

**OPEN JOINT STOCK COMPANY GAZPROM
2001 CONSOLIDATED FINANCIAL REPORTS**

TRANSLATOR'S EXPLANATORY NOTE: The above translation is provided as a free translation from Russian, which is the official and binding version.

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AUDIT REPORT

General audit license No. 016153 issued by the Central Attesting and Licensing Audit Committee of the Ministry of Finance of the Russian Federation on 23 November 1999. The license is valid until 24 June 2002.

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

Settlement account No. 407 028 104 000 010 012 93 at the commercial bank ING BANK EURASIA, bank correspondent No. 301 018 105 000 000 002 22, BIC 044 52 52 22, INN 770 505 11 02.

The audit was carried out with participation of the statutory auditor S.A. Blokhin.

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AUDIT FIRM'S OPINION
on the 2001 Consolidated Financial Reports of Open Joint Stock Company Gazprom

To the shareholders of Open Joint Stock Company Gazprom:

1. We have audited the attached 2001 Consolidated Financial Reports of open joint stock company Gazprom and its principal subsidiary and associated undertakings (collectively, the "Group") which comprise the Consolidated Balance Sheet as at 31 December 2001, the Consolidated Statement of Income for the year ended 31 December 2001 and the Notes to the Consolidated Financial Reports (together, the "Consolidated Financial Reports"). These Consolidated Financial Reports were prepared by the management of OAO Gazprom in accordance with the Federal Law on Accounting and Regulation on Accounting and Reporting adopted by Decree No. 34H of the Ministry of Finance of the Russian Federation dated 29 July 1998, and the methodology recommendations on preparing consolidated accounting reports approved by Order No. 112 of the Ministry of Finance of the Russian Federation dated 30 December 1996. Such Consolidated Financial Reports differ to a significant extent from those prepared in accordance with International Accounting Standards.
2. Preparation of the Consolidated Financial Reports is the responsibility of the management of OAO Gazprom. Our responsibility is to express our opinion on the Consolidated Financial Reports based on our audit.
3. We conducted our audit in accordance with the Federal Law "On auditing activity", in accordance with Russian Auditing Standards issued by the Presidential Audit Committee and in accordance with International Standards on Auditing ("ISA"). Russian Auditing Standards and ISA require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Reports are free of material misstatement. The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Reports. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Consolidated Financial Reports presentation in order to assess compliance with laws and regulations of the Russian Federation. We believe that our audit provides a reasonable basis for our opinion.

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4. In our opinion, the Consolidated Financial Reports attached to this opinion have been properly prepared to present in all material respects the assets and liabilities of the Group as at 31 December 2001 and the results of its operations for the year ended 31 December 2001 in accordance with the Federal Law on Accounting and Regulation on Accounting and Reporting in the Russian Federation adopted by Decree No. 34H of the Ministry of Finance of the Russian Federation dated 29 July 1998, and the methodology recommendations on preparing consolidated accounting reports approved by Order No. 112 of the Ministry of Finance of the Russian Federation dated 30 December 1996.

Director of ZAO

K. Rowden

Statutory Auditor

S.A. Blokhin

14 May 2002

OA0 GAZPROM
CONSOLIDATED BALANCE SHEET
as at 31 December 2001
(in millions of Roubles)

Note	ASSETS	As at 01 January 2001	As at 31 December 2001
	I. NON-CURRENT ASSETS		
	Intangible assets	1,686	6,030
	including:		
	patents, licenses, trademarks, other rights and assets similar to those listed above	75	13
	start-up expenses	-	-
20	goodwill on subsidiaries	1,498	5,935
	Fixed assets	1,389,097	1,341,698
	including:		
	plots of land and natural resources	12	12
5	buildings, constructions, machinery and equipment	1,372,467	1,326,098
6	Construction in progress	195,736	268,621
	Income-bearing lease investments	-	-
	including		
	property for lease-out	-	-
	property for hiring	-	-
7	Long-term financial investments	98,823	124,906
	including:		
	investments in subsidiaries	34,786	41,203
	investments in associates	11,656	20,952
	investments in other companies	9,998	13,587
	loans issued to companies beyond 12 months	16,281	15,063
	other long-term financial investments	26,102	34,101
	Other non-current assets	-	-
	TOTAL Section I	1,685,342	1,741,255
	II. CURRENT ASSETS		
	Inventories	71,327	100,876
	including:		
	materials and other inventories	41,293	58,053
	livestock	131	170
	work in progress	784	2,057
	finished goods and goods for resale	27,462	37,625
	goods dispatched	333	136
	expenses related to future periods	1,322	2,835
	other inventories and expenses	2	-
	Value added tax on purchased goods	39,361	67,266
	Accounts receivable (payment expected beyond 12 months of the reporting date)	29,977	28,863
	including:		
8	buyers and customers	18,976	16,868
	promissory notes, bills of exchange receivable	5,383	2,966
	advances paid	-	-
8	other accounts receivable	5,618	9,029

OA O GAZPROM
CONSOLIDATED BALANCE SHEET
as at 31 December 2001
(in millions of Roubles)

Note	ASSETS	As at 01 January 2001	As at 31 December 2001
	II. CURRENT ASSETS (CONTINUED)		
	Accounts receivable (payment expected within 12 months of the reporting date)	267,180	269,623
	including:		
8	buyers and customers	170,482	131,427
	promissory notes, bills of exchange receivable	938	1,732
	receivables from participants (founders) on contributions to charter capital	-	-
	advances paid	9,064	14,156
8	other accounts receivable	86,696	116,308
	Short-term financial investments	36,173	54,609
	including:		
	loans issued to companies within 12 months	1,239	2,290
11	treasury shares	2,198	8,687
9	other short-term financial investments	32,736	43,632
10	Monetary assets	53,188	77,211
	including:		
	cash on hand	12	24
	rouble bank accounts	6,541	12,739
	non-rouble bank accounts	4,707	7,549
	other monetary assets	41,928	56,899
	Other current assets	310	84
	TOTAL Section II	497,516	598,532
4	TOTAL ASSETS	2,182,858	2,339,787

OAo GAZPROM
CONSOLIDATED BALANCE SHEET
as at 31 December 2001
(in millions of Roubles)

