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**OPEN JOINT COMPANY «GAZPROM»  
SATUTORY FINANCIAL (ACCOUNTING) REPORTS  
OF THE PARENT COMPANY OAO «GAZPROM» 2007**

## **AUDIT REPORT**

### **on Statutory financial (accounting) reports**

#### **To the shareholders of Open Joint Stock Company Gazprom**

##### **Auditor**

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit)

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

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

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

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

##### **Client**

Open Joint Stock Company Gazprom

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

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

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

**AUDIT REPORT****on Statutory financial (accounting) reports of Open Joint Stock Company Gazprom****To the shareholders of Open Joint Stock Company Gazprom**

1. We have audited the attached Statutory financial (accounting) reports of Open Joint Stock Company Gazprom (hereinafter - OAO Gazprom) for the period from 1 January up to 31 December 2007. Statutory financial (accounting) reports of OAO Gazprom consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called «Statutory financial (accounting) reports»). The Statutory financial (accounting) reports were prepared by the management of OAO Gazprom in accordance with the legislation of Russian Federation applicable to Statutory financial (accounting) reports. Such Statutory financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

2. Preparation of the Statutory financial (accounting) reports is the responsibility of management of OAO Gazprom. Our responsibility as auditors is to express our opinion in all material respects on these Statutory financial (accounting) reports and on whether the accounting is conducted in accordance with the Russian legislation based on our audit.

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

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

## AUDIT REPORT

4. In our opinion, the Statutory financial (accounting) reports of OAO Gazprom attached to this report have been properly prepared to present, in all material respects, the financial position of OAO Gazprom as at 31 December 2007 and financial results of its operations for the period from 1 January up to 31 December 2007 in accordance with the legislation of Russian Federation applicable for Statutory financial (accounting) reports.

31 March 2008

Director of ZAO

S. Haffner

Statutory auditor

A.L. Uzornikova

Certificate No K 000254  
for general audit  
termless

Approved by order of the Russian Federation Ministry of Finance  
dated 22 July 2003 No.67n

**BALANCE SHEET**  
**as at 31 December 2007**

Company ОАО «Газпром»  
Taxpayer identification number  
Field of activity: wholesale  
Legal form/property form:  
Open Joint Stock Company  
Unit of measurement: thousands of RR  
Address ОАО «Газпром» Russian Federation, 117997, Moscow,  
Nametkina str., 16, V-420, GSP-7

	Codes
Form N1 on OKUD	0710001
Date (day, month, year)	31.12.2007
on OKPO	00040778
INN	7736 050 003
on OKVED	51
on OKOPF/OKFS	47/31
on OKEI	384

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	684	49,795
including :			
patents, licenses, trade marks (service marks), other similar rights and assets	111	684	49,795
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	2,629,294,466	2,678,629,547
including :			
land plots and natural resources	121	12,368	20,023
buildings, machinery and equipment	122	2,626,899,563	2,675,438,392
Construction in progress	130	225,302,499	168,945,565
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	769,097,147	1,157,188,792
including :			
investments in subsidiaries	141	573,603,359	978,190,402
investments in associates	142	33,358,414	21,724,337
investments in other entities	143	29,906,887	16,268,935
loans provided to companies for a period over 12 months	144	70,650,189	74,511,621
Deferred tax assets	145	5,914,902	7,560,867
Other non-current assets	150	5,281,042	13,638,077
<b>Total section I</b>	<b>190</b>	<b>3,634,890,740</b>	<b>4,026,012,643</b>

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>II. CURRENT ASSETS</b>			
Inventories	210	124,428,581	153,153,969
including:			
raw materials and other inventories	211	1,435,673	1,797,535
livestock	212	131	131
work in progress	213	82,817,637	103,178,165
finished goods and goods for resale	214	34,114,679	40,947,696
goods dispatched	215	2,220,363	2,244,049
expenses related to future periods	216	3,840,098	4,986,393
Value added tax on purchased goods	220	37,199,146	21,009,914
Accounts receivable (payments expected beyond 12 months after the reporting date)	230	128,585,647	132,353,114
including:			
buyers and customers	231	33,548,064	11,866,882
promissory notes receivable	232	-	-
advances issued	234	13,165,550	6,136,550
other debtors	235	81,872,033	114,349,682
Accounts receivable (payments expected within 12 months after the reporting date)	240	549,428,132	757,266,257
including:			
buyers and customers	241	223,581,809	291,476,483
promissory notes receivable	242	-	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	16,842,835	27,653,068
other debtors	246	309,003,488	438,136,706
Short-term investments	250	17,248,532	69,945,934
loans provided to other companies for a period within 12 months	251	8,548,674	64,991,728
Monetary assets	260	61,234,070	61,674,969
including:			
cash	261	2,442	3,337
settlement accounts	262	10,246,253	6,765,675
foreign currency accounts	263	48,099,614	52,001,574
other monetary assets	264	2,885,761	2,904,383
Other current assets	270	290	360
<b>Total section II</b>	<b>290</b>	<b>918,124,398</b>	<b>1,195,404,517</b>
<b>TOTAL SECTIONS I and II</b>	<b>300</b>	<b>4,553,015,138</b>	<b>5,221,417,160</b>



Form 0710001 p.3

EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>III. Equity and reserves</b>			
Charter capital	410	118,367,564	118,367,564
Treasury shares	411	-	-
Additional capital	420	2,582,467,620	2,581,019,372
Legal reserve	430	8,636,001	8,636,001
including:			
reserves and provisions formed in accordance with legislation	431	8,636,001	8,636,001
Retained earnings (loss)	470	945,731,806	1,247,498,500
Social government fund	480	-	-
<b>Total section III</b>	<b>490</b>	<b>3,655,202,991</b>	<b>3,955,521,437</b>
<b>IV. Non-current liabilities</b>			
Borrowings	510	521,983,429	738,796,027
bank borrowings due for repayment beyond 12 months	511	240,564,290	264,161,744
other borrowings due for repayment beyond 12 months	512	281,419,139	474,634,283
Deferred tax liabilities	515	108,601,670	147,426,398
Other non-current liabilities	520	4,893	2,446
including:			
promissory notes payable	522	-	-
<b>Total section IV</b>	<b>590</b>	<b>630,589,992</b>	<b>886,224,871</b>
<b>V. Current liabilities</b>			
Borrowings and bank loans	610	95,613,844	186,259,769
bank borrowings due for repayment within 12 months	611	-	-
other borrowings due for repayment within 12 months	612	-	5,395,712
current portion of long-term borrowings	613	95,613,844	180,864,057
Accounts payable	620	162,569,438	182,211,031
including:			
suppliers and contractors	621	130,315,087	149,821,281
salaries payable	622	9,097	19,415
payable to state non-budget funds	623	7,808	5,800
taxes payable	624	15,687,696	20,304,441
other creditors, including:	625	16,549,750	12,060,094
promissory notes payable	626	-	-
advances received	627	932,924	2,752,004
other creditors	628	15,616,826	9,308,090
Payable to participants (shareholders)	630	371,001	806,701
Income of future periods	640	3,177	930
Reserves for future expenses and payments	650	8,664,695	10,392,421
Other current liabilities	660	-	-
<b>Total section V</b>	<b>690</b>	<b>267,222,155</b>	<b>379,670,852</b>
<b>TOTAL SECTIONS III,IV,V</b>	<b>700</b>	<b>4,553,015,138</b>	<b>5,221,417,160</b>

## REFERENCE TO ITEMS ACCOUNTED ON OFF-BALANCE SHEET ACCOUNTS

Line name 1	Line code 2	At beginning of reporting year 3	At end of reporting year 4
Rented fixed assets	910	22,593	214,516
thereof by leasing	911	-	-
Working assets and fixed assets accepted for custody	920	38,977	33,287
Goods on commission	930	-	-
Bad debts of insolvent debtors written off to losses	940	14,722,968	14,637,071
Security of liabilities and payments received	950	670,237	4,377,485
Security of liabilities and payments issued	960	82,978,534	115,770,989
Housing stock depreciation	970	61,435	55,408
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for use	990	-	-
Transition period profit tax	998	-	-

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

Approved by order of the Russian Federation Ministry of Finance  
dated 22 July 2003 No.67n

**PROFIT AND LOSS ACCOUNT  
for 2007**

Company ОАО «Gazprom»  
Taxpayer identification number  
Field of activity: wholesale  
Legal form/property form:  
Open Joint Stock Company  
Unit of measurement: thousands of RR

	Codes
Form N2 on OKUD	0710002
Date (day, month, year)	31.12.2007
on OKPO	00040778
INN	7736 050 003
on OKVED	51
on OKOPF/OKFS	47/31
on OKEI	384

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
<b>Income from and expenses on ordinary activities</b>			
Sale of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	1,774,979,437	1,632,652,981
including:			
gas	11	1,406,856,578	1,312,325,670
leased assets	12	234,452,737	221,602,053
oil and gas refinery products	13	70,043,728	54,686,915
gas transportation services	14	43,055,537	23,421,453
gas condensate	15	18,886,850	19,355,407
other	16	1,550,785	1,029,183
gas storage services	17	133,222	232,300
Cost of goods, products, work, services sold	20	(723,781,021)	(592,118,000)
including:			
gas	21	(387,085,024)	(302,627,520)
leased assets	22	(231,840,439)	(217,835,780)
oil and gas refinery products	23	(40,443,948)	(26,807,059)
gas transportation services	24	(50,661,520)	(32,305,047)
gas condensate	25	(11,999,269)	(10,737,654)
other	26	(1,672,811)	(1,658,435)
gas storage services	27	(78,010)	(146,505)
Gross profit	29	1,051,198,416	1,040,534,981
Selling expenses	30	(540,917,840)	(518,675,487)
Administrative expenses	40	(23,678,150)	(17,856,671)
Profit (loss) from operations	50	486,602,426	504,002,823
<b>Other income and expenses</b>			
Interest income	60	13,046,491	3,446,856
Interest expenses	70	(53,551,252)	(40,113,371)
Income from investments in other companies	80	44,696,539	30,916,289
Other income	105	2,105,342,710	1,510,000,738
Other expenses	110	(2,075,739,210)	(1,512,929,853)

Form 0710002 p.2

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
<b>Profit (loss) before profit tax</b>	140	520,397,704	495,323,482
Deferred tax assets	141	1,652,240	(126,565)
Deferred tax liabilities	142	(38,825,560)	(19,508,654)
Current profit tax	150	(122,668,035)	(131,915,177)
Other expenses out of profit	151	(106,799)	(93,019)
<b>Net profit (loss) for the reporting period</b>	190	360,449,550	343,680,067
<b>REFERENCE</b>			
Permanent tax liabilities (assets)	200	44,055,801	39,985,421
Basic earnings (loss) per share	201	15.23	14.52
Diluted earnings (loss) per share	202	-	-

## BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES

Parameter		For reporting period		For the similar period of the prior year	
name	code	income	expense	income	expense
1	2	3	4	5	6
Fines and penalties recognized or in respect of which there are court (arbitration) judgements on their recovery	210	834,556	87,034	210,983	6,615
Profit (loss) of prior years	220	3,010,662	2,824,343	4,188,933	2,934,515
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230	-	-	-	-
Exchange rate differences	240	86,663,108	74,261,477	66,226,647	44,508,426
Revaluation reserves	250	X	5,155,938	X	4,103,343
Written off of debtor and creditor indebtedness	260	54,809	2,304,146	43,586	1,165,087
Release of revaluation reserve	270	4,717,753	X	1,338,729	X

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

Approved by order of the Russian Federation Ministry of Finance  
dated 22 July 2003 No.67n

## FLOW OF EQUITY AND FUNDS for 2007

Company OAO «Gazprom»  
Taxpayer identification number  
Field of activity: wholesale  
Legal form/property form:  
Open Joint Stock Company  
Unit of measurement: thousands of RR

Form N3 on OKUD  
Date (day, month, year)  
on OKPO  
INN  
on OKVED  
on OKOPF/OKFS  
on OKEI

Codes
0710003
31.12.2007
00040778
7736 050 003
51
47/31
384

### I. Changes in equity

Parameter		Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
name	code						
1	2	3	4	5	6	7	8
Balance as of 31 December of the year preceding the prior year	70	118,367,564	2,192,254,364	8,636,001	645,060,421	-	2,964,318,350
<b>2006 (prior year)</b>							
Changes in the accounting policies	71	X	X	X	173,205	X	173,205
Revaluation of fixed assets	72	X	391,863,631	X	(8,924,122)	X	382,939,509
Balance as of 1 January of the prior year	80	118,367,564	2,584,117,995	8,636,001	636,309,504	-	3,347,431,064
Exchange rate differences	81	X	-	X	X	X	-
Net profit	82	X	X	X	343,680,067	X	343,680,067
Dividends	83	X	X	X	(35,510,269)	X	(35,510,269)
Allocations to the legal reserve	84	X	X	-	-	X	
Increase of capital due to:	85	-	-	-	1,458,160	-	1,458,160
additional shares issue	86	-	X	X	X	X	-
increased par value of shares	87	-	X	X	X	X	-
reorganization of the legal entity	88	-	X	X	-	-	-
other transactions	89	-	-	-	1,458,160	-	1,458,160
Decrease of capital due to:	90	-	(1,650,375)	-	-	-	(1,650,375)
decrease in value of shares	91	-	X	X	X	X	-
reduction in number of shares	92	-	X	X	X	X	-

Form 0710003 p.2

Parameter		Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
name	code						
1	2	3	4	5	6	7	8
reorganization of the legal entity	93	-	X	X	-	-	-
other transactions	94	-	(1,650,375)	-	-	-	(1,650,375)
Balance as of 31 December of the prior year	95	118,367,564	2,582,467,620	8,636,001	945,937,462	-	3,655,408,647
<b>2007 (reporting year)</b>							
Changes in the accounting policies	96	X	X	X	(205,656)	X	(205,656)
Revaluation of fixed assets	97	X	-	X	-	-	-
Balance as of 1 January of the reporting year	100	118,367,564	2,582,467,620	8,636,001	945,731,806	-	3,655,202,991
Exchange rate differences	101	X	-	X	X	X	-
Net profit	102	X	X	X	360,449,550	X	360,449,550
Dividends	103	X	X	X	(60,130,723)	X	(60,130,723)
Contributions to legal reserve	110	X	X	-	-	X	-
Increase of capital due to:	120	-	-	-	1,447,867	-	1,447,867
additional shares issue	121	-	X	X	X	X	-
increased par value of shares	122	-	X	X	X	X	-
reorganization of the legal entity	123	-	X	X	-	-	-
other transactions	125	-	-	-	1,447,867	-	1,447,867
Decrease of capital due to:	130	-	(1,448,248)	-	-	-	(1,448,248)
decrease in value of shares	131	-	X	X	X	X	-
reduction in number of shares	132	-	X	X	X	X	-
reorganization of the legal entity	133	-	X	X	-	-	-
other transactions	135	-	(1,448,248)	-	-	-	(1,448,248)
Balance as of 31 December of the reporting year	140	118,367,564	2,581,019,372	8,636,001	1,247,498,500	-	3,955,521,437

## II. Reserves

Parameter		Balance	Addition	Used	Balance
name	code				
1	2	3	4	5	6
<b>Legal reserves formed in accordance with legislation:</b>					
Reserve funds	151	-	-	-	-
prior year	152	8,636,001	-	-	8,636,001
reporting year	153	8,636,001	-	-	8,636,001
Other reserves	154	-	-	-	-
prior year	155	-	-	-	-
reporting year	156	-	-	-	-
<b>Legal reserves formed in accordance with foundation documents:</b>					
Reserve funds	157	-	-	-	-
prior year	158	-	-	-	-
reporting year	159	-	-	-	-
Other reserves	160	-	-	-	-
prior year	161	-	-	-	-
reporting year	162	-	-	-	-
<b>Provisions:</b>					
Provision for impairment of receivables	163	-	-	-	-
prior year	164	8,357,747	2,617,951	(1,031)	10,974,667
reporting year	165	10,974,667	678,748	(2,224)	11,651,191
Provision for impairment of investments	166	-	-	-	-
prior year	167	3,459,540	1,440,254	(1,293,591)	3,606,203
reporting year	168	3,606,203	303,639	(544,202)	3,365,640
Provision for impairment of inventories	169	-	-	-	-
prior year	170	-	-	-	-
reporting year	171	-	-	-	-
Other provisions	172	-	-	-	-
prior year	173	-	-	-	-
reporting year	174	-	-	-	-
<b>Provisions for liabilities and charges:</b>					
for vacation bonus expenses	175	-	-	-	-
prior year	176	-	-	-	-
reporting year	177	-	-	-	-
for annual work record bonus expenses	178	-	-	-	-
prior year	179	-	-	-	-
reporting year	180	-	-	-	-



Form 0710003 p.4

Parameter		Balance	Addition	Used	Balance
name	code				
1	2	3	4	5	6
for annual appreciation					
bonus expenses	181	-	-	-	-
prior year	182	556,223	739,205	(612,391)	683,037
reporting year	183	683,037	705,175	(659,425)	728,787
for repair works to be incurred	184	-	-	-	-
prior year	185	-	-	-	-
reporting year	186	-	-	-	-
for warranty and service expenses	187	-	-	-	-
prior year	188	-	-	-	-
reporting year	189	-	-	-	-
for contingent liabilities	190	-	-	-	-
prior year	191	1,273,150	7,981,658	(1,273,150)	7,981,658
reporting year	192	7,981,658	6,994,404	(5,312,428)	9,663,634
Other provisions	193	-	-	-	-
prior year	194	-	-	-	-
reporting year	195	-	-	-	-

## REFERENCE

Parameter		At beginning of reporting year		At end of reporting year	
name	code				
1	2	3		4	
1) Net assets	200	3,655,206,168		3,955,522,367	
		from the budget		from non-budget funds	
		for reporting year	for prior year	for reporting year	for prior year
		3	4	5	6
2) Received for:					
expenses on ordinary activities – total	210	-	358	-	-
including:					
capital investments in non-current assets	220	-	-	-	-
including:					

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

Approved by order of the Russian Federation Ministry of Finance  
dated 22 July 2003 No.67n

### CASH FLOW STATEMENT for 2007

Company OAO «Gazprom»  
Taxpayer identification number  
Field of activity: wholesale  
Legal form/property form:  
Open Joint Stock Company  
Unit of measurement: thousands of RR

	Codes
Form N4 on OKUD	0710004
Date (day, month, year)	31.12.2007
on OKPO	00040778
INN	7736 050 003
on OKVED	51
on OKOPF/OKFS	47/31
on OKEI	384

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
<b>Cash at beginning of reporting year</b>	100	58,461,408	71,070,646
<b>Cash flows from operating activities</b>			
Total cash received, including from	110	3,876,401,555	3,378,892,868
- sale of goods, products, works and services	111	2,109,838,271	1,924,739,405
- sale of other assets	112	1,687,420,997	1,348,989,792
including currency sales	113	1,681,058,907	1,348,927,201
- advances received from buyers (customers)	114	3,054,711	31,036,617
- budget allocations and other special purpose financing	115	-	358
- free of charge	116	-	-
- other income	117	76,087,576	74,126,696
Total cash used, including:	120	(3,477,374,668)	(2,954,675,856)
purchased goods, works, services, raw materials and other current assets	150	(1,167,673,650)	(985,934,235)
wages and salaries	160	(5,597,696)	(4,873,715)
dividends and interest	170	(57,483,356)	(33,749,258)
settlement of taxes and duties	180	(137,472,198)	(143,954,263)
custom duties	183	(308,622,287)	(342,070,148)
payments to non-budget funds	190	(603,105)	(556,727)
advances paid	191	(34,045,678)	(5,660,705)
other expenses	192	(1,765,876,698)	(1,437,876,805)
including currency sales	193	(1,662,869,911)	(1,343,415,774)
Net cash received from operating activity	199	399,026,887	424,217,012
<b>Cash flows from investment activities</b>			
Total cash received, including from	200	108,839,584	75,589,476
Sale of fixed assets and other non-current assets	210	267,579	260,835
Sale of securities and other financial investments	220	26,706,340	26,960,512
Dividends received	230	42,533,338	25,997,620
Interest income	240	5,229,802	1,082,326

Form 0710004 p.2

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
Repayment of loans provided to other companies	250	29,575,217	17,034,699
Budget allocations and other special purpose financing	255	-	-
Proceeds under the investment contract	256	-	-
Settlement of securities and other investments	257	4,527,308	4,253,484
Other proceeds	260	-	-
Total cash used, including	270	(825,283,851)	(489,445,794)
Acquisition of subsidiaries	280	(268,239,509)	(4,835,641)
Acquisition of fixed assets, income bearing investments in tangible and intangible assets	290	(14,312,856)	(665,867)
Acquisition of securities and other financial investments	300	(30,996,314)	(52,935,559)
Loans provided to other companies	310	(94,294,071)	(81,291,878)
Financing of joint construction	320	-	-
Allocated to capital construction settlements	325	(351,484,161)	(294,225,532)
Other payments, transfers, etc.	330	(65,956,940)	(55,491,317)
Net cash from investment activities	340	(716,444,267)	(413,856,318)
<b>Cash flows from financial activities</b>			
Total cash received, including from	350	566,638,473	160,184,992
Proceeds from issue of shares and other equity securities	351	-	-
Proceeds from loans provided to other companies	352	566,638,473	160,184,992
Other receipts	353	-	-
Total cash used, including	360	(246,007,536)	(180,382,267)
Repayment of loans, credits (net of interest)	361	(231,007,536)	(180,382,267)
Settlement of financial lease	362	-	-
Purchased goods, works, services	363	-	-
Other payments, transfers, etc.	364	(15,000,000)	-
Net cash from financial activities	370	320,630,937	(20,197,275)
Net increase (decrease) of cash and cash equivalents	380	3,213,557	(9,836,581)
Cash at the end of reporting year	400	61,674,965	61,234,065
Effect of exchange differences	401	(4,343,482)	(2,872,052)

