1.1 tcm abroad (Europe) during 10 years.

In the period from 1993 through 2002 the foreign currency revenues from the gas export to Europe reached U.S.\$87.9 billion.

¹⁾ The terms «Gazprom» and the «Company» used in this Annual Report refer to the head company of the Group, i.e. to Open Joint Stock Company «Gazprom». The «Gazprom Group» or the «Group's companies» imply Gazprom and its major subsidiaries taken as a whole. Due to the different methodologies used in preparing management reports and the consolidated financial statements the figures in the present report relating to the Gazprom Group (Group's companies) may differ from those in the consolidated financial statements.

Gazprom implements large-scale gas transportation projects in order to improve the reliability of the Russian gas export. It's been constructing a transcontinental gas pipeline Yamal-Europe. Connecting the Yamal-Europe pipeline to the existing natural gas transportation network in Germany will allow for the full integration of this pipeline into the European gas network.

The first stage of the Blue Stream pipeline was launched on December 30, 2002. The gas from Zapolarye (the Russian Arctic region) began to be delivered to Turkey directly rather than through third countries.

In November 2002, Gazprom launched its new strategic project to develop a North European gas pipeline, which will run under the Baltic Sea from the Russian town of Vyborg to Germany.

Gazprom's strategic goal is to ensure reliable gas supplies to customers in Russia and abroad and to enhance its competitive position in the world energy market. The Company's operations are based on the following principles:

- enhancing profitability through cost reduction;
- increasing capitalization and corporate rating;
- ensuring efficient business operations;
- meeting the interests of all of the Company's shareholders;
- improving corporate governance;
- ensuring transparency of financial and business activities;
- establishing personal responsibility of leadership for managerial decision-making.

EVENTS OF THE YEAR

The reduction in gas production was stopped. Increasing the production capacity of the Zapolyarnoye oil and gas condensate field and launching booster compressor stations at the main fields resulted in gas production growth of 9.9 bcm. For the first time in the past 10 years the hydrocarbon reserves were increased up by 535.9 mtoe, which is more than its annual production volume.

Gazprom first issued Eurobonds with a five-year maturity period for the total of U.S.\$500 million with a record-low yield of 9.125%, which had a decisive influence on the level of rates for the Russian issuers in the Eurobond market.

The first stage of the unique Blue Stream gas pipeline was completed and launched on December 30.

Gazprom launched its new strategic project to develop the North European gas pipeline.

Gazprom Group commissioned the Severo-Vasyuganskoye gas condensate field in the Tomsk area, the second line of the 189-km-long Zapolyarnoye-Urengoi pipeline, the first workshop of the Purtazovskaya compressor station, and commissioned the comprehensive gas treatment unit («UKPG-2S») at the Zapolyarnoye oil and gas condensate field.

A Memorandum of interaction was signed between Gazprom and the Yamal-Nenets autonomous region with regard to the comprehensive commercial development of hydrocarbon fields at the Yamal Peninsula.

GAZPROM'S BOARD OF DIRECTORS**Members of Gazprom's Board of Directors
(from January 1 through June 28, 2002)****Chairman****of the Board of Directors**

Rem Ivanovich VYAKHIREV

Deputy Chairman**of the Board of Directors**

Dmitri Anatolievich MEDVEDEV

Members**of the Board of Directors**Burckhard BERGMANN
Farit Rafikovich GAZIZULLIN
German Oskarovich GREF
Alexandra Yurievna LEVITSKAYA
Viktor Ivanovich TARASOV
Boris Grigorievich FEDOROV
Viktor Borisovich KHRISTENKO
Vyacheslav Vasilievich SHEREMET
Ilya Arturovich YUZHANOV**Members of Gazprom's Board of Directors
(from June 28 through December 31, 2002)****Chairman****of the Board of Directors**

Dmitri Anatolievich MEDVEDEV

Deputy Chairman**of the Board of Directors**

Alexei Borisovich MILLER

Members**of the Board of Directors**Alexander Georgievich ANANENKOV
Burckhard BERGMANN
Farit Rafikovich GAZIZULLIN
German Oskarovich GREF
Alexandra Yurievna LEVITSKAYA
Mikhail Leonidovich SEREDA
Boris Grigorievich FEDOROV
Viktor Borisovich KHRISTENKO
Ilya Arturovich YUZHANOV

Information about Members of Gazprom's Board of Directors in 2002



**Alexander
Georgievich
ANANENKOV**

Born in 1952, graduated from the Ufa Oil Institute and the Academy of National Economy under the Council of Ministers of the USSR.

Positions held over the past 5 years:

from 1998 through 2001 General Director of Yamburggazdobycha
since 2001 Deputy Chairman of Gazprom's Management Committee

Shareholding in Gazprom – 0.00266 %.



**Burckhard
BERGMANN**

Born in 1943, graduated from the Aachen Institute of Technology.

Positions held over the past 5 years:

from 1998 through 2001 Deputy Chairman of the Management Committee of Ruhrgas AG
since 2001 Chairman of the Management Committee of Ruhrgas AG

Has no shareholding in Gazprom.



**Rem
Ivanovich
VYAKHIREV**

Born in 1934, graduated from the Kuibyshev Industrial Institute.

Positions held over the past 5 years:

from 1998 through 2001 Chairman of Gazprom's Management Committee
from 2001 through 2002 Chairman of Non-commercial partnership «Russian Gas Society»

Shareholding in Gazprom – 0.01182 %.



**Farit
Rafikovich
GAZIZULLIN**

Born in 1946, graduated from the Gorky Institute of Water Transport Engineers.

Positions held over the past 5 years:

1998 Deputy Chairman of the Government of the Russian Federation, Minister for the State Property of the Russian Federation
from 1998 through 2000 Minister for the State Property of the Russian Federation
since 2000 Minister for Property Relations of the Russian Federation

Has no shareholding in Gazprom.



**German
Oskarovich
GREF**

Born in 1964, graduated from the Omsk State University.

Positions held over the past 5 years:

1998 Vice-Governor of St. Petersburg, Chairman of the Committee for City Property Management of the St. Petersburg City Administration

from 1998 through 2000 First Deputy Minister for State Property of the Russian Federation

since 2000 Minister for Economic Development and Trade of the Russian Federation

Has no shareholding in Gazprom.



**Alexandra
Yurievna
LEVITSKAYA**

Born in 1954, graduated from the M.V. Lomonosov Moscow State University.

Positions held over the past 5 years:

from 1998 through 1999 President of the Federal Stock Corporation

from 1999 through 2000 Assistant to the Head of Presidential Administration of the Russian Federation

since 2000 First Deputy Head of the Administration of the Government of the Russian Federation

Has no shareholding in Gazprom.



**Dmitri
Anatolievich
MEDVEDEV**

Born in 1965, graduated from the A.A. Zhdanov Leningrad State University.

Positions held over the past 5 years:

from 1998 through 1999 assistant professor with the St. Petersburg State University

from 1999 through 1999 Deputy Head of the Administration of the Government of the Russian Federation

from 1999 through 2000 Deputy Head of the Presidential Administration of the Russian Federation

since 2000 First Deputy Head of the Presidential Administration of the Russian Federation

Has no shareholding in Gazprom.



**Alexei
Borisovich
MILLER**

Born in 1962, graduated from the N.A. Voznesensky Leningrad Financial and Economic Institute.

Positions held over the past 5 years:

from 1998 through 1999 Director for Development and Investments in Open Joint Stock Company Morskoy Port St. Petersburg

from 1999 through 2000 General Director of the Open Joint Stock Company Baltiiskaya Truboprovodnaya Sistema (Baltic Pipeline System)

from 2000 through 2001 Deputy Minister of Energy of the Russian Federation

since 2001 Chairman of Gazprom's Management Committee

Shareholding in Gazprom – 0.00000027 %.



**Mikhail
Leonidovich
SEREDA**

Born in 1970, graduated from the St. Petersburg State University of Economy and Finance.

Positions held over the past 5 years:

from 1998 through 1999 Senior Economist of the Credit Department of the St. Petersburg Branch of the Savings Bank of Russia

from 1999 through 2001 Deputy General Director for Finance of Open Joint Stock Company Baltic Pipeline System (then Branch BTS of Open Joint Stock Company Verhnevolzhskie Magistralnye Nefteprovody (Verhnevolzhskie Trunk Pipelines))

from 2001 through 2001 Deputy Head for Economy of Branch BTS of Open Joint Stock Company Verhnevolzhskie Magistralnye Nefteprovody (Verhnevolzhskie Trunk Pipelines)

since 2001 Head of Administration of Gazprom's Management Committee

Has no shareholding in Gazprom.



**Viktor
Ivanovich
TARASOV**

Born in 1940, graduated from the Saratov Economic Institute.

Positions held over the past 5 years:

from 1998 through 2001 Chairman of the Executive Board of Commercial Bank for the Gas Industry Gazprombank

since 2001 Chairman of Non-State Pension Fund Gazfund

Shareholding in Gazprom – 0.00042%.



**Boris
Grigorievich
FEDOROV**

Born in 1958, graduated from the Moscow Financial Institute.

Positions held over the past 5 years:

1998 delegate of the State Duma of the Federal Assembly of the Russian Federation, Head of the State Tax Service of the Russian Federation, deputy Chairman of the Government of the Russian Federation

since 1998 President of the All-Russia Public and Political Movement «Russia, Ahead!»

Shareholding in Gazprom – 0.000004%.



**Viktor
Borisovich
KHRISTENKO**

Born in 1957, graduated from the Chelyabinsk Polytechnic Institute.

Positions held over the past 5 years:

1998	Deputy Minister of Finance of the Russian Federation, Deputy Chairman of the Government of the Russian Federation
from 1998 through 1999	First Deputy Minister of Finance of the Russian Federation
from 1999 through 2000	First Deputy Chairman of the Government of the Russian Federation
since 2000	Deputy Chairman of the Government of the Russian Federation

Has no shareholding in Gazprom.



**Vyacheslav
Vasilievich
SHEREMET**

Born in 1941, graduated from the All-Union Correspondence Polytechnic Institute.

Positions held over the past 5 years:

from 1998 through 2002	First Deputy Chairman of Gazprom's Management Committee
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Shareholding in Gazprom – 0.01309%.



**Ilya
Arturovich
YUZHANOV**

Born in 1960, graduated from the A.A. Zhdanov Leningrad State University.

Positions held over the past 5 years:

1998	Chairman of the State Committee of the Russian Federation for Land Resources and Land Utilization, Minister of the Russian Federation for Land Politics, Constructions and Housing and Communal Services
1999	Deputy General Director of Open Joint Stock Company Mezhrregionalnoe Nauchno-Proizvodstvennoe Obiedinenie Polimetal (Interregional Scientific-and-Manufacturing Union Polimetal)
since 1999	Minister of the Russian Federation for the Antimonopoly Policy and Support of Entrepreneurship

Has no shareholding in Gazprom.

Issues discussed by Gazprom's Board of Directors on priorities of the Company's operations

In the reporting year the Board of Directors was focusing on the key issues of improving Gazprom's operations.

The following major issues of the Company's development were considered at the meetings:

In terms of gas production and transportation

- On measures to increase gas production
- On applying regulations related to the international certification of gas resources in Gazprom
- On energy saving as an instrument of efficient gas utilization
- On the program of reconstruction and technical refurbishment of gas transportation facilities by year-end 2006

In terms of financial policy

- On interim results of Gazprom's operations for 2001, the Company's social and economic development plan, budget for 2002, and forecast up to the year 2004
- On Gazprom's medium-term financial plan for the period from 2002 through 2005
- On Gazprom's draft budget (financial plan) for the year 2003
- On the program of decreasing Gazprom's production costs
- On the issue and offering of the Eurobonds

In terms of foreign trade activities

- On the priorities in the development of gas transportation systems for delivering gas to European consumers
- On Gazprom's participation in the creation of Limited Liability Company «International Consortium for managing and developing Ukraine's gas transportation system»
- On Gazprom's participation in the implementation of the West-East Project in China
- On creating KazRosGaz with Gazprom's shareholding together with Rosneft and National Company «Transportation of Oil and Gas»
- On construction and launch of the Yamal-Europe pipeline sections in Russia and Belarus

In terms of improving the investment policy

- On Gazprom's investment program for 2002
- On ways of de-monopolization of Gazprom's construction activities
- On implementation of Gazprom's investment program for 2002 and on the draft of the Company's investment program for 2003
- On the concept of restructuring of Gazprom's scientific and technical sector

In terms of improving the corporate policy

- On Gazprom's redrafted Charter
- On draft of Gazprom's Corporate Governance Code
- On draft regulation on Gazprom's General Shareholders Meeting
- On draft regulation on Gazprom's Board of Directors
- On draft regulation on Gazprom's Management Committee
- On draft regulation on the Chairman of Gazprom's Management Committee
- On redrafted regulation on Gazprom's Revision Commission
- On committees and commissions of Gazprom's Board of Directors

In terms of improving work with Gazprom's and its subsidiaries' assets

- On the procedures for interaction between Gazprom and the businesses and organizations, in which Gazprom has a shareholding
- On the procedures for Gazprom's transactions
- On the strategy for managing Gazprom's property and its other assets
- On Gazprom share market liberalization

GAZPROM'S MANAGEMENT COMMITTEE

(as of 31.12.2002)



**Alexei
Borisovich
MILLER**

Born in 1962, graduated from the N.A. Voznesensky Leningrad Financial and Economic Institute.