Note	EQUITY AND LIABILITIES	As at 01 January 2001	As at 31 December 2001
11	III. EQUITY AND RESERVES		
	Charter capital	118,368	118,368
	Additional capital	1,266,782	1,264,558
	Legal reserve	2,897	6,284
	including:		
	reserves and provisions, formed in accordance with legislation	2,613	5,052
	reserves formed in accordance with foundation documents	284	1,232
	Social funds	-	-
	Special purpose financing	359	2,124
	Retained earnings of prior periods	150,401	143,380
	Expenses not covered by sources of financing	-	-
	Retained earnings of the reporting period	X	100,387
	Social government fund	9,693	8,649
	TOTAL Section III	1,548,500	1,643,750
	Minority interest	2,207	4,602
12	IV. NON-CURRENT LIABILITIES		
	Borrowings	194,928	193,402
	including:		
	bank borrowings due for repayment beyond 12 months of the reporting date	189,768	190,468
	other borrowings due for repayment beyond 12 months of the reporting date	5,160	2,934
13,14	Other non-current liabilities	39,700	70,320
4	TOTAL Section IV	234,628	263,722

OA O GAZPROM
CONSOLIDATED BALANCE SHEET
as at 31 December 2001
(in millions of Roubles)

Note		As at 01 January 2001	As at 31 December 2001
	EQUITY AND LIABILITIES		
	V. CURRENT LIABILITIES		
12	Borrowings	118,100	155,425
	including:		
	bank borrowings due for repayment within 12 months of the reporting date	88,580	133,671
	other borrowings due for repayment within 12 months of the reporting date	29,520	21,754
	Accounts payable	272,352	263,037
	including:		
	suppliers and contractors	54,406	70,405
	promissory notes, bills of exchange payable	33,112	53,048
	salaries payable	2,362	2,445
	payable to state non-budget funds	3,557	1,642
	payable to budget (taxes)	84,849	32,490
	advances received	1,876	1,930
13	other accounts payable	92,190	101,077
	Dividends payable	329	330
	Income of future periods	3,677	5,937
	Reserves for future expenses and payments	3,065	2,984
	Other current liabilities	-	-
4	TOTAL Section V	397,523	427,713
	TOTAL EQUITY AND LIABILITIES	2,182,858	2,339,787

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF INCOME
for 2001
(in millions of Roubles)

Note		For 2001	For 2000
4,15	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	588,568	498,099
4,16	Cost of goods, products, works and services sold	(368,308)	(255,096)
4	Commercial expenses	(301)	(267)
	Management expenses	-	-
	Gross profit from sales	219,959	242,736
	Interest income	4,274	4,122
	Interest expense	(17,771)	(17,097)
	Income from investments in other companies	325	1,050
17	Other operating income	1,009,370	619,427
17	Other operating expenses	(1,036,945)	(714,441)
18	Other non-operating income	67,217	69,583
18	Other non-operating expenses	(77,107)	(92,874)
	Profit of associated undertakings	2,625	777
	Pre-tax profit of the reporting period	171,947	113,283
13,19	Income tax and other similar mandatory payments	(72,533)	(63,991)
	Income from operations	99,414	49,292
	Extraordinary income	22	-
	Extraordinary expenses	(36)	-
	Net profit (retained profit) of the reporting period before minority interest	99,400	49,292
	Minority interest	987	(431)
	Net profit (retained profit) of the reporting period	100,387	48,861
22	Profit per share (in Roubles)	4.69	2.31

A.B. Miller

Chairman of the Management Committee

E.A. Vasilieva

Chief Accountant

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

1. NATURE OF OPERATIONS

Russian joint stock company Gazprom was established in accordance with RF Presidential Decree No. 1333 dated 5 November 1992. The Annual General Meeting of the shareholders, held on 26 June 1998, approved a recommendation from the Board of Directors on revising the name of the organisation in order to comply with the Federal Law on joint stock companies. Consequently, the organisation became the Open Joint Stock Company Gazprom or OAO Gazprom.

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

The Group operates as a vertically integrated business (see Note 4). Substantially all external sales represent gas sales in the Russian Federation and abroad. The principal elements of the Group’s vertically integrated business are the following:

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

The Group’s assets are mainly located on the territory of the Russian Federation.

On average, the Group employed 300.2 and 306.3 thousand people in 2001 and 2000, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Accounting principles

The Consolidated Financial Reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal law On Accounting dated 21 November 1996 No. 129-FZ and the Regulation on Accounting and Reporting in the Russian Federation adopted by Decree No. 34Н of the Ministry of Finance of the Russian Federation dated 29 July 1998, and other statutory accounting and reporting regulatory acts.

Basis of consolidation

The Consolidated Balance Sheet and Consolidated Statement of Income and the Notes to the Consolidated Financial Reports (together, the “Consolidated Financial Reports”) comprise a consolidation of the Statutory Accounting Reports of OAO Gazprom and each of the Group’s principal subsidiary and associated undertakings prepared in accordance with the methodology recommendations on preparing consolidated financial reports, approved by Order No. 112 of the Ministry of Finance of the Russian Federation dated 30 December 1996 (“Order 112”).

With the exception of the Group’s banking subsidiaries, all significant investments in wholly and partly-owned undertakings have been included in the Consolidated Financial Reports in compliance with the consolidation methodology. Included on an equity basis are the results and net assets of associated undertakings, which are mainly gas distribution businesses in East and West European countries and CIS countries.

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

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

As permitted under Order 112, the results of the Group's banking subsidiaries, AB Gazprombank (ZAO), OAO AKB National Reserve Bank and ZAO AKB Sovfintrade, have been accounted for on the basis prescribed for inclusion in the Consolidated Financial Reports of investments in associated undertakings. Results and net assets of those banks were included in the Consolidated Financial Reports on the basis of their financial statements, as prepared in accordance with RAR.

The results of the banking subsidiaries include the gains and losses incurred on forward contracts only to the extent that they have been closed or settled prior to the balance sheet date. A significant number of forward contracts concluded by the above banks remained open or unsettled as at 31 December 2001.

NPF Gazfund is a non-state pension fund controlled by the Group. NPF Gazfund is included in the Consolidated Financial Reports in compliance with the consolidation methodology.

Insignificant investments, which it would be appropriate to include on a consolidated basis or on an equity basis, have been accounted for at historical cost, except for those denominated in hard currency which were subject to statutory revaluation prior to 1 January 1995. These insignificant investments were not consolidated for the practical reason that the resultant effect would have been immaterial to the accompanying Consolidated Financial Reports.

Assets and liabilities denominated in foreign currency

The official exchange rate of the Russian Rouble ("RR") effective at the date of a transaction, was used to account for transactions made in foreign currency. Monetary assets and liabilities denominated in foreign currencies are recorded at amounts calculated based on the official exchange rate of the RR which equalled RR 30.14 and RR 28.16 for USD 1, RR 26.49 and RR 26.14 per Euro 1 as at 31 December 2001 and 2000, respectively.

Exchange differences resulting from transactions with assets and liabilities during the year, and from their recalculation as at the reporting date, are included in the Consolidated Statement of Income as non-operating income and expenses.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is recorded in the Consolidated Financial Reports and represents the difference between the actual cost of acquired investments and the nominal value of the shares at the date of their acquisition. Goodwill on subsidiary undertakings is depreciated over 20 years starting from the year following the year of acquisition.