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

Approved by order of the Russian Federation Ministry of Finance  
dated 22 July 2003 No.67n

**SUPPLEMENT TO THE BALANCE SHEET  
for 2007**

Company OAO «Gazprom»  
Taxpayer identification number  
Field of activity: wholesale  
Legal form/property form:  
Open Joint Stock Company  
Unit of measurement: thousands of RR

	Codes
Form N5 on OKUD	0710005
Date (day, month, year)	31.12.2007
on OKPO	00040778
INN	7736 050 003
on OKVED	51
on OKOPF/OKFS	47/31
on OKEI	384

**Intangible assets**

Parameter		At beginning	Additions	Disposals	At end
name	code	of reporting year			of reporting year
1	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property)	010	774	50,154	-	50,928
including rights of:					
industrial design,					
useful model patent holders	011	253	50,154	-	50,407
owners of software, databases	012	-	-	-	-
owners of IC pattern	013	-	-	-	-
owners of trademarks and service marks,					
name of goods' origin	014	521	-	-	521
patent holders to plants	015	-	-	-	-
Organisational expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Parameter		At beginning of reporting year	At end of reporting year
name	code		
1	2	3	4
Total amortization of intangible assets	050	90	1,133

## Fixed assets

Parameter		At beginning	Additions	Disposals	At end
name	code	of reporting year			of reporting year
1	2	3	4	5	6
Buildings	060	227,401,579	19,095,488	(1,899,757)	244,597,310
Structures and transfer mechanisms	061	5,751,925,095	197,880,204	(3,556,691)	5,946,248,608
Machinery and equipment	062	829,207,192	51,320,473	(6,730,598)	873,797,067
Means of transportation	063	1,570,200	522,954	(155,847)	1,937,307
Production and work appliances	064	2,429,035	905,870	(31,014)	3,303,891
Working livestock	065	2,345	-	(32)	2,313
Productive livestock	066	-	-	-	-
Perennial plants	067	24,402	1,554	(57)	25,899
Other types of fixed assets	068	412,802	9,329	(92,940)	329,191
Plots of lands and natural resources	069	12,368	7,655	-	20,023
Investments in reclamation	070	-	-	-	-
<b>Total</b>	<b>071</b>	<b>6,812,985,018</b>	<b>269,743,527</b>	<b>(12,466,936)</b>	<b>7,070,261,609</b>

Parameter		At beginning of reporting year	At end of reporting year
name	code		
1	2	3	4
Total depreciation of fixed assets	140	4,183,690,552	4,391,632,062
including:			
buildings and structure	141	3,552,052,619	3,734,219,099
machinery, equipment, means of transportation	142	630,296,724	655,814,649
other	143	1,341,209	1,598,314
Total fixed assets leased out	150	6,769,225,985	7,017,437,866
including:			
buildings	151	213,689,330	226,811,368
structure	152	5,729,618,532	5,920,547,820
machinery, equipment, means of transportation	153	824,530,789	868,647,628
other	154	1,387,334	1,431,050
Suspended fixed assets	160	23,869,941	23,612,139
Total fixed assets leased in	161	22,593	214,516
Fixed assets put into operation and being in the process of state registration	162	48,004,429	86,315,033

Form 0710005 p.3

REFERENCE	code	At beginning of reporting year	At beginning of prior year
	2	3	4
Result of fixed assets revaluation:			
historical (replacement) cost	171	-	971,135,407
depreciation	172	-	588,195,898
	code	For reporting period	For the similar period of the prior year
	2	3	4
Changes in the value of fixed assets as a result of fitting-out, rigging up, reconstruction, partial liquidation	180	8,102,810	5,777,042

## Income bearing property

Parameter		At beginning of reporting year	Additions	Disposals	At end of reporting year
name	code				
1	2	3	4	5	6
Assets to be leased out	190	-	-	-	-
Assets for hiring	191	-	-	-	-
Other	192	-	-	-	-
TOTAL	193	-	-	-	-
	code	At beginning of reporting year			At end of reporting year
1	2	3			4
Depreciation of income bearing investments in tangible assets	200	-			-

## Research and development costs

Types of works		At beginning of reporting year	Additions	Disposals	At end of reporting year
name	code				
1	2	3	4	5	6
Total	310	4,015,379	2,685,611	3,023,162	3,677,828

Form 0710005 p.4

REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Total research and development costs in progress	320	1,542,516	2,225,830
	code	For reporting period	For the similar period of the prior year
	2	3	4
Costs related to Research and Development without positive outcome which were charged to other expenses	321	4,012	5,640

## Natural resources development costs

Parameter		At beginning of reporting year	Additions	Disposals	At end of reporting year
name	code	3	4	5	6
Total natural resources development costs	410	2,499,504	10,600,785	(1,350,053)	11,750,236
mineral right licences acquisition costs	411	1,254,054	8,800,672	(103,189)	(8,951,537)

REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Expenses attributable to those areas of subsoil where exploration and/or hydrological survey and other similar works have not been finalized	412	633,489	633,489
	code	For reporting period	For the similar period of the prior year
	2	3	4
Expenses attributable to natural resources development without positive outcome which were charged to other expenses of the current period	413	4,816,041	2,140,741

## Financial investments

Parameter		Long-term		Short-term	
name	code	At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
1	2	3	4	5	6
Total investments					
in share capital of other entities, including	510	638,405,289	1,017,467,498	-	-
subsidiary and associated companies	511	608,285,772	1,000,985,938	-	-
State and municipal securities	515	-	-	775	-

Form 0710005 p.5

Parameter		Long-term		Short-term	
name	code	At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
1	2	3	4	5	6
Total securities of other companies, including	520	65,428	1,000	7,013,972	-
debt securities (bonds, promissory notes)	521	64,428	-	7,013,972	-
Loans provided	525	70,650,189	74,511,621	8,565,069	65,001,423
Deposits	530	5,415,971	4,413,898	1,545,127	652,247
Other	535	58,150,078	64,150,720	139,984	4,301,959
<b>Total</b>	<b>540</b>	<b>772,686,955</b>	<b>1,160,544,737</b>	<b>17,264,927</b>	<b>69,955,629</b>

**Of the total financial investments carried at market value :**

Total investments in share capital of other entities, including	550	375,257,050	559,323,821	-	-
subsidiary and associated companies	551	345,699,265	559,323,821	-	-
State and municipal securities	555	-	-	-	-
Total securities of other companies, including	560	-	-	-	-
debt securities (bonds, promissory notes)	561	-	-	-	-
Other	565	-	-	-	-
<b>Total</b>	<b>570</b>	<b>375,257,050</b>	<b>559,323,821</b>	<b>-</b>	<b>-</b>

**REFERENCE**

Change in value due to measurement adjustments of financial investments at current market value	580	34,899,421	97,713,783	-	-
Difference between acquisition cost and par value of debt securities is charged to financial result of the current period	590	-	-	-	-

**Accounts receivable and accounts payable**

Parameter		At beginning of reporting year	At end of reporting year
name	code	3	4
1	2		
<b>Accounts receivable:</b>			
total short-term	600	562,312,238	769,644,368
including:			
receivables from buyers and customers	601	236,465,915	303,854,594
promissory notes receivable	602	-	-
advances issued	603	16,842,835	27,653,068
other	604	309,003,488	438,136,706
total long-term	610	128,585,647	132,353,114
including:			
receivables from buyers and customers	611	33,548,064	11,866,882
promissory notes receivable	612	-	-
advances issued	613	13,165,550	6,136,550
other	614	81,872,033	114,349,682
<b>Total</b>	<b>620</b>	<b>690,897,885</b>	<b>901,997,482</b>



Form 0710005 p.6

Parameter		At beginning	At end
name	code	of reporting year	of reporting year
1	2	3	4
<b>Accounts payable</b>			
total short-term	630	260,092,721	369,197,720
including:			
settlements with suppliers and contractors	631	130,315,087	149,821,281
advances received	632	932,924	2,752,004
taxes payable	633	15,695,504	20,310,241
promissory notes payable	634	-	-
credits	635	66,677,698	163,329,131
borrowings	636	28,936,146	22,930,638
other	637	17,535,362	10,054,425
total long-term	640	521,988,322	738,798,473
including:			
credits	641	240,564,290	264,161,744
borrowings	642	281,419,139	474,634,283
other	643	4,893	2,446
<b>Total</b>	<b>650</b>	<b>782,081,043</b>	<b>1,107,996,193</b>

**Expenses incurred in ordinary (by cost nature)**

Parameter		At beginning	At end
name	code	of reporting year	of reporting year
1	2	3	4
Materials	710	665,231,335	606,998,959
Wages and salaries	720	6,365,754	5,206,156
Social expenses	730	602,320	558,035
Depreciation	740	219,900,148	205,685,610
Other expenses	750	24,247,031	21,836,352
Total expenses	760	916,346,588	840,285,112
Changes in balances (increase [+], decrease [-]):			
work in progress	765	20,360,528	19,265,891
future period expenses	766	1,143,397	1,364,731
provisions for liabilities and charges	767	45,750	126,814

## COLLATERAL

Parameter		At beginning	At end
name	code	of reporting year	of reporting year
1	2	3	4
Received - total	810	670,237	4,377,485
including:			
promissory notes	811	-	-
including past due notes	812	-	-
Pledged assets	820	670,237	4,377,485
including:			
fixed asset items	821	217,802	4,105,273
securities and other financial investments	822	452,435	272,212
other	823	-	-
Issued - total	830	82,978,534	115,770,989
including:			
promissory notes	831	-	-
including past due notes	832	-	-
Pledged assets, including:	840	817,550	160,625
fixed asset items	841	-	-
securities and other financial investments	842	817,550	160,625
other	843	-	-

Government grants

Parameter		For reporting period		For the similar period of the prior year	
name	code				
1	2	3		4	
Total budget funds received	910	-		-	
		At beginning of reporting year	Received for reporting period	Repaid for reporting period	At end of reporting year
Total credits from the budget	920	-	-	-	-

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

## 1. GENERAL INFORMATION

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

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

As of 31 December 2007 and 2006 the Company employed 5,768 and 5,678 persons, respectively.

### As of 31 December 2007 members of the Board of Directors of OA O Gazprom include:

Medvedev, Dmitry Anatoljevich - Chairman of the Board of Directors

Ananenkov, Alexander Georgievich	Miller, Alexei Borisovich
Bergmann, Burkhard	Sereda, Mikhail Leonidovich
Gazizullin, Farit Rafikovich	Fedorov, Boris Grigorievich
Gref, German Oskarovich	Khristenko, Victor Borisovich
Karpel, Elena Evgenievna	Yusufov, Igor Hanukovich

### As of 31 December 2007 members of the Management Committee of OA O Gazprom include:

Miller, Alexei Borisovich - Chairman of the Management Committee

Ananenkov, Alexander Georgievich	Medvedev, Alexander Ivanovich
Budzuliak, Bogdan Vladimirovich	Pavlova, Olga Petrovna
Vasilieva, Elena Alexandrovna	Podyuk, Vasily Grigorievich
Golko, Yaroslav Yaroslavovich	Rusakova, Vlada Vilorikovna
Golubev, Valery Alexandrovich	Seleznev, Kirill Gennadjevich
Ilyushin, Victor Vasilievich	Fedorov, Igor Yuryevich
Kozlov, Alexander Nikolayevich	Khomyakov, Sergey Fedorovich
Kruglov, Andrei Viacheslavovich	Chujchenko, Konstantin Anatoljevich

### As of 31 December 2007 members of the Internal Audit Commission of OA O Gazprom include:

Arkhipov, Dmitry Alexandrovich - Chairman of the Internal Audit Commission

Askinadze, Denis Arkad'evich	Lobanova, Nina Vladislavovna
Bikulov, Vadim Kasymovich	Oseled'ko, Viktoriya Vladimirovna
Ishutin, Rafael Vladimirovich	Sinev, Vladislav Mikhailovich
Kobzev, Andrey Nikolaevich	Fomin, Andrey Sergeevich

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

### Basis of presentation

The accounting reports of the Company have been prepared in accordance with the accounting and reporting rules effective in the Russian Federation, in particular, Federal Law «On Accounting» No.129-FZ dated 21 November 1996 and the Regulation of Accounting and Reporting in the Russian Federation approved by order of the Russian Federation Ministry of Finance No.34n dated 29 July 1998 as well as other statutory acts forming the accounting and reporting framework of the Russian Federation.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

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

**Assets, liabilities and transactions denominated in foreign currency**

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate as at the date of the relevant transaction. Cash in bank currency and deposit accounts, cash in hand, short-term financial investments and settlement balances, including loans issued and raised, denominated in foreign currency were recorded using the official Rouble exchange rate on 31 December 2007. The rate of exchange as of 31 December 2007 was RR 24.5462 to USD 1 (as of 31 December 2006 - RR 26.3311), RR 35.9332 to EUR 1 (as of 31 December 2006 - RR 34.6965).

Exchange differences that appeared in the reporting year as a result of transactions involving assets and liabilities denominated in foreign currency as well as revaluation of such assets and liabilities as of the reporting date have been recorded as other income and expenses.

**Current and non-current assets and liabilities**

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

**Fixed assets**

Fixed assets include assets which conform to the requirements of the Russian accounting standard «Accounting for Fixed Assets» (RAR 6/01) approved by the order of the RF Ministry of Finance dated 30 March 2001, No.26n. Fixed assets include real estate, which was accounted for starting from the date when they were put to operation and the documents were transferred for the state registration.

The fixed assets put to operation before 01.01.2006 are presented in the balance sheet at replacement cost less depreciation accumulated for the period of their use. The fixed assets put to operation after 01.01.2006 are presented in the balance sheet at historical cost less depreciation accumulated for the period of their use.

Fixed assets acquired and constructed before 1 January 2002 are depreciated based on unified depreciation rates approved by Decree of the USSR Council of Ministers dated 22 October 1990, No.1072 «On Unified Depreciation Rates of Fixed Assets of the USSR National Economy». Fixed assets acquired after 1 January 2002 are depreciated at rates based on their estimated useful lives.

Classification of the fixed assets by depreciation groups approved by Resolution of the Russian Federation Government dated 1 January 2002 No.1, is used as one of the sources of information about useful lives of fixed assets. The Company has adopted the following useful lives for fixed asset groups:

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

**ОАО ГАЗПРОМ**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
 (in thousands of Russian Roubles)

Fixed assets are depreciated on a straight-line basis. No depreciation is accrued on the following:

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

### **Construction in progress**

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

### **Investments**

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

Investments for which the market value is determinable are revalued at current market value at the end of the reporting period. The change in the market value of an investment is recorded in other income and expenses.

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

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

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

### **Inventories**

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

### **Selling and administrative costs**

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

Administrative costs are expensed in full on a monthly basis.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
 (in thousands of Russian Roubles)

### **Trade accounts receivable**

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

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

### **Loans and borrowings received**

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

### **Deferred taxes**

For accounting and reporting purposes the Company recognizes deferred tax assets, deferred tax liabilities, permanent tax assets and permanent tax liabilities, i.e. amounts that can affect current profit tax expenses in the current and/or future reporting periods.

Deferred tax assets and deferred tax liabilities are recognized separately on gross basis within non-current assets and non-current liabilities, respectively.

### **Revenue recognition**

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

## **3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVES**

### **Changes in the 2007 accounting policies**

In connection with the enactment of order of the Russian Ministry of Finance No.154n dated 27 November 2006 'On the Approval of the Regulation on Accounting for Assets and Liabilities Denominated in Foreign Currencies' (PBU 3/2006), to be applied starting from the 2007 accounting reports, the Company changed the procedure of accounting for and reporting of assets and liabilities that are denominated in foreign currency and are payable in roubles according to the law or the contract.

From 1 January 2007, for accounting and reporting purposes the Company shall translate assets and liabilities denominated in foreign currency and payable in roubles, and shall recognize differences arising between the rouble value of an asset or a liability as of the date of payment or the reporting date and the rouble value of the same asset or liability as of the date of its initial recognition in the reporting period or as of the reporting date of the previous reporting period, in the same order as the order stipulated for assets and liabilities payable in foreign currency.

Also, the Company 2007 accounting policy has been amended for changes in classification of property tax expenses. From 1 January 2007 the property tax expense is classified as operating expenses. In 2006 it was classified as other expenses.

Impact of the accounting policy changes on the Company financial statements is disclosed in the Notes 'Opening Balances as of 1 January 2007' and 'Comparative Amounts for 2006'.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

### Opening balances as of 1 January 2007

The 2007 opening balances have been formed by adjusting the 2006 closing balances for the translation of foreign currency denominated settlement balances into roubles.

Line code	Article	Before the adjustment	Adjustment	After the adjustment
241	Trade receivables	223,775,187	(193,378)	223,581,809
245	Advances given	16,869,942	(27,107)	16,842,835
246	Other accounts receivable	309,012,106	(8,618)	309,003,488
470	Retained earnings	945,937,462	(205,656)	945,731,806
621	Trade payables	130,388,044	(72,957)	130,315,087
628	Other accounts payable	15,567,316	49,510	15,616,826

### Comparative amounts for 2006

To ensure comparability of the 2007 profit and loss account the comparative amounts for 2006 have been adjusted for the accounting policy changes related to the property tax.

Line code	Article	Before the adjustment	Adjustment	After the adjustment
22	Cost of property rent	(204,243,671)	(13,592,109)	(217,835,780)
40	Administrative costs	(17,555,687)	(300,984)	(17,856,671)
110	Other expenses	(1,526,822,946)	13,893,093	(1,512,929,853)

### Changes in the 2008 accounting policies

There were no significant changes in the 2008 accounting policies.

## 4. SEGMENT INFORMATION

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

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

- domestic and export sales of gas;
- leasing of assets.

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

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



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	Domestic and export sales of gas	Leasing of assets	Other	Total
<b>For 2007</b>				
Segment revenue	1,406,856,578	234,452,737	133,670,122	1,774,979,437
Segment profit (loss)	461,454,747	(515,292)	25,662,971	486,602,426
Unallocated expenses	x	x	x	(126,152,876)
Capital expenditures for the period	-	197,030,527	4,893,799	201,924,326
Depreciation of fixed assets and intangible assets	-	216,083,614	798,937	216,882,551
Unallocated depreciation of fixed assets and intangible assets	x	x	x	275,225
<b>For 2006</b>				
Segment revenue	1,312,325,670	221,602,053	98,725,258	1,632,652,981
Segment profit (loss)	477,903,915	1,342,564	24,756,344	504,002,823
Unallocated expenses	x	x	x	(160,322,756)
Capital expenditures for the period	-	274,263,510	2,622,317	276,885,827
Depreciation of fixed assets and intangible assets	-	203,461,030	311,154	203,772,184
Unallocated depreciation of fixed assets and intangible assets	x	x	x	358,835
<b>As of 31 December 2006</b>				
Segment assets	381,814,618	3,142,921,831	33,522,552	3,558,259,001
Unallocated assets	x	x	x	994,756,137
<b>Total assets</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>4,553,015,138</b>
Segment liabilities	42,705,360	9,430,798	9,460,645	61,596,803
Unallocated liabilities	x	x	x	836,215,344
<b>Total liabilities</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>897,812,147</b>
<b>As of 31 December 2007</b>				
Segment assets	439,812,915	3,245,422,784	40,964,425	3,726,200,124
Unallocated assets	x	x	x	1,495,217,036
<b>Total assets</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>5,221,417,160</b>
Segment liabilities	50,270,268	13,121,767	9,539,692	72,931,727
Unallocated liabilities	x	x	x	1,192,963,996
<b>Total liabilities</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>1,265,895,723</b>

Transactions with other segments are not carried out. Segment revenue (income) is generated from transactions with buyers other than OA O Gazprom. Administrative costs are allocated by operational segments in proportion to segment revenue. Profit tax expenses and other similar compulsory payments, interests payable and receivable, income from participation in other organizations are not included in segment profit (loss). Other income and expense are not allocated between segments as it is deemed inappropriate or impractical, since the required allocation base is not available.