Positions held over the past 5 years:

from 1998 through 1999 Director for Development and Investments in Open Joint Stock Company Morskoy Port St. Petersburg

from 1999 through 2000 General Director of the Open Joint Stock Company Baltiiskaya Truboprovodnaya Sistema (Baltic Pipeline System)

from 2000 through 2001 Deputy Minister of Energy of the Russian Federation
since 2001 Chairman of Gazprom's Management Committee, Deputy Chairman of Gazprom's Board of Directors since 2002



**Alexander
Georgievich
ANANENKOV**

Born in 1952, graduated from the Ufa Oil Institute and the Academy of National Economy under the Council of Ministers of the USSR.

Positions held over the past 5 years:

from 1998 through 2001 General Director of Yamburggazdobycha

since 2001 Deputy Chairman of Gazprom's Management Committee, member of Gazprom's Board of Directors since 2002



**Elena
Alexandrovna
VASILIEVA**

Born in 1959, graduated from the N.A. Voznesensky Leningrad Financial and Economic Institute.

Positions held over the past 5 years:

from 1998 through 1999 Deputy Chief Accountant in the central accounting office of Open Joint Stock Company Morskoy Port St. Petersburg

from 1999 through 2001 Chief Accountant of Open Joint Stock Company Baltic Pipeline System (then Branch BTS of Open Joint Stock Company Verhnevolzhskie Magistralnye Nefteprovody (Verhnevolzhskie Trunk Pipelines))

from 2001 through 2001 Deputy Head of the Administration of the Management Committee and Assistant to the Chairman of Gazprom's Management Committee
since 2001 Deputy Chairman of Gazprom's Management Committee and Chief Accountant of Gazprom



**Nikolai
Nikiforovich
GUSLISTYI**

Born in 1933, graduated from the Sverdlovsk Institute of National Economy.
Positions held over the past 5 years:
since 1998 Deputy Chairman of Gazprom's Management Committee



**Yuri
Alexandrovich
KOMAROV**

Born in 1945 graduated from the Moscow Energy Institute and the All-Union Academy of Foreign Trade.
Positions held over the past 5 years:
from 1998 through 2002 Head of Gazprom's Foreign Relations Department
since 2002 Deputy Chairman of Gazprom's Management Committee



**Sergey
Alexeevich
LUKASH**

Born in 1957, graduated from the All-Union Correspondence Electrotechnical Institute of Communication.
Positions held over the past 5 years:
from 1998 through 2001 service in the Military Forces of the RF
since 2001 Deputy Chairman of Gazprom's Management Committee, General Director of Gazprom's Security Service



**Alexander
Nikolaevich
RYAZANOV**

Born in 1953, graduated from the Moscow Institute of Petrochemical and Gas Industry named after I.M. Gubkin, All-Russia Correspondence Financial and Economic Institute
Positions held over the past 5 years:
from 1998 through 1999 General Director of Open Joint Stock Company Surgutskii Gazopererabatyvayushii Zavod (Surgut Gas-Processing Plant)
from 1999 through 1999 delegate to the Regional Duma of Tyumen
from 1999 through 1999 delegate to the Regional Duma of Khanty-Mansiisk autonomous region
from 1999 through 2001 delegate and Deputy Chairman of the Committee for Property of the State Duma of the Federal Assembly of the Russian Federation
since 2001 Deputy Chairman of Gazprom's Management Committee



**Boris
Dmitrievich
YURLOV**

Born in 1948, graduated from the Moscow Engineering and Physics Institute.

Positions held over the past 5 years:

from 1998 through 2000 Director of the Department of Project Financing of the Savings Bank of Russia

from 2000 through 2002 Deputy, First Deputy Manager of Affairs of the President of the Russian Federation

since 2002 Deputy Chairman of Gazprom's Management Committee



**Mikhail
Arkadievich
AKSELROD**

Born in 1946, graduated from the Leningrad Engineering and Construction Institute.

Positions held over the past 5 years:

from 1998 through 1999 President of the Trade House Yappilya

from 1999 through 2001 Deputy Director, Director for Investments, Director for Use of Hydraulic Power Stations of Open Joint Stock Company Lenenergo

from 2001 through 2002 Head of Gazprom's Investment and Construction Department

since 2002 Head of Gazprom's Department of Capital Construction and Transportation



**Bogdan
Vladimirovich
BUDZULYAK**

Born in 1946, graduated from the Ivano-Frankovsk Oil and Gas Institute

Positions held over the past 5 years:

from 1998 through 2001 Head of Gazprom's Department of Gas Transportation and Utilization

since 2001 Head of Gazprom's Department of Gas Transportation, Underground Storage and Utilization



**Nikolai
Nikolaevich
GORNOVSKY**

Born in 1958, graduated from the Leningrad Mining Institute.

Positions held over the past 5 years:

- from 1998 through 2000 Deputy General Director,
General Director of Company «Annita»
- from 2000 through 2001 Counsel to the Chairman of the Russian Fund
of Federal Property
- from 2001 through 2002 General Director of Open Joint Stock Company
Kompaniya Proektnoi Privatizatsii
- since 2002 General Director of Limited Liability Company
Mezhregiongaz



**Viktor
Vasilievich
ILYUSHIN**

Born in 1947, graduated from the Urals Polytechnic Institute, Academy of Public Sciences under the Communist Party Central Committee.

Positions held over the past 5 years:

- since 1998 Head of Gazprom's Department of Relationships
with Regional Authorities of the Russian Federation



**Alexander
Viktorovich
KRASNENKOV**

Born in 1961, graduated from the A.A. Zhdanov Leningrad State University

Positions held over the past 5 years:

- from 1998 through 2001 General Director of Open Joint Stock Company
Hotel Complex Astoria
- from 2001 through 2001 Deputy Head of the Administration of the
Management Committee and Assistant to the
Chairman of Gazprom's Management Committee
- from 2001 through 2002 Head of Gazprom's Department of Property
Management
- since 2002 Head of Gazprom's Department of Property
Management and Corporate Relations



**Andrei
Vyacheslavovich
KRUGLOV**

Born in 1969, graduated from the St. Petersburg Technological Institute of Refrigeration Industry

Positions held over the past 5 years:

from 1998 through 2001 Head of Group of Financial-and-Credit Cooperation of the Department of Technical Cooperation with Foreign Countries and International Organizations, Head of the Department of Foreign Trade and Investments of the Managing Department of Foreign Economic Cooperation of St. Petersburg Administration

from 2001 through 2002 Deputy Director of Limited Liability Company Invest-In

since 2002 Head of Gazprom's Department of Corporate Finance



**Vladimir
Arkadievich
LEVIEV**

Born in 1956, graduated from the N.A. Voznesensky Leningrad Financial and Economic Institute.

Positions held over the past 5 years:

from 1998 through 1999 First Deputy General Director of Open Joint Stock Company Tele-radio Company Petersburg
from 1999 through 1999 plenipotentiary representative of FGUP All-Russia State Television and Radio Company in the North-Western region

from 1999 through 2000 Head of the Regional Department of the Ministry of Press and Television for St. Petersburg and Leningrad area

from 2000 through 2002 General Director of UGP (FGUP) for the Management of Property Abroad of the Managing Department of the Affairs of the President of the Russian Federation

since 2002 General Director of Limited Liability Company Gazkomplektimpex



**Alexander
Ivanovich
MEDVEDEV**

Born in 1955, graduated from the Moscow Physics and Technical Institute.

Positions held over the past 5 years:

from 1998 through 2002 Director of Company IMAG Investment
Management & Advisory Group GmbH, Austria
since 2002 General Director of Limited Liability Company
Gazexport



**Vasili
Grigorievich
PODYUK**

Born in 1946, graduated from the Ivano-Frankovsk Oil and Gas Institute

Positions held over the past 5 years:

from 1998 through 2002 Head of Gazprom's Department of Gas,
Gas Condensate and Oil Production and Proccession
since 2002 Head of Gazprom's Department of Gas,
Gas Condensate and Oil Production



**Vladimir
Ivanovich
REZUNENKO**

Born in 1935, graduated from the Lvov Polytechnic Institute.

Positions held over the past 5 years:

from 1998 through 2002 Head of Gazprom's Department of Long-Term
Development
since 2002 Head of Gazprom's Department of Long-Term
Development, Science and Ecology



**Kirill
Gennadievich
SELEZNEV**

Born in 1974, graduated from the Baltic State Technical Institute named after D.F. Ustinov, the St. Petersburg State University.

Positions held over the past 5 years:

- from 1998 through 1999 technical analyst for money market instruments, Leading Securities Specialist of the Stock Operations Department of Open Joint Stock Company Investment and Finance Group Management-Investments-Development
- from 1999 through 2000 chief specialist of the Group for Coordination of Investment Activities of Open Joint Stock Company Morskoy Port St. Petersburg
- from 2000 through 2001 Head of the Tax Group of Open Joint Stock Company Baltic Pipeline System (then Branch BTS of Open Joint Stock Company Verhnevolzhskie Magistralnye Nefteprovody (Verhnevolzhskie Trunk Pipelines))
- from 2001 through 2002 Deputy Head of the Administration of the Management Committee – Assistant to the Chairman of Gazprom’s Management Committee
- since 2002 Head of Gazprom’s Department of Marketing and Processing of Gas and Liquid Hydrocarbons



**Konstantin
Anatolievich
CHUICHENKO**

Born in 1965, graduated from the A.A. Zhdanov Leningrad State University and Yu.V. Andropov Red Banner Institute.

Positions held over the past 5 years:

- from 1998 through 2001 member and lawyer of the Moscow branch of the International St. Petersburg Bar Association
- since 2001 Head of Gazprom’s Legal Department

STRUCTURE OF GAZPROM'S ADMINISTRATION

**Administration of the Management
Committee**

**Department of Gas, Gas Condensate
and Oil Production**

**Department of Gas Transportation,
Underground Storage and
Utilization**

**Central Dispatch Management
Center**

**Department of Long-Term
Development, Science and Ecology**

**Department of Automation,
Information Technology,
Telecommunications and Metrology**

**Situation Center of the Chairman of
Gazprom's Management Committee**

Department of Corporate Finance

**Department of Economic Expert
Analysis and Pricing**

Economic Department

Tax Policy Administration

Accounting Department

Foreign Relations Department

**Department of Relationships with
Regional Authorities of the Russian
Federation**

Information Policy Department

**Administration in charge of work
with the Federal Assembly of the
Russian Federation**

**Department of Property
Management and Corporate
Relations**

Legal Department

First Department

Special Programs Department

**Department of Interaction with
Commercial Banks**

Tender Committee

**Department of Capital Construction
and Transportation**

**Department of Marketing and
Processing of Gas and Liquid
Hydrocarbons**

Human Resources Department

Medical Administration

Agricultural Administration

Business Administration



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Promising Gas Production Area

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Gazprom's Corporate Governance Code (the «Code») was developed in accordance with the Russian legislation, generally accepted principles of corporate behavior and Gazprom's operating environment and approved by the Company's annual General Shareholders Meeting on June 28, 2002.