Fixed assets

Fixed assets are reported at historical cost or revalued cost less depreciation accumulated for the period of their maintenance.

Fixed assets are depreciated for accounting purposes on a straight line basis based upon the estimated useful lives of the assets as follows:

	<u>Years</u>
Pipelines	33
Wells and gas producing equipment	12 – 40
Machinery and equipment	10 – 18
Buildings and roads	8 – 50
Social assets	5 - 50

Interest incurred on borrowings to finance the purchase (construction) of fixed assets, incurred prior to the date of putting the assets into operation, is capitalized and included in the historic cost of the assets.

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

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

Investments

Investments in other companies are recorded at actual cost of purchase, except for investments officially listed on a stock exchange, quotations of which are regularly published. Such investments are recorded at the lower of market price or cost of purchase at the end of the reporting period. The market price of shares is determined as the weighted average price of one share for transactions executed within the last trading day.

Debt securities are recorded at cost of purchase.

Inventories

Inventories are carried at the historic cost of purchase or production and expensed using the weighted average cost method.

Gas in storage is accounted for in line "Finished goods and goods for resale".

Accounts receivable from buyers and customers

Accounts receivable from buyers and customers have been calculated based on prices contracted between the Group and buyers (customers). Bad debts have been written off when recognised as such.

Unsecured past due receivables have been stated net of doubtful debt provisions. These provisions are based on the judgement of Group management as to the extent to which debts collectability is doubtful. Doubtful debt provisions have been charged against the operating expenses within the Consolidated Statement of Income.

Revenue recognition

Revenues from sales are recognized at the moment when goods are shipped (or services rendered) and corresponding settlement documents submitted to customers.

Additional Capital

Additional capital represents accumulated revaluation of fixed assets as well as accumulated and capitalized foreign exchange differences from revaluation of net assets of subsidiaries and associates expressed in foreign currency.

3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE AMOUNTS

Comparative amounts

In 2001 the Group accounting policies have been adjusted for requirements of the new Chart of Accounts approved by order of the RF Ministry of Finance No.94n of 31 October 2000, effective from 1 January 2001. This caused opening comparative balances to be reclassified without impacting total assets.

At 1 January 2001 the net book value of the Group's fixed assets is presented to reflect the revaluation performed, under decision of the Group's management, by the independent appraiser - Ernst and Young (CIS) Limited. As a result of the revaluation the opening balances of non-current assets and equity and reserves increased by RR 772,313.

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE AMOUNTS (continued)

Comparative amount as of 1 January 2001

	At 31 December 2000	Transition to the new Chart of Accounts	Revaluation	Other	At 1 January 2001
ASSETS					
Non-current assets	924,763	(4,197)	772,313	(7,537)	1,685,342
Intangible assets	4,346	-	-	(2,660)	1,686
Fixed assets	615,982	-	772,313	802	1,389,097
Construction in progress	201,207	-	-	(5,471)	195,736
Long-term financial investments	103,228	(4,197)	-	(208)	98,823
Current assets	485,782	4,197	-	7,537	497,516
Inventories	69,353	-	-	1,974	71,327
VAT on purchased goods	39,338	-	-	23	39,361
Accounts receivable	291,617	-	-	5,540	297,157
Short-term financial investments	35,836	337	-	-	36,173
Monetary assets	49,328	3,860	-	-	53,188
Total assets	1,410,545	-	772,313	-	2,182,858
LIABILITIES					
Equity and reserves	776,334	-	772,313	(147)	1,548,500
Additional capital	593,374	(100,694)	774,118	(16)	1,266,782
Social assets	9,693	(9,693)	-	-	-
Retained profit of prior years	51,512	100,694	(1,805)	-	150,401
Special purpose finance and receipts	490	-	-	(131)	359
Social assets - state	-	9,693	-	-	9,693
Minority interest	2,191	-	-	16	2,207
Non-current liabilities	227,493	-	-	7,135	234,628
Borrowings	193,089	-	-	1,839	194,928
Other	34,404	-	-	5,296	39,700
Current liabilities	404,527	-	-	(7,004)	397,523
Borrowings	91,419	-	-	26,681	118,100
Accounts payable	306,037	-	-	(33,685)	272,352
Total liabilities	1,410,545	-	772,313	-	2,182,858

Amounts for 2000 have been restated to ensure comparability with prior year amounts and in compliance with changes introduced by PBU No. 9/99 "Income of a Company" and PBU 10/99 "Expenses of a Company".

In accordance with revised PBU 10/99 "Expenses of a Company", profit can be used only for dividend payments and allocations to reserve capital. Consequently, all other expenses that in 2000 were made out of net profit have been reclassified and charged against income. Accordingly, the amounts of the prior year Consolidated Statement of Income have been adjusted as follows:

ОАО GAZPROM
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE AMOUNTS (continued)

Comparative amounts for 2000

	The 2000 reports	Social expenses	Bad debt provision	Other	The 2001 reports
Cost of goods sold	(254,815)	(436)	-	155	(255,096)
Gross profit (loss) from sales	243,017	(436)	-	155	242,736
Other operating income	682,237	-	-	(62,810)	619,427
Other operating expenses	(695,529)	-	(81,360)	62,448	(714,441)
Other non-operating expenses	(162,990)	(11,451)	81,360	207	(92,874)
Net profit	60,748	(11,887)			48,861

4. SEGMENT INFORMATION

	Production	Refining	Transport	Distribution	Other	Total
At 31 December 2001						
Segment assets	303,088	63,532	1,410,507	208,686	97,965	2,083,778
Unallocated assets	-	-	-	-	-	362,894
Inter-segment elimination	-	-	-	-	-	<u>(106,885)</u>
Total assets						2,339,787
Segment liabilities	22,472	19,571	23,787	117,244	28,451	211,525
Unallocated liabilities						586,795
Inter-segment elimination						<u>(106,885)</u>
Total liabilities						691,435
Capital expenditures for the period	56,970	3,972	62,414	77	5,761	129,194
Depreciation	16,216	1,843	73,288	51	2,011	93,409
At 1 January 2001						
Segment assets	224,498	49,217	1,447,196	227,245	84,113	2,032,269
Unallocated assets						241,735
Inter-segment elimination						<u>(91,146)</u>
Total assets						2,182,858
Segment liabilities	18,301	5,089	20,911	106,033	20,480	170,814
Unallocated liabilities						552,483
Inter-segment elimination						<u>(91,146)</u>
Total liabilities						632,151
Capital expenditures for the period	44,900	2,876	45,859	423	5,663	99,721
Depreciation	6,013	1,337	29,648	365	1,056	38,419