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

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

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

## 5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
<b>As of 31.12.2006</b>						
Historical (replacement) cost	4,804,262,459	560,121,215	829,207,192	227,401,579	391,992,573	6,812,985,018
Accumulated depreciation	2,904,594,870	405,326,262	629,581,684	90,623,567	153,564,169	4,183,690,552
<b>Net book value</b>	<b>1,899,667,589</b>	<b>154,794,953</b>	<b>199,625,508</b>	<b>136,778,012</b>	<b>238,428,404</b>	<b>2,629,294,466</b>
<b>As of 31.12.2007</b>						
Historical (replacement) cost	4,895,700,763	581,975,027	873,797,067	244,597,310	474,191,442	7,070,261,609
Accumulated depreciation	3,045,272,405	422,217,813	654,985,494	96,995,307	172,161,043	4,391,632,062
<b>Net book value</b>	<b>1,850,428,358</b>	<b>159,757,214</b>	<b>218,811,573</b>	<b>147,602,003</b>	<b>302,030,399</b>	<b>2,678,629,547</b>

Net book value of fixed assets leased out to subsidiaries amounted to 2,650,531,468 and 2,561,758,805 as of 31 December 2007 and 2006, respectively.

## 6. CONSTRUCTION IN PROGRESS

	31 December	
	2007	2006
Construction in progress	168,844,405	225,196,183
Equipment for installation	101,160	106,316
<b>Total</b>	<b>168,945,565</b>	<b>225,302,499</b>

As of 31 December 2007 and 2006 construction in progress balance included assets of 159,320,721 and 216,448,587, respectively (net of accumulated depreciation in the amount 1,038,270 and 760,523, respectively), which had been constructed and put into operation but were still to be registered in the State Register. As of 31 December 2007 most significant assets to be registered in the State Register include 'North-European gas pipeline (part Gryzovets-Vyborg)', 'Trunk Pipeline Kasimovsky UGS - CS Voskresensk', 'Trunk Pipeline Purtazovsky CS - Novourengoysky GCS-2' and certain other production infrastructure assets.

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## 7. INVESTMENTS

### Long-term investments

#### Investments in subsidiaries and associated undertakings

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

#### Investments in other companies

In 2007 the Company increased its interest in OAO Mosenergo from 19.87% to 53.47% as of 31 December 2006 and 2007, respectively. As of 31 December 2006 the investment in OAO Mosenergo was presented in the balance sheet line 'Investments in Other Companies' (line 143). Due to the above increase in interest as of 31 December 2007, the investment in OAO Mosenergo has been presented in the balance sheet line 'Investments in Subsidiaries' (line 141) (see Note 17).

In May 2007 the Company signed a contract with the State Property Committee of the Republic of Belarus under which the Company shall acquire a 50% interest in OAO Beltransgaz for USD 2,500,000 thousand within four years starting from 2007. In accordance with the agreement, in June 2007 the Company acquired a 12.5% interest in OAO Beltransgaz for USD 625,000 thousand (see Note 19).

Investments in other companies (balance sheet line 143) are presented net of provision for impairment in amount of 212,625 and 212,630 as of 31 December 2007 and 2006, respectively.

#### Loans provided to companies for a period over 12 months

In November 2006 the Company provided a loan to Gazprom Germany GmbH guaranteed by OAO Novatek securities with the maturity in 2007-2013 and the interest rate of 6.2%. As of 31 December 2007 the Company did not receive any shares of OAO Novatek as collateral. The loan as of 31 December 2006 was 54,575,811, including the current portion 2,053,826 presented in the balance sheet line 'Loans Provided to Entities for a Period of Less Than 12 Months' (line 251). In December 2007 the Company signed an amendment to the loan agreement under which the total debt amount including accrued interest shall be paid in 2013, therefore as of 31 December 2007 the current portion of the loan is nil. As of 31 December 2007 the loan presented in the balance sheet line 'Loans Provided to Entities for a Period of More Than 12 Months' (line 144) was 48,961,690.

In 2007 the Company provided a number of loans to OAO Severneftegazprom at 6.03%-7.2% interest rates and maturity periods from 2008-2015. The loans as of 31 December 2007 were 20,387,541.

Other long-term loans presented in the balance sheet line 'Loans Provided to Entities for a Period of More Than 12 Months' (line 144) are mainly represented by loans provided to subsidiaries, including the interest-free loan issued in 2002 to the subsidiary Gazprom Dobycha Noyabrsk due in 2009. The loan as of 31 December 2007 and 2006 was 911,745 and 1,891,518 respectively.

#### Other long-term investments

	31 December	
	2007	2006
Joint activity, including	56,688,681	47,717,960
development of oil and gas fields on the Barents and Pechora Seas shelf (operator - Sevmorneftegaz)	41,373,063	35,688,601
development of a satellite communication system (operator - OAO Gazcom)	3,165,102	3,035,973
Long-term promissory notes of subsidiaries	-	64,428
Long-term deposits	4,413,898	5,415,971
Other, including:	5,390,918	8,379,939

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	31 December	
	2007	2006
South Pars (oil and gas field located in Iran)	5,363,398	8,216,984
<b>Total</b>	<b>66,493,497</b>	<b>61,578,298</b>

Other Long-Term Investments (balance sheet line 140) are presented net of the impairment provision in the amount of 2,072,121 and 2,053,179 as of 31 December 2007 and 2006, respectively. The provision relates to investments in joint activities.

#### Short-term investments

In April 2007 the Company issued a loan to Gazprom Sakhalin Holding B.V in the amount of USD 2,300,000 thousand at 5.79% interest rate and maturity period in 2008. The loan payable as of 31 December 2007 was 56,456,260 (see Note 17).

Other short-term loans presented in the balance sheet line 'Loans Provided to Entities for a Period of Less Than 12 Months' (line 251) are mainly represented by loans provided to subsidiaries in the amount of 8,441,816 and 4,775,962 as of 31 December 2007 and 2006, respectively. Short-term loans are presented net of impairment provision in the amount of 9,695 and 16,395 as of 31 December 2007 and 2006, respectively.

As of 31 December 2006, short-term investments included third party promissory notes in the amount of 7,013,972. As of 31 December 2007 the Company did not have third party promissory notes.

## 8. ACCOUNTS RECEIVABLE

#### Trade accounts receivables

	31 December	
	2007	2006
Accounts receivable for gas sold:	251,948,480	208,297,949
on the territory of Russia	62,864,863	38,274,649
outside Russia (net of impairment provision in amount of 11,992,147 and 12,419,437 as of 31 December 2007 and 2006 respectively), including	189,083,617	170,023,300
far abroad countries (net of impairment provision in the amount of 3,224,816 and 8,873,567 as of 31 December 2007 and 2006 respectively)	126,878,489	115,013,601
Accounts receivable for assets leasing services (net of impairment provision in amount of 30,813 and 43,479 as of 31 December 2007 and 2006 respectively)	25,370,099	24,941,499
Accounts receivable for gas transportation services (net of impairment provision in amount of 289,836 and 353,671 as of 31 December 2007 and 2006 respectively)	2,152,359	452,351
Accounts receivable for gas condensate and refinery products sale (net of impairment provision in amount of 65,315 and 67,519 as of 31 December 2007 and 2006 respectively)	4,467,514	3,585,731
Other trade accounts receivables	19,404,913	19,852,343
<b>Total</b>	<b>303,343,365</b>	<b>257,129,873</b>

The increase in accounts receivable for gas was primarily due to increases in accounts receivable from OOO Mezhhregiongaz and RosUkrEnergo AG.

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OOO Mezhhregiongaz accounts receivable for gas sold as of 31 December 2007 and 2006 were 56,658,737 and 33,203,549, respectively. The increase was due to the increase of prices for gas sold on the territory of Russia and due to overdue accounts receivable for gas sold by the Company from December 2006 till November 2007.

RosUkrEnergo AG accounts receivable as of 31 December 2007 and 2006 were 51,162,562 and 41,848,254 respectively. In 2006 RosUkrEnergo AG debt was partially restructured. As of 31 December 2007 and 2006 the long-term part of the restructured account receivable presented in the balance sheet line 'Trade Accounts Receivable (payments expected beyond 12 months after the reporting date)' (line 231) was 6,946,575 and 14,903,403, respectively.

In 2007 the Company and OOO Factoring-Finance, a related party of the Company, signed a debt assignment agreement to OOO Mezhhregiongaz accounts receivable in the total amount of 14,798,781, including accounts receivable in amount of 14,477,662 for gas supplied in 2002-2004 and accounts receivable interesting amount of 321,119 for penalty and interest. Under the debt assignment agreement the Company should receive from OOO Factoring-Finance 14,798,781 by 2010. As of 31 December 2007 accounts receivable from OOO Factoring-Finance presented in the balance sheet line 'Trade Accounts Receivable (payments expected beyond 12 months after the reporting date)' (line 235) was 12,874,625.

Short term trade accounts receivable recorded in the balance sheet line 'Trade Accounts Receivable (payments expected within 12 months after the reporting date)' (line 241) are presented net of bad debt provision in amount of 12,378,111 and 12,884,106 as of 31 December 2007 and 2006, respectively. Bad debt provision was calculated net of deferred excise in amount of 726,920 and 1,909,439 as of 31 December 2007 and 2006, respectively. Deferred excise reduces the balance sheet line 'Other creditors' (line 628).

#### **Advances given**

Balance sheet line 'Advances given' (accounts receivable payments for which are expected beyond 12 months after the reporting date) (line 234) includes advance payment to NAK Naftogaz Ukraine for gas transportation services in 2007-2009 in amount of 6,136,550 and 13,165,550 as of 31 December 2007 and 2006, respectively. Current portion of this advance in amount of 6,136,550 and 6,582,775 is presented in the balance sheet line 'Advances given' (accounts receivable payments for which are expected within 12 months after the reporting date) (line 245) as of 31 December 2007 and 2006, respectively.

#### **Other accounts receivable**

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

The long-term portion of receivables from subsidiaries related to amounts received for financing of the investment projects is presented in the balance sheet line "Receivables from Other Debtors (payments expected beyond 12 months after the reporting date)" (line 235) in amount of 89,467,644 and 68,520,388 as of 31 December 2007 and 2006, respectively.

The current portion of receivables from subsidiaries related to amounts received for financing of the investment contracts is presented in balance sheet line "Receivables from other debtors (payments expected within 12 months after the reporting date)" (line 246) in the amount of 309,966,183 and 224,239,414 as of 31 December, 2007 and 2006, respectively.

As of 31 December 2007 and 2006, accounts receivable in the balance sheet line "Other accounts receivable (payments expected within 12 months after the reporting date)" (line 246) includes accounts receivable in amount of 39,365,574 due from OOO "Gazoenergeticheskaya kompaniya" for a guarantee issued by the Company (see Note 17). The Company issued the guarantee to secure the loans obtained by OOO "Gazoenergeticheskaya kompaniya" from OA O Gazprombank to finance the purchase of RAO UES Rossii shares.

#### **9. MONETARY ASSETS**

The balance sheet line "Other monetary assets" (line 264) includes cash balances in the amount of 2,892,116 and 2,876,524 as of 31 December 2007 and 2006, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings (see Note 11).

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The Cash Flow Statement line "Other income" (line 117) includes cash paid to the Company by principals under gas transit agency agreements in amounts of 33,748,527 and 31,551,167 in 2007 and 2006, respectively.

The Cash Flow Statement line "Other expenses" (line 192) includes cash paid by the Company to contractors (subsidiaries) as payment for gas transport services under the above agency agreements in amounts of 37,852,582 and 32,190,589 in 2007 and 2006, respectively.

## 10. SHAREHOLDERS' EQUITY

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand fully paid common shares with the nominal value of RR 5 each) and did not change in 2007.

In accordance with the resolution of the general shareholders' meeting, based on the Company 2006 results final dividends were accrued in the amount of RR 2.54 per common share. Based on the 2005 results the dividends were accrued in the amount of RR 1.5 per common share.

In 2007 and 2006, the Company did not make any contributions to the reserve fund from net profit as the target limit of the fund was reached (7.3% of the charter capital).

## 11. LOANS AND BORROWINGS

### Bank loans

Lender	Currency	Maturity period	31 December	
			2007	2006
Morgan Stanley				
Bank International Ltd. <sup>1</sup>	US Dollar	2013	-	47,557,807
ABN AMRO Bank N.V.	US Dollar	2013	44,334,017	-
Citibank International Plc <sup>1</sup>	US Dollar	2007-2008	43,050,890	-
Credit Suisse International <sup>1</sup>	US Dollar	2009	40,249,614	-
Deutsche Bank AG	US Dollar	2008-2014	29,617,354	31,776,062
ABN AMRO Bank N.V. <sup>1</sup>	US Dollar	2008-2012	24,809,310	-
ABN AMRO Bank N.V. <sup>1</sup>	US Dollar	2008-2010	24,804,605	-
ABN AMRO Bank N.V. <sup>1</sup>	US Dollar	2007-2010	24,428,628	35,765,012
Dresdner Bank AG <sup>1</sup>	US Dollar	2007-2010	23,282,830	33,142,809
Salomon Brothers AG	US Dollar	2007-2009	17,523,503	32,183,540
Dresdner Bank AG <sup>1</sup>	US Dollar	2007-2008	15,515,920	33,135,495
Credit Suisse International	Euro	2009	14,466,647	13,968,754
Credit Suisse International <sup>1</sup>	US Dollar	2017	12,877,482	-
Depfa Investment Bank Ltd. <sup>1</sup>	US Dollar	2008	12,590,496	13,502,442
Credit Suisse International	US Dollar	2009	12,291,690	-
Credit Suisse International	US Dollar	2008	12,040,997	-
JP Morgan Chase Bank <sup>1</sup>	Roubles	2007-2010	11,833,443	-
Credit Suisse International	Euro	2010	9,036,266	8,719,531
Deutsche Bank AG	US Dollar	2008-2011	8,717,403	9,357,600
Credit Suisse International	Euro	2008	7,278,533	7,008,896
Credit Suisse International	Euro	2008	7,245,649	6,996,278
ABN AMRO Bank N.V. <sup>1</sup>	US Dollar	2007-2008 <sup>2</sup>	5,673,506	-
JP Morgan Chase Bank	US Dollar	2008-2011	4,942,115	5,301,767
Credit Suisse International	US Dollar	2009	4,930,571	5,292,753
PNB PARIBAS S.A. <sup>1</sup>	US Dollar	2008	4,913,179	5,270,817
ABN AMRO Bank N.V. <sup>1</sup>	US Dollar	2007-2009	4,105,274	6,608,667
Mannesmann (Deutsche Bank AG) <sup>1</sup>	Euro	2007-2008	3,011,265	5,814,135
Deutsche Bank AG	US Dollar	2007-2009	1,671,673	2,987,997

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Lender	Currency	Maturity period	31 December	
			2007	2006
Other bank loans	Various	Various	2,248,015	2,851,626
<b>Total</b>			<b>427,490,875</b>	<b>307,241,988</b>
Including:				
Due within one year,				
including current portion of long term loans			163,329,131	66,677,698

Total amount of loans received in 2007 was 272,844,985, total amount of loans repaid in 2007 was 257,709,682.

As of 31 December 2007 and 2006 long-term loans in amount of 28,645,411 and 33,901,428, respectively, are secured by revenue from export sales of gas to Western Europe.

As of 31 December 2007 long-term bank loans included the loan from Salomon Brothers AG received in 2002 in connection with the issuance of USD 700 million of Loan Participation Notes due 2009 at 10.5% interest rate and a long-term loan received from Morgan Stanley Bank International Ltd. in connection with the issuance in 2003 of USD 1,750 million of Loan Participation Notes due 2013 at 9.6% interest rate. In 2007 Morgan Stanley Bank International Ltd. transferred its rights to the above loan to ABN AMRO Bank N.V. According to the loan assignment agreement the interest rate and repayment terms were not changed.

In 2007 interest rates on the long-term bank loans denominated in foreign currency ranged from 3.76% to 10.5%. In 2006 the similar rates ranged from 2.01% to 10.5%.

In 2006 interest rates on the short-term bank loans denominated in foreign currency ranged from 2.38% to 5.46%. In 2007 the Company did not raise short-term loans denominated in foreign currency.

In 2007 interest rates on long-term loans denominated in Russian roubles were 6.77%. In 2006 the Company did not raise long-term loans denominated in Russian roubles.

### Borrowings

Lender	Currency	Maturity period	31 December	
			2007	2006
Gaz Capital S.A.	Euro	2018	43,650,533	-
Gaz Capital S.A.	US dollar	2013	39,434,839	-
Gaz Capital S.A.	Euro	2015	37,164,661	35,885,578
Gaz Capital S.A.	Euro	2010	36,668,358	35,408,301
Gaz Capital S.A.	Euro	2012	36,033,334	34,793,188
Gaz Capital S.A.	US dollar	2016	33,360,373	35,786,204
Gaz Capital S.A.	US dollar	2022	32,567,886	-
Gaz Capital S.A.	US dollar	2037	31,521,309	-
Gaz Capital S.A.	US dollar	2034	29,900,033	32,074,242
Gaz Capital S.A.	Euro	2014	29,225,263	27,316,879
Gazprom International S.A.	US dollar	2007-2020	28,645,411	33,901,428
Gaz Capital S.A.	Euro	2014	25,381,796	-
Gaz Capital S.A.	Euro	2017	18,685,146	17,443,454
Gaz Capital S.A.	Euro	2017	18,126,827	-
Gaz Capital S.A.	US dollar	2012	6,457,154	-
Gazstream S.A.	US dollar	2007-2010	5,673,215	7,050,305
Gazprom Finance B.V.	Russian Roubles	2008	5,395,712	-
Liberty Hamshir Corporation (DE)	Russian Roubles	2007-2009	5,066,840	7,600,261
Gazstream SA	US dollar	2007-2012	4,767,553	7,248,395



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Lender	Currency	Maturity period	31 December	
			2007	2006
Gaz Capital S.A.	US dollar	2010	4,303,078	-
A4 series Russian bonds	Russian Roubles	2010	5,155,400	5,154,250
A6 series Russian bonds	Russian Roubles	2009	5,137,100	5,136,150
A9 series Russian bonds	Russian Roubles	2014	5,129,750	-
A8 series Russian bonds	Russian Roubles	2011	5,057,550	5,056,600
A7 series Russian bonds	Russian Roubles	2009	5,055,800	5,054,900
A3 series Russian bonds	Russian Roubles	2007	-	10,360,000
A5 series Russian bonds	Russian Roubles	2007	-	5,085,150
<b>Total</b>			<b>497,564,921</b>	<b>310,355,285</b>
Including:				
Due within one year, including current portion of long term borrowings			22,930,638	28,936,146

Total amount of borrowings received in 2007 was 315,638,226; total amount of borrowings repaid in 2007 was 44,821,261.

As of 31 December 2007 and 2006 the long-term borrowings include the loan from Gaz Capital S. A. related to bonds issued in 2004 in amount of USD 1,200 million due on 28 April 2034 at 8.63% interest rate. The bonds issued can be redeemed in the amount of a principal and interest accrued on 28 April 2014 (date of exercise of put option).

In 2007 and 2006 interest rates on long-term borrowings denominated in foreign currency received from Gaz Capital S.A., Gazprom International and Gazstream as a result of Loan Participation Notes ranged from 4.56% to 8.63%.

In 2007 interest rates on long-term borrowings (including bonds) denominated in Russian Roubles ranged from 6.25 to 8.22% (2% to 8.22% in 2006).

In 2007 the interest rate on short-term borrowings denominated in Russian Roubles was 5%. In 2006 the Company did not raise short-term borrowings denominated in Russian Roubles.

## 12. TAXATION

### Profit tax

Theoretical profit tax of the reporting year determined based on accounting profit and statutory rates amounted to 115,785,554 (in 2006 - 111,564,975). According to the tax returns the profit tax in 2007 presented in the line "Current profit tax" amounted to 122,668,035 (in 2006 - 131,915,177), including profit tax according to adjusted tax returns for 2004-2006 in amount of 196,893 and according to tax return for 2007 in amount of 122,471,142.

In 2007 excess of non-temporary differences, which increase the taxable profit over non-temporary differences which decrease the taxable profit amounted to 183,575,323 (in 2006 - 166,815,500). The non-temporary differences arise from non-deductible expenses, in particular such as excess of depreciation charge of fixed assets revalued in accounting over depreciation charge of those fixed assets in tax accounting.

In 2007 deductible temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense amounted to 9,852,451 (in 2006 - 7,015,573). Deductible temporary differences redeemed in the reporting year totaled 2,968,115 (in 2006 - 7,542,931).

In 2007 deferred tax assets amounting to 6,275 were written-off to profit and loss account of the reporting year (in 2006 - 13,525).

Deductible temporary differences primarily arise from longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes.



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In 2007 taxable temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense (calculated based on tax accounts) amounted to 170,486,806 (in 2006 - 88,383,770). Taxable temporary differences redeemed in the reporting year amounted to 8,689,009 (in 2006 - 7,097,713).

In 2007 deferred tax liabilities amounting to 832 were written-off to profit and loss account of the reporting year (in 2006 - 68).

Taxable temporary differences primarily arise from:

- longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes;
- recognition for tax purposes of capital expenditures in amount of 10% from historical value of assets put into operation;
- different timeline of recognition of gas storage costs in accounting and tax accounting records;
- revaluation of investments, for which the current market value can be determined.

### Other taxes

For value-added tax (VAT) purposes the Company recognized revenues on the cash basis before 01.01.2006. From 1 January 2006 the Company has been recognizing sales for VAT purposes at the moment when goods (products, work, services) are shipped (provided).