The Code is aimed at ensuring efficient protection by the Company of the shareholders' rights and interests, fair treatment of its shareholders, transparent decision-making, professional and ethical responsibility of the members of the Company's Board of Directors and other executives and shareholders, improvement of information openness and development of its business ethics framework.

Corporate relations within the Company develop in accordance with the principles providing for:

- shareholders' actual ability to exert their rights related to their participation in the Company;
- Board of Directors' strategic management of the Company's operations and efficient control over the operations of the Company's executive bodies, as well as Board of Directors' reporting to the General Shareholders Meeting;
- requirement for the Company's executive bodies to manage the Company's day-to-day operations reasonably and in good faith and report to the Company's Board of Directors and General Shareholders Meeting;
- timely disclosure of information about the Company including its financial position, economic performance, ownership and management structure;
- efficient control over the Company's financial and operating activities;
- meeting the rights of the Company's employees envisaged by the legislation, developing partnership relationships between the Company and the employees in resolving social issues and regulating labor environment;
- active cooperation between the Company and its investors, creditors, and other stakeholders aimed at increasing the Company's assets and the price of the Company's shares and other securities.

Shareholders exert their rights through participating in General Shareholders Meetings, accessing the Company's information and documents, and receiving dividends. They are able to nominate candidates to the executive bodies. The number of votes owned by the shareholders taking part in General Shareholders Meetings both in person and through their representatives keeps constantly growing from 67.85 % in 1995 to 93.67 % in 2002.

Being responsible for the general management of the Company's activities the Board of Directors determines its development strategy, which is aimed at increasing capitalization and improving the Company's investment attractiveness, and its asset management principles and ensures efficient control system over the results of financial activities.

The Company's collective executive body – the Management Committee – takes part in developing and implementing the Company's strategy and policy, as well as fulfilling the resolutions of the Company's shareholders meetings and the Board of Directors. In 2002, at the meetings the Management Committee considered the major directions of the gas production strategy for the period up to 2010 and longer-term



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Well Drilling Site

prospective, organization of work related to holding the annual General Shareholders Meeting, implementation of the Blue Stream project, the results of work of Company's affiliates, results of meeting tariff agreements, the results of work performed in autumn and winter and the objective related to getting ready to the next season, gas pricing policy, raising funds, meeting the target figures of the Company's financial and economic performance, major directions of the legal and administrative protection of Gazprom's lawful interests, measures related to the implementation of the project to develop the North European gas pipeline, the status of Gazprom's information security, the progress in implementing the resolutions of the Company's Board of Directors and other issues.

Annual reports, financial reports of Gazprom, consolidated financial reports of Gazprom's Group prepared in accordance with Russian statutory and international standards (in Russian and in English), the minutes of resolutions taken by the General Shareholders Meetings, the Board of Directors and the Revision Commission, corporate documents and other materials are available for information of all that wish to look into the Company's operations.

The fees paid to the members of Gazprom's Board of Directors for 2001 amounted to RR1,175 thousand in the reporting year. The fees for the members of the Management Committee and the Chairman of the Management Committee and compensations envisaged by Sub-clause 9 of Clause 34.1 of Gazprom's Charter were not established. Their work was paid for based on their positions in compliance with their labor contracts.

LIST OF MAJOR COMPANIES WITH GAZPROM'S SHAREHOLDING

100% ownership

Astrakhangazprom
 Bashtransgaz
 Volgotransgaz
 Volgogradtransgaz
 Kavkaztransgaz
 Kubangazprom
 Kaspiygazprom
 Lentransgaz
 Mostransgaz
 Nadymgazprom
 Noyabrskgazdobycha
 Orenburggazprom
 Permtransgaz
 Samaratransgaz
 Severgazprom
 Surgutgazprom
 Tattransgaz
 Tomsktransgaz
 Tyumentransgaz
 Uraltransgaz
 Urengoigazprom
 Yugtransgaz
 Yamburggazdobycha

Burgaz
 VNIlgaz
 Gazexport
 Gazpromavia Aviation Company
 Gazflot
 Gaznadzor
 Gazobezopasnost
 Gazsviaz
 Gazkomplektimpex
 Gazpromokhrana
 Gazpromrazvitie
 Gazprominvestholding
 Gazprommedstrakh
 Gazpromtrans
 Gazprom Finance B.V.
 Gazprom (U.K.) Limited

IRTs Gazprom
 Informgaz
 Informgazinvest
 Mezhregiongaz
 Nilgazeconomika
 Novourengoysky GCC
 Nadymstroygazdobycha
 NPTs Podzemgidromineral
 Podzemgazprom
 PRT-1
 Servicegazprom
 Surgutstroygaz
 Szhizheny gaz (Liquefied gas)
 TyumenNilgiprologaz
 Topenergy
 Uchebny Tsentri (Training Center)
 Ecological and Analytical Center
 Ecomed-91
 Yamalgazinvest

Ownership over 50%

Brest-Gazoapparat
 Volgogaz
 Volgogradneftemash
 VNIPigazdobycha
 Vostokgazprom
 Gazprom-Media
 Gazstroydetal
 Gazpromgeofizika
 Gazmash
 Gazcom
 Gazprombank
 Gazprom Kran
 Gaztelekom
 Gaztorgpromstroy
 Gabsibcontract
 Gazenergосervice
 Giprogaztsentr
 Giprospectgaz
 Dialoggazservice
 Ditangaz

Druzhba	Horizon
Druzhkovski ZGA	EuRoPol Gaz
Zapsibgazprom	KazRosGaz
Zarubezhneftegaz	SR-DRAGA
Kostromatrubininvest	Blue Stream Pipeline Company B.V.
Krasnodargazstroi	Hotel Tyumen
Lazurnaya	Iveko Uralaz
Lengazspetsstroy	Interfin
Metaprom	Interconnector (UK) Limited
Orgenergogaz	Inkombank
Peter-Gaz B.V.	Latvias Gaze
Promgas	Media-Most
Rivmar	Moldovagaz
SevKavNIPlgaz	Moskovskii Vekselyi Bank
Spetsgazavtotrans	Mospromagrotorgdom
Spetsgazremstroy	Nord Transgaz
AK Sibur	Noyabrskiy Gorodskoy Bank
Urengoystroygaz	Orenburgskaya Finance Company
Fora Gazprom	Commercial Bank Olimpiiskii
Future of the Fatherland Fund	Promstroybank of Russia
Tsentrenergogaz	Prometey-Sochi
Tsentrgaz	Rosshelf
TsKB Nefteapparatury	Sibneftegas
Electrogaz	Slovrusgaz
YurTEK-Inter	Insurance Company Sogaz

Ownership up to 50 %

Arctic Energy	Motors technology
Armrosgazprom	AKB Tobolsk
Belgazprombank	Tomskgaz
Exchange Russian Gas	Trade House Rus-gaz
IK Vega	Turusgaz
VIP-Premier	Khimsorbent
Vologdapromresurs	Horoshevskaya energy company
Volta	Chestem
Gazavtomatika	Eesti Gaas
Gaz-Agro-Friport	Yugorosgaz
Gas-oil	YuzhNILgiprogaz Institute
Gazpromenergo	
Gaztransit	
Gaz-Truby	
Gazum	

SHARES AND SHARE CAPITAL

Market capitalization of Gazprom for the period from 1999 through 2002

The policy of Gazprom's management aimed at increasing capitalization and improving the Company's investment attractiveness proved to be effective. A number of measures taken by Gazprom's management resulted in a considerable increase in capitalization: the Company's ordinary shares rate grew up 10 times, whereas the price of the American Depository Shares («ADS») went up by 40% within the period from 1999 through 2002. One «ADS» is equal to ten Gazprom's ordinary shares. Market capitalization of Gazprom¹⁾ grew 2.6 times since 2000.

Within the Liberalization Program aimed at raising the share market liquidity Gazprom's shares started being traded at the St. Petersburg Stock Exchange (SPBEX) through the Russian Trade System (RTS) terminals.

Gazprom's shares may soon start being traded at the Moscow Interbank Currency Exchange (MICEX) with participation of the Moscow Stock Exchange. It is expected that MICEX will perform securities clearing, the MICEX Settlement Chamber will carry out cash settlements, and a special trading session will be arranged at MSE for the transactions with Gazprom's shares.

Investors highly appreciated the Company's sale of its non-core assets, concentration on primary activities and reacquisition of the core assets, which had been lost, and development of expenditure and cost cutting program. Early in December 2002, Standard & Poor's raised the forecast for Gazprom's credit rating from «stable» to «positive» which allows for expecting the change in the Company's credit rating in the future.

¹⁾ In accordance with the Company's dividend policy, market capitalization is calculated as the sum of the arithmetic average of the daily market capitalization of the internal market (the weighted average price of shares traded at the Moscow Stock Exchange multiplied by the number of ordinary shares traded in the internal market) and the arithmetic average of the daily market capitalization of the external market (the closing price at the London Stock Exchange (LSE) multiplied by the number the Company shares, which are owned by foreign participants, and divided by ten).

Shareholding Structure

Gazprom has over 500 thousand shareholders that own 23,673,512,900 shares.

The structure of Gazprom's share capital kept changing towards the increase in the share of Russian legal entities. As of the end of 2002 this share was 35.07 % of the charter capital.

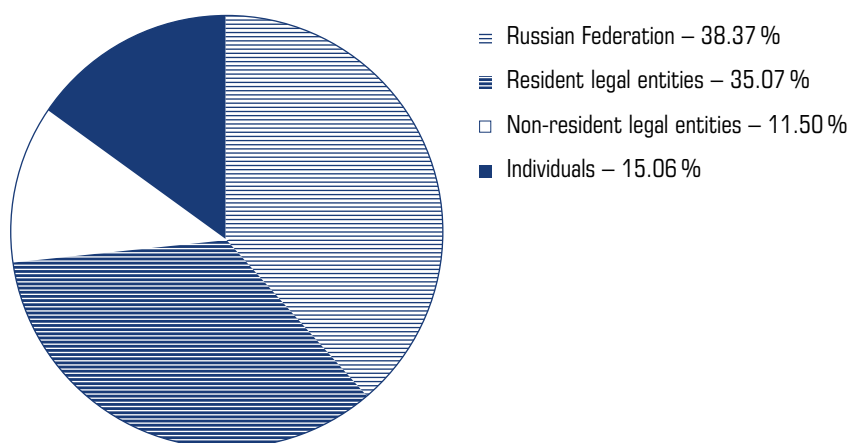
The Company's major shareholder is the Russian Federation with the share of 38.37 % of the charter capital.

In 2002, the share of individuals went down by 1.01 % and reached 15.06 % of the charter capital as of the year-end.

The share of foreign legal entities was 11.5 %.

Currently, 4.42% of the charter capital is placed in the form of ADS.

Gazprom's Shareholding Structure as of 31.12.2002





FROM GEOLOGICAL EXPLORATION TO CONSUMER

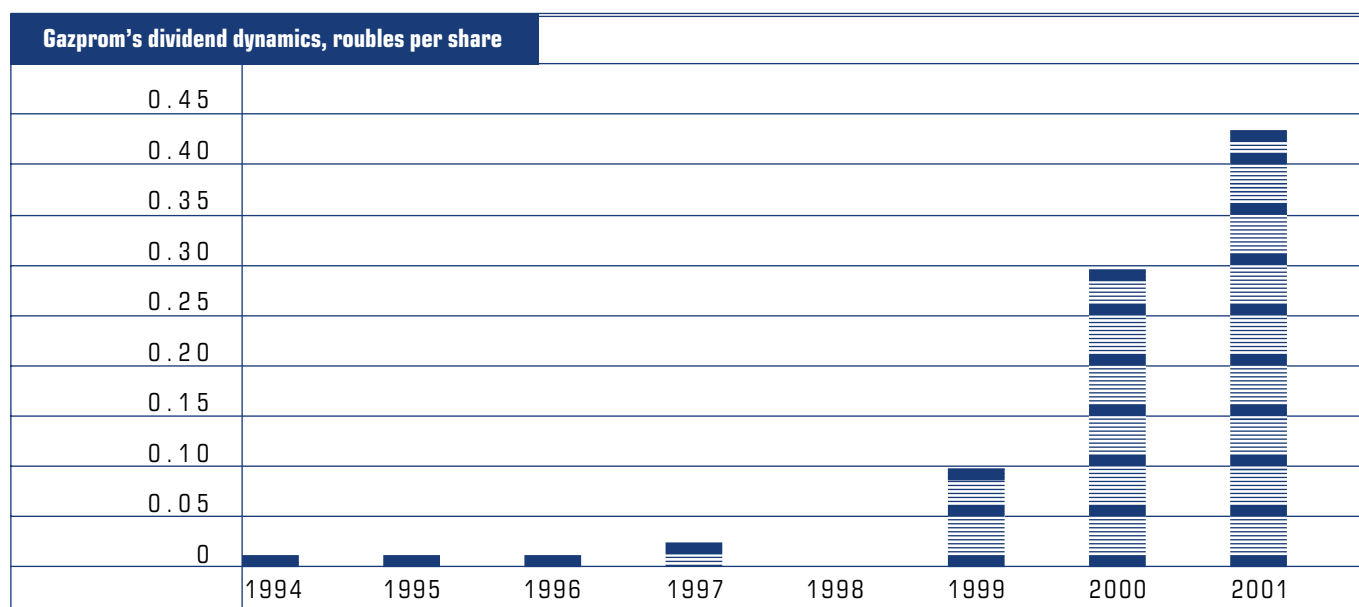
Well Construction

Dividend Policy

The major objective of the Company's dividend policy is to provide for the stable growth of capitalization and simultaneous obligatory annual payment of dividends, which was recorded in the Regulation «On dividend policy» approved by Gazprom's Board of Directors on April 24, 2001.