ОАО ГАЗПРОМ
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

4. SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
For the year ended						
31 December 2001						
Segment revenues						
Inter-segment sales	68,015	12,540	165,124	11,286	-	256,965
External sales	<u>1,620</u>	<u>60,478</u>	<u>14,843</u>	<u>471,959</u>	<u>39,668</u>	<u>588,568</u>
Total segment revenues	69,635	73,018	179,967	483,245	39,668	845,533
Segment expenses						
Inter-segment expenses	1,825	11,108	15,130	228,902	-	256,965
External expenses	<u>52,887</u>	<u>52,831</u>	<u>131,576</u>	<u>91,622</u>	<u>39,693</u>	<u>368,609</u>
Total segment expenses	54,712	63,939	146,706	320,524	39,693	625,754
Segment gross profit	14,923	9,079	33,261	162,721	(25)	219,959
For the year ended						
31 December 2000						
Segment revenues						
Inter-segment sales	39,652	8,600	91,240	5,366	-	144,858
External sales	<u>4,937</u>	<u>27,090</u>	<u>24,262</u>	<u>408,116</u>	<u>33,694</u>	<u>498,099</u>
Total segment revenues	44,589	35,690	115,502	413,482	33,694	642,957
Segment expenses						
Inter-segment expenses	975	5,246	7,409	131,228	-	144,858
External expenses	<u>30,233</u>	<u>15,679</u>	<u>75,204</u>	<u>101,490</u>	<u>32,757</u>	<u>255,363</u>
Total segment expenses	31,208	20,925	82,613	232,718	32,757	400,221
Segment gross profit	13,381	14,765	32,889	180,764	919	242,718

The inter-segment sales mainly consist of:

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

Internal transfer prices are established by the management of the Group with the objective of providing for the specific funding requirements of the individual segments.

OA O GAZPROM
NOTES TO THE CONSOLIDATED FINANCIAL REPORTS
(in millions of Roubles)

5. FIXED ASSETS

	Buildings	Constructions	Machinery and equipment	Total
At 31 December 2001				
Cost	98,037	2,507,628	347,002	2,952,667
Accumulated depreciation	<u>(31,396)</u>	<u>(1,323,317)</u>	<u>(271,856)</u>	<u>(1,626,569)</u>
Net book value	66,641	1,184,311	75,146	1,326,098
At 1 January 2001				
Cost	96,696	2,487,655	327,913	2,912,264
Accumulated depreciation	<u>(30,093)</u>	<u>(1,248,569)</u>	<u>(261,135)</u>	<u>(1,539,797)</u>
Net book value	66,603	1,239,086	66,778	1,372,467

6. CONSTRUCTION IN PROGRESS

	31 December 2001	01 January 2001
Construction in progress	241,001	174,473
Equipment for installation	<u>27,620</u>	<u>21,263</u>
Total	268,621	195,736

The balance of construction in progress at 31 December 2001 and 1 January 2001 includes assets constructed and put into operation for RR 80,876 and RR 27,956 (less accumulated depreciation), respectively, which are in the process of being registered in the unified state register.

In 2001 construction in progress increased mainly due to development of the Zapolyarnoe field and the construction of Yamal-Europe pipeline.

7. LONG-TERM FINANCIAL INVESTMENTS

Investments in subsidiaries

In 2001, the Group continued its long term restructuring plans. As a part of this restructuring, various non-core business activities such as agriculture, construction, science, industry and others were transferred into separate subsidiaries. Over time, it is management's intention, to the extent possible, to divest these companies.

The Group's management does not view the activities of these companies as core to the Group's primary business functions and in the aggregate they are immaterial. Accordingly, amounts related to these companies and other immaterial subsidiaries have not been included in the Consolidated Financial Reports on a consolidated basis.

Also included in investments in subsidiaries are the Group's banking subsidiaries (see Note 2).

The increase in investments in subsidiaries in 2001 mainly relates to unconsolidated subsidiaries of OAO Sibirsko-Uralskaya Neftegazovaya Kompania ("OAO AK Sibur") (see Note 20) and the retained earnings of the Group's banking subsidiaries.

OAo GAZPROM
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7. LONG-TERM FINANCIAL INVESTMENTS (continued)

Investments in associates

The increase in investments in associates in 2001 mainly relates to the acquisition of a 42% interest in OAO Sibur-Tyumen (see Note 20) and a 48% interest in ZAO Gazmetall (see Note 20).

Investments in other companies

At 31 December 2001 and 2000, the Group had a 14.3% interest in ZAO Media-Most. The interest in ZAO Media-Most was acquired in 2000 via the settlement of ZAO Media-Most's debt to the Group of RR 5,157. ZAO Media-Most is a holding company owning interests in a number of mass media companies.

At 31 December 2001, investments in other companies by OAO AK Sibur amounted to RR 3,797.

Loans issued to companies beyond 12 months

Loans issued to companies include amounts due from WINGAS GmbH, Germany, of RR 11,928 and RR 12,960 as at 31 December 2001 and 2000, respectively.

Loans issued also includes loans provided to OAO AKB National Reserve Bank in the amount of RR 2,110 and RR 1,971 as at 31 December 2001 and 2000, respectively.

Other long-term financial investments

At 31 December 2001 and 2000, other long-term financial investments included joint activities of RR 12,643 and RR 11,279, respectively, and other investments of RR 21,458 and RR 14,823, respectively.

The increase in other investments is mainly due to South Pars, in which the Group has a 30% interest in the development of an oil and gas field in Iran. The investment in South Pars amounted to RR 14,049 and RR 9,456 as at 31 December 2001 and 2000, respectively.

8. ACCOUNTS RECEIVABLE

Accounts receivable from buyers and customers

Accounts receivable from buyers and customers at 31 December 2001 and 2000 are shown net of a doubtful debt provision of RR 92,316 and RR 81,360, respectively.

Accounts receivable from buyers and customers (payment expected beyond 12 months after the reporting date) in the Consolidated Balance Sheet include amounts related to pipes supplied by OAO Gazprom to an associated undertaking, EuRoPol GAZ s.a., (see Notes 20 and 21) for construction of the Polish section of the Yamal-Europe pipeline in the amount of RR 10,854 and RR 12,123 as at 31 December 2001 and 2000, respectively.

Other accounts receivable

At 31 December 2001 included within other accounts receivable of the Consolidated Balance Sheet are settlements on claims issued and recognized or commercial penalties in the amount of RR 34,834 (Note 18), RR 13,111 of overpaid taxes and RR 18,561 of advances using promissory notes.

At 31 December 2001 the Group recorded a provision of RR 9,674 against other accounts receivable in respect of a number of debts due to the Group arising from payments under guarantees previously issued. Provisioning was based on the analysis of the probability of the debts future collectibility (see Note 17).