In the reporting year VAT accrued upon dispatch (transfer) of goods (works, services, property rights) including VAT accrued upon receipt of payment, partial payment against forthcoming supplies of goods (works, services, property rights) totaled 189,075,186.

In the reporting year VAT payable (related to settled accounts receivable for goods (products, work, services) shipped in prior reporting periods totaled 2,418,115.

Outstanding deferred VAT and deferred excise were 1,016,151 and 5,528,064 as of 31 December 2007 and 2006, respectively.

### 13. SALES OF GOODS, WORK AND SERVICES

	Year ended 31 December	
	2007	2006
Revenue from gas sales:		
on the territory of Russia	426,975,003	366,225,612
outside Russia, including	979,881,575	946,100,058
far-abroad countries	749,815,724	754,319,678
	<b>1,406,856,578</b>	<b>1,312,325,670</b>
Revenue from assets leasing	234,452,737	221,602,053
Revenue from sale of gas condensate and refined products	88,930,578	74,042,322
Revenue from sale of gas transportation services	43,055,537	23,421,453
Other	1,684,007	1,261,483
<b>Total</b>	<b>1,774,979,437</b>	<b>1,632,652,981</b>

The 7.2% increase in gas sales revenues was primarily as a result of prices increase on natural gas sold on the territory of Russia and to Former Soviet Union countries.

Starting from December 2006 the Company provided gas transportation services to OOO Mezhtregiongas for gas purchased from independent suppliers. Until December 2006 the Company did not provide OOO Mezhtregiongas such services as all gas of independent suppliers was purchased by the Company. As a result, in 2007 revenue from sale of gas transportation services increased.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

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

	Year ended 31 December	
	2007	2006
Purchase cost of gas, including gas sold		
in Russia	158,128,947	137,383,348
outside Russia, including	228,956,077	165,244,172
far-abroad countries	81,840,098	58,508,735
	387,085,024	302,627,520
Gas transportation costs, including:		
in Russia	248,703,500	235,932,713
outside Russia, including	290,845,900	281,508,339
far-abroad countries	252,591,064	239,088,700
	539,549,400	517,441,052
Cost of assets leasing	231,840,439	217,835,780
Cost of purchased gas condensate, oil products and their refinery and transportation	53,811,657	38,779,148
Cost of gas transportation services	50,661,520	32,305,047
Cost of other sales	1,750,821	1,804,940
<b>Total</b>	<b>1,264,698,861</b>	<b>1,110,793,487</b>

Increase in expenses for gas purchases resulted from increase in internal settlement prices of gas purchased from the Company's subsidiaries and an increase in price for gas purchased in Turkmenistan.

The increase in gas transportation costs mainly resulted from the increase in Inter-Group Transportation Tariffs.

The increase in sales and cost of assets leasing was due to fixed assets constructed in 2006-2007, put into operation and leased out in 2007.

**15. OTHER OPERATING INCOME AND EXPENSES**

	Year ended 31 December			
	2007		2006	
	Income	Expenses	Income	Expenses
Sale of foreign currency	1,850,277,639	1,851,486,957	1,363,085,461	1,363,826,540
Exchange difference on foreign exchange transactions	86,663,108	74,261,477	66,226,647	44,508,426
Contributions in subsidiaries' property	x	62,562,235	x	51,493,566
Movement of securities, including promissory notes	34,754,770	20,756,931	33,209,219	19,653,267
Debt transfers related to accounts receivable (see Note 8)	18,581,345	19,516,075	-	-
Bank services	x	5,141,726	x	1,992,342
Bad debt provision	4,173,551	4,852,299	45,138	2,663,089
Expenses on natural resources development	x	4,816,041	x	2,140,741
Market value revaluation of investments	100,579,660	2,865,876	35,189,043	289,622
Contingent liabilities provision	-	1,681,976	-	6,708,508
Investment impairment provision	544,202	303,639	1,293,591	1,440,254
Other	9,768,435	27,493,978	10,951,639	18,213,498
<b>Total</b>	<b>2,105,342,710</b>	<b>2,075,739,210</b>	<b>1,510,000,738</b>	<b>1,512,929,853</b>

Income and expenses from securities movements for 2007 include income and expenses from sale of investments in OA O AK Sibur and OA O Sibur Holding (see Note 17). The profit resulting from the above transactions amounted to 13,750,190.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

Income and expenses from securities movements for 2006 include income and expenses from sale of investments in OA O Gazprombank (see Note 17). The profit resulting from the above transactions amounted to 13,835,326.

In 2007 income and expenses resulting from debt assignment include income and expenses from OOO Mezhhregiongas accounts receivable assignment for gas supplies and penalties accrued and GP Serbiagas accounts receivable assignment for gas supplies. OOO Mezhhregiongas accounts receivable was transferred to OOO Factoring-Finance (see Note 8). GP Serbiagas accounts receivable was transferred to Russian Ministry of Finance. As a result of these transactions loss was recognized in amount of 943,459.

In 2007 due to Serbiagas accounts receivable transfer income from bad debt provision release was recognised in amount of 3,840,280 (less excise in amount of 1,067,453).

Contributions in subsidiaries' property were made based on participants (the Company) decisions approved during 2004-2007. As of 31 December 2007 and 2006 unpaid contributions in the subsidiaries' property according to participant's decisions was in amount of 15,780,511 and 7,597,211, respectively.

## 16. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year.

The weighted average number of shares totaled to 23,673,513 thousand during the years ended 31 December 2007 and 2006.

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

## 17. RELATED PARTIES

### Principal subsidiaries, 100% owned by OA O Gazprom:

OOO Burgaz	OOO Gazkomplektimpex	OOO Gazprom trans, Orenburg
OOO VNIIGAZ	OOO Gazsviaz	OOO Gazprom transgas, Yugorsk
OOO Gazprom dobycha, Astrakhan	OOO Gazflot	OOO Gazprom trans, Urengoi
OOO Gazprom dobycha, Noyabrsk	OOO Gaznadzor	OOO Gazprom trans, Surgut
OOO Gazprom dobycha, Nadym	OOO Gazobezopasnost	OOO Gazprom pererabotka
OOO Gazprom dobycha, Orenburg	OOO Gazoenergeticheskaya kompaniya	Gazprom Sakhalin Holding B.V.
OOO Gazprom dobycha, Urengoi	OOO Gazprom export	ZAO Yamalgazinvest
OOO Gazprom dobycha, Yamburg	OOO Gazprom PHG	Gazprom-Finance B.V.
OOO Gazprom transgas, Volgograd	OOO Aviapredpriyatiye GAZPROMAVIA	Gazprom (UK) Ltd
OOO Gazprom transgas, Kazan	OOO Gazprominvestholding	
OOO Gazprom transgas, Moskva	OOO IRC Gazprom	
OOO Gazprom transgas, Makhachkala	OOO Informgaz	
OOO Gazprom transgas, Nizhny-Novgorod	OOO Kavkaztransgaz	
OOO Gazprom transgas, Ekaterinburg	OOO Krasnoyarskgasdobycha	
OOO Gazprom transgas, St.-Petersburg	OOO Kubangazprom	
OOO Gazprom transgas, Samara	OOO Mezhhregiongaz	
OOO Gazprom transgas, Saratov	OOO Novourengoysky GHK	
OOO Gazprom transgas, Surgut	OOO Purgasdobycha	
OOO Gazprom transgas, Tomsk	OOO Sevmorneftegaz	
OOO Gazprom transgas, Ufa	OOO Szhizhennyi gaz	
OOO Gazprom transgas, Ukhta	OOO Surgutstroygas	
OOO Gazprom transgas, Chaikovsky	OOO TyumenNIIgiprogaz	

**OAO GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
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All the above companies, excluding Gazprom-Finance B.V. and Gazprom Sakhalin Holding B.V., which are registered in Holland and Gazprom (UK) Ltd., which is registered in Great Britain, are registered in Russia. These companies are mainly engaged in producing, transporting and selling natural gas.

In 2007 the Company continued reorganization of its wholly-owned subsidiaries. For the purposes of separation of core types of activities in the specialized companies the following wholly-owned subsidiaries were founded in 2007: OOO Gazprom PHG, OOO Gazprom pererabotka, OOO Gazprom Severpodzemremont, OOO Gazprom Yugpodzemremont. Also, in 2007 consolidation in the specialized companies of core types of activities and assets, which were spun-off from gas transportation and gas producing subsidiaries to the separate legal entities, were commenced.

According to the decision of the Board of Directors on the Group's participation in Sakhalin Energy Investments Company Ltd. in April 2007 the Company founded a wholly-owned subsidiary Gazprom Sakhalin Holding B.V. with charter capital of Euro 5,131,592,308. As of 31 December 2007 the charter capital of Gazprom Sakhalin Holding B.V. was paid in full.

As of 31 December 2007, OOO Gazoenergeticheskaya kompaniya owned a 10.49% interest in RAO UES Rossii.

**Other significant subsidiary companies of OAO Gazprom:**

<b>Company</b>	<b>% of interest</b>	<b>Type of activity</b>	<b>Location</b>
OOO GazpromPurInvest	99.99	Investing	Russia
OAO Tsentrغاز	99.99	Construction	Russia
OAO Vostokgazprom	99.98	Production, processing and sales of gas and gas condensate	Russia
ZAO Kaunasskaya TEC	99.50	Generation and sales of electricity	Lithuania
OAO Gazpromtrubinvest	99.36	Manufacturing and sales of pipes	Russia
OOO Gaztorgpromstroy	99.00	Trading	Russia
OAO Zapsibgazprom	76.69	Construction	Russia
OAO Severneftegazprom	65.00	Production, processing and sales of gas and gas condensate	Russia
ZAO Stimul	61.80	Production, processing and refinery of oil	Russia
OAO Gazprom neft	59.01	Production, processing and sales of oil	Russia
OAO Mosenergo	53.47	Generation and sales of electricity	Russia
ZAO Armrosgazprom	53.38	Transportation and gas sales	Armenia
OAO Volgogradneftemash	51.50	Manufacturing oil and gas refinery equipment	Russia
OAO Gazenergoservice	51.00	Maintenance of equipment	Russia
Nord Stream AG	51.00	Construction	Switzerland
DOAO Spetsgazavtotrans OAO Gazprom	51.00	Transportation services	Russia

In May 2007 the Company sold 50.7% interest in OAO AK Sibur for 2,933,000 in cash to AO Sibur Holding (see Note 15).

In December 2006 the Company purchased from ZAO Lider (company managing the assets of NPF Gazfund) a 19.87% interest in OAO Mosenergo for 28,581,132 in cash. In June 2007 the Company purchased from ZAO Lider a 10.09% interest in OAO Mosenergo for 17,088,600 in cash. In May 2007 as a result of the additional share issue the Company purchased shares of OAO Mosenergo for 60,041,174 increasing its interest to 49.9%. In September 2007 the Company issued public offer to other shareholders of OAO Mosenergo to repurchase their shares as a result of public offer the Company purchased 3.57% interest in OAO Mosenergo for 9,223,213. The Company's interest in OAO Mosenergo constituted 53.47% and 19.87% as of 31 December 2007 and 2006, respectively (see Note 7).

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**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

**Major associated companies of OAO Gazprom:**

<b>Company</b>	<b>% of interest</b>	<b>Type of activity</b>	<b>Location</b>
AO Moldovagaz	50.0	Transportation and sale of gas	Moldova
AO Slovrusgaz	50.0	Sale of gas	Slovakia
Blue Stream Pipeline Company B.V.	50.0	Gas transportation	Netherlands
TOO KazRosGaz	50.0	Transportation and sale of gas	Kazakhstan
RosUkrEnergo AG	50.0	Transportation and sale of gas	Ukraine
EuRoPol Gaz s.a.	48.0	Transportation and sale of gas	Poland
AO Turusgaz	45.0	Sale of gas	Turkey
OAO Gazprombank	41.7	Banking	Russia
AO Lietuvos Dujos	37.1	Transportation and sale of gas	Lithuania
ZAO Rosshelf	39.5	Production of gas	Russia
AO Latvias Gaze	34.0	Transportation and sale of gas	Latvia
ZAO Stella Vitae	30.0	Transportation and sale of gas	Lithuania
AO Gazum	25.0	Sale of gas	Finland

In January 2007 the Company purchased from Arosgas Beteiligungs Holding AG 50% interest in RosUkrEnergo AG amounting for Euro 2,360 thousand in cash.

In December 2006 the Company sold the interest of NPF Gazfund in the share capital of OAO Gazprombank (24.9%) for 17,208,967 in cash. Also in December 2006 the placement of the additional issue of OAO Gazprombank in favor of NPF Gazfund was finalized. As a result of these transactions the Company's interest in the share capital of OAO Gazprombank reduced to 41.7% (see Note 15).

In June 2007 the Company sold the 25% interest in OAO Sibur-Holding for 23,047,000 in cash to ZAO Lider (see Note 15).

Investments in associated companies (the balance sheet line 142) are presented net of impairment provision in amount of 766,899 and 761,001 as of 31 December 2007 and 2006, respectively (see Note 17).

**Other major related parties**

Wingas GmbH	Gazprom Marketing and Trading Ltd
OAO Novatek	AO Fragaz
Wintershall Erdgas Handelshaus GmbH	AO Overgaz Inc
Wintershall Erdgas Handelshaus Zug AG	AO Panrusgaz
Gas und Warenhandels-gesellschaft GmbH	AO Promgaz S.P.A.
Gazprom Germany GmbH	AO Prometheus Gaz
ZMB (Schweiz) AG	ZAO Gasenergoprom-Invest
Zarubezhgaz-Management	OAO Sibur-Tyumen
und Beteiligungsgesellschaft mbH	OOO Neftekhim-Leasing
	OAO Salavatnefteorgsintez

The Company owns directly or through its subsidiaries the blocks of shares or has ownership interest in the above companies. In addition, the Company has its representatives in the Boards of Directors thus influencing their business significantly. The above companies, except for OOO Neftekhim-Leasing, OAO Sibur-Tyumen and OAO Salavatnefteorgsintez are engaged in gas transport and sales in the countries of their registration.

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**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
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**Related party transactions**

In the reporting period the Company purchased gas, gas condensate, refined products, transportation, gas storage and refinery services from its subsidiaries and associated companies.

Prices for gas and gas transportation services purchased from subsidiary companies were set in accordance with the Price-List «Internal Settlement (wholesale) Prices of Gas and Internal Settlement Tariffs for Gas Transportation and Storage for OAO Gazprom Entities» approved by OAO Gazprom («inter-group tariffs»).

In the reporting period the Company sold gas to its subsidiaries and associated companies. Besides, the Company sold gas, gas condensate and refined products through its subsidiary companies.

Gas sales to the major subsidiaries, except for ZAO Kaunasskaya TEC, were performed based on the above Price-List. Gas sales to ZAO Kaunasskaya TEC, were performed at fixed prices based on the annual contracts.

Gas prices per thousand cubic meters to the major associated companies and other major related parties varied:

- in the domestic market - from USD 30 to USD 31 in 2007 and from USD 18 to USD 20 in 2006;
- in the external market - from USD 72 to USD 512 in 2007 and from USD 87 to USD 355 in 2006.

During 2007 and 2006 the Company supplied liquid hydrocarbon products and gas condensate to OAO Salavatnefteorgsintez for 14,080,772 and 12,514,280 (net of VAT), respectively. Sales of hydrocarbon products and gas condensate were performed based on market prices.

As of 31 December 2007 the amounts due from OAO Salavatnefteorgsintez totaled 1,130,198. As of 31 December 2006 the amounts owed to OAO Salavatnefteorgsintez for advances received totaled 1,378,856 (net of VAT).

During 2007 and 2006 the Company supplied gas to its major associated companies and other major related parties for 377,861,452 and 368,581,193 (net of VAT, excise, custom duties and similar payments) respectively.

As of 31 December 2007 and 2006 the amounts due from the major associated companies and other major related parties to the Company totaled 111,151,378 and 103,386,021, respectively. As of 31 December 2007 amounts due from AO Moldovagaz were impaired for the amount of 8,767,331.

In addition, the Company purchased gas transportation services from some major associated companies and other major related parties (both, directly and via the commissioner OOO Gazprom export) that totaled 24,938,647 and 22,892,874 for 2007 and 2006, respectively. Some of the above services were received under agent agreements.

The amount of guarantees issued by the Company on behalf of its related parties totaled 94,903,245 and 56,777,051 as of 31 December 2007 and 2006, respectively (see Note 18).

**Remuneration to members of the Board of Directors and Management Committee**

In 2007 and 2006 the Company paid remunerations to the members of the Board of Directors within the limits approved by the annual general meeting of shareholders, and wages and bonuses to the Management Committee as per their labor contracts, amounting to 790,776 and 632,480, respectively.

**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
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## 18. CONTINGENCIES

### Contingencies in respect of guarantees issued

	31 December	
	2007	2006
Guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	28,608,054	36,097,915
ZAO Gasenergoprom-Invest	28,779,531	-
OOO Sevmorneftegaz	10,045,615	4,433,765
EM Interfinance Ltd.	6,135,470	7,153,052
Devere Capital International Limited	5,543,203	6,445,717
Blackrock Capital Investments Limited	5,528,487	6,460,367
OOO Novourengoysky GHK	4,930,958	2,702,083
ZAO Achimgas	4,590,737	-
Gazprom Libya B.V.	4,467,408	-
OA O Gazkom	4,446,091	4,661,520
Fund of assisting the mortgage lending Gazpromipoteka	3,321,829	-
ZAO Purgas	1,595,062	-
DSL Assets International Limited	1,500,398	2,483,957
United Energy Investments Limited	1,499,311	2,482,158
ZAO Gaztransit	1,500,216	2,125,621
ZAO Kaunasskaya TEC	1,085,910	1,051,955
OOO Gazpromtrans Orenburg	-	3,343,412
OOO Neftekhim-Leasing	-	1,025,890
Other	2,192,709	2,511,122
<b>Total</b>	<b>115,770,989</b>	<b>82,978,534</b>

In July 2005 BSPC B.V. refinanced some of the existing liabilities, which are still covered by the Company's guarantees, by repaying the liabilities to a group of Italian and Japanese banks. For the purpose of financing the above transaction the loans amounting to USD 1,185.3 million were received from Gazstream S.A. The Company guaranteed these loans until July 2013. The guarantees amounted to 26,767,089 and 34,123,082 as of 31 December 2007 and 2006 respectively. The guarantees for the loan of Depfa Investments Bank Ltd provided to BSPC B.V. and due in July 2008 amounted to 1,840,965 and 1,974,833 as of 31 December 2007 and 2006, respectively.

In 2007 the Company issued guarantees for the loans received by ZAO Gasenergoprom-Invest from Dresdner Bank AG, OA O National Reserve Bank, Alexandria Capital plc. and ABN AMRO Bank N. V. to finance the purchase of 12.12% of the shares of OA O WGC-2 and 17.13% of the shares of OA O WGC-6.

In June 2005 the Company issued guarantees for the loans received by OOO Sevmorneftegas from ING Bank N.V. to finance the construction of fixed assets. In January 2007 the Company issued the additional guarantee for the liabilities of OOO Sevmorneftegas to Blueward Shipping Company Ltd. and Mun Shipping Company Ltd. under shipping agreements.

In 2006 the Company issued guarantees to Asset Repackaging Trust Five B.V. registered in the Netherlands for five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland with respect to the bonds issued by them due in December 2012, June 2018, December 2009, December 2009, and December 2015, respectively. The bonds were issued for the purposes of financing the construction of a transit pipeline on the territory of Poland carried out by EuroPol Gaz s.a. Total amount of guarantees issued to Asset Repackaging Trust Five B.V. was 20,206,869 and 25,025,252 as of 31 December 2007 and 2006, respectively.



**OA O GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

The Company will have to pay some of its obligations under guarantees issued. Therefore, as of 31 December 2007 and 2006 provision for the guarantees issued was created by the Company in the amount of 9,663,634 and 7,981,658, respectively.

**Operating environment**

The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation.

While there have been improvements in economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments.

**Legal proceedings**

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

**Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. As at 31 December 2007 interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.



**OAO GAZPROM**  
**EXPLANATORY NOTES TO THE 2007 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

**19. POST BALANCE SHEET EVENTS**

In 2007 the Company entered an agreement with an independent appraiser Ernst & Young (CIS) Limited for the revaluation of the Company's fixed assets to be recorded as of 1 January 2008. The prior revaluation of fixed assets was performed as of 1 January 2006. The Company believes that the revaluation of its fixed assets as of 1 January 2008 will result in a significant increase in the current (replacement) value of the fixed assets.

In January 2008, the Company purchased 12.5% interest in OAO Beltransgas for amount of USD 625,000 thousand as a result the Company increased its interest in OAO Beltransgas up to 25 %.

In January 2008, the Company issued guarantees to OAO National Reserve Bank and ABN Amro Bank N.V. in amount of USD 470,000 thousand to secure loan received by ZAO Gasenergoprom-Invest from ABN Amro Bank N.V. to repay the loan received to purchase OAO WGC-6 shares.

In January 2008, the Company received a loan from Credit Suisse International in amount of USD 1,635 million due 2018 at 5.25% fixed interest rate.

In February 2008, the Company paid to RAO UES Rossii 39,218,732 in accordance with share purchase agreement for 28.7% interest in TGC-1.