In the Company's history dividends were not paid only once in 1998 due to the financial crisis, which caused considerable losses. Due to the efforts made by Gazprom's management as well as gradual recovery of the Russian economy the Company's financial situation stabilized, which allowed us to pay our shareholders their dividends in 1999, which were the largest ones since 1994.

Based on the results of operations in 2002, the Board of Directors recommends paying dividends in the amount of 40 kopecks per share.



RESULTS OF BUSINESS OPERATIONS

The reporting year brought out positive production and economic results. The Gazprom Group's entities produced 521.9 bcm of gas. It is for the first time in the five years that the incremental growth in gas production was achieved through the increase in production capacity of the Zapolyarnoye field and active measures taken to stabilize the production at the main fields.

Russian consumers received 283.5 bcm of gas through the Unified Gas Supply System, which is 1.4 bcm more than the previous year's level.

The explored hydrocarbon reserves went up 535.9 mtoe. It is for the first time in Gazprom's ten-year history that the incremental growth of hydrocarbon reserves was higher than its production rates.

When preparing for the 2002/2003 heating season, Gazprom Group stored 61.7 bcm of market-grade natural gas reserves in its underground storage facilities in Russia, which allowed for uninterrupted supply of gas to consumers during the entire heating season.

In 2002, the Group's companies produced 10.6 million tons of gas condensate and oil.

The gas refineries processed 34.2 bcm of gas. The production targets for all the types of products were met.

Russian consumers continued to repay their debts for the supplied natural gas. Since the beginning of the year the debts to Gazprom and its major subsidiaries (before taking account of promissory notes received) for the supplied natural gas was reduced by RR3.7 billion down to RR38.5 billion (as of the year end). The average level of consumers' payments for the current gas supplies increased up to 96.9% of the value of supplied gas, whereas the share of cash in the total volume of gas payments grew up to 89.7%.

Gazprom's Group's capital expenditures accumulated from all sources of finance amounted to RR155.6 billion.

In 2002 Gazprom launched the unique Blue Stream gas trunk pipeline to supply Russian gas to Turkey.

Gazprom Group's obligatory tax payments to the federal budget amounted to RR268 billion. As of January 1, 2003 Gazprom and its subsidiaries had no (unsettled) debt to the federal budget.

The sales of goods and services net of VAT and excise tax grew by RR127.6 million compared to 2001 due to the change in the gas selling arrangements. Due to the same reason and also to the drop in gas export prices the sales profit decreased by RR63 billion in 2002 compared to the previous year down to RR101.9 billion. The Company's net profit amounted to RR53.5 billion. At the same time change in the gas selling scheme did not affect the amount of the Gazprom Group's net profit.

Major performance indicators

Production (Gazprom Group)

	Units	2002	2001
Production:			
gas	bcm	521.9	512.0
condensate and oil	million tons	10.6	10.2
Gas processing	bcm	34.2	34.6
Refinery products			
motor gasoline	million tons	1.4	1.2
diesel fuel	million tons	1.6	1.6
liquefied natural gas	million tons	1.9	2.1
sulfur	million tons	5.0	4.7

Gas supplies (Gazprom Group), bcm

	2002	2001
Russia	283.5	282.1
Europe	128.6	126.9
CIS member states and Baltic states	42.3	39.6

Gazprom's financial results, million roubles

	2002	2001
Sales of goods, products, work, services (net of VAT, excise taxes and other obligatory payments)	602,056	474,471
Sales profit	101,910	164,919
Profit (loss) before taxes	60,185	117,713
Net profit (loss) of the reporting period	53,511	71,928
Net assets	1,602,447	1,559,354
Dividends	10,416	5,445



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Production Well

RISK FACTORS

In the course of its production activities Gazprom runs into a number of corporate and state risks of economic and social nature.

Specified below are the major risks affecting the Company's operations:

- the risk of a decline in international prices for oil products

Gazprom sells a considerable amount of the produced natural gas in Europe at prices, which are linked to the international prices for oil products. This region is Gazprom's primary source of foreign currency revenues.

- the risk of regulated low prices for natural gas sold in Russia

Gazprom is a regulated monopoly required to supply natural gas to Russian consumers at prices established by the Federal Energy Commission.

- the risk of higher competition from producers of alternative fuels and other natural gas producers and suppliers (especially from The Netherlands, Norway and Algeria), which could adversely affect the price for natural gas

In spite of liberalization of the European Union gas market the prices for natural gas in Western Europe have remained stable. The prices for different regions have not converged significantly. In addition, the European Union is currently considering initiatives (the so-called Prodi Initiatives) that seek to increase Russian natural gas imports to Europe over the next fifteen years.

- environmental risks

Gazprom pays special attention to the established environmental policy and monitors its operations in an effort to meet the applicable environmental standards.

MINERAL RESOURCE BASE. GEOLOGICAL EXPLORATION

Reserves

The world's largest natural gas reserves belong to Gazprom Group. The Group's companies own 20% of the explored resources in the world and 60% of them in Russia.

As of December 31, 2002, the gas reserves of Gazprom's 100%-owned subsidiaries are estimated at 25.9 tcm and those of Gazprom's other subsidiaries are estimated at 2.9 tcm.

The extractable reserves of gas condensate amount to 1.2 billion tons for wholly owned subsidiaries and 0.1 billion tons for other subsidiaries, while the extractable reserves of oil amount to 0.5 billion tons and 0.1 billion tons respectively.

The hydrocarbon reserves within the licensed territories of Gazprom wholly owned subsidiaries and other subsidiaries, which are both qualified as subsoil users, are spread by federal districts as follows:

	Gas	Gas Condensate	Oil
	bcm	million tons	million tons
Total	28,806.8	1,287.6	578.5
Urals federal district	23,342.6	769.9	472.7
North-Western federal district	1,783.6	41.0	37.3
Southern federal district	2,639.1	401.6	3.1
Privolzhski federal district	905.0	59.4	56.8
Siberian federal district	136.5	15.7	8.6

Over 80% of the explored gas reserves are concentrated in Western Siberia, which is the major gas production region in the country.

Independent Audit of Resources

In 2002, DeGolyer and MacNaughton adjusted the results of the audit of hydrocarbon reserves in 18 fields as of December 31, 2000. The evaluation performed in accordance with the international standards covered about 82% of natural gas reserves, 70% of gas condensate reserves and 56% of oil reserves. The proved and probable natural gas reserves amounted to 18.5 tcm, gas condensate reserves amounted to 363.7 million tons, and oil reserves amounted to 107.4 million tons. The present value of resources was assessed at U.S.\$49.4 billion.

The amount and the value of the resources as of December 31, 2001 and of December 31, 2002 are being evaluated in 2003.

Licenses

Gazprom and its 100%-owned subsidiaries held 112 licenses for the use of mineral resources as of December 31, 2002:

- 77 hydrocarbon production licenses (with terms of 13 to 20 years);
- 16 combined hydrocarbon exploration, assessment and production licenses (with terms of 18 to 25 years);
- 19 licenses for exploration and assessment (without development rights) of hydrocarbon reserves (with terms of 1 to 5 years).

In addition, Gazprom's less than 100% owned subsidiaries hold 44 licenses.

In 2002, two licenses (for exploration and assessment) were obtained for the Ob and Chugoryakha areas. The four exploration licenses for the work to be carried out in the Orenburg region were prolonged.

Geological Exploration Work. Increase in Reserves

In the reporting year, Gazprom Group was successful in geological exploration work in the traditional gas production areas: Western Siberia, Timano-Pechora Province, the Urals and Privolzhski districts, Krasnodar area and the Republic of Dagestan.

The total volume of work performed amounted to RRB.7 billion. It was financed from Gazprom's investments and its subsidiaries' own funds.

60.4 thousand meters were drilled as well as 10,501 running km of 2D and 717 square km of 3D seismic surveys were completed in the reporting period.

The following positive results were obtained from exploratory drilling:

- six new fields were discovered: Sredne-Nadymskoye, Yuzno-Pestsovoye, Chugoryakhinskoye, Lenskoye (in the Yamal-Nenets autonomous region), Grechanoye and Chernookovskoye (in the Krasnodar region);
- one gas condensate deposit was discovered at the Severo-Purovskoye field and two oil deposits were discovered at the Yamburgskoye field;
- the area of Achimov layer gas condensate deposit was expanded in the northern part of the Urengoiyskoye field;
- the drilling of 2 super-deep wells (7000-meter-deep ones) at the Astrakhanskoye field was completed.

As a result of geological exploration work the hydrocarbon reserves increased as follows:

- gas reserves increased by 514.4 bcm
- gas condensate reserves increased by 18.5 million tons;
- oil reserves increased by 3 million tons.

The efficiency of geological exploration work was estimated at 10,455 toe per 1 m of penetration, which is 2.8 times more compared to 2001.



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Dispatch Center. Comprehensive Gas Treatment Unit

Shelf

The work continued in the Ob and Tazovskaya bays in 2002. We drilled two exploratory wells to the Cenomanian formations for the total penetration of 2,341 m within the Severokamennomyskoye gas field and Chugoryakha area, where a new field was discovered. The reserves increased by 164.7 bcm.

A 2D seismic survey was completed within the southern area of the Ob river for the total of 1,680 running km. Two promising structures were detected in the southern part of the Ob bay.

In addition preparatory work was continued for the development of the Prirazlomnoe oil field and Shtokmanovskoye gas condensate field.

International Projects

Iran

A consortium consisting of the French company TotalFinaElf (40%), Gazprom (30%) and the Malaysian company Petronas (30%) continued the implementation of the service contract to realize the second and the third phases of the South Pars field development (Persian Gulf).

In accordance with this development project two off-shore production platforms with ten production wells with a design capacity of 10 bcm per year each were constructed. The platforms are connected with the on-shore facilities with the help of two underwater pipelines, which are 105 km long and 800 mm in diameter. The on-shore facilities consist of a plant designed for gas preparation, condensate stabilization as well as production of sulfur and other components.

Vietnam

Gazprom and the General oil and gas company PetroVietnam continued their cooperation at Block 112 (Bat Chi structure on the shelf) in 2002. Based on the interpretation of the seismic survey and other work a site was selected for drilling the first exploratory well. Engineering and geological research was performed at the well setting site.

India

Gazprom and the state company Gas Authority of India Ltd. continued their geophysical survey in the northern part of the Bay of Bengal (Block 26) in 2002. A 2D seismic survey was completed for the total of 2,010 running km. The received materials are now being processed.

DRILLING

The specialized drilling company Burgaz and drilling units of Gazprom's subsidiaries carried out drilling operations in 2002. 56 brigades were involved in constructing wells using 87 sets of deep-drilling rigs.

The construction of 288 wells was completed including 242 production ones (26 of them being located at the underground storage facilities) and 46 exploratory ones (17 of them being located at the underground storage facilities), i.e. 93 wells more than in 2001. A total of 20 wells classified as construction-in-progress during the previous years were completed. The penetration totaled 324.4 thousand meters including 264 thousand meters of production wells and 60.4 thousand meters of exploratory wells.