The increase in other accounts receivable in 2001 mainly relates to settlements on claims issued and recognized, commercial penalties and overpaid taxes.

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9. SHORT-TERM FINANCIAL INVESTMENTS

Other short-term financial investments

At 31 December 2000, other short-term investments included a 46% interest in NTV and 25% plus one share interest in various other ZAO Media-Most operating companies, obtained in exchange for the Group fulfilling its obligations under certain loan guarantees in 2000.

In July 2001 ZAO Media-Most defaulted on a payment obligation of RR 7,363 under a loan agreement. This balance was settled by the Group in accordance with a loan guarantee agreement. The terms of the guarantee agreement provided for collateral in respect of the guarantee in the form of a 19% interest in NTV and a 25% interest in a number of the other ZAO Media-Most operating companies.

At 31 December 2001 the Group held a 65% interest in NTV and 50% plus one share interest in the other ZAO Media-Most operating companies. These interests were included in 'Other short-term financial investments' and not consolidated as subsidiaries as the Group does not view investments in these companies as long-term financial investments and intends to sell its interest in these companies.

At 31 December 2001 and 2000, the investments in these companies totalled RR 14,259 (USD 473 million) and RR 5,959 (USD 212 million) respectively.

10. CASH FLOWS

	For 2001	For 2000
Cash at the beginning of the reporting period	54,942	32,876
Total cash received, including:	<u>1,180,755</u>	<u>825,213</u>
sales of goods (work, products, services)	647,106	477,563
sales of fixed and other assets	75,211	22,660
advances received from buyers (customers)	6,550	7,978
Borrowings	404,393	291,936
proceeds from financial investments	19,720	11,938
exchange differences on purchased currency	1,732	480
other receipts	26,043	12,658
Total cash used, including:	<u>1,163,091</u>	<u>810,512</u>
payment for purchased goods (work, products, services)	215,859	144,608
wages, salaries and social payments	50,601	33,483
advances issued	16,530	15,998
purchase of financial investments	110,421	51,082
settlements to budget	325,665	214,631
settlements related to profit tax allowance	11,612	18,192
payment of loans and interest on loans received	384,144	301,637
exchange differences on currency sold	15,099	4,411
other payments and transfers	<u>33,160</u>	<u>26,470</u>
Cash at the end of the reporting period	72,606	47,577

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10. CASH FLOWS (continued)

In accordance with the Guidance on the procedures to form annual accounting reports approved by Order No. 60H of the Ministry of Finance of the Russian Federation dated 28 June 2000, hard currency cash balances and all hard currency receipts and payments reported in the above cash flows have been restated using the exchange rates of the Central Bank of the Russian Federation effective at the end of the respective years.

The Group maintained cash balances with its banking subsidiaries of RR 13,968 and RR 6,703 at 31 December 2001 and 2000, respectively.

Included within other monetary assets in the consolidated balance sheet are balances totalling respectively RR 28,429 and RR 32,738 at 31 December 2001 and 2000, which are restricted as to withdrawal under the terms of certain borrowings, and deposits with subsidiary banks in the Consolidated Balance Sheet totalled RR 10,913 and RR 4,588 at 31 December 2001 and 2000, respectively.

11. EQUITY AND RESERVES

The number of shares issued and fully paid did not change in 2001 and amounted to 23,674 million with a nominal value of RR 5 each.

Treasury shares have been recorded at their purchase cost. The number of treasury shares owned by the subsidiaries of the Group, except for banks, totals 2,315 million and 2,217 million as at 31 December 2001 and 2000, respectively. These balances include treasury shares held by NPF Gazfund of 1,119 million and 1,115 million as at 31 December 2001 and 2000, respectively. The number of treasury shares owned by the Group's banking subsidiaries totals 356 million and 468 million as at 31 December 2001 and 2000, respectively.

	For 2001	For 2000
Balance at the beginning of the year (Section III of the Consolidated Balance Sheet)	1,548,500	729,090
Retained earning of the reporting period	100,387	48,861
Increase in profit as a result of organisational changes in subsidiaries	1,460	-
Decrease in additional capital as a result of organisational changes in subsidiaries	(1,892)	-
Social assets transferred to State authorities	(1,044)	(1,316)
Dividends accrued	(5,445)	(2,966)
Differences resulting from the revaluation of foreign investments	119	709
Other movements	1,665	1,956
Balance at the year end (Section III of the Consolidated Balance Sheet)	1,643,750	776,334

In accordance with the decision of the general meeting of shareholders, based on the 2000 results of OAO Gazprom, final dividends were accrued in the amount of RR 0.23 per common share.

The Charter of OAO Gazprom provides for establishing a reserve fund in the amount not less than 15% of the charter capital. The fund is formed by mandatory annual allocations of not less than 5% of net profit. In 2001 a contribution of RR 2,427 was made to the reserve fund, representing 5% of the net profit of OAO Gazprom for 2000.

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12. BORROWINGS

Lender	Currency	31 December 2001	01 January 2001
a French banking consortium	US Dollar	69,744	79,866
a German banking consortium	US Dollar	51,698	60,396
Sberbank of the Russian Federation	Roubles	45,694	34,832
an Italian banking consortium	US Dollar	28,618	32,253
Vneshtorgbank	US Dollar	20,227	-
a German banking consortium	Euro	17,057	17,913
an International banking consortium	Euro	11,309	12,678
a German banking consortium	Euro	9,506	9,872
a Cypriot banking consortium	US Dollar	6,614	7,616
a Hungarian banking consortium	Euro	6,317	-
Moskovsky Narodny Bank	US Dollar	6,053	-
Credit Suisse First Boston	US Dollar	5,875	-
a Japanese banking consortium	US Dollar	5,544	
a German banking consortium	Euro	4,103	6,775
Other	Various	<u>60,468</u>	<u>50,827</u>
Total borrowings		348,827	313,028
including:			
due within one year		155,425	118,100

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

A part of the loans received from international banking consortiums is provided in the form of equipment supplies. the Group uses this equipment for construction of production assets.

In 2001 interest rates on the long-term foreign currency denominated borrowings ranged from 3.7% to 10.0%. Similar rates for 2000 ranged from 3.8% to 10.7%.

Interest rates on the short-term foreign currency denominated borrowings ranged from 6.5% to 15.0% and on rouble short-term borrowings from 5.0% to 25.0% in 2001. In 2000 these rates ranged from 7.0% to 18.0% on the short-term foreign currency denominated borrowings and from 17.0% to 37.0% on the rouble short-term borrowings.

Interest capitalised amounted to RR 13,590 and RR 14,354 in 2001 and 2000, respectively.