In March 2008, the Company purchased treasury shares for amount of 536,302. Treasury shares were purchased for the purpose of sales to the Company's employees under the Company's management remuneration program.

Chief executive officer \_\_\_\_\_ A.B. Miller  
(signature)

Chief accountant \_\_\_\_\_ E.A. Vasilieva  
(signature)

**STATUTORY CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS  
OF OAO GAZPROM AND ITS SUBSIDIARIES FOR 2007 PREPARED  
IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS**

**AUDIT REPORT****on statutory consolidated financial (accounting) reports****To the shareholders of Open Joint Stock Company Gazprom:****Auditor**

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit)  
State registration certificate № 008.890, issued by Moscow Registration Bureau on 28 February 1992.

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

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

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

**Client**

Open Joint Stock Company Gazprom

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

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

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

**AUDIT REPORT**

**on statutory consolidated financial (accounting) reports of OAO Gazprom and its subsidiaries prepared in accordance with Russian Accounting Standards**

**To the shareholders of Open Joint Stock Company Gazprom:**

1. We have audited the attached statutory consolidated financial (accounting) reports of Open Joint Stock Company Gazprom (OAO Gazprom) and its subsidiaries (the Group) for the period from 1 January up to 31 December 2007. The statutory consolidated financial (accounting) reports comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in the Shareholders' Equity, the Consolidated Statement of Cash Flow and the Notes to the consolidated financial (accounting) reports (together, the "statutory consolidated financial (accounting) reports"). These statutory consolidated financial (accounting) reports were prepared by the management of OAO Gazprom in accordance with the Russian legislation in the area of consolidated reporting. Such statutory consolidated financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

2. Preparation of the statutory consolidated financial (accounting) reports is the responsibility of the management of OAO Gazprom. Our responsibility is to express our opinion on the statutory consolidated financial (accounting) reports and on whether the accounting is conducted in accordance with the Russian legislation based on our audit.

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

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

4. In our opinion, the statutory consolidated financial (accounting) reports attached to this opinion have been properly prepared to present in all material respects the financial position of ОАО Gazprom and its subsidiaries as of 31 December 2007 and the results of their operations for the period from 1 January through 31 December 2007 in accordance with the Russian legislation in the area of consolidated reporting.

21 May 2008

Director of ZAO

Statutory Auditor

Certificate K013014  
for general audit  
termless



S. Haffner

V.Y. Sokolov

**OAO GAZPROM**  
**CONSOLIDATED BALANCE SHEET**  
as of 31 December 2007 (in million Roubles)

Note	ASSETS	As of 1 January 2007	As of 31 December 2007
	<b>I. NON-CURRENT ASSETS</b>		
	Intangible assets, including:	443,336	456,618
5,22	goodwill on subsidiaries	438,389	450,736
6	Fixed assets, including:	3,052,514	3,210,945
	buildings, constructions, machinery and equipment	3,014,434	3,170,330
7	Construction in progress	596,026	701,555
8,19,22,23	Long-term financial investments, including:	551,681	965,400
	investments in subsidiaries	93,660	58,406
	investments in associates	138,655	486,134
	investments in other companies	231,741	328,376
	loans issued to companies beyond 12 months	40,212	53,300
	other long-term financial investments	47,413	39,184
14	Deferred tax assets	23,432	29,446
	Other non-current assets	37,476	61,529
	<b>TOTAL Section I</b>	<b>4,704,465</b>	<b>5,425,493</b>
	<b>II. CURRENT ASSETS</b>		
	Inventories, including:	244,256	295,638
	raw materials and other inventories	95,942	115,081
	work in progress	7,898	10,023
	finished goods and goods for resale	117,200	144,709
	goods dispatched	3,452	4,943
	expenses related to future periods	19,764	20,882
	Value added tax on purchased goods	140,123	122,461
9	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	74,828	65,317
	buyers and customers	31,945	22,276
	promissory notes, bills of exchange receivable	986	608
	advances paid	23,164	20,884
	other accounts receivable	18,733	21,549
9,22	Accounts receivable (payment expected within 12 months of the reporting date), including:	540,446	683,591
	buyers and customers	266,698	349,483
	promissory notes, bills of exchange receivable	1,338	675
	advances paid	115,341	168,984
	other accounts receivable	157,069	164,449
	Short-term financial investments, including:	129,908	98,083
	loans issued to companies due within 12 months	6,447	7,237
10,22	other short-term financial investments	123,461	90,846
11,22	Monetary assets, including:	154,021	174,976
	cash on hand	110	74
	rouble bank accounts	74,780	70,795
	non-rouble bank accounts	71,396	96,338
	other monetary assets	7,735	7,769
	Other current assets	567	669
	<b>TOTAL Section II</b>	<b>1,284,149</b>	<b>1,440,735</b>
	<b>TOTAL ASSETS</b>	<b>5,988,614</b>	<b>6,866,228</b>

**OAO GAZPROM**  
**CONSOLIDATED BALANCE SHEET**  
 as of 31 December 2007 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2007	As of 31 December 2007
12	<b>III. EQUITY AND RESERVES</b>		
	Charter capital	118,368	118,368
22	Treasury shares	(13,734)	(331)
22	Additional capital	2,772,739	2,781,745
	Legal reserves, including:	22,947	22,812
	reserves and provisions formed in accordance with legislation	9,557	9,247
	reserves formed in accordance with foundation documents	13,390	13,565
	Special purpose financing	1,604	-
22	Retained earnings	1,695,568	2,040,480
2,6	Social government fund	2,959	1,963
	<b>TOTAL Section III</b>	<b>4,600,451</b>	<b>4,965,037</b>
22	<b>Minority interest</b>	<b>74,811</b>	<b>236,839</b>
	<b>IV. NON-CURRENT LIABILITIES</b>		
13,22	Loans and borrowings, including:	611,635	852,210
	bank borrowings due for repayment beyond 12 months of the reporting date	326,287	345,386
	loans due for repayment beyond 12 months of the reporting date	285,348	506,824
14	Deferred tax liabilities	131,035	158,047
	Other non-current liabilities	4,058	2,439
	<b>TOTAL Section IV</b>	<b>746,728</b>	<b>1,012,696</b>
	<b>V. CURRENT LIABILITIES</b>		
13	Loans and borrowings, including:	150,489	284,347
	bank borrowings due for repayment within 12 months of the reporting date	26,403	51,142
	loans due for repayment within 12 months of the reporting date	5,101	9,616
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	118,985	223,589
22	Accounts payable, including:	294,783	335,909
	suppliers and contractors	177,012	222,825
	promissory notes, bills of exchange payable	220	1,015
	salaries payable	6,655	7,699
	payable to state non-budget funds	1,617	1,484
	payable to budget	50,890	61,088
	advances received	13,797	17,460
	other accounts payable	44,592	24,338
	Dividends payable	9,552	10,174
	Income of future periods	2,775	3,655
15,22	Provisions for future expenses and payments	109,025	17,571
	<b>TOTAL Section V</b>	<b>566,624</b>	<b>651,656</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,988,614</b>	<b>6,866,228</b>

A.B. Miller  
 Chairman of the Management Committee

E.A. Vasilieva  
 Chief Accountant

21 May 2008

**OAO GAZPROM**  
**CONSOLIDATED STATEMENT OF INCOME**  
for the year ended 31 December 2007 (in million Roubles)

Note		For 2007	For 2006
	<b>INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES</b>		
	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	2,522,428	2,204,888
16			
17	Cost of goods, products, works and services sold	(1,642,415)	(1,349,894)
17	Commercial expenses	(256)	(318)
17	Management expenses	(109,835)	(96,641)
	<b>Profit from sales</b>	<b>769,922</b>	<b>758,035</b>
	<b>OTHER INCOME AND EXPENSES</b>		
	Interest income	15,144	7,889
	Interest expense	(61,370)	(47,514)
	Income from investments in other companies	3,038	1,660
18	Other income	2,703,531	2,270,663
18	Other expenses	(2,680,609)	(2,210,505)
	Capitalized profit of associates	26,345	37,115
	<b>Profit before profit tax</b>	<b>776,001</b>	<b>817,343</b>
14	Deferred tax assets	6,133	4,863
14	Deferred tax liabilities	(25,785)	(31,740)
14	Current profit tax	(210,474)	(208,925)
14	Other similar payments	(2,075)	(2,853)
	<b>Net profit of the reporting period before minority interest</b>	<b>543,800</b>	<b>578,688</b>
	<b>Minority interest</b>	<b>(51,053)</b>	<b>(26,309)</b>
	<b>Net profit of the reporting period</b>	<b>492,747</b>	<b>552,379</b>
	<b>FOR REFERENCE:</b>		
	Non-temporary tax liabilities	40,273	37,771
21	Basic earnings per share (in roubles)	20.84	24.07



A.B. Miller

Chairman of the Management Committee



E.A. Vasilieva

Chief Accountant

21 May 2008



## OAO GAZPROM

## CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

For the year ended 31 December 2007 (in million Roubles)

Note		For 2007	For 2006
	<b>Balance at the end of the prior reporting period</b>	<b>4,600,813</b>	<b>3,574,694</b>
3	Change in opening balance	(362)	525,654
	<b>Balance at the beginning of the reporting period (Section III of the Consolidated Balance Sheet)</b>	<b>4,600,451</b>	<b>4,100,348</b>
22	Decrease (increase) of treasury shares	13,403	(10,408)
	Increase (decrease) of additional capital:	9,006	(7,266)
	change in the Group structure and change of interest in subsidiaries	7,357	423
	differences resulting from the translation of foreign investments	5,212	(1,574)
	revaluation surplus upon disposal of revalued fixed assets	(3,893)	(6,115)
22	other movements	330	-
	(Decrease) increase of legal reserve:	(135)	1,050
	change in the Group structure and change of interest in subsidiaries	(145)	1
	allocation from retained earnings	429	1,087
	other movements	(419)	(38)
	Decrease in retained earnings:	(147,835)	(32,498)
	change in the Group structure and change of interest in subsidiaries	(285)	325
	revaluation surplus upon disposal of revalued fixed assets	3,893	6,115
	dividends	(59,765)	(34,233)
	allocations to legal reserve	(429)	(1,087)
22	other movements	(91,249)	(3,618)
	Net profit of the reporting period	492,747	552,379
	Decrease of social government fund:	(996)	(3,355)
2,6	social assets transferred to State authorities	(996)	(3,355)
	(Decrease) increase of special purpose financing	(1,604)	563
	<b>Balance at the end of the reporting period (Section III of the Consolidated Balance Sheet)</b>	<b>4,965,037</b>	<b>4,600,813</b>


  
A.B. Miller

Chairman of the Management Committee


  
E.A. Vasilieva

Chief Accountant

21 May 2008

## OAO GAZPROM

## CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2007 (in million Roubles)

Note		For 2007	For 2006
11	<b>Cash at the beginning of the reporting period</b>	<b>146,259</b>	<b>136,576</b>
	<b>Cash provided by operating activities</b>		
	Total cash received, including:	3,185,738	2,658,025
	sales of goods, products, works and services	2,986,677	2,557,630
	sales of accounts receivable and other assets	9,666	5,194
	advances received from buyers (customers)	16,679	14,060
	other receipts	143,886	73,063
	impact of changes in exchange rates on sales and purchases of currency	28,830	8,078
	Total cash used, including:	(2,649,078)	(2,169,071)
	payment for purchased goods, works, products, services	(1,198,341)	(831,479)
	wages, salaries and social payments	(198,129)	(172,327)
	dividend and interest payments	(69,329)	(35,458)
	settlements with budget	(505,182)	(494,492)
	settlements with customs	(429,995)	(473,088)
	advances paid	(75,352)	(41,512)
	interest payments for borrowings received	(55,348)	(46,013)
	other payments	(117,402)	(74,702)
	<b>Net cash provided by operating activities</b>	<b>536,660</b>	<b>488,954</b>
	<b>Cash flows used for investing activities</b>		
	Total cash received, including:	201,368	263,867
	sales of fixed assets and other non-current assets	3,767	2,887
	sales of securities and other financial investments	64,402	176,825
	redemption of securities and other financial investments	64,749	55,204
	return of loans issued	17,045	12,507
	other receipts	51,405	16,444
	Total cash used, including:	(1,100,373)	(746,185)
	acquisition of fixed assets and other non-current assets	(60,032)	(22,217)
23	acquisition of subsidiaries	(103,392)	(41,193)
	acquisition of securities and other financial investments	(458,141)	(306,539)
	construction in progress	(417,748)	(327,926)
	loans issued	(42,783)	(30,531)
	other payments	(18,277)	(17,779)

## OAO GAZPROM

## CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2007 (in million Roubles)

Note		For 2007	For 2006
	<b>Net cash used for investing activities</b>	<b>(899,005)</b>	<b>(482,318)</b>
	<b>Cash flows provided by financing activities</b>		
	Total cash received, including:	807,512	299,591
	loans and borrowings received	807,163	285,596
	sales of treasury shares	-	13,278
	other receipts	349	717
	Total cash used, including:	(416,516)	(288,860)
	repayment of borrowings (net of interest)	(404,028)	(269,495)
	purchase of treasury shares	(65)	(9,851)
	other payments	(12,423)	(9,514)
	<b>Net cash provided by financing activities</b>	<b>390,996</b>	<b>10,731</b>
	<b>Net increase of cash</b>	<b>28,651</b>	<b>17,367</b>
<b>11</b>	<b>Cash at the end of the reporting period</b>	<b>174,910</b>	<b>153,943</b>
	<b>FOR REFERENCE:</b>		
	Impact of changes in exchange rates	(6,088)	(3,893)


  
A.B. Miller

Chairman of the Management Committee


  
E.A. Vasilieva

Chief Accountant

21 May 2008

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
(in million Roubles)

## 1. GENERAL INFORMATION

OA O Gazprom and its subsidiaries (the "Group") operate one of the largest gas pipeline systems in the world and are responsible for substantially all gas production and high pressure gas transportation in the Russian Federation. The Group is a major exporter of gas to European countries. The Group is also a major producer of oil products and crude oil.

The Group is directly involved in the following principal activities:

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

Other activities primarily comprise construction, electric and heat energy generation and media assets management.

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

On average, the Group employed 436,096 and 432,230 people in 2007 and 2006, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

### Accounting principles

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

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

### Basis of consolidation

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

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

In the first quarter of 2007 the Group ceased to consolidate the non-governmental pension fund, NPF Gazfund (see Note 22).

Despite the fact that NPF Gazfund is not consolidated in the financial statements of the Group, the Group continues to include information of OA O Gazprombank's subsidiaries (including OA O Sibur Holding and its subsidiaries (Sibur group) as well as entities of Gazprom Media group) in the consolidated financial statements. Such an accounting treatment is based on the fact that OA O Gazprom can control the decisions made

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

by OAO Gazprombank as representatives of OAO Gazprom are holding majority in the Board of Directors of OAO Gazprombank.

Included are also investments in associates, financial results and net assets of which are stated on the equity basis in these consolidated financial (accounting) reports.

**Assets and liabilities denominated in foreign currency**

Business transactions in foreign currencies have been recorded using the official Rouble exchange rate as at the date of the relevant transaction. Cash in bank currency and deposit accounts, cash on hand, financial investments in short-term securities and settlement balances, including loans issued and raised, denominated in foreign currency were recorded using the official Rouble exchange rate on 31 December 2007. The rate of exchange as of 31 December 2007 was RR 24.5462 to USD 1 (as of 31 December 2006 - RR 26.3311), RR 35.9332 to EUR 1 (as of 31 December 2006 - RR 34.6965).

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 Other Income and Expenses.

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

**Current and non-current assets and liabilities**

On the Consolidated Balance Sheet accounts receivable and accounts payable, including loans and borrowings, are treated as current if the term of their maturity does not exceed 12 months after the reporting date or is not specified. All other assets and liabilities are treated as non-current. Investments are included in current assets if they are anticipated to be held for less than 12 months after the reporting date. Other investments are included in non-current assets.

**Goodwill of subsidiaries**

On the Consolidated Balance Sheet goodwill arising on the acquisition of subsidiary undertakings represents the difference between the carrying value of acquired investments in subsidiaries and the nominal value of the shares at the date of their acquisition. Goodwill is amortized over 20 years starting from the month following the month of acquisition. Amortization charge of positive goodwill for the period is shown within Other Expenses in the Consolidated Statement of Income.

**Fixed assets**

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

In the consolidated financial (accounting) reports fixed assets are presented in the balance sheet at replacement cost less depreciation accumulated for the period of their use. The fixed assets which were not revalued are presented in the balance sheet at historical cost less depreciation accumulated for the period of their use.

Fixed assets recorded on the Group's balance sheet include state social assets. The Group's companies received these assets without title transfer, in the course of restructuring of the unified gas transmission system and assets of the state gas concern Gazprom. These assets were accounted for in accordance with the procedures effective at that period by creating the fund of social assets in the amount equal to their net book value. When the subsidiaries were restructured to the joint-stock companies of the Group these assets jointly with the fund of social assets were transferred to the Group's companies. When these assets are transferred to the municipal authorities (or disposed otherwise) their net book value is charged to the above mentioned fund recorded in line "Social government fund" of the Consolidated Balance Sheet. Although this practice represents a deviation from the established procedure, the management of OAO Gazprom believes that it ensures fair presentation of the Group's property relations as the assets are used according to their functional purposes and the Group is held liable for their maintenance and safety.

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
(in million Roubles)

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

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

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

The following assets are not depreciated:

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

### Construction in progress

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

### Financial investments

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

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

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

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
 (in million Roubles)

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

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

### **Inventories**

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

Oil and gas produced and purchased but unsold as of the end of the reporting period, are reported in line "Finished goods and goods for resale" of the Consolidated Balance Sheet.

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

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

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

### **Cash**

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

Cash, used for the acquisition of subsidiaries is disclosed in the Consolidated Statement of Cash Flow in line "acquisition of subsidiaries" within investment activities. The cash balance of the acquired subsidiaries is disclosed in the line "other receipts" within investment activities.

### **Management expenses**

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

### **Accounts receivable**

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

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

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

**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
 (in million Roubles)

#### **Loans and borrowings received**

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

#### **Provisions for future expenses and payments**

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

#### **Deferred taxes**

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

Deferred tax assets and deferred tax liabilities are recognized separately within non-current assets or non-current liabilities.

#### **Revenue and other income recognition**

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

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

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

#### **Changes in the 2007 accounting policies**

In connection with the enactment of Order of the Russian Ministry of Finance No.154n dated 27 November 2006 Regarding the Approval of the Accounting Regulation 'The Accounting Treatment of Assets and Liabilities Denominated in Foreign Currency' (PBU 3/2006), to be applied starting from the 2007 accounting reports, the Group changed the procedure of accounting for and reporting of assets and liabilities that are denominated in foreign currency and are payable in roubles according to the law or the contract.

From 1 January 2007, for accounting and reporting purposes translation of assets and liabilities denominated in foreign currency and payable in roubles and recognition of the differences arising between the rouble value of an asset or a liability as of the date of payment or the reporting date and the rouble value of the same asset or liability as of the date of its initial recognition in the reporting period or as of the reporting date of the previous reporting period is performed in the same order as the order stipulated for assets and liabilities payable in foreign currency.

The 2007 accounting policies of the Group have been also amended for changes in the accounting treatment of property tax expenses and certain types of social expenses. From 1 January 2007 these expenses are recorded within expenses on ordinary activities. In 2006 property tax expenses and certain types of social expenses were recorded within other expenses. Impact of these changes in the accounting policies on the accounting reports of the Group is presented in the Opening Balances as of 1 January 2007 and Comparative Amounts for 2006 disclosures.



**OA O GAZPROM**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
(in million Roubles)

**Opening balances as of 1 January 2007**

The 2007 opening balance sheet has been formed by way of adjusting the 2006 closing balance sheet for:

- the translation into roubles of settlement balances denominated in foreign currencies (including debt obligations) and payable in roubles due to enactment for the purposes of the 2007 accounting reports of Order of the Russian Ministry of Finance No.154n dated 27 November 2006 Regarding the Approval of the Accounting Regulation 'The Accounting Treatment of Assets and Liabilities Denominated in Foreign Currency' (PBU 3/2006);
- correction of errors in assessing the replacement cost of fixed assets. Results of the above adjustments are recorded in the consolidated accounting reports of the Group as of 01 January 2007.