The construction of 18 horizontal wells was completed using state-of-the-art technologies and telemetric orientation systems, 5 of them being the inactive wells recovered by drilling the branch holes. The total number of horizontal wells reached 214.

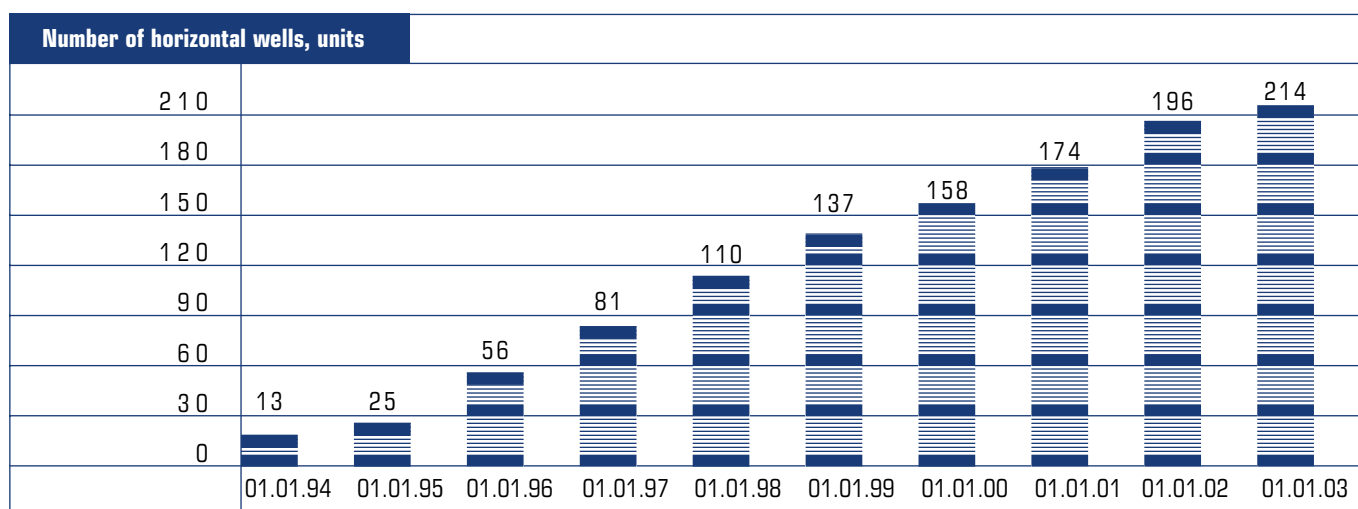
The drilling of a super-deep exploratory well (6,645 meters deep) was completed at the Astrakhanskoye gas condensate field.

Well construction (including wells at the underground storage facilities), units

Years	Total	Production wells	Exploratory wells
2001	195	157	38
2002	288	242	46

In order to meet world standards for well drilling the Program for Mastering High-Efficiency Technologies in Well Construction is being implemented. The program establishes a comprehensive approach to implementing new technologies in drilling, fixing and developing exploratory and production wells at fields and underground storage facilities, in constructing horizontal wells and recovering inactive wells through drilling the branch holes.

The Measures for Reducing the Cost of Well Construction at Gazprom's Fields and Underground Storage Facilities were developed and approved in 2002. The implementation of such measures resulted in a reduction of penetration costs per meter by 19% in production well drilling and by 4% in exploratory well drilling.





FROM GEOLOGICAL EXPLORATION TO CONSUMER

Gas Pipeline Construction

PRODUCTION

Group's companies currently produce 88% of gas produced in Russia. Over 92% of this gas are produced in Western Siberian fields located in the Yamal-Nenets autonomous region.

The major achievement of Gazprom Group's operations in 2002 became gas production stabilization. The increase in production capacity of the Zapolyarnoye field and commissioning of booster compressor stations made it possible not only to compensate for the declining gas production from the Cenomanian deposits at the Urengoiskoye, Yamburgskoye and Medvezhye fields but also to obtain growth compared to the previous year.

Gazprom Group produced 521.9 bcm of gas in 2002 with account taken of production results of Purgaz and Vostokgazprom, which exceeds the 2001 level by 9.9 bcm.

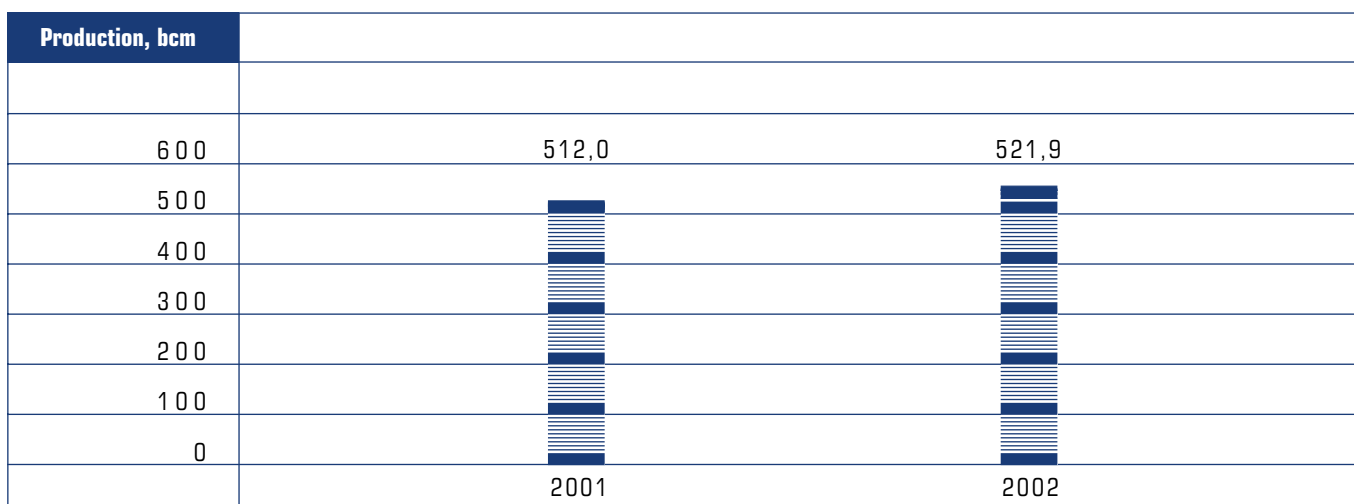
The production of gas condensate and oil increased by 422.9 thousand tons compared to the previous year and reached 10.6 million tons as adjusted to Vostokgazprom's production. The production of gas condensate was mostly carried out at the Urengoiskoye, Yamburgskoye and Astrakhanskoye fields.

Oil was produced from the crude oil perimeters of the Urengoiskoye and Orenburgskoye fields.

The Group's companies keep increasing production capacities, which are as follows:

- 155 comprehensive and preliminary gas treatment units with a total design capacity of 783 bcm (including 48 units in Western Siberia with a total design capacity of 742.5 bcm per year);
- 56 booster compressor stations with a total installed capacity of 3,209 MW;
- 10,057 wells, including 6,096 production ones.

As a result of implementing the purpose-oriented program in 2002 the condition of production wells improved. This was promoted by the implementation of the new improved technologies, which raise the repair efficiency. During the year, 549 wells underwent refurbishment including 397 ones in Western Siberia.



REFINING

Natural gas, gas condensate and oil are processed at gas refineries, which are high-tech integrated plants.

Gazprom's 100 %-owned subsidiaries include the following gas refineries:

Astrakhan Gas Refinery

It is an integrated refinery, the first stage of which came on-stream in 1986 and the second one in 1997. The Astrakhan Gas Refinery processes natural gas with a high sulfur content and gas condensate extracted from the Astrakhan gas condensate field. The refinery's products include dry market-grade natural gas, stable gas condensate, liquefied natural gas, motor gasoline, diesel, furnace fuel oil, natural gas-derived sulfur and odorants.

Orenburg Gas Refinery

It came on-stream in 1974 and is one of the world's largest gas refineries. It processes natural gas with a high sulfur content and gas condensate. Its products include dry market-grade natural gas, stable gas condensate, liquefied natural gas, natural gas-derived sulfur, odorants, etc.

Orenburg Helium Plant

It is Russia's largest producer of helium. The first stage of the plant came on-stream in 1974, the second one in 1975 and the third one in 1978. The refinery's products include dry market-grade natural gas, gaseous and liquefied helium, ethane, liquefied natural gas, etc.

Sosnogorsky Gas Refinery

It came on-stream in 1946. Its products include dry market-grade natural gas, liquefied natural gas, stable gas condensate, motor gasoline and technical carbon.

Urengoi Condensate Preparation Plant

The first stage of this plant came on-stream in 1985 and the second one in 2001. The refinery's products include de-ethanized gas condensate (which is used as feedstock for the Surgut Condensate Stabilization Plant), motor gasoline and diesel fuel.

Surgut Condensate Stabilization Plant

This is an integrated plant, which processes a crude oil and gas condensate mixture produced from the Western Siberian fields. It came on-stream in 1985. The refinery produces stabilized condensate, motor gasoline, diesel fuel, liquefied gases and pentane-hexane fraction.

In 2002, Gazprom Group's refineries processed 34.2 bcm of natural gas and produced 1,400.1 thousand tons of motor gasoline, 1,569.3 thousand tons of diesel fuel, 374.1 thousand tons of furnace fuel oil, 1,935.6 thousand tons of liquefied natural gas and 4,976 thousand tons of sulfur¹⁾.

The following facilities were commissioned after the reconstruction of the Gazprom Group's refineries in 2002:

- catalytic reforming block of the unit LKS 35-64 at the Surgut Condensate Stabilization Plant with a capacity of 1 million tons per year;
- compressors of the unit U-331 at the Orenburg Gas Refinery;
- unit U-335 for the VNIUS-12 process at the Orenburg Gas Refinery;
- gas treatment unit (designed to prepare gas for transportation) within the Krasnodarskaya compressor station;
- unit designed to extract sulfur content from liquefied gases at the Astrakhan Gas Refinery;
- gasoline storage facilities at the Sosnogorsky Gas Refinery.

A general development framework for the Orenburgskoye gas condensate field was developed and approved, which takes account of raw materials to be supplied to the gas refinery by independent suppliers, primarily of gas from the Karachaganaksk Integrated Organization, which will provide for more efficient load of the production capacities currently in operation.

¹⁾ These figures do not take account of operations of OAO AK Sibur.



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Gas Air-Cooling Units

TRANSPORTATION

The reliability of gas supplies is ensured by the Unified Gas Supply System (the «UGSS»), which was designed, created and functions as a centrally-controlled operating complex covering all the links of the business chain from gas production facilities to gas transportation networks. This is a unique system, which has no analogues.

The dispatch management service acting within the Industry System of Day-to-Day Dispatch Management continuously monitors and manages UGSS technologic processes throughout Russia.

The length of trunk pipelines and pipeline branches without account for connector pipelines is 149.9 thousand km (61.8 % of them being pipelines with diameters of 1,020 mm, 1,220 mm and 1,420 mm), which are on average 22 years old. There are 256 compressor stations in operation now with the installed capacity of gas-pumping units of 43 million kW and 3,677 gas distribution stations.

In 2002, Gazprom Group transported 637.1 bcm of gas and 9.9 million tons of gas condensate. The average transportation distance of gas through UGSS is about 2,400 km if gas is supplied to Russian consumers and 3,400 km in case of export.

In order to provide reliable, safe and efficient work of the gas transportation system the Group is implementing its Comprehensive Program of Reconstruction and Technical Refurbishment of Gas Transportation Facilities by Year-End 2006 using the state-of-the-art key technological equipment with high efficiency and low level of hazardous emissions.

The gas transportation system undergoes comprehensive reconstruction, which covers the linear part of gas pipelines, compressor stations, gas distribution stations, energy-supply and water-supply systems, electrochemical protection infrastructure, automated management system, telemechanics and technological communications. The work performed in 2002 related to the refurbishment of gas transportation facilities made it possible to increase gas transportation throughput capacity of the pipelines by 600 mcm per year, decrease the fuel gas consumption by 491.8 mcm per year and cut hazardous emissions by 3 thousand tons per year.