Other borrowings

In 1999, OAO Gazprom issued coupon non-documentary bearer bonds. The issue amounted to 3 million bonds, each with a nominal value of RR 1 000 each and a due date of 15 April 2003. During the years 2000 and 2001 OAO Gazprom repurchased 577 thousand bonds. At 31 December 2001 and 2000, the total amount of outstanding bonds, excluding the discount related to future periods, amounted to RR 2,679 and RR 2,786, respectively, and is recorded in other loans due for repayment beyond 12 months of the reporting date.

In 2001 and 2000 the Group attracted finance by selling its own promissory notes for cash. Promissory notes sold are recorded, depending on the maturity date, within other borrowings due for repayment beyond 12 months of the reporting date or within other borrowings due for repayment within 12 months of the reporting date and amounted to RR 6,786 and RR 28,520 at 31 December 2001 and 2000, respectively.

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12. BORROWINGS (continued)

In December 2001 OAO Gazprom received an interest free loan from RAO UES to settle tax liabilities of subsidiaries to the Federal Budget. As at 31 December 2001, the loan outstanding amounted to RR 10,140 and is recorded within other borrowings due for repayment within 12 months of the reporting date.

13. TAXATION

In accordance with the Group's accounting policy, the income tax charge recorded for the years ended 31 December 2001 and 2000 have been calculated based on the profits associated with sales when recognised on a modified cash basis, i.e. upon receiving payment in a bank settlement account, cash on hand, the making of a mutual cancellation, barter transactions or upon completing a similar procedure. As this basis differs from that used for recognising revenue in the Consolidated Statement of Income, the stated income tax charges in the Consolidated Statement of Income are not directly related to the profit recognised.

Value added tax (VAT) and excise tax due from customers and ultimately payable to the budget are included within other accounts payable. The other accounts payable balance at 31 December 2001 includes deferred VAT and excise tax of RR 60,944 and RR 27,086, respectively. The other accounts payable balance at 31 December 2000 includes deferred VAT and excise tax of RR 53,661 and RR 29,600, respectively.

Outstanding deferred taxes related to receivables due for payment beyond 12 months of the reporting date were recorded in line "Other non-current liabilities" of the consolidated balance sheet and amounted to RR 4,626 and RR 5,727 at 31 December 2001 and 2000, respectively.

In compliance with current legislation, no provision is made for deferred income tax.

Changes in the legislation effective from 1 January 2001 reduced the road users tax rate from 2.5% to 1.0% and cancelled the housing and social sphere tax (1.5%). These changes in legislation lead to tax savings amounting to RR 25,218 (without potential allowances).

14. OTHER NON-CURRENT LIABILITIES

In 2001 and 2000 the Group subsidiaries executed contracts on restructuring debt to the federal budget. At 31 December 2001 and 2000 other non-current liabilities included amounts of RR 49,810 and RR 24,492, respectively, payable to the federal budget.

In addition other non-current liabilities include liabilities of the Group associated with promissory notes payable beyond 12 months of the reporting date, in the amount of RR 15,664 and RR 9,440 as at 31 December 2001 and 2000, respectively.

15. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES (net of all applicable taxes)

	<u>For 2001</u>	<u>For 2000</u>
Gas sales to customers in:		
Russia	105,455	74,882
Former Soviet Union (excluding Russia)	39,580	43,875
Europe	<u>328,544</u>	<u>294,296</u>
Net sales of gas	473,579	413,053
Sales of gas condensate and other refined products	60,478	27,090
Sales of gas transportation services	14,843	24,262
Other revenues	<u>39,668</u>	<u>33,694</u>
Net sales	<u>588,568</u>	<u>498,099</u>

In 2001, net gas sales increased by 15% as compared with 2000, mainly as a result of higher gas prices for sales to Russia and Europe, and the growth of the exchange rate of foreign currency to the RR.

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15. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES (continued)

Sales of gas condensate and other refined products mainly increased due to the acquisition of OAO AK Sibur in January 2001 (see Notes 20 and 21)

Sales of gas transportation services mainly comprise services provided to the Itera Group companies in the amount of RR 12,978 (63.8 bcm) and RR 19,694 (71.1 bcm) for years ended 31 December 2001 and 2000, respectively. As compared with 2000 the decrease of revenues mainly reflected the decrease in the volume of transportation services rendered. Sales of gas transportation services are based on tariffs established by the Federal Energy Commission of the RF Government.

Commencing in 1999 the Group has been participating in the creation of regional companies involved in the distribution of gas in Russia. As at 31 December 2001, the interest of the Group in the majority of such companies amounts to less than 20% of their share capital (see Note 24).

Gas sales (net of VAT and excise) to customers in Russia include sales made to the regional companies of 222 bcm and 141 bcm, or RR 76,126 and RR 37,573, for 2001 and 2000, respectively.

16. COST OF GOODS, PRODUCTS, WORKS AND SERVICES SOLD

	<u>For 2001</u>	<u>For 2000</u>
Depreciation	92,053	38,192
External transit cost	76,979	70,791
Payroll expenses and social expenditure	45,970	38,378
Materials	41,587	19,648
Goods	29,034	11,046
Taxation	29,031	27,984
Repair services	18,895	13,470
Purchase cost of gas	4,590	12,704
Other	<u>30,169</u>	<u>22,883</u>
Total	<u>368,308</u>	<u>255,096</u>

In 2001 the depreciation charge increased 141% due to the revaluation of the Group's fixed assets recorded on 1 January 2001 (see Note 3).

During the year ended 31 December 2000, the Group purchased 9 bcm of Turkmenian gas from Itera LLC for RR 11,489. No gas was purchased from Itera LLC in 2001.

Line 'Other' includes the cost of electric power and other expenses.

In 2001 costs of goods, products, works and services sold increased by RR 37,379 due to the inclusion of financial results of OAO AK Sibur into the Consolidated Financial Reports following its acquisition in January 2001 (see Notes 20 and 21).

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17. OTHER OPERATING INCOME AND EXPENSES

	For 2001		For 2000	
	Income	Expenses	Income	Expenses
Sale of foreign currency	636,654	638,189	432,059	433,058
Movements of securities, including promissory notes	352,375	347,744	161,007	158,670
Bad debt provision	-	10,426	-	81,360
Other provisions (see Note 8)	-	9,674	-	-
Other	<u>20,341</u>	<u>30,912</u>	<u>26,361</u>	<u>41,353</u>
Total operating income/expenses	1,009,370	1,036,945	619,427	714,441

Income from movements of securities, including promissory notes in 2001 included RR 4,052 of profit on the sale of treasury shares.

Prior to 1 January 2000, no bad debt provision was recorded. If it had been, the provision would have amounted to approximately RR 66,200 and the bad debt provision recognized in the year to 31 December 2000 would have been similarly reduced to RR 15,160.