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

Note	Item	As of 31 December 2006	Adjustment	As of 1 January 2007
<b>I. NON-CURRENT ASSETS</b>				
6	Fixed assets, including:	3,052,600	(86)	3,052,514
	buildings, constructions, machinery and equipment	3,014,520	(86)	3,014,434
	Long-term financial investments, including:	551,359	322	551,681
	loans issued to companies beyond 12 months	39,890	322	40,212
	Deferred tax assets	23,418	14	23,432
	<b>TOTAL Section I</b>	<b>4,704,215</b>	<b>250</b>	<b>4,704,465</b>
<b>II. CURRENT ASSETS</b>				
	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	540,731	(285)	540,446
	buyers and customers	266,896	(198)	266,698
	advances paid	115,421	(80)	115,341
	other accounts receivable	157,076	(7)	157,069
	Short-term financial investments, including:	129,913	(5)	129,908
	other short-term financial investments	123,466	(5)	123,461
	<b>TOTAL Section II</b>	<b>1,284,439</b>	<b>(290)</b>	<b>1,284,149</b>
	<b>TOTAL ASSETS</b>	<b>5,988,654</b>	<b>(40)</b>	<b>5,988,614</b>
<b>III. EQUITY AND RESERVES</b>				
	Additional capital	2,772,722	17	2,772,739
	Retained earnings	1,695,947	(379)	1,695,568
	<b>TOTAL Section III</b>	<b>4,600,813</b>	<b>(362)</b>	<b>4,600,451</b>
	<b>Minority interest</b>	<b>74,802</b>	<b>9</b>	<b>74,811</b>
<b>IV. NON-CURRENT LIABILITIES</b>				
	Deferred tax liabilities	131,030	5	131,035
	<b>TOTAL section IV</b>	<b>746,723</b>	<b>5</b>	<b>746,728</b>
<b>V. CURRENT LIABILITIES</b>				
	Loans and borrowings, including:	150,487	2	150,489
	bank borrowings due for repayment within 12 months of the reporting date	26,401	2	26,403
	Accounts payable, including:	294,477	306	294,783
	suppliers and contractors	177,110	(98)	177,012
	other accounts payable	44,188	404	44,592
	<b>TOTAL Section V</b>	<b>566,316</b>	<b>308</b>	<b>566,624</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,988,654</b>	<b>(40)</b>	<b>5,988,614</b>

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### Comparative amounts for 2006

In connection with the enactment of the Guidelines on Planning and Calculating the Cost of Gas Production, Gas Transportation, Gas Underground Storage and Gas Processing of OAO Gazprom that changed the accounting treatment of property tax and certain types of social expenses, the 2006 comparatives in the 2007 Consolidated Statement of Income have been adjusted as follows:

Note	Item	2006 statement	Adjustment	2007 statement
17	Cost of goods, products, work and services sold	(1,330,031)	(19,863)	(1,349,894)
17	Management expenses	(91,446)	(5,195)	(96,641)
	<b>Profit from sales</b>	<b>783,093</b>	<b>(25,058)</b>	<b>758,035</b>
18	Other expenses	(2,235,563)	25,058	(2,210,505)

### Changes in the 2008 accounting policies

The changes to represent the coming into effect from the accounting periods after 1 January 2008 of the Order of the Russian Ministry of Finance No. 147n dated 25 December 2007 About the changes in Russian Accounting Standard 'The Accounting Treatment of Assets and Liabilities Denominated in Foreign Currency' (PBU 3/2006) were made to the accounting policies of the Group for 2008. The Group changed the approach to the forming the accounting information on the advances issued and received denominated in foreign currency. Starting from 1 January 2008 these advances are not recalculated at each balance sheet date. Assets and expenses, prepaid by the Group are recognized on the basis of exchange rate at the date of these prepayments. Income of the Group from receipt of such advances and prepayments are recognized for accounting purposes in roubles at the exchange rate effective at the date when such advances and prepayments are translated.

### 4. SEGMENT INFORMATION

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

The following business segments are identified within the Group:

- Production of gas – exploration and production of gas;
- Transportation – transportation of gas;
- Distribution of gas – sales of gas;
- Production of crude oil and gas condensate – exploration of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Other – other activities, including sales of goods, heat and electric energy generation, construction and media assets management.

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
<b>As of 1 January 2007</b>							
Segment assets	806,268	2,651,761	584,421	334,931	281,680	515,735	5,174,796
Unallocated assets							1,010,725
Inter-segment elimination							(196,907)
<b>Total assets</b>							<b>5,988,614</b>
Segment liabilities	52,960	173,421	165,226	46,430	65,729	41,557	545,323
Unallocated liabilities							964,936
Inter-segment elimination							(196,907)
<b>Total liabilities</b>							<b>1,313,352</b>

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	Production of gas	Transporta- tion	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
<b>For 2006</b>							
Capital expenditures for the period	113,171	196,416	19,256	46,386	21,123	14,072	410,424
Depreciation	41,053	167,985	4,944	15,177	7,010	6,504	242,673
Capitalized profit of associates	974	2,549	6,112	4,723	8,806	13,951	37,115
<b>As of 31 December 2007</b>							
Segment assets	946,020	2,668,028	716,447	686,007	368,385	652,436	6,037,323
Unallocated assets							1,080,267
Inter-segment elimination							(251,362)
<b>Total assets</b>							<b>6,866,228</b>
Segment liabilities	52,117	134,655	175,508	60,615	82,255	55,064	560,214
Unallocated liabilities							1,355,500
Inter-segment elimination							(251,362)
<b>Total liabilities</b>							<b>1,664,352</b>
<b>For 2007</b>							
Capital expenditures for the period	153,327	176,712	34,661	56,382	30,841	39,403	491,326
Depreciation	45,089	175,349	6,307	17,454	8,867	9,414	262,480
Capitalized profit of associates	861	4,374	20,056	(12,202)	6,570	6,686	26,345

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

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

Inter-segment elimination mainly include intercompany balances.

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

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

	Production of gas	Transporta- tion	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
<b>For 2007</b>							
<b>Segment revenues</b>							
Inter-segment sales	245,206	493,517	64,560	95,418	6,242	-	904,943
External sales	5,623	41,740	1,536,884	183,863	529,667	224,651	2,522,428
<b>Total segment revenues</b>	<b>250,829</b>	<b>535,257</b>	<b>1,601,444</b>	<b>279,281</b>	<b>535,909</b>	<b>224,651</b>	<b>3,427,371</b>
<b>Segment expenses</b>							
Inter-segment expenses	(5,129)	(51,669)	(722,383)	-	(110,013)	(15,749)	(904,943)
External expenses	(205,282)	(403,784)	(461,864)	(168,287)	(320,540)	(192,749)	(1,752,506)
<b>Total segment expenses</b>	<b>(210,411)</b>	<b>(455,453)</b>	<b>(1,184,247)</b>	<b>(168,287)</b>	<b>(430,553)</b>	<b>(208,498)</b>	<b>(2,657,449)</b>
<b>Segment profit from sales</b>	<b>40,418</b>	<b>79,804</b>	<b>417,197</b>	<b>110,994</b>	<b>105,356</b>	<b>16,153</b>	<b>769,922</b>
<b>For 2006</b>							
<b>Segment revenues</b>							
Inter-segment sales	223,437	441,205	41,531	56,752	7,739	-	770,664
External sales	4,242	34,500	1,407,377	171,977	448,302	138,490	2,204,888
<b>Total segment revenues</b>	<b>227,679</b>	<b>475,705</b>	<b>1,448,908</b>	<b>228,729</b>	<b>456,041</b>	<b>138,490</b>	<b>2,975,552</b>
<b>Segment expenses</b>							
Inter-segment expenses	(5,361)	(44,217)	(650,978)	-	(70,108)	-	(770,664)
External expenses	(182,531)	(381,280)	(351,332)	(131,274)	(281,654)	(118,782)	(1,446,853)
<b>Total segment expenses</b>	<b>(187,892)</b>	<b>(425,497)</b>	<b>(1,002,310)</b>	<b>(131,274)</b>	<b>(351,762)</b>	<b>(118,782)</b>	<b>(2,217,517)</b>
<b>Segment profit from sales</b>	<b>39,787</b>	<b>50,208</b>	<b>446,598</b>	<b>97,455</b>	<b>104,279</b>	<b>19,708</b>	<b>758,035</b>

The inter-segment sales mainly consist of:

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

Internal transfer prices for gas, transportation services, and refined products are established by OAO Gazprom management with the objective of providing for the specific funding requirements of the individual subsidiaries within each segment. Prices are determined on the basis of the statutory financial (accounting) reports of the individual subsidiaries on a cost plus basis. The change in inter-segment sales and expenses by segment in 2007 is primarily due to changes in internal transfer prices and gas sales to OAO Mosenergo.

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

Information on sales by geographical segments is presented in Note 16.

**5. GOODWILL ON SUBSIDIARIES**

Note		Gross book value	Accumulated amortization	Net book value
<b>As of 1 January 2007</b>				
19	OA O Gazprom neft	401,193	(23,962)	377,231
19	OOO Sevmorneftegaz	37,416	(3,339)	34,077
19	Gazprom Media group	18,865	(4,499)	14,366
19	Sibur group	7,859	(2,666)	5,193
	Other	8,138	(616)	7,522
	<b>Total</b>	<b>473,471</b>	<b>(35,082)</b>	<b>438,389</b>
<b>Additions</b>				
19,23	OA O Mosenergo	46,560		
	Sibur group	5,373		
	<b>Total</b>	<b>51,933</b>		
<b>Deductions</b>				
22	Gazprom Media group	(14,129)		
	Sibur group	(84)		
	Other	(26)		
	<b>Total</b>	<b>(14,239)</b>		
<b>2</b>	<b>Accumulated amortization</b>			
	OA O Gazprom Neft		(20,560)	
	OOO Sevmorneftegaz		(1,865)	
	Sibur group		(1,274)	
	OA O Mosenergo		(1,001)	
	Gazprom Media group		(237)	
	Other		(410)	
	<b>Total</b>		<b>(25,347)</b>	
<b>As of 31 December 2007</b>				
19	OA O Gazprom Neft	401,193	(44,522)	356,671
19	OA O Mosenergo	46,560	(1,001)	45,559
19	OOO Sevmorneftegaz	37,416	(5,204)	32,212
19	Sibur group	13,148	(3,940)	9,208
	Gazprom Media group	4,736	(4,736)	-
	Other	8,112	(1,026)	7,086
	<b>Total</b>	<b>511,165</b>	<b>(60,429)</b>	<b>450,736</b>

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**6. FIXED ASSETS**

Note	Trunk pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
<b>Net book value as of 31 December 2005</b>	1,668,012	168,807	218,024	260,736	194,105	2,509,684
Revaluation	314,914	15,961	17,992	113,141	60,120	522,128
<b>Net book value as of 1 January 2006</b>	<b>1,982,926</b>	<b>184,768</b>	<b>236,016</b>	<b>373,877</b>	<b>254,225</b>	<b>3,031,812</b>
<b>As of 1 January 2006</b>						
Historical (replacement) cost	4,754,496	602,977	918,889	521,904	442,497	7,240,763
Accumulated depreciation	(2,771,570)	(418,209)	(682,873)	(148,027)	(188,272)	(4,208,951)
Net book value	1,982,926	184,768	236,016	373,877	254,225	3,031,812
Additions	67,294	42,759	82,085	40,620	50,333	283,091
Disposals	(22)	(24)	(3,825)	(10,778)	(4,981)	(19,630)
4 Depreciation	(139,069)	(23,063)	(41,978)	(16,620)	(21,943)	(242,673)
<b>Net book value as of 31 December 2006</b>	1,911,129	204,440	272,298	387,099	277,634	3,052,600
3 Correction of revaluation of fixed assets	1	-	(4)	(85)	2	(86)
<b>Net book value as of 1 January 2007</b>	<b>1,911,130</b>	<b>204,440</b>	<b>272,294</b>	<b>387,014</b>	<b>277,636</b>	<b>3,052,514</b>
<b>As of 1 January 2007</b>						
Historical (replacement) cost	4,821,610	644,376	990,307	549,221	483,586	7,489,100
Accumulated depreciation	(2,910,480)	(439,936)	(718,013)	(162,207)	(205,950)	(4,436,586)
Net book value	1,911,130	204,440	272,294	387,014	277,636	3,052,514
Additions	100,448	45,147	116,115	77,049	92,376	431,135
Disposals	(4)	(109)	(2,885)	(4,857)	(2,369)	(10,224)
4 Depreciation	(142,711)	(24,494)	(51,635)	(18,987)	(24,653)	(262,480)
<b>Net book value as of 31 December 2007</b>	<b>1,868,863</b>	<b>224,984</b>	<b>333,889</b>	<b>440,219</b>	<b>342,990</b>	<b>3,210,945</b>
<b>As of 31 December 2007</b>						
Historical (replacement) cost	4,921,043	686,705	1,095,572	619,860	571,543	7,894,723
Accumulated depreciation	(3,052,180)	(461,721)	(761,683)	(179,641)	(228,553)	(4,683,778)
<b>Net book value as of 31 December 2007</b>	<b>1,868,863</b>	<b>224,984</b>	<b>333,889</b>	<b>440,219</b>	<b>342,990</b>	<b>3,210,945</b>

In the Consolidated Balance Sheet fixed assets are recorded at replacement cost (as of 1 January 2006) or historical cost (additions of 2006 and 2007 years) net of depreciation accumulated for the period of their use. Certain assets of certain Group companies (including Gazprom Neft group entities, Sibur group entities, OAO Mosenergo), are reported at historical cost net of depreciation accumulated for the period of their use. The management of OAO Gazprom does not believe that the exclusion of these assets from the revaluation process has a material impact on the consolidated financial (accounting) reports.

The Group entities continued to transfer social assets to the local authorities (see Note 2). In 2007 the transferred assets which were obtained in the course of privatization amounted to RR 996 (2006 - RR 3,355).

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## 7. CONSTRUCTION IN PROGRESS

	As of 1 January 2007	As of 31 December 2007
Construction in progress	552,006	650,031
Equipment for installation	44,020	51,524
<b>Total</b>	<b>596,026</b>	<b>701,555</b>

The balance of construction in progress as of 1 January and 31 December 2007 includes assets constructed and put into operation in the amount of RR 243,729 and RR 190,750 (net of accumulated depreciation in the amount of RR 1,351 and RR 1,653), respectively, subject to registration of the title in the State Register, documents for which were not yet submitted.

## 8. LONG-TERM FINANCIAL INVESTMENTS

### Investments in subsidiaries

Included within investments in subsidiaries in the Consolidated Balance Sheet is investment in OAO Gazprombank with the carrying value of RR 77,606 and RR 28,546 as of 1 January and 31 December 2007, respectively (see Note 19). The decrease in the carrying value of investment in OAO Gazprombank is due to changes in the accounting treatment of NPF Gazfund (see Note 22).

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 12,025 and RR 8,780 as of 1 January and 31 December 2007, respectively. The impairment provision primarily relates to non-core investments.

### Investments in associates

Investment in RosUkrEnergo AG is stated net of unrealized profit in the amount of RR 5,166 and RR 448 as of 1 January and 31 December 2007, respectively, arising from the Group's gas sales to RosUkrEnergo AG. The carrying value of this investment included within investments in associates in the Consolidated Balance Sheet amounted to RR nil as of 1 January and 31 December 2007.

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 712 and RR 2,078 as of 1 January and 31 December 2007, respectively.

In April 2007, the Group acquired 50% plus one share of Sakhalin Energy Investment Company Ltd. (Sakhalin Energy), which is the operator of the Sakhalin-2 project, for USD 7,450 million paid in cash. The Sakhalin-2 project involves the off-shore development and production of crude oil, natural gas and liquefied natural gas from the Piltun-Astokhskoye and Lunskeye fields. As of the date of acquisition, Gazprom holds 50% plus one share, Shell - 27.5% minus one share, Mitsui - 12.5% and Mitsubishi 10%. Under the new shareholding structure, the Group acquired the ability to exercise significant influence over Sakhalin Energy and recorded this acquisition within investments in associates. As of December 31, 2007 the cost of investment in Sakhalin Energy Investment Company Ltd. was equal to RR 220,280 (see Note 19).

In accordance with the agreement with BASF AG to swap certain assets on December 17, 2007 the Group received 15% less one share in Wintershall Gas GmbH (WINGAS GmbH), increasing its share in the entity from 35% to 50% less one share and 49% in Wintershall AG, the license holder for the development of Libian oil concessions. These investments are shown in line "Investments in associates" of the Consolidated Balance Sheet in the amount of RR 19,620 (EURO 546 million) and RR 10,259 (EURO 286 million), respectively. BASF AG received 25% less one ordinary share and one non voting share in OAO Severneftegazprom, which is equal to 10% of income from the project. The Group also received EURO 598 million as a difference between fair value of the assets disposed and received.

In December 2007, the Group acquired 50% of the voting shares of OAO Tomskneft for RR 88,181 payable in cash. OAO Tomskneft is a large oil producing company (see Note 19).

### Investments in other companies

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 5,398 and RR 257 as of 1 January and 31 December 2007, respectively. The impairment provision primarily relates to non-core investments.



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Investments in other companies include the 10.49% strategic ownership interest in RAO UES of Russia at its current market value of RR 128,599 and RR 143,407 as of 1 January and 31 December 2007, respectively.

In September 2007 the Group obtained a 5% interest in OAO TGC-5 and a 5.27% interest in OAO WGC-5. As of 31 December 2007 these investments are included within investments in other companies in the Consolidated Balance Sheet at its current market value of RR 1,353 and RR 8,045, respectively.

In October 2007 the Group acquired 12.22% of OAO WGC-2 for RR 15,983 paid in cash. As of 1 January and 31 December 2007 Group interest in OAO WGC-2 equals 0.62% and 12.84%, respectively. As of 31 December 2007 this investment is included within investments in other companies in the Consolidated Balance Sheet at its current market value of RR 15,804. To finance these acquisitions, the Group attracted loans from Dresdner Bank AG in the amount of RR 16,582 (USD 670 million) at LIBOR+1.3% due in November, 2008. Also in December 2007, the Group acquired 17.13% of shares in OAO WGC-6 for RR 20,999.

Investment in OAO Novatek with share of 19.39% is included within investments in other companies in the Consolidated Balance Sheet at its current market value of RR 97,862 and RR 110,470 as of 1 January and 31 December 2007, respectively.

In January 2007 Group acquired 12.5% share of OAO Beltransgaz in amount of RR 16,156 (USD 625 million). This investment is included in investments in other companies in the Consolidated Balance Sheet.

**Loans issued to companies due beyond 12 months of the reporting date**

Loans issued to companies due beyond 12 months of the reporting date in the Consolidated Balance Sheet include the foreign currency loan to the associated undertaking WINGAS GmbH mature in 2015 in amount of RR 13,282 and RR 10,163 as of 1 January and 31 December 2007, respectively. In 2007 and 2006 the average interest rate on this loan was 5.3% and 3.8%, respectively.

**Other long-term financial investments**

	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
Joint activity, including:	13,510	16,952
development of a satellite communication system (operator - OAO Gazcom)	3,036	3,165
Other, including:	33,903	22,232
Third party promissory notes	13,717	9,769
Long-term deposits	7,470	6,861
South Pars (oil and gas field in Iran)	8,217	5,363
<b>Total</b>	<b>47,413</b>	<b>39,184</b>

The Group's long-term deposits in OAO Gazprombank amounted to RR 7,100 and RR 6,041 as of 1 January and 31 December 2007, respectively.

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 2,451 and RR 2,340 as of 1 January and 31 December 2007, respectively, related primarily to joint activity.

**9. ACCOUNTS RECEIVABLE**

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

Accounts Receivable from buyers and customers in the Consolidated Balance Sheet include amounts related to pipes supplied by OAO Gazprom to its associate, SGT EuRoPol GAZ s.a. (see Note 20), for construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the SGT EuRoPol GAZ s.a. debt is RR 5,710 and RR 4,511 as of 1 January and 31 December 2007, respectively. Also long-term receivables from buyers and customers contain debt for gas in the amount of RR 17,470 and RR 9,547 as of 1 January and 31 December 2007, respectively (including restructured debt of RosUkrEnergo AG in amount of RR 14,903 and RR 6,947 as of 1 January and 31 December 2007, respectively).



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As of 1 January and 31 December 2007 Advances paid in the Consolidated Balance Sheet include the advance of RR 13,166 and RR 6,137 issued by OA O Gazprom to NAK Naftogaz Ukraine for transit services.

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

As of 1 January and 31 December 2007 Accounts Receivable from buyers and customers in the Consolidated Balance Sheet include accounts receivable for gas supplies in the amount of RR 198,591 and RR 245,799, respectively (RosUkrEnergo AG debt amounted to RR 36,065 and RR 48,659 as of 1 January and 31 December 2007, respectively).

The increase in accounts receivable is mostly due to increased gas sales to the Former Soviet Union (FSU) countries and Far Abroad customers (see Note 16).

The short-term portion of the SGT EuRoPol GAZ s.a. debt totals RR 1,142 and RR 1,127 as of 1 January and 31 December 2007, respectively.

As of 1 January and 31 December 2007 Accounts Receivable from buyers and customers are stated net of impairment provision of RR 49,355 and RR 54,023, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 1,909 and RR 727 as of 1 January and 31 December 2007, respectively.

As of 1 January and 31 December 2007 Advances Paid of the Consolidated Balance Sheet include advances of RR 6,583 and RR 6,136, respectively, paid by OA O Gazprom to NAK Naftogaz Ukraine for gas transportation services.

As of 1 January and 31 December 2007 Other accounts receivable of the Consolidated Balance Sheet include the following debts:

	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
Settlements on claims	22,581	19,644
Overpayment of taxes to the budget	44,461	57,572
Other	90,027	87,233
<b>Total</b>	<b>157,069</b>	<b>164,449</b>

As of 1 January and 31 December 2007 Other accounts receivable are stated net of the impairment provision of RR 14,940 and RR 10,740, respectively.