In 2002, Gazprom Group refurbished 1,370 km of pipelines, including 594.4 km, which involved pipes replacement, and 206.8 km, which involved re-insulation, as well as 503 gas distribution stations and repaired 245 lines of underwater crossings.

In order to decrease refurbishment costs, ensure timely identification of potentially hazardous sites and prevent potential accidents and faults at the UGSS facilities special attention was paid to diagnostic checks. Various instrumental investigation methods were used including those involving laser and thermal imaging and television equipment installed in helicopters, pipe flaw detection and stress-corrosion research.

Gas industry holds the second place (after power industry) in terms of energy consumption. Three quarters of energy consumption in the industry relates to gas transportation, where one of the energy saving options is to optimize the gas transportation systems operation.

UNDERGROUND STORAGE

Underground storage facilities are a key component of the country's Unified Gas Supply System providing for the regulation of seasonal and peak gas consumption and ensuring continuous gas supply within the country and gas export.

The underground storage facilities network is located along the trunk pipelines and covers the major gas consuming economic regions of the country in five Federal districts: Central, North-Western, Privolzhski, Southern and Urals ones.

Group's companies operate 23 gas storage facilities: 7 gas storage facilities in water-bearing structures and 16 gas storage facilities at the exhausted fields.

The capacities of the first launch complex of the Karashur underground storage facilities were commissioned in December 2002, which allowed for the beginning of experimental gas pumping.

Gazprom Group continued with the works aimed at increasing the day-average performance of the underground storage facilities in the reporting year. In December 2002, the maximum daily performance of the Russian underground storage facilities was achieved, which amounted to 469 mcm per day. During the year Gazprom Group has launched a compressor station with a capacity of 20 thousand kW, connected 51 wells and increased the active storage capacity of the underground storage facilities by 2.01 bcm.

Gas was stored in underground storage facilities in Russia, Ukraine, Latvia and Germany. 45.7 bcm of gas were pumped into the underground storage facilities in 2002, including 42.2 bcm in Russia. The market-grade natural gas reserves in Russian underground storage facilities amounted to 61.7 bcm as of the beginning of supply in 2002–2003. Out of this amount 46 bcm was delivered to the consumers to level off seasonal fluctuations in gas consumption, 15.7 bcm serving as an operating reserve. The share of gas supplied from the underground storage facilities in the annual gas consumption by industries, utility sector and population (householders) reached 9.3%. Special attention was paid to the implementation of the Program for Raising Daily Gas Supply up to 550 mcm per day.

SUPPLIES

Internal market

Reliable gas supply to Russian consumers is one of the key priorities of the Gazprom Group's operations. The Group's companies supplied 283.5 bcm of gas to the internal market in 2002. The average selling price for gas provided to the Russian consumers was RR 464.3 per 1,000 cubic meters.

The Government of the Russian Federation made decision to increase wholesale prices for the gas sold to Russian consumers by 20 % from February 15 and by 15 % from July 1, which allowed for gaining additional RR28 billion in the internal market. However, the increase in regulated gas prices in 2002 proved insufficient to prevent gas supplies to the Russian consumers from being unprofitable.

Gazprom keeps working on continued improvements in payment discipline. The Russian consumers' debt for the supplied gas to Gazprom and its main subsidiaries (before taking account of promissory notes received) went down by RR3.7 billion in 2002 and amounted to RR38.5 billion as of the year-end. The level of consumer payments for the current gas supplies increased up to 96.9 %, while 21.4 % of previous years' debts were redeemed. The cash share in the revenue structure for 2002 increased by 6.9 % up to 89.7 %.

In the reporting year, 28 organizations had an access to the Unified Gas Supply System (UGSS). Independent suppliers accounted for 13.1 % of gas transported through the UGSS. The Company rendered services to the independent suppliers related to the transportation and storage of 88.6 bcm in the underground storage facilities.

The Federal Energy Commission of the Russian Federation adopted a resolution to raise the tariffs for gas transportation services rendered by Gazprom to independent suppliers by 20 % from March 1 and by 15 % from August 1.

Gasification and gas utilization

An extensive network of the trunk and distribution pipelines provides for natural gas supply to 1,465 towns, cities and urban settlements, as well as 19,701 rural settlements. Over 40 million apartments in Russia are connected to the gas supply systems. The Gazprom Group supplied natural gas to 16 million apartments and liquefied gas to 5.4 million apartments and private houses.

The Company's major directions in gasification activities are established by the Concept of Gazprom's Participation in Gasification of the Regions of the Russian Federation. As of the year-end of 2002, Gazprom concluded agreements with 67 subjects of the Russian Federation and signed gasification contracts with 19 subjects of the Russian Federation.

Gazprom's Commission for Regional Policy contributes significantly to the relationships with the regions as it promptly considers the problems of gasification and gas supply to the regions, creation of a reliable gas market and raising the efficiency of UGSS, sponsorship, charity, etc.



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Compressor Station. Gas-Pumping Units

In 2002, Group's companies built 2.5 thousand km of distribution pipelines and gasified 33.3 thousand apartments.

The most active gasification work was carried out in the Krasnodar area, Oryol, Kostroma, Kaluga regions, the Republics of Chuvashia, Mari El and Tatarstan. Gas supply was completely restored in the Southern federal district where it was interrupted in 197 settlements after the disaster, which took place in the summer of 2002. Within two weeks Gazprom repaired over 290 km of distribution pipelines, reconstructed 119 crossings and 108 gas distribution stations there.

In 2002, the Group's companies continued their work to expand gas utilization as engine fuel. Since 1983, there were 218 automobile compressed natural gas (ACNG) filling stations launched in the Russian Federation, 180 of them being commissioned by Group's companies. In the reporting year, 7 ACNG filling stations were constructed in Russia, 5 of them being constructed by the Group's companies.

The volume of natural gas sold through ACNG filling stations increased by 14% in 2002 compared to 2001 totaling 106 mcm. The Group's companies converted 1,700 vehicles to compressed gas, including 1,030 of its own vehicles.

Gas export to Europe

Gazprom maintains its position of the world's largest natural gas exporter. Russian gas was supplied to 20 distant foreign countries in 2002. The volume of gas exported to the European countries was 128.6 bcm, which is 1.7 bcm more than the previous year's level.

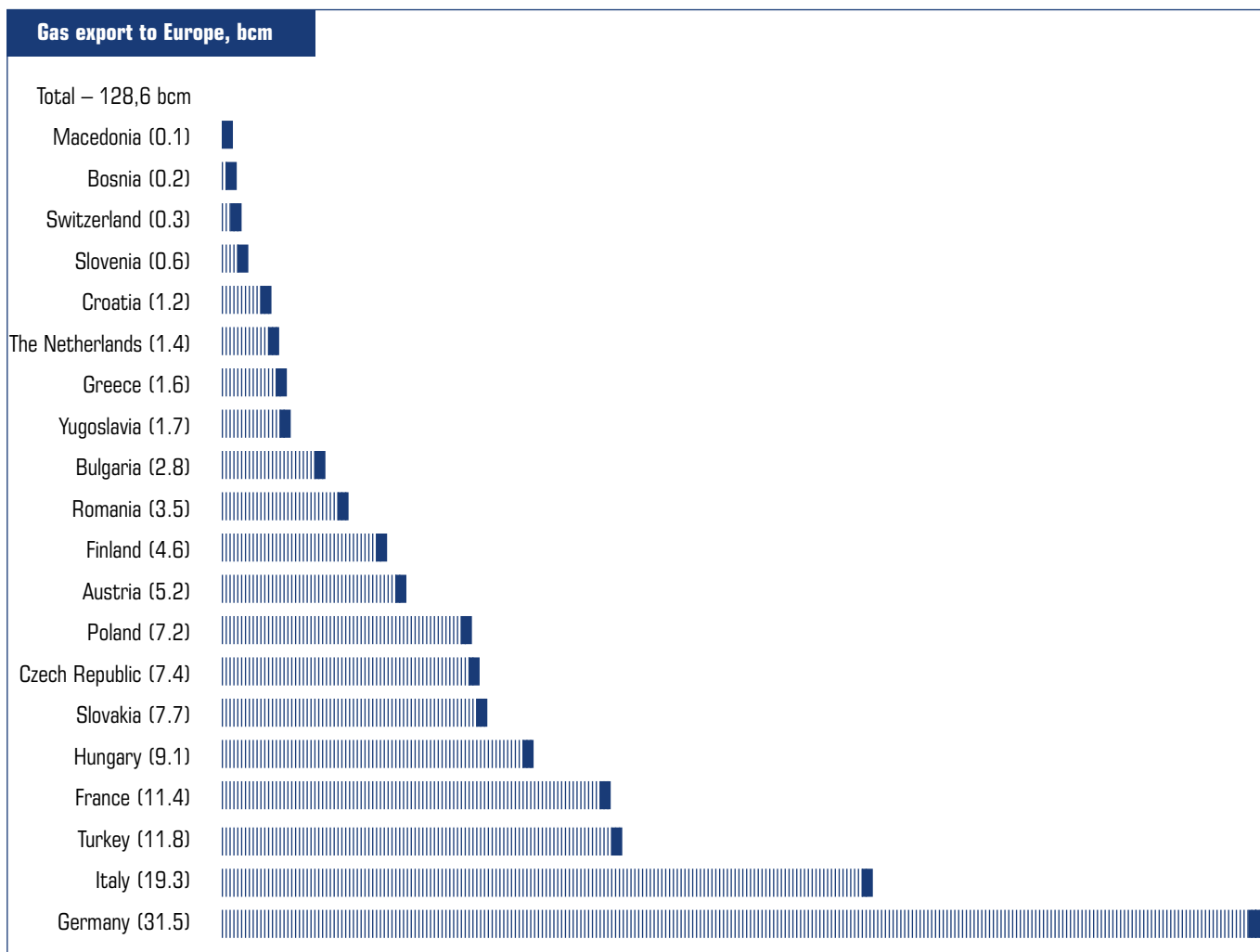
Due to the decrease in the exported gas price by 13.6% the foreign currency revenues from gas export decreased by U.S.\$1.6 billion compared to the previous year down to U.S.\$12.9 billion. Gazprom continued developing relationships with its traditional customers focusing on meeting its gas supply obligations and establishing frameworks to improve supply reliability.

For this purpose Gazexport signed the following agreements in 2002:

- on the transfer of WIEH's transportation facilities in the Czech Republic and Slovakia to Gazexport with the total capacity of 4.5 bcm per year;
- on Russian natural gas supplies for its sale at the UK spot market (with WINGAS);
- on the optimization of transportation flows in the Czech Republic to avoid possible gas undersupplies to the partners during the winter period;
- on the storage of Russian natural gas in the underground storage facilities in Reden, which regulate pumping and supply of gas after the launch of the Northern Transportation Corridor;
- for the supply of additional volumes of gas in the 2002–2003 winter period with Promgas S.p.A.

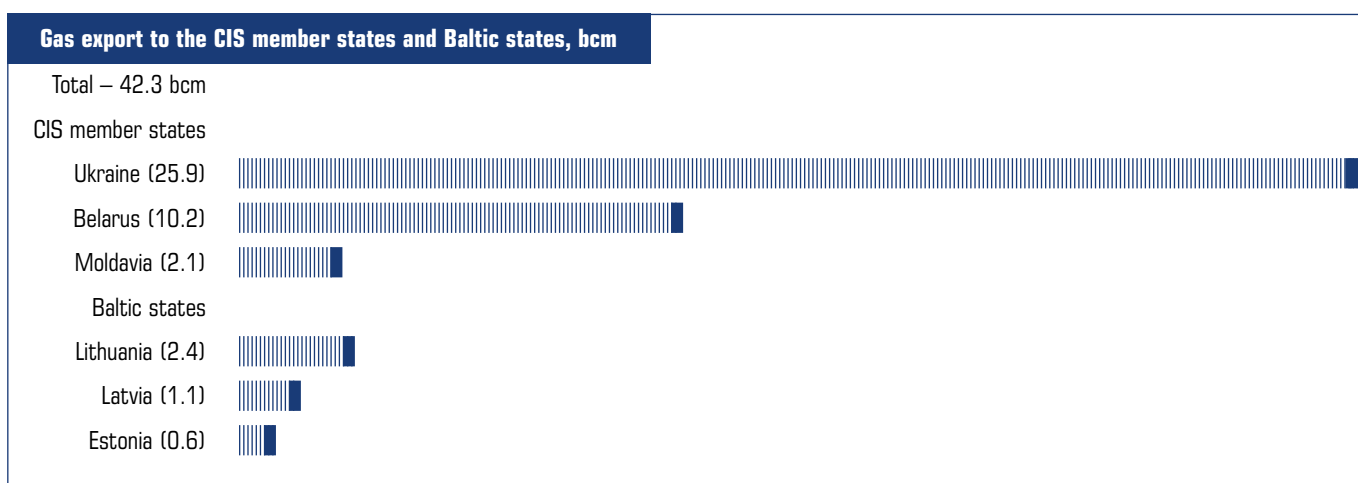
One of the priorities in the reporting year was to increase gas supply to Turkey. Gazprom continued implementing the project of expanding transportation capacity of the Transbalkan pipeline. The construction of the Blue Stream pipeline was completed and its commercial utilization began. The completion of these projects will make it possible to supply 30 bcm of gas to Turkey since 2010.