18. OTHER NON-OPERATING INCOME AND EXPENSES

	For 2001		For 2000	
	Income	Expenses	Income	Expenses
Exchange differences	23,848	29,742	39,806	43,927
Profit and losses of previous years identified in the reporting period	11,235	8,741	10,113	8,498
Penalty, interest, fine for contract violations	23,428	4,420	3,166	909
Payments on account of profit tax allowance	-	11,612	-	18,192
Reversal of interest and fines accrued on budget settlements	1,964	-	5,623	-
Other	<u>6,742</u>	<u>22,592</u>	<u>10,875</u>	<u>21,348</u>
Total other non-operating income/expenses	67,217	77,107	69,583	92,874

Included within income from penalty, interest, fine for contract violations in 2001 were penalties and fines of RR 13,818 recognized in respect of contracts with AO Moldovagaz (see Note 21) and RR 5,313 recognized in respect of contracts with Naftogaz Ukraine.

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19. INCOME TAX AND OTHER SIMILAR MANDATORY PAYMENTS

The Income tax and other similar payments in the Consolidated Statement of Income include profits tax for the reporting period and other expenditures payable to the Budget and non-Budget funds out of retained earnings.

	For 2001	For 2000
Profits tax	65,629	45,573
Payments to the budget:		
Taxes	31	27
Penalties	96	222
Interest	<u>6,486</u>	<u>15,284</u>
	6,613	15,533
Payments to non-budget funds:		
Penalties	1	14
Interest	<u>290</u>	<u>2,871</u>
	291	2,885
Total	72,533	63,991

20. PRINCIPAL CONSOLIDATED SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Subsidiary undertakings, 100% owned

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

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

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20. PRINCIPAL CONSOLIDATED SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (continued)

Other subsidiary undertakings

Company	% of interest	Type of activity	Location
OA0 Volgogradneftemash	51	Production of oil and gas refinery equipment	Russia
OA0 Vostokgazprom	63	Production, processing and sale of gas and gas condensate	Russia
OA0 Gazavtomatika	49	Science	Russia
AB Gazprombank (ZAO)	98	Banking	Russia
OA0 Gazsibcontract	74	Investing, trading	Russia
OA0 Gazenergoservice	51	Equipment repairs	Russia
ZAO Gerosgaz	51	Investing, consultancy	Russia
OA0 Zapsibgazprom	34	Construction	Russia
ZAO Kostomatrubinvest	99	Production and sale of pipes	Russia
OA0 AKB National Reserve Bank	40	Banking	Russia
OA0 AK Sibur	51	Gas and chemical products trading and refining	Russia
ZAO AKB Sovfintrade	94	Banking	Russia
OA0 Spetsgazavtotrans	51	Transport services	Russia

In 2001 the Group's interest in OA0 Gazavtomatika decreased from 51% to 49% as the Group did not participate in an additional share issue by OA0 Gazavtomatika.

As at 31 December 2001, the Group's interest in the equity capital of OA0 AKB National Reserve Bank is 40% (see Note 24), in OA0 Zapsibgazprom – 34% (see Note 24) and OA0 Gazavtomatika – 49%. However, due to the fact that the Group continues to exercise control over activities of the above companies, they are still considered as subsidiaries.

In January 2001 the Group acquired 51% of the voting shares of OA0 AK Sibur. OA0 AK Sibur is a leading seller of petrochemical products in Russia, it is also involved in light hydrocarbons processing. The consideration of RR 2,204 was settled by a combination of cash, promissory notes of third parties and other securities.

OA0 AK Sibur is one of the founders of OA0 Gazsibcontract with a 45% interest in the charter capital. As a result of acquiring OA0 AK Sibur the Group's effective share in the charter capital of OA0 Gazsibcontract increased from 51% to 74%.

In December 2001 the Group subsidiary OA0 AK Sibur purchased interests in the following companies:

Companies (subsidiaries and associated undertakings)	Purchased interest as at 31 December 2001 (%)	Consideration, RR million
OA0 Sibur-Tyumen	42	4,307
OA0 Kemerovsky Azot	75	4,113
OA0 Uralorgsintez	51	1,498
OA0 Volzhsky AKZ	51	1,200
OA0 Kautchuk	100	570
OA0 Stirol	42	225
Total		11,913

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20. PRINCIPAL CONSOLIDATED SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (continued)

Interests in the above companies were purchased from OOO IT. The consideration of RR 11,913 was settled by promissory notes of related parties and contractors of OAO AK Sibur. The difference between consideration paid and OAO AK Sibur's interest in the charter capital of purchased subsidiaries totals RR 5,935 at the purchase date and in accordance with the Group's accounting policy is recorded as goodwill on subsidiaries within intangible assets.

The Group management is currently unable to assess whether the transaction with OOO IT is a related party transaction or if OOO IT is a related company to former management of OAO AK Sibur.

In January 2001 the Group exchanged a 57% interest in Lebedinsky GOK and a 17% interest in Oskolsky EMK for a 48% interest in ZAO Gazmetall. ZAO Gazmetall is a metallurgical holding company with controlling interests in Lebedinsky GOK and Oskolsky EMK (see Note 24).

In August 2001 the Group participated in the fourth stock issue of ZAO AKB Sovfintrade and as a result, the Group's interest in the bank's share capital increased from 65% to 93%, including 26% by AB Gazprombank (ZAO).

Principal associated undertakings

<u>Company</u>	<u>% of interest</u>	<u>Type of activity</u>	<u>Location</u>
WINGAS GmbH	35	Transportation and sale of gas	Germany
Blue Stream Pipeline company B.V.	50	Construction, gas transportation	Netherlands
ZAO Armrosgazprom	45	Transportation and sale of gas	Armenia
AO Gazum	25	Sale of gas	Finland
EuRoPol Gas s.a.	48	Transportation and sale of gas	Poland
OAO Latvias Gase	25	Transportation and sale of gas	Latvia
AO Moldovagaz	50	Transportation and sale of gas	Moldova
AO Overgaz Inc.	50	Sale of gas	Bulgaria
AO Slovrusgaz	50	Sale of gas	Slovakia
ZAO Stella Vitae	30	Transportation and sale of gas	Lithuania
AO Turusgaz	45	Sale of gas	Turkey
AO Panrusgaz	33	Sale of gas	Hungary
AO Prometheus Gas	50	Foreign trade	Greece
Gas und Warenhandels-gesellschaft GmbH (Viennese Trading House)	50	Sale of gas	Austria
OAO Sibur-Tyumen	42	Refining investments	Russia
ZAO Gazmetall	48	Metallurgical holding company	Russia
ZAO Agrochemical Azot	46	Sale of agricultural chemicals	Russia

21. RELATED PARTIES

During 2001 and 2000 the Group supplied gas to certain of its associates (see Note 20) for RR 67,510 and RR 49,447, respectively.