**10. OTHER SHORT-TERM FINANCIAL INVESTMENTS**

	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
Short-term deposits	59,336	52,067
Shares, bonds and participatory interests	50,635	7,373
Third party promissory notes	10,702	24,682
Other	2,788	6,724
<b>Total</b>	<b>123,461</b>	<b>90,846</b>

The Group's short-term deposits in OA O Gazprombank amount to RR 26,728 and RR 27,048 as of 1 January and 31 December 2007, respectively.

As of 1 January 2007 the line Other Short-Term Financial Investments of the Consolidated Balance Sheet includes investments of NPF Gazfund in shares, bonds, equity interests intended for trade operations, in the total amount of RR 46,136 (see Note 22).

As of 1 January and 31 December 2007, other short-term financial investments are stated net of impairment provision of RR 4,971 and RR 3,534, respectively, related primarily to promissory notes.

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## 11. MONETARY ASSETS

The Group maintained cash balances in Roubles and foreign currencies with its banking subsidiaries of RR 72,345 and RR 80,280 as of 1 January and 31 December 2007, respectively.

Other monetary assets in the Consolidated Balance Sheet include balances of RR 2,877 and RR 2,974 as of 1 January and 31 December 2007, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings.

Monetary assets used for acquisition of OAO Mosenergo in amount of RR 86,353 are included within cash used for acquisition of subsidiaries in the investing activities of the Consolidated Statement of Cash Flow. Monetary assets of OAO Mosenergo at the date of its acquisition in amount of RR 23,350 are included within other receipts in the investing activities of the Consolidated Statement of Cash Flow.

## 12. EQUITY

OAO Gazprom's charter capital amounts to RR 118,368 (23,674 million of fully paid ordinary shares with the nominal value of 5 roubles each) and did not change in 2007.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group, excluding the banks, totals 602 million and 29 million as of 1 January and 31 December 2007, respectively.

As of 1 January and 31 December 2007 the Group's banking subsidiaries held 84 million and 37 million shares of OAO Gazprom, respectively. These shares are not taken into account in calculation of earnings per share (see Note 21).

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

In accordance with the decision of the General shareholders meeting, based on the 2006 results of OAO Gazprom, final dividends were paid in 2007 in the amount of 2.54 roubles per ordinary share. Based on the 2005 results dividends were paid in 2006 in the amount of 1.50 roubles per ordinary share.

## 13. LOANS AND BORROWINGS

### Bank borrowings

Lender	Currency	Maturity	As of 1 January 2007	As of 31 December 2007
Calyon Credit Agricole CIB*	US Dollar	2007-2010	-	54,289
ABN AMRO*	US Dollar	2007-2012	-	49,614
ABN AMRO	US Dollar	2013	47,558	44,334
Citibank International Plc*	US Dollar	2007-2008	-	43,051
Credit Suisse International	US Dollar	2009	-	40,250
Deutsche Bank AG	US Dollar	2008-2014	31,776	29,618
ABN AMRO*	US Dollar	2006-2010	35,765	24,429
Dresdner Bank AG*	US Dollar	2007-2010	33,143	23,283
Salomon Brothers AG	US Dollar	2009	18,798	17,524
Dresdner Bank AG	US Dollar	2008	-	16,582
Dresdner Bank AG*	US Dollar	2007-2008	33,135	15,516
Credit Suisse International	Euro	2009	13,969	14,467
Salomon Brothers AG	US Dollar	2009	13,834	12,903
Credit Suisse International	US Dollar	2017	-	12,877
Depfa Bank*	US Dollar	2008	13,502	12,590
Credit Suisse International	US Dollar	2009	-	12,292
Credit Suisse International	US Dollar	2008	-	12,041

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<b>Lender</b>	<b>Currency</b>	<b>Maturity</b>	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
JP Morgan Chase Bank	Rouble	2007-2010	-	11,833
Citibank International Plc	US Dollar	2006-2009	16,646	10,908
OOO Aragon	Euro	2010	9,541	9,882
Credit Suisse International	Euro	2010	8,720	9,036
Deutsche Bank AG	US Dollar	2008-2011	9,358	8,718
Credit Suisse International	Euro	2008	7,009	7,279
Credit Suisse International	Euro	2008	6,996	7,246
ABN AMRO*	US Dollar	2007-2008	-	5,674
JP Morgan Chase Bank	US Dollar	2008-2011	5,302	4,942
Credit Suisse International	US Dollar	2009	5,293	4,931
BNP Paribas SA	US Dollar	2008	5,271	4,913
ABN AMRO*	US Dollar	2009	5,355	4,450
European Bank for reconstruction and development	Rouble	2007-2012	-	4,321
ABN AMRO	US Dollar	2007-2009	6,609	4,105
GazEnergo Capital Limited	Euro	2008	5,907	3,997
Mannesmann (Deutsche Bank AG)*	Euro	2000-2008	5,814	3,011
European Bank for reconstruction and development	Rouble	2007-2018	-	2,914
Deutsche Bank AG	US Dollar	2004-2009	2,988	1,672
Salomon Brothers AG	US Dollar	2007	13,386	-
Salomon Brothers AG	US Dollar	2007	11,007	-
OA O Vneshtorgbank	US Dollar	2007	10,538	-
International banking consortium	Euro	2007	1,735	-
Other	Various	Various	63,784	56,821
<b>Total, including</b>			<b>442,739</b>	<b>602,313</b>
Due within one year, including current portion of long-term borrowings			116,452	256,927

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

As of 1 January and 31 December 2007 long-term borrowings (including current portion of long-term liabilities) of RR 33,901 and RR 28,645, respectively, were secured by depositing of cash from gas sales contracts to Western Europe.

In 2007 interest rates on the long-term bank loans denominated in foreign currency ranged from 3.76% to 12.5%. In 2006 the similar rates ranged from 2.0% to 12.5%.

In 2007 interest rates on long-term loans denominated in Russian roubles ranged from 6.77% to 8.25%.

Interest rates on the short-term foreign currency denominated borrowings ranged from 4.43% to 8.9% and on rouble short-term borrowings from 7% to 10.5% in 2007. In 2006 these rates ranged from 2.4% to 10.0% on the short-term foreign currency denominated borrowings and from 6.75% to 13.0% on the rouble short-term borrowings.

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**Loans**

<b>Borrowing</b>	<b>Currency</b>	<b>Maturity</b>	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
Loan participation notes issued in October 2007*	Euro	2018	-	43,651
Loan participation notes issued in June 2007*	US Dollar	2013	-	39,435
Loan participation notes issued in May 2005*	Euro	2015	35,886	37,165
Loan participation notes issued in September 2003*	Euro	2010	35,408	36,668
Loan participation notes issued in December 2005*	Euro	2012	34,793	36,033
Loan participation notes issued in November 2006*	US Dollar	2016	35,786	33,360
Loan participation notes issued in March 2007*	US Dollar	2022	-	32,568
Loan participation notes issued in August 2007*	US Dollar	2037	-	31,521
Loan participation notes issued in April 2004*	US Dollar	2034	32,074	29,900
Loan participation notes issued in October 2006*	Euro	2014	27,317	29,225
Structured export notes issued in July 2004**	US Dollar	2007-2020	33,901	28,645
Loan participation notes issued in June 2007*	Euro	2014	-	25,382
Loan participation notes issued in November 2006*	Euro	2017	17,443	18,685
Loan participation notes issued in March 2007*	Euro	2017	-	18,127
Wintershall Holding AG***	Rouble	2010-2015	-	6,975
Loan participation notes issued in November 2007*	US Dollar	2012	-	6,457
Gazstream SA	US Dollar	2006-2010	7,050	5,673
A4 series Russian bonds, issued in February 2005	Rouble	2010	5,134	5,155
A6 series Russian bonds, issued in August 2005	Rouble	2009	5,134	5,137
A9 series Russian bonds, issued in February 2007	Rouble	2014	-	5,130
Russian bonds-02 Series, issued in March 2006****	Rouble	2016	-	5,129
Russian bonds-01 Series, issued in September 2006****	Rouble	2011	-	5,107
Liberty Hamshir Corporation	Rouble	2007-2009	7,600	5,067
A8 series Russian bonds, issued in November 2006	Rouble	2011	5,057	5,058
A7 series Russian bonds, issued in November 2006	Rouble	2009	5,040	5,056

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<b>Borrowing</b>	<b>Currency</b>	<b>Maturity</b>	<b>As of 1 January 2007</b>	<b>As of 31 December 2007</b>
Gazstream SA	US Dollar	2006-2012	7,248	4,768
Loan participation notes issued in November 2007*	US Dollar	2010	-	4,303
Wintershall Holding AG***	Euro	2010	-	4,063
Wintershall Holding AG***	Rouble	2013	-	3,000
A3 series Russian bonds, issued in February 2004	Rouble	2007	10,359	-
A5 series Russian bonds, issued in October 2004	Rouble	2007	5,084	-
Other	Various	Various	9,071	17,801
<b>Total, including</b>			<b>319,385</b>	<b>534,244</b>
Due within one year, including current portion of long-term borrowings			34,037	27,420

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

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

\*\*\* Loan was obtained for development of Yuzhno-Russkoye oil and gas field

\*\*\*\* Issuer of these bonds is OA O Mosenergo

In 2007 interest rates on long-term foreign currency denominated borrowings ranged from 4.56% to 8.63%, similar to 2006.

In 2007 and 2006 interest rates on long-term borrowings denominated in Russian Roubles (including bonds) ranged from 6.25% to 8.22%.

In 2007 interest rates on short-term borrowings denominated in Russian Roubles ranged from 2% to 10.5% and interest rate on short-term borrowings denominated in foreign currency was 8.9% in 2007. In 2006 interest rates on short-term borrowings denominated in Russian Roubles ranged from 1% to 15%.

As of 1 January and 31 December 2007 long-term borrowings included loans received from Gaz Capital S.A. in connection with the issue in 2004 of Loan participation notes of USD 1,200 million at an interest rate of 8.625% due on 28 April 2034. The loan participation notes can be presented for payment in the amount of the principal debt and accumulated interest before the maturity date, i.e. on 28 April 2014 (put option date).

## **14. TAXATION**

### **Profit tax**

In 2007 and 2006 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 189,853 and RR 198,034, respectively. According to the tax returns the profit tax in 2007 and 2006 included within line Current Profit Tax amounted to RR 210,474 and RR 208,925, respectively.

In 2007 non-temporary differences which increase the taxable profit exceeded non-temporary differences which decrease the taxable profit by RR 175,679 (in 2006 by RR 164,012). The non-temporary differences principally arise from non-deductible expenses, such as excess of depreciation charge in respect of fixed assets revalued as of 1 January 2006 for accounting purposes as compared to depreciation charge for tax purposes, social expenses, charitable donations, expenses, exceeding prescribed limits and other non-production costs.

In 2007 and 2006 incurred deductible temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 69,132 and RR 64,473, respectively.

Deductible temporary differences incurred in 2007 principally arise from the elimination of profit from intergroup transactions, longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes and the fact that geological and geophysical exploration and annual bonuses are deductible for tax purposes later than for accounting purposes.

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Deductible temporary differences settled in 2007 and 2006 totaled RR 43,572 and RR 44,205, respectively. Settlement of these differences in 2007 is principally due to decrease of the current tax base related to geological and geophysical exploration, research and development, annual bonuses and other expenses recognized for accounting purposes in the prior periods.

In 2007 and 2006 incurred taxable temporary differences which impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 126,126 and RR 149,552, respectively.

Taxable temporary differences in 2007 and 2006 principally arise from longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes, excess costs of storage included in the cost of finished goods and revaluation of investments.

Taxable temporary differences settled in 2007 and 2006 totaled RR 19,180 and RR 17,679, respectively.

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

	<b>For 2007</b>	<b>For 2006</b>
Transition period profit tax (for 2002)	-	1,755
Other similar payments:		
Penalties	159	190
Interest and other taxes	1,912	889
Total paid and payable to budget	2,071	2,834
Total paid and payable to non-budget funds (penalties and interest)	4	19
<b>Total</b>	<b>2,075</b>	<b>2,853</b>

## 15. PROVISION FOR FUTURE EXPENSES AND PAYMENTS

The line Provisions for future expenses and payments of the Consolidated Balance Sheet has decreased by RR 91,454 primarily due to the changes in the accounting treatment of NPF Gazfund (see Note 22).

## 16. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES

	<b>For 2007</b>	<b>For 2006</b>
Gas sales to customers (net of VAT, excise and other similar mandatory payments) in:		
Russia	399,452	356,033
Former Soviet Union countries (excluding Russia)	269,645	209,719
Far Abroad	873,410	845,867
Net sales of gas	1,542,507	1,411,619
Sales of refined products (net of VAT, excise and other similar mandatory payments)		
Russia	304,319	244,592
Former Soviet Union countries (excluding Russia)	42,181	31,036
Far Abroad	183,167	172,674
Net sales of refined products	529,667	448,302
Sales of oil and gas condensate (net of VAT and other similar mandatory payments)		
Russia	47,129	27,005
Former Soviet Union countries (excluding Russia)	19,586	19,213
Far Abroad	117,148	125,759
Net sales of oil and gas condensate	183,863	171,977

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	<b>For 2007</b>	<b>For 2006</b>
Sales of gas transportation services (net of VAT)		
Russia	41,252	34,468
Former Soviet Union countries (excluding Russia)	488	32
Far Abroad	-	-
Net sales of gas transportation services	41,740	34,500
Other sales (net of VAT)		
Russia	198,493	126,278
Former Soviet Union countries (excluding Russia)	7,794	5,815
Far Abroad	18,364	6,397
Other sales	224,651	138,490
<b>Net sales</b>	<b>2,522,428</b>	<b>2,204,888</b>

Compared to 2006 revenues from sales of gas in 2007 increased by 9% mostly resulting from higher volume of gas sold to customers in Far Abroad, higher domestic tariffs established by the Federal Service for Tariffs (FST) and higher price of gas supplied to FSU.

Other sales have increased primarily as a result of increased sales of materials to capital contractors, sales of heat and electric energy, sales of other works, goods, products and services, performed by Gazprom Media group, Gazprom Germania Group and Gazprom Neft Group. Revenue of OAO Mosenergo for 2007 in amount of RR 37,497 is included in other sales of Consolidated Statement of Income.

#### **17. COST OF GOODS, PRODUCTS, WORKS AND SERVICES SOLD, COMMERCIAL AND MANAGEMENT EXPENSES**

In connection with the changes in the accounting treatment of property tax and certain social expenses (see Note 3) and in connection with the update of energy balance and inclusion of expenses on technical maintenance of equipment within repairs and maintenance the adjustments were made to the comparatives:

	<b>For 2007</b>	<b>For 2006</b>
Purchased gas	314,012	202,880
Depreciation and amortization	262,141	239,613
Taxes included in cost of sales	219,120	194,538
Staff costs and social expenses	194,106	166,739
Transit costs for gas, oil and refined products	163,075	161,452
Repairs and maintenance	126,466	104,598
Cost of goods for resale	108,692	86,190
Materials	104,096	78,115
Purchased oil	91,669	77,087
Energy	45,099	42,627
Rent, lease payments	20,458	14,470
Insurance	17,630	14,811
Other	85,942	63,733
<b>Total cost of goods, products, works and services sold, commercial and management expenses</b>	<b>1,752,506</b>	<b>1,446,853</b>

The increase of purchased gas was primarily related to increased volumes of purchases of gas, both in Central Asia and in Europe, for resale to customers in Western Europe and FSU.

The natural resources production tax within Taxes included in cost of sales amounted to RR 165,176 and RR 158,586 for 2007 and 2006, respectively.

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Staff costs and social expenses increased due to an increase in average staff salaries and other compensation payments to employees.

The cost of purchased oil is represented by related costs incurred by Gazprom Neft group.

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

# 18. OTHER INCOME AND EXPENSES

	For 2007		For 2006	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	2,376,957	2,377,847	1,778,378	1,779,758
Transactions with securities, including promissory notes	93,913	79,073	233,937	218,555
Exchange differences	96,296	73,868	86,521	55,176
Income and expenses from asset swap with BASF AG (see Note 8)	50,867	14	-	-
Adjustment of investments (to fair value)	34,851	-	108,630	-
Transfer of the Group claims to third parties	10,160	11,084	14,935	14,256
Bad debt provision	364	-	-	9,848
Investment impairment provision	8,728	-	2,765	-
Provisions for contingent events	-	3,548	-	2,569
Reversal of fines and penalties payable to budget and non-budget funds	1,050	-	966	-
Social expenses	-	18,272	-	15,979
Profit and losses of previous years identified in the reporting period	6,992	9,316	16,110	13,320
Income and expenses from sale and contribution of fixed assets to charter capital	4,770	3,810	5,816	4,827
Amortization of goodwill	-	25,347	-	25,069
Income from gratuitous receipt of assets/ expenses related to gratuitous transfer of assets	73	2,253	78	6,066
Accounts receivable write off	-	7,520	-	2,470
Services of credit organizations	-	7,430	-	3,953
Fees and penalties for the breach of contracts	4,062	633	531	280
Other	14,448	60,594	21,996	58,379
<b>Total</b>	<b>2,703,531</b>	<b>2,680,609</b>	<b>2,270,663</b>	<b>2,210,505</b>

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



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**19. CONSOLIDATED SUBSIDIARIES AND ASSOCIATES OF THE GROUP**

**Principal subsidiaries as of 31 December 2007**

<b>Note</b>	<b>Company</b>	<b>Share in Charter Capital*, %</b>	<b>Type of activity</b>	<b>Location</b>
	OA O Azot (Kemerovo)	75	Petrochemicals production and sale	Russia
	ZAO ArmRosgazprom	53	Gas transportation and sale	Armenia
	OOO Aura-Media	100	Advertising services	Russia
	Benton Solutions Inc.	100	Investing activity	Virgin Islands
	OOO Burgaz	100	Exploration, wells construction	Russia
	OOO VNIIGAZ	100	Research and development	Russia
	OA O Vostokgazprom	99	Gas production	Russia
	OOO Gazkomplektimpex	100	Trading activities	Russia
	OOO Gazoenergeticheskaya Kompaniya	100	Investing activity	Russia
	OOO Aviapredpriyatie Gazpromavia	100	Air transportation services	Russia
	OOO Gazprominvestholding	100	Investing activity	Russia
	OA O Gazprom-Media	100	Media assets management	Russia
	OOO Gazprom-Media Holding	100	Media assets management	Russia
	OOO Gazpromneft-Vostok	100	Oil and gas production	Russia
	OOO Gazpromneft-Khantos	100	Oil and gas production	Russia
	OOO GazpromPurInvest	100	Investing activity	Russia
	OA O Gazpromregiongaz	100	Gas pipelines operation	Russia
	ZAO Gazpromstroyengineering	100	Construction and engineering	Russia
	OOO Gazpromtrans	100	Forwarding services	Russia
	OA O Gazpromtrubinvest	99	Production and sale of pipes	Russia
	OOO Gazpromenergo	100	Heat and electric power transmission	Russia
	Gazprom Germania GmbH	100	Gas sale	Germany
	OOO Gazprom dobycha Astrakhan (OOO Astrakhangazprom)**	100	Production and refinery of hydrocarbons	Russia
	OOO Gazprom dobycha Nadym (OOO Nadymgazprom)**	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Noyabrsk (OOO Noyabrskgazdobycha)**	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Orenburg (OOO Orenburggazprom)**	100	Production, refinery and transportation of hydrocarbons	Russia
	OOO Gazprom dobycha Urengoy (OOO Urengoygazprom)**	100	Production of hydrocarbons	Russia
	OOO Gazprom dobycha Yamburg (OOO Yamburggazdobycha)**	100	Production of hydrocarbons	Russia
	Gazprom Libyen Verwaltung GmbH	100	Investing activity	Germany
	Gazprom Marketing and Trading Ltd.	100	Sale of gas	Great Britain
	Gazprom Netherlands B.V.	100	Investments, asset management	Netherlands
	OA O Gazprom Neft	76	Production, refinery and sale of oil	Russia
	Gazprom Neft Trade GmbH	100	Petroleum products trading	Austria
	OOO Gazpromneftfinans	100	Investing activity	Russia
	Gazprom Oil and Gas Germany GmbH	100	Investing activity	Germany
	OOO Gazprom Pererabotka***	100	Refinery and transportation of gas, oil, gas condensate	Russia
	OOO Gazprom PKhG***	100	Gas storage services	Russia
	Gazprom Sakhalin Holding B.V.	100	Foreign investing activity	Netherlands

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Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ООО Газпром трансгаз Волгоград (ООО Волгоградтрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Екатеринбург (ООО Уралтрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Казань (ООО Татартрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Махачкала (ООО Каспигазпром)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Москва (ООО Мострансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Нижний Новгород (ООО Волготрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Самара (ООО Самаратрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Санкт-Петербург (ООО Лентрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Саратов (ООО Югтрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Сургут (ООО Сургутгазпром)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Томск (ООО Томсктрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Уфа (ООО Баштрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Ухта (ООО Севергазпром)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Тчаковский (ООО Пермтрансгаз)**	100	Gas transportation services	Russia
	ООО Газпром трансгаз Югорск (ООО Тюментрансгаз)**	100	Gas transportation services	Russia
	Газпром Финанс Б.В.	100	Investing activity	Netherlands
	ООО Газпром экспорт	100	Foreign trade activity	Russia
	ЗАО Газпром ЮРГМ Трейдинг****	100	Sale of gas	Russia
	ООО Газторгпромстрой	100	Trading activity	Russia
	ООО Газфлот	100	Transportation, offshore field development	Russia
	ЗАО Геросгаз	51	Investing and consultancy activities	Russia
	Jones Resources Ltd	100	Investing activity	Virgin Islands
	Dolby International Holdings Ltd	100	Investing activity	Virgin Islands
	ОАО завод Бензол	100	Wholesale trade	Russia
	ООО Запоярнефт	100	Oil and gas production	Russia
	ОАО Запсибгазпром	77	Construction	Russia
	ZGG Cayman Holding Ltd	100	Investing activity	Cayman Islands
	ZGG Cayman Ltd	100	Investing activity	Cayman Islands
	ZMB (Schweiz) AG	100	Sale of gas	Switzerland
	ZMB-Zarubezhgaz Management und Beteiligungsgesellschaft mbH (ZMB GmbH)	100	Sale of gas	Germany
	ООО Кавказтрансгаз	100	Gas transportation	Russia

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Note	Company	Share in Charter Capital*, %	Type of activity	Location
	ZAO Kaunasskaya termofikatsionnaya electrostantsiya	99	Heat and electric power generation and distribution	Lithuania
	OAO Krasnodargazstroy	51	Construction	Russia
	ООО Krasnoyarskgazdobycha	100	Exploration, geophysics	Russia
	OAO Krasnoyarskgazprom	75	Exploration, geophysics	Russia
	ООО Kubangazprom	100	Gas production	Russia
	ZAO Kuzbassnefteproduct	100	Petroleum products trading	Russia
	OAO Lengazspecstroy	63	Construction and repairs of gas facilities	Russia
	Leadville Investments Ltd.	100	Investing activity	Cyprus
	ООО Mezhtregiongaz	100	Sales of gas	Russia
	OAO Mineralnie udobreniya	51	Production of mineral fertilizers and nitrogen compounds	Russia
	OAO Mosenergo	53	Production of electric and heat power, electric power supply services	Russia
	ZAO Neftehim-Invest	100	Investing activity	Russia
	ООО Novourenogysky GCC	100	Hydrocarbons refining	Russia
	OAO NTV-PLUS	100	TV and radio broadcasting	Russia
	ZAO Purgaz	51	Gas production	Russia
	OAO Regiongazholding	56	Construction and maintenance of gas facilities	Russia
	Richard Enterprises SA	100	Investing activity	Virgin Islands
	ZAO Rosshelf	57	Investments in oil and gas fields	Russia
	ZAO RSh Centre	99	Transportation services	Russia
	OAO Severneftegazprom****	75	Production and sales of hydrocarbons	Russia
	ООО Sevmorneftegaz	100	Development of oil and gas fields	Russia
	ООО Sibirskaya metanolnaya khimicheskaya kompaniya	100	Production and sale of petrochemical products	Russia
	ООО Sibneft-AZS Service	100	Fuel station operation	Russia
	OAO Sibneft-Omskiy NPZ	100	Oil refining	Russia
	OAO Sibneft-Noyabrskneftegaz	100	Oil and gas production	Russia
	OAO Sibneft-Omsknefteproduct	100	Petroleum products trading	Russia
	ZAO Sibneft-Severo-Zapad	100	Petroleum products trading	Russia
	ООО Sibneft-Chukotka	100	Exploration, production, transportation of crude oil	Russia
	ООО NK Sibneft-Yugra	99	Oil and gas production	Russia
	Sib Oil Trade Ltd	100	Investing activity	Virgin Islands
	OAO AK Sibur	100	Petrochemicals sale	Russia
	OAO Sibur-Mineralnie udobrenia	100	Production of mineral fertilizers	Russia
	ZAO Sibur-Motors	100	Financial intermediation	Russia
	OAO Sibur-Neftekhim	100	Gas and petrochemical production and sale	Russia
	OAO Sibur-Russkie shiny	100	Trading	Russia
	OAO Sibur-Tymen	100	Property leasing	Russia
	OAO SiburTyumenGaz	100	Gas refining	Russia
	OAO SIBUR Holding	75	Refinery of hydrocarbons, petrochemical production and sale	Russia
	OAO Spetsgazavtotrans	51	Construction and transportation services	Russia
	ZAO Speccisterni	100	Transportation services	Russia
	ZAO Stimul	100	Oil and gas production and sale	Russia

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Note	Company	Share in Charter Capital*, %	Type of activity	Location
	OA O Telekompania NTV	100	TV and radio broadcasting	Russia
	OA O Tomskgazprom	100	Exploration, production, transportation of hydrocarbons	Russia
	OOO Tomskneftekhim	100	Gas and petrochemical production and sale	Russia
	OOO Factoring-Finance	90	Investing activity	Russia
	Ferenco Investment Ltd	100	Investing activity	Cyprus
	OA O Tsentrgez	100	Construction	Russia
	OA O Tsentrenergogaz	62	Repair and maintenance of gas equipment	Russia
	Ecofran Marketing Consulting and Communications Services Company Ltd	100	Investing activity	Cyprus
	OOO Elion	100	Investing activity	Russia
	OOO Yugragazpererabotka	51	Refining	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia
	OA O Yaroslavsky shinniy zavod	88	Tire production	Russia

\* cumulative share of Group companies in charter capital of investments.

\*\* marked subsidiaries were renamed in accordance with order No.183 of 14.07.2007 (their former name is presented in brackets).

\*\*\* marked subsidiaries were established in 2007 in the course of reorganization of the corporate operation management structure.

\*\*\*\* Group's voting shares.

In accordance with the accounting policy, investment in OA O Gazprombank is included within investments in subsidiaries of the Consolidated Balance Sheet and has been accounted for on the basis prescribed for inclusion in the consolidated financial (accounting) reports of investments in associates (see Notes 2, 22).

**Principal associates as of 31 December 2007**

Company	Share in Charter Capital*, %	Type of activity	Location
ZAO Achimgaz	50	Gas production	Russia
Wintershall AG	49	Investments into oil-and-gas assets	Netherlands
Wintershall Gas GmbH (WINGAS GmbH)	50	Transportation and sale of gas	Germany
Wintershall Erdgas Handelshaus GmbH &Co.KG (WIEH)	50	Sale of gas	Germany
Wintershall Erdgas Handelshaus Zug AG (WIEE)	50	Sale of gas	Switzerland
AO Gazum	25	Sale of gas	Finland
STG EuRoPol GAZ s.a.	48	Transportation and sale of gas	Poland
TOO KazRosGaz	50	Gas processing and sale of gas and refined products	Kazakhstan
AO Latvijas Gaze	34	Transportation and sale of gas	Latvia
AO Lietuvos Dujos	37	Transportation and sale of gas	Lithuania
AO Moldovagaz	50	Transportation and sale of gas	Moldova
OA O Moscovsky NPZ	39	Refining and trading	Russia
ZAO Nortgaz	51	Exploration and production of gas	Russia
AO Overgaz Inc.	50	Sale of gas	Bulgaria
RosUkrEnergo AG	50	Sale of gas	Switzerland
Sakhalin Energy Investment Company Ltd.	50	Oil production	Bermuda Islands
AO NGK Slavneft	50	Sale of oil and refined products	Russia
OA O Tomskneft	50	Oil production	Russia

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<b>Company</b>	<b>Share in Charter Capital*, %</b>	<b>Type of activity</b>	<b>Location</b>
Blue Stream Pipeline Company B.V.	50	Construction, gas transportation	Netherlands
AO Turusgas	45	Sale of gas	Turkey
Centrex Beteiligungs GmbH	38	Gas distribution	Austria

\* cumulative share of Group companies in charter capital of investments.

## 20. RELATED PARTIES

As defined by RAR 11/2000 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.

During 2007 and 2006 the Group supplied gas to certain of its associates for RR 423,440 and RR 410,844, respectively. Gas is sold to the Group associates, except for AO Moldovagaz and RosUkrEnergo AG, on the basis of long-term contracts, at prices based on world oil and gas prices.

Gas prices per mcm ranged from USD 30 to USD 344 in 2007 and from USD 56 to USD 355 per mcm in 2006. In 2007 gas supply to AO Moldovagaz is performed on the basis of contract at a fixed price of USD 170 per mcm. In 2006 the price ranged from USD 110 to USD 160 per mcm.

In 2007 and 2006 the Group recorded sales of gas, produced in Russia and Central Asia, to its associated undertaking RosUkrEnergo AG for the total amount of RR 172,242 (65 bcm) and RR 157,450 (66 bcm). Prices for sales of gas produced in Russia ranged from USD 130 to USD 285 per mcm in 2007 and from USD 163 to USD 232 per mcm in 2006, and average prices for sales of Central Asian gas were USD 103 and USD 72 per mcm in 2007 and 2006, respectively.

As of 1 January and 31 December 2007 the amounts due to the Group from RosUkrEnergo AG totaled RR 77,605 and RR 79,284, respectively. These receivables relate mainly to sales of gas and transportation services (under agent agreement), advances paid and dividends receivable.

During 2007 and 2006 the Group arranged transportation of this gas through RosUkrEnergo AG to the Ukrainian border. The amount of sales was equal to RR 11,278 and RR 11,881, respectively. In 2007 and 2006 the Group purchased gas from RosUkrEnergo AG in the amount of RR 44,458 and RR 16,863, respectively. The purchase prices were determined on the basis of market gas prices.

OA O Salavatnefteorgsyntez is a Group's related party because representatives of OA O Gazprom are members of OA O Salavatnefteorgsyntez Board of Directors.

In 2007 the Group supplied petrochemical products and gas condensate to OA O Salavatnefteorgsyntez in the amount of RR 14,081, in 2006 supplies of gas condensate totaled RR 12,514. Petrochemical products and gas condensate were sold at market prices.

As of 1 January and 31 December 2007 the accounts receivable from OA O Salavatnefteorgsyntez amounted to RR 1,379 and RR 1,130, respectively.

In 2007 and 2006 the Group purchased gas from TOO KazRosGaz for RR 13,246 and RR 9,179 at USD 87 and USD 59 per mcm, respectively.

In addition, the Group purchased gas transportation services from associates that amounted to RR 24,939 and RR 22,893 for 2007 and 2006, respectively. Part of the transportation services was exercised in the form of agent agreements.

As of 1 January and 31 December 2007 the amounts due to the Group from its associates, including SGT EuRoPol GAZ s.a. (see Note 9) and AO Moldovagaz, totaled RR 138,965 and RR 134,277, respectively.

Accounts receivable due from AO Moldovagaz for gas as of 1 January and 31 December 2007 amounted to RR 23,881 and RR 29,081, respectively. As of 1 January and 31 December 2007, the Group's bad debt provision related to this accounts receivable amounted to RR 22,600 and RR 27,821, respectively.

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OA O Stroytransgaz rendered construction services for the Group in the amount of RR 6,279 and RR 30,530 for 2007 and 2006, respectively. As of 1 January and 31 December 2007, the Group had advances and receivables due from OA O Stroytransgaz in the amount of RR 1,565 and RR 1,166, respectively. As of 1 January and 31 December 2007, the Group had accounts payable to OA O Stroytransgaz in respect of construction of RR 8,981 and RR 2,347, respectively.

**Remuneration to Board of Directors and Management Committee members**

In 2007 and 2006 OA O Gazprom paid to members of the Board of Directors and Management Committee remuneration for the total amount of RR 1,697 and RR 1,173 net of unified social tax, respectively. These amounts include remuneration paid to the members of Board of Directors of OA O Gazprom and salaries and bonuses of Management Committee members paid by OA O Gazprom under the employment contracts and subsidiaries for acting as general directors. The remuneration of members of the Board of Directors is subject to approval by the General shareholders meeting. Salary and bonus compensation paid to members of the Management Committee is determined by the terms of employment contracts.

**21. EARNINGS PER SHARE**

Basic earnings per share have been calculated by dividing the net profit of the Group for the year by the weighted average number of ordinary shares of OA O Gazprom outstanding during the year (see Note 12).

The weighted average number of ordinary shares outstanding for the years ended 31 December 2007 and 2006 amounted to 23,645 and 22,946 million shares, respectively.

Diluted earnings per share have not been calculated due to the absence of instruments convertible to ordinary shares.

**22. DECONSOLIDATION OF NPF GAZFUND**

In 1994, the Group founded the Non-State Pension Fund NPF Gazfund. Historically, the Group consolidated Gazfund primarily due to the fact that the Group management exhibited control over the financial and investment decisions of NPF Gazfund. The Group used NPF Gazfund as the Group's primary investment vehicle for purchasing strategic investments and NPF Gazfund did not have any other significant operations or investments.

In 2007, there were changes in legislation of the Russian Federation relating to pension funds, specifically Regulation No. 63 dated 1 February 2007, which introduced stringent requirements on pension fund's investment policies and on the composition of investment portfolios. After evaluating and assessing the specific provisions of the new legal requirements, executive management met in March 2007 and decided to discontinue the use of NPF Gazfund as the Group's primary investment vehicle.

Based on the new legislation and management's decisions, in the first quarter of 2007 the Group ceased to consolidate NPF Gazfund.

The principal balance sheet line items affected are investments in subsidiaries, other short-term financial investments, treasury shares and provisions for future expenses and payments. In addition, where NPF Gazfund continues to hold ownership interests in OA O Gazprom subsidiaries (for example, OA O Gazprombank, Sibur group), those interests are reflected as minority interest in the accompanying financial information.

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The deconsolidation of NPF Gazfund had the following line item effect(s) on the consolidated financial (accounting) reports of the Group:

<b>Consolidated Balance Sheet</b>	<b>Description</b>	<b>Increase/(decrease)</b>
Intangible assets, including:	Write-off of goodwill related to Gazprom Media group as a result of changes in the effective ownership interest	(14,366)
goodwill of subsidiaries		(14,366)
Long-term financial investments, including:	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(66,372)
investments in subsidiaries		(54,504)
investments in associates		(7,896)
other long-term financial investments		(3,972)
Accounts receivable (payment expected beyond 12 months of the reporting date)	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(3,390)
Short-term financial investments, including:	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(66,902)
other short-term financial investments		(66,902)
Monetary assets	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(4,327)
Treasury shares	Absence of OAO Gazprom shares that were on the balance sheet of NPF Gazfund	12,771
Additional capital	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(4,546)
Retained earnings	Financial result from the changed accounting treatment of NPF Gazfund	(86,985)
Minority interest	Recognition of the minority interest in the Group subsidiaries, investments in which are recorded on the balance sheet of NPF Gazfund	53,072
Loans and borrowings, including:	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(28,122)
bank borrowings due for repayment beyond 12 months of the reporting date		(28,122)
Accounts payable	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(5,294)
Provisions for future expenses and payments	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(96,253)

<b>Consolidated Statement of Changes in the Shareholders' Equity</b>	<b>Description</b>	<b>Increase/(decrease)</b>
Decrease of treasury shares	Absence of OAO Gazprom shares that were on the balance sheet of NPF Gazfund	12,771
Decrease in retained earnings of prior periods	Financial result from the changed accounting treatment of NPF Gazfund	(86,985)
Decrease in additional capital	Absence of NPF Gazfond information earlier included in the consolidated financial statements	(4,546)



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### 23. ACQUISITION OF OA O MOSENERGO

In May 2007, the Group acquired part of OA O Mosenergo's additional share issue for RR 60,041 and increased its interest to 42.73%. In June 2007 the Group acquired from ZAO Lider (NPF Gazfund management company) a 7.17% interest in OA O Mosenergo for RR 17,089. In September 2007 the Group placed a buy-out offer to other shareholders of OA O Mosenergo and subsequently acquired another 3.57% interest for RR 9,223. All transactions related to acquisition of OA O Mosenergo shares were paid in cash. The Group's share in the charter capital of OA O Mosenergo was 29.89% and 53.47% as of 1 January 2007 and 31 December 2007, respectively.

The goodwill resulting from the above transactions amounted to RR 72,878. The amount of goodwill arisen from the step-by-step acquisition of interest in OA O Mosenergo during the year 2007, was reduced by RR 26,318 related to additionally issued shares bought by the Group (see Notes 5, 19).

### 24. CONTINGENCIES

#### Guarantees issued

	As of 1 January 2007	As of 31 December 2007
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	36,098	28,608
EM Interfinance Limited	7,153	6,135
Blackrock Capital Investments Limited	6,460	5,528
Devere Capital International Limited	6,446	5,543
DCL Assets International Limited	2,484	1,500
United Energy Investments Limited	2,482	1,499
ZAO Achimgaz	-	4,591
Gazprom Libya B.V.	-	4,467
ZAO Investment Technologies	6,005	-
Other	8,230	12,352
<b>Total</b>	<b>75,358</b>	<b>70,223</b>

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 1 January and 31 December 2007 outstanding amounts of these loans were RR 34,123 and RR 26,767, respectively, which were guaranteed by the Group, pursuant to its obligations.

The guarantee of the loan issued by Depfa bank to Blue Stream Pipeline Company B.V. amounted to RR 1,975 and RR 1,841 as of 1 January and 31 December 2007, respectively.

In 2006 the Group provided guarantees to Asset Repackaging Trust Five B.V. (registered in the Netherlands) on behalf of the five companies (Devere Capital International Limited, Blackrock Capital Investments Limited, DCL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) registered in Ireland, with respect to bonds issued by them. The guarantees amounted to RR 25,025 and RR 20,205 as of 1 January and 31 December 2007, respectively.

In November 2006 the Group provided a guarantee to Lascor Limited on behalf of ZAO Investment Technologies with respect to its purchase of OA O Salavatnefteorgsyntez shares in the amount of RR 6,005 (USD 228 million). As of 31 December 2007 obligations of the Group under this guarantee contract were terminated due to fulfilment by ZAO Investment Technologies of its obligations to Lascor Limited.

In April 2007 the Group provided a guarantee to the National Oil Corporation of Libya on behalf of Gazprom Libya B.V. under the product sharing agreement. As of 31 December 2007 the above guarantee amounted to RR 4,467 (USD 182 million).

In 2007 the Group provided a guarantee to Wintershall Vermögens-Verwaltungsgesellschaft mbH on behalf of ZAO Achimgaz as a security of loans received and used for additional financing of the pilot implementation of the project on the development of Achimsky Deposits of the



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Urengoy field. The Group's liability with respect to loans is limited by 50% in accordance with the ownership interest in ZAO Achimgaz. As of 31 December 2007 the above guarantee amounted to RR 4,591 (Euro 128 million).

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

### **Operating environment**

The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

While there have been improvements in economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments.

### **Legal proceedings**

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

### **Taxation**

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. As of 31 December 2007 interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions will be sustained.

## **25. POST BALANCE SHEET EVENTS**

### **Agreement on OAO Sibur Holding**

In April 2008 OAO Gazprombank has agreed to dispose of 50% plus one share interest in OAO Sibur Holding in connection with a proposed management buyout for a total consideration of RR 53,500. RR 16,600 will be received in cash at the date of sale; the rest of the proceeds will be due in several installments with the contractual maturity from 3 months to 3 years. All amounts receivable will be interest-bearing.

### **Fixed assets revaluation**

Most of the Group entities, including OAO Gazprom, have signed agreements with independent appraisers in respect of fixed assets revaluation to be performed for the Group companies as of 01 January 2008. The last revaluation of fixed assets was performed as of 01 January 2006. The management of OAO Gazprom believes that the revaluation of fixed assets as of 01 January 2008 will result in a significant increase in the current (replacement) value of the fixed assets in the consolidated financial (accounting) reports.

### **Investments**

In January 2008, the Group purchased 12.5% interest in OAO Beltransgas for amount of USD 625 million. As a result the Group increased its interest in OAO Beltransgas up to 25%.

In February 2008, the Group purchased 28.7% interest in TGC-1 for amount of RR 39,219 from RAO UES of Russia in accordance with share purchase agreement.

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**Loans and borrowings**

In January 2008, the Group received a loan from ABN AMRO for acquisition of OAO WGC-6 shares in amount of USD 900 million at LIBOR + 2.0% and due July, 2008.

In January 2008, the Group received a term loan from Credit Suisse International in amount of USD 1,635 million due 2018 at 5.25% interest rate for refinancing loan received in September, 2007.

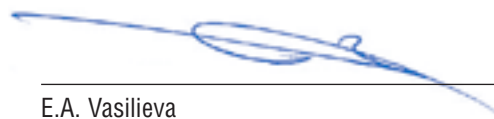
In April 2008, the Group issued USD 400 million Loan Participation Notes due in 2013 at an interest rate of 7.343% and USD 1,100 million Loan Participation Notes due in 2018 at an interest rate of 8.146% under the USD 30,000 million Programme for the Issuance of Loan Participation Notes.

**Treasury shares**

In March 2008, the Group purchased treasury shares for amount of RR 536. Treasury shares were purchased for the purpose of sales to OAO Gazprom employees under OAO Gazprom management remuneration program.



A.B. Miller  
Chairman of the Management Committee



E.A. Vasilieva  
Chief Accountant

21 May 2008