Extensive preparatory work was completed relating to Gazprom's participation as part of a consortium with Ruhrgas AG and Gaz de France in a contest for acquiring a 49% interest in Slovensky Plynarensky Priemysel (SPP) for U.S.\$2.7 billion. In July 2002, Gaz de France purchased 49% of shares, Gazprom reserving the right to repurchase up to 1/3 of the consortium's package.



Gas supply to the CIS member states and Baltic states

Gazprom supplied 42.3 bcm to the CIS member states and Baltic states in 2002. The sales revenues of gas including the supplies treated as payment for transit services amounted U.S.\$2.2 billion or 99.5% of the value of gas supplied. Cash amounted to 30.5% of sales revenues, while gas transit services amounted to 69,5%.





FROM GEOLOGICAL EXPLORATION TO CONSUMER

Gas Separation Facilities

SCIENCE AND TECHNOLOGY

Research and development (R&D) work in 2002 was performed for the total of U.S.\$1.9 billion, with Gazprom Group's scientific organizations accounting for U.S.\$1.6 billion. Due diligence and investment research were carried out to develop promising fields in the new regions. The projects were completed related to the development of the most important fields at the Yamal Peninsula and shelf in the northern seas.

In the reporting year, the Program for Comprehensive Commercial Development of Deposits on the Yamal Peninsula and the Program for Gazprom's Mineral Resource Base Development for the Period up to 2030 were developed. The implementation of these programs will make it possible to expand the industry's mineral base, increase gas production and diversify Gazprom's operations. The Program for Creating the Technology of Converting Natural Gas to Synthetic Liquid Fuel was developed in 2002, too.

Based on the agreements between Gazprom and administrations of regions of the Russian Federation long-term fuel and energy balances were developed as well as rational gas supply frameworks for a number of areas and regions, the implementation of which country-wide will provide for 40–45 bcm of natural gas savings per year.

In the reporting period, a fuel and energy balance was developed for the Kaliningrad region, which made it possible to resolve the problem of fuel supply to the Kaliningrad region and to provide for the due level of energy safety.

In 2002, the scientific base was formed for organizing commercial production of gas from coal beds. Using this technology in the Kuznetsk basin alone, which has a developed infrastructure and consumers, will allow for the production of 5 bcm of mine methane per year and up to 17–20 bcm per year after the development is completed.

The Company's specialists prepared a Concept for Resource Savings in Gazprom for the Period from 2003 through 2010 and developed a Comprehensive Program of Reconstruction and Technical Refurbishment of Gas Trunk Transportation Facilities for the Period from 2002 through 2006. The implementation of this program will make it possible to improve the UGSS performance, reduce the fuel natural gas consumption by 5 bcm per year, reduce NO₂ emissions by 45 thousand tons a year and CO₂ emissions by 9.2 million tons a year.

The Commission for Utilization of Natural Gas and Liquefied Natural Gas as Engine Fuel under the Government of the Russian Federation approved the Gazprom's Concept of Gasification of Motor Vehicles and Agricultural Vehicles, which involves three stages: preparatory stage (2003–2005), basic stage (2006–2010) and long-term stage (2011–2020).

R&D work resulted in the creation of equipment for standardized ACNG filling stations, ACNG mobile refueling units (PAGZ) and promoted serial production of certified gas fuel equipment and gas bottles for various modifications of motor vehicles. A number of various equipment and materials used in gas production and transportation started being introduced and undergoing acceptance tests in 2002.

Based on the modern aviation gas turbine engines, gas-pumping units were developed and undergo tests at Gazprom Group's gas transportation companies and underground storage facilities. These units' efficiency is 34% to 36%, while the nitrogen oxides emissions do not exceed 150 mg/Ncm. «Dry» oil-free gas injectors with a rotor on a magnet hanger were created. Factory tests of the full-height drive for gas pumping unit (GPA) were completed with a capacity of 25 MW and 39.5% efficiency developed based on an aviation engine PS-90.

The Group's companies were engaged in experimental and commercial testing of a number of locally produced insulation materials for protecting pipelines from corrosion. Polyurethane and bitumen polymer mastic, polyethylene heat-shrinkage tapes and fiberglass cuffs fully substitute for expensive imported analogues in pipeline repair work.

The works on further development of the industry system of equipment diagnostic servicing were performed to ensure UGSS reliability and safety. The use of state-of-the-art diagnostic tools in 2002 resulted in a decrease in failure density down to the world level, i.e. 0.2 failures per 1,000 km of gas pipelines a year. Registers of potentially hazardous areas of pipelines with stress-corrosive damage were created for a number of gas-transportation entities. Work was continued to install in-tube devices for visual inspection of underwater crossings. «Intellectual insertions» were made into the pipelines at the mountainous part of the Blue Stream pipeline, which make it possible to monitor the state of metal deformation in the tubes throughout their operation. Two types of devices were recommended for serial production to detect stress-corrosion in the pipelines with 1,420 mm in diameter.

CAPITAL CONSTRUCTION

In 2002 Gazprom performed its investment activities in accordance with the investment program approved by the Board of Directors, which defines the Company's long- and short-term plans. In order to improve its investment activities Gazprom developed and approved a Schedule for Developing and Implementing Investment Programs coordinating the work of the Company's units engaged in the development and implementation of investment programs.

The Group's companies' capital expenditures amounted to RR155.6 billion.

The major investment projects included the implementation of the Yamal-Europe and the Blue Stream projects, the construction of facilities at the Zapolyarnoye oil and gas condensate field and the Urengoyenskoye gas condensate field, the expansion of underground gas storage facilities and the reconstruction of gas production and transportation facilities.

The following facilities were commissioned in 2002:

- 371-km-long Blue Stream gas trunk pipeline;
 - comprehensive gas treatment unit («UKPG-2S») at the Zapolyarnoye oil and gas condensate field;
 - second line of the 189-km-long Zapolyarnoye-Urengoi pipeline;
 - booster compressor stations at the Yamburgskoye and Yamsoviyevskoye fields with capacity of 352 MW;
 - 67.9-km-long Yamal-Europe pipeline in Russia;
 - Krasnodarskaya and Purtazovskaya compressor stations at the pipelines with capacity of 144 MW;
- the following wells were connected:
- 149 gas wells at gas fields;
 - 45 wells at underground gas storage facilities;
- the active capacity of the underground gas storage facilities was increased by 2.01 bcm.

On the whole Gazprom Group commissioned 818.1 km of gas pipelines and pipeline branches and 7 compressor stations (including 4 booster compressor stations) with a capacity of 550.3 MW as well as connected 197 production gas and oil wells at the gas fields and underground gas storage facilities.

A number of facilities were prepared in the reporting year for further commissioning:

- 184-km-long Yamal-Europe pipeline in Belarus;
- 300.6-km-long gas pipeline branch to the city of Salekhard;
- 91-km-long gas pipeline branch to the town of Buy;
- booster compressor station at the West Tarkosalinsk gas condensate field;
- 75 gas wells at gas fields;

the preparatory work was also performed at three compressor stations (Torzhokskaya, Smolenskaya, and Krupskaya ones).



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Gas Collection Point at Underground Gas Storage Facilities

The work volume related to the refurbishment, technical re-equipment and modernization of gas transportation and gas storage facilities increased in the reporting year. This work was aimed at raising the reliability of the Unified Gas Supply System.

Gazprom has developed and is implementing the Concept of de-monopolization of the contractual construction activities.

The Company has been increasing the scope and scale of its participation in the gasification of the subjects of the Russian Federation. RR1,200 million was allocated for the construction of gas distribution networks in 2002, which is 1.5 times more than in 2001 and 6 times more than in 2000. 2.5 thousand km of gas distribution networks were commissioned in the reporting year.

The following facilities of the social sphere objects were also constructed in the reporting year:

- living houses – 133.8 thousand square meters,
- kindergartens to accommodate 280 children,
- schools to accommodate 1,811 children.

OTHER TYPES OF ACTIVITIES

Technological communications

Gazprom Group's technological communications network is one of the largest communications networks in the Russian Federation.

The unified technological communications network is an integral part of Gazprom's multi-level management system and it comprises the following:

- 83.5 thousand km of cable lines;
- 21.5 thousand km of multi-channel radio-relay lines;
- 723 communications centers;
- 363 base and 21.5 thousand subscriber mobile trunking radio stations;
- communications satellite Yamal-100, 119 earth stations, TV transmission center in Moscow, 137 receiving TV stations;
- 694 automatic telephone stations with the total capacity of 282.5 thousand numbers.

In 2002 Gazprom Group restored and constructed 1,860 km of radio-relay lines and 1,990 km of cable lines, commissioned 46 digital automatic telephone stations, 2,434 radio stations for various purposes, 7 earth stations of communications satellite, 137 single-channel digital satellite TV stations and 7 service centers. The technological communications systems were developed within the framework of the projects in Zapolyarnoye oil and gas condensate field, Blue Stream, Northern Regions of Tyumen area (NRTA)-Torzhok and Pochinki-Frolovo-Izobilnoye.

Automation, information technology and metrology

The Group's facilities operate 7,810 automatic systems, telemechanical systems as well as automatic systems for technological processes control of various levels. 323 of them are used in production, 7,416 of them are used in gas transportation and distribution, 48 of them are used in the processing of gas and gas condensate and 23 of them are used at other facilities.

One of the priorities is to create Gazprom Group's Industry Integrated Information and Management System (IIIMS) based on the modern information technologies, software and technical tools and communications tools.

The first stage of IIIMS includes such pilot projects as:

- Industry Database;
- Industry Framework of Financial and Economic Indicators;
- Industry Geological and Geophysical Information System;
- Information and Control System for the Supply of Gas and Refining Products;
- Information and Control System for Inventory Resources;
- Information and Control System for Accounting and Settlements for Gas;
- Industry System of Day-to-Day Dispatch Management;
- Information and Control System for Project Work.

The project feasibility studies confirmed the economic effect of IIIMS, which would compensate for the investments and bring additional income.

The Group's companies have a vast number of measurement instruments and working standards used at the facilities engaged in production, processing and transportation of gas and gas condensate, as well as over 3,500 gas consumption control sites and over 500 laboratories to control gas quality. Metrological services control over 900 thousand measurement instruments.

The following automated natural gas measuring stations (GMS) we built: Smolenskaya (Yamal-Europe), Beregovaya (the Blue Stream), and GMS 1.1 (Zapolyarnoye-Urengoi pipeline) natural gas measuring stations.

Energy production and consumption

The Group's facilities consumed about 16 billion kWh of electric power and 12 million Gcal of heat. The industry operates 3,713 units of heat generating equipment and 1,690 units of power generating equipment, over 80 thousand km of aerial and cable power transmission lines and 11 thousand electric power substations with the voltage varying from 10 to 110 kV.

Gazprom launched the following stations in 2002: gas-driven reciprocating power station with a capacity of 8.8 MW at Krasnodarskaya compressor station for its own needs; gas-driven reciprocating power station ASG-1500 with a capacity of 1.5 MW at Purtazovskaya compressor station; substation at comprehensive gas treatment unit («UKPG-2S») at the Zapolyarnoye oil and gas condensate field with a capacity of 110/6 kW; energy facilities of the Booster Compressor Stations No. 1, 5 and 6 at the Yamburgskoye oil and gas condensate field, etc.

Gazprom Group's own energy base is being actively developed. The Program of Implementation and Construction of Power Stations and Power Generating Units for the Period from 2002 through 2005 and for the Period up to 2010 was developed and approved. Power generation increased more than three times over the past ten years and reached 1.7 billion kWh in 2002.

Logistics

Gazprom Group's specialized supplier Gazkomplektimpex provided logistics support for Group's capital construction and production needs in 2002.

The supplies came from Russian companies, CIS member states and from abroad (Japan, Germany, USA, Yugoslavia, Austria, etc.). Gazkomplektimpex concluded over 500 contracts with various plants in 2002 for the supply of inventory, including those with foreign firms.

The list of supplied inventory exceeds 200 thousand items (drilling and pipeline tubes, pumps, electromechanical and drilling equipment, chemicals, spare parts, etc.).



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Gas Condensate Stabilization Plant

Banking services

The key link in the Gazprom Group's banking system is an authorized industry bank Gazprombank, its Processing Center and the Interregional Banking Group for the Gas Industry created in 1999.

The regional network consisting of ten banks of the Banking Group (Gazenergoprombank, Severgazbank, Belgazprombank, etc.) includes about 200 bank offices in 55 Russian and Belarus regions.

The Universal Bank for Asset Turnover (Hungary), in which Gazprombank has an interest, services Gazprom's export revenues as well as its participation in the international project Yamal-Europe.

Over the 10 years of operation Gazprombank having Gazprom as a reliable strategic partner and major client became one of the five largest Russian banks and a national industry bank and was recognized by the world banking community.

Gazprombank implemented a number of large-scale projects in the interest of the gas industry, in particular it:

- established a regional banking services network (with 31 branches) in the Russian regions, where the production, trunk transportation and processing of natural gas is concentrated;
- arranged for comprehensive banking servicing of investment projects aimed at expanding transit capacity for Russian gas supply to Western Europe, Turkey and countries in the Balkan region;
- established an extensive depository network for serving over 438 thousand shareholders of Gazprom as well as owners of other securities of industry companies;
- introduced a card-payment system allowing for clearing settlements between the companies and employees of the industry with a total number of 600 thousand plastic card holders. Processing centers operate in 54 Russian regions. The clients are served through 400 ATMs and over 780 point-of-sale terminals.

Gazprombank obtained considerable financial results in 2002. Its balance-sheet profit tripled and reached RR3.4 billion.

PERSONNEL

Staff policy

The company's staff potential is a necessary resource for successful development of the industry.

In compliance with the Comprehensive Program for the Company's Personnel Development for the period from 2001 through 2005 Gazprom is implementing its staff policy, which is in line with the current level of market relations.

The personnel-related activities are aimed at more efficient training, staffing and allocation of employees, at improving the staff quality and at raising professional level and competency of the managers and specialists as well as social protection of employees.

Staff composition

The total number of Gazprom Group's employees as of December 31, 2002 was 322.2 thousand people, including 102.2 thousand specialists and managers and 207.5 thousand workers.

The Gazprom's Group employs 83.4 thousand people with higher education, including 1,696 Doctors of Sciences and Candidates of Sciences and 81 thousand people with secondary professional education.

Advanced professional training

The goal of Gazprom's system of on-going professional education is to maintain high level of professional staff qualification, which would meet Gazprom's ever-growing requirements.

32.5 thousand managers and specialists were trained in 2002, including 7,830 people from Gazprom Group, in accordance with the centralized schedule for advanced professional training and professional re-training.

The industry trains people in 231 professions. 101.6 thousand workers from Gazprom's subsidiaries and organizations participated in various forms of training in 2002; 42.4 thousand workers passed additional training courses and 7.0 thousand people completed advanced professional training and re-training courses.

Payment and norm setting

In 2002, the work was performed related to further improvement of forms and systems of labor payment aimed at improving financial motivation of the employees.

A Unified System of Labor Norm Setting (USLNS) was developed in Gazprom in the reporting year, which will make it possible to standardize norm setting at all the managerial levels, improve the work in this sphere and ultimately raise operation performance.

Shift work method

Shift work method is becoming ever more widespread as it is a predominant form of work in the Extreme North areas and locations with the same status.

Currently, 21 companies in Gazprom Group apply the shift work method. The personnel engaged in the shift work are mostly workers (79.5%).



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Storage of Gas Condensate Refining Products

SOCIAL PARTNERSHIP

In its ten year history Gazprom has been long engaged in the development of social partnership aimed at coordinating the employees' and employers' interests in terms of labor relationships.

Gazprom and its subsidiaries participate in the Industry Tariff Agreement adopted for the period from 2002 through 2004. Based on the Industry Tariff Agreement the Company concluded the currently effective Tariff Agreement between the employees and management of Gazprom, its subsidiaries and organizations.

The primary objective of the Tariff Agreement and collective contracts is to ensure the interaction between the employees and the employer aimed at raising the efficiency of operations through coordinating social and labor interests of the parties based on the social partnership principles, as well as expanding benefits and guarantees provided to the employees.

Representatives of the Company's Administration and Gazprom's Interregional Trade Union Organization Council controlled the implementation of the Tariff Agreement during the year.

Due to the submission of the draft federal law «On obligatory professional pension systems» to the State Duma of the Russian Federation, the industry started getting ready for the implementation of the professional pension system, which would ensure protection of the industry employees engaged at work characterized by special labor conditions.

About 60 thousand people participated in the Non-government Pension Fund Gazfund as of December 31, 2002, the non-government pension being received by 22 thousand of them.

CHARITY AND SPONSORSHIP

Being the largest Russian company operating almost on the whole territory of the country, Gazprom cannot stay aside from the development of such important areas of public life as culture, sports and social sphere.

Sponsorship and charity is one of the most important ways of carrying out a dialogue with the society and is an evidence of Gazprom's social responsibility to the citizens of the Russian Federation.

Special attention was paid to the support of culture and sports in 2002.

Together with the International Children Art Gallery and with the support of the Association of International Cultural and Humanitarian Relations an All-Russia festival of children pictures «Warm house» was organized. Young painters showed their view on the profession of a gas industry worker and the role of natural gas in our life. The authors of the best pictures were awarded diplomas and valuable presents based on the jury decision. The event was timed to Gazprom's 10th anniversary.

A significant part of the Company's charity work was supporting projects aimed at architectural monuments preservation. In 2002, the Company allocated funds for the reconstruction of one of St. Petersburg's oldest buildings – the State University of Economy and Finance.

Gazprom continued to participate in church restoration in many parts of the country. The reporting year witnessed the work to restore the Seraphim Sarovsky church in the village of Pesochny (St. Petersburg) and the admission of the Company into the Trustee Board of the Spaso-Preobrazhensky Cathedral of the Stavropigialny Cloister on the island of Valaam.

In 2002 the Company also implemented a number of joint charity projects together with its partners: the German company Wintershall AG and the Dutch company Gasunie.

In compliance with the Concept of the Culture and Sports Development in the Russian Federation up to the Year 2005 approved by the Government of the Russian Federation in 2002, Gazprom actively supported sports events.

In 2002, three major directions were chosen for the support of Russian sports:

- major international competitions aimed at contributing to the national sports traditions and maintaining Russia's status of a great sport power;
- mass competitions aimed at promoting sports and healthy lifestyle in the Russian society;
- children and youth events in contemporary sports, which are most popular with the youth.

The most successful were the projects with Gazprom's participation to support Russian sport of the highest achievements. The Company actively cooperated with the Russian Olympic Committee and the Russian State Committee for Sports, i.e. the organizations, which take part in the development of the Olympic movement and the coaching of national teams, and became general sponsor of the Russian Olympic Committee.

Gazprom also contributed to holding the International Judo Grand Prix tournament and the International Tennis Tournament «St. Petersburg Open».

The events and competitions of the national Russian level included the support the President's Cup in Alpine Skiing, Athlete's Fest and other Russian competitions in winter kinds of sport.

For the purpose of developing youth's sports movement the Company allocated funds in 2002 for holding International Sports Youth Games for CIS member states, Baltic states and Russian Regions, Russian Snowboard Cup, and the European Juniors Table Tennis Championship.

In 2002, Gazprom also took an active part in the projects aimed at improving social support of people. Gazprom rendered assistance to low-earning and needy people, military servicemen, veterans and disabled veterans of the Great Patriotic War, disabled children, orphans, inmates of children's homes and other unprotected categories of population, as well as the native population of the regions of the Company's production activities.

Gazprom couldn't ignore the tragedy in the Dubrovka Theater Center. The Company provided money through the Russian Union of Industrialists and Entrepreneurs to those, who suffered as a result of hostage taking, and to the families of those killed there.



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Central Dispatch Management Center

ECOLOGY AND ENERGY SAVING

Gazprom develops the strategy of long-term sustainable development taking into account not only the economic interests of the state and the Company's shareholders but also the ever-growing requirements to the technologies used in gas industry in terms of environmental safety.

The Gazprom's Group spent RR3.3 billion on environmental measures in 2002.

The environmental measures include improvement and replacement of gas pumping aggregates in order to decrease hazardous emissions, reconstruction and construction of waste treatment facilities, development and use of production environmental monitoring. A unified system of production environmental monitoring was developed specifically for the Blue Stream pipeline on the basis of modern measurement instruments and information technologies.

One of the important measures to reduce the hazardous influence of motor vehicles on the environment is to convert motor-cars to gas motor fuel. The Gazprom Group converted 1,700 of its own vehicles and other company's vehicles to compressed natural gas in 2002.

Within the framework of international environmental cooperation between Gazprom and Ruhrgas AG the work was continued in 2002 related to automatic optimization of operational regimes of the Volgotransgaz gas transportation network through the implementation of the SIMONE software for the purpose of energy saving and the reduction of carbon dioxide emissions throughout the whole gas pipeline system. The cooperation between the Russian and German gas industry companies in the field of ecology and energy saving starts spreading to other companies as well.

In the reporting year, Group's companies performed work to reduce hazardous emissions into the atmosphere and discharge of waste water, as well as reduce the production wastage and increase its utilization level.

In 2002, hazardous emissions into the atmosphere from Gazprom's production facilities did not exceed the established limits for such emissions. Methane emissions were reduced by 26.1 thousand tons. The total volume of Group's companies' water consumption in the reporting year decreased by 2.4% compared to the previous year down to 124.9 mcm.

In the reporting year, the Gazprom Group re-cultivated 3.9 thousand hectares of lands, out of which 1.45 hectares were returned to the land-users.

It was for the first time that Group's subsidiaries underwent energy investigations in accordance with the Energy Saving Law. The energy saving measures taken in 2002 resulted in the natural gas saving of 2.4 bcm, energy saving of 441.8 million kWh, heat saving of 101 thousand Gcal, which total 3.0 mtoe.



FROM GEOLOGICAL EXPLORATION TO CONSUMER

Major Gas Customers in Russia

- power industry – 39 %,
- production industry – 29 %,
- utility sector and households – 20 %.

OFFICIAL ADDRESSES AND CONTACTS

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Abbreviated name: in the foreign language:	ОАО «Газпром», JSC «GAZPROM»
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Certificate of entry into the Unified State Register of Legal Entities:	Issued by the Moscow Department of the Ministry of Taxes and Fees of the Russian Federation on 07.08.2002; No. 1027700070518
INN:	7736050003
Head of Shareholders Relationship and Share Capital Office:	Olga Igorevna Borodina Tel.: (095) 719-49-86, 719-26-01 Fax: (095) 719-39-37 E-mail: O.Borodina@adm.gazprom.ru

Auditor to Gazprom:	ZAO PricewaterhouseCoopers Audit
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License:	No. E 000376 issued 20.05.2002 by the Ministry of Finance of the Russian Federation
Registrar of Gazprom:	Joint Stock Company «DRAGA»
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Depository of Gazprom:	Joint Stock Bank of the Gas Industry Gazprombank (ZAO)
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License:	No. 177-04464-000100 issued on 10.01.2001 by the Federal Commission of the Central Bank of the Russian Federation for Securities Market

This annual report is preliminarily approved by the resolution N^o464 of Gazprom's Board of Directors dated May 20, 2003.

Chairman of Gazprom's
Management Committee



Alexei Miller

Chief Accountant of Gazprom

Elena Vasilieva