Gas is sold to the above mentioned companies, except for AO Moldova, on the basis of long-term contracts, at prices based on world oil and gas prices. Gas prices per tcm ranged from USD 75 to USD 144 in 2001 and from USD 64 to USD 133 in 2000. Gas is sold to AO Moldovagaz (previously ZAO Gazsnabtransit) based on annual contracts with fixed prices. Prices of gas per tcm sold to Moldova amounted to USD 80 in 2001 and 2000, respectively.

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21. RELATED PARTY (continued)

In addition, the Group has purchased gas transportation services from certain of the above mentioned companies, that amounted to RR 8,192 and RR 7,773 for 2001 and 2000, respectively. The cost of these services was determined based on prices of gas sold to these companies. At 31 December 2001 and 2000 the amounts due to the Group from its associated undertakings, including EuRoPol Gas s.a. (see Note 8), totalled RR 45,477 and RR 29,114, respectively.

At 31 December 2001 and 2000, the Group's bad debt provision related to amounts due from AO Moldovagaz amounted to RR 12,490 and RR 11,867, respectively. In 2001, the Group recognized income from penalty, interest, fine for contract violations in respect of contracts with AO Moldovagaz (see Note 18).

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

During 2001 and 2000 certain members of the Board of Directors of the Company and close members of their families owned significant interests in OAO Stroytransgaz. In the normal course of business, OAO Gazprom enters into transactions with OAO Stroytransgaz for the construction of pipelines based on the results of tenders.

OAO Stroytransgaz rendered constructions services for the Group in the amounts of RR 38,643 and RR 21,689 for the years ended 31 December 2001 and 2000, respectively. As at 31 December 2001 and 2000, the Group had advances and receivables due from OAO Stroytransgaz in the amounts of RR 7,390 and RR 1,696, respectively. As at 31 December 2001 and 2000, the Group had accounts payable to OAO Stroytransgaz in respect of construction of RR 16,166 and RR 9,111, respectively.

In 2001 and 2000 the Group raised short-term loans from Altalanos Ertekgalimi Bank Rt (AEB), an associated undertaking of AB Gazprombank (ZAO), for the total amount of RR 2,939 (11.0% - 14.8% p.a.) and RR 2,460 (12.5% p.a.), respectively.

Following is condensed financial statement information for OAO AK Sibur as of and for the year ended 31 December 2001, before Group intercompany eliminations:

	At 31 December 2001
Non-current assets	20,165
Current assets	31,202
Non-current liabilities	(4,300)
Current liabilities	(41,949)
Net assets	5,118
	For 2001
Sales	46,273
Cost of sales	(41,983)
Net loss	(1,981)

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21. RELATED PARTY (continued)

A substantial portion of OAO AK Sibur's transactions were executed with related parties. OAO AK Sibur's related party transactions are mainly with its associated undertakings and the following companies:

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

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

Remuneration to senior management and directors

In 2001 and 2000 the Company paid to members of the Board of Directors and Management Committee remuneration (salary and bonuses) for the total amount of approximately RR 68 and RR 51. The remuneration of members of the Board of Directors is subject to approval by the General shareholders meeting. Compensation paid to members of the Management Committee is determined by the terms of annual employment contracts.

Other related parties

Other related parties information is not disclosed due to its immateriality for the Group Consolidated Financial Reports.

22. PROFIT PER SHARE

Profit per share was calculated by dividing the net profit for the year by the weighted average number of outstanding common shares during the year.

The weighted average number of outstanding common shares amounted to 21,414 million and 21,197 million shares for the years ended 31 December 2001 and 2000, respectively.

23. CONTINGENCIES

Guarantees outstanding

As at 31 December 2001 the Group had outstanding guarantees issued to third parties, including related parties, for up to RR 111,506. Such guarantees are recorded off-balance sheet. Management expects that the Group will have to pay some part of its obligations under the guarantees issued.

	31 December 2001	01 January 2001
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V. (BSPC)	35,776	-
Interconnector (UK) Limited	33,154	28,160
ООО Interprokom	15,371	14,362
ZAO Media-Most	-	7,363
OAO Stroytransgaz	-	5,844
EuRoPol Gas s.a.	6,209	5,801
Itera Group companies	4,501	5,484
Other	<u>16,495</u>	<u>7,705</u>
Total	<u>111,506</u>	<u>74,719</u>

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23. CONTINGENCIES (continued)

In 2001, the Group was obligated to provide guarantees to BSPC, an associated undertaking (see Note 20), against credit facilities provided by a group of Italian and Japanese banks to BSPC for the construction of the offshore portion of the Blue Stream pipeline. At 31 December 2001, the Group had guaranteed RR 19,015 of credit facilities used by BSPC, pursuant to its obligation.

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

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

Operating environment

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

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

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

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

Taxation

Tax legislation in the Russian Federation is subject to varying interpretations and frequent changes. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. The Group's tax records remain open to review by the tax and customs authorities with respect to tax liabilities for three years.

24. POST BALANCE SHEET EVENTS

Financial investments

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

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24. POST BALANCE SHEET EVENTS (continued)

In connection with changes in RF Federal law No.208-FZ of 26 December 1995 "On Joint Stock Companies", effective from 1 January 2002, the Group was not able to exercise its conversion rights on preference shares of OAO AKB National Reserve Bank. The Group has, therefore, lost the opportunity to obtain voting rights on these shares and no longer exercises control over the activities of the bank (see Note 20).

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

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

In March 2002 OOO Gazprominvestholding, a subsidiary of the Group, made an agreement on the sale of a 48% interest in ZAO Gazmetall for USD70 million. In accordance with the agreement the buyer of the above share is OAO Oskolsky Metallurgical Plant, a subsidiary of ZAO Gazmetall.

In April 2002, the Group completed the repurchase of 32% of the shares in ZAO Purgas from Itera pursuant to the repurchase option provided by the share purchase agreement dated 10 February 1999. ZAO Purgas has a license for the development of the Gubkinskoye gas field in Western Siberia. In connection with the return of these ZAO Purgas shares, the Group paid Itera RR 32 thousand and financed ZAO Purgas repaying RR 5,800 of development expenditures due to Itera. The Group's interest in ZAO Purgas rose from 19% to 51%.

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

During the first quarter of 2002, the Group increased its interest in the majority of the regional companies, in which it held investments, from less than 20% to 51%. These companies are involved in the distribution of gas in Russia (see Note 15).

Borrowings

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

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

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24. POST BALANCE SHEET EVENTS (continued)

Changes in the profit taxation

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

The profit taxation procedure has been changed as follows:

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

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

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

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant