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**OPEN JOINT COMPANY «GAZPROM»
SATUTORY FINANCIAL (ACCOUNTING) REPORTS
OF THE PARENT COMPANY OAO «GAZPROM» 2006**

AUDIT REPORT
on Statutory financial (accounting) reports

To the shareholders of Open Joint Stock Company Gazprom

Auditor

ZAO PricewaterhouseCoopers 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 № 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies № 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 2007.

Client

Open Joint Stock Company Gazprom

Nametkina str., 16, Moscow, 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 № 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 2006. 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 2006 and financial results of its operations for the period from 1 January up to 31 December 2006 in accordance with the legislation of Russian Federation applicable for Statutory financial (accounting) reports.

30 March 2007

Director of ZAO PricewaterhouseCoopers Audit

S. Haffner

Statutory auditor

A.L. Uzornikova

Certificate No K 000254
for general audit
termless

BALANCE SHEET
as at 31 December 2006

Company OAO «Gazprom»
 Taxpayer identification number
 Field of activity wholesale
 Legal form / property form
 Open Joint Stock Company
 Unit of measurement: thousands of RR
 Location (address) OAO «Gazprom»,
 Nametkina str., 16, Moscow, V-420, GSP-7, 117997

	CODES
Form N1 on OKUD	0710001
Date (day, month, year)	31.12.2006
OKPO	00040778
INN	7736 050 003
OKVED	51
OKOPF/OKFS	47/31
OKEI	384

Assets	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	464	684
patents, licenses, trade marks (service marks), other similar rights and assets	111	464	684
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	2,645,708,356	2,629,294,466
including:			
land plots and natural resources	121	12,476	12,368
buildings, machinery and equipment	122	2,643,359,003	2,626,899,563
Construction in progress	130	145,046,985	225,302,499
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	639,128,935	769,097,147
including:			
investments in subsidiaries	141	546,641,766	573,603,359
investments in associates	142	26,184,047	33,358,414
investments in other entities	143	416,167	29,906,887
loans provided to companies for a period over 12 months	144	10,135,026	70,650,189
Deferred tax asset	145	6,054,992	5,914,902
Other non-current assets	150	4,509,435	5,281,042
Total Section I	190	3,440,449,167	3,634,890,740

Assets	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
II. CURRENT ASSETS			
Inventories	210	95,251,067	124,428,581
including:			
Raw, materials and other inventories	211	1,374,980	1,435,673
Livestock	212	131	131
Work in progress	213	63,551,746	82,817,637
Finished goods and goods for resale	214	27,286,277	34,114,679
Goods dispatched	215	561,403	2,220,363
Expenses related to future periods	216	2,476,530	3,840,098
Value Added Tax on goods purchased	220	37,843,011	37,199,146
Accounts receivable (payment expected beyond 12 months after the reporting date)	230	148,477,849	128,585,647
including:			
buyers and customers	231	20,001,100	33,548,064
promissory notes receivable	232	-	-
advances issued	234	21,586,875	13,165,550
other debtors	235	106,889,874	81,872,033
Accounts receivable (payment expected within 12 months after the reporting date)	240	437,558,426	549,657,235
including:			
buyers and customers	241	152,228,105	223,775,187
promissory notes receivable	242	-	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	18,474,744	16,869,942
other debtors	246	266,855,577	309,012,106
Short-term investments	250	16,204,148	17,248,532
loans provided to other companies for a period within 12 months	251	4,941,172	8,548,674
Monetary assets	260	73,044,882	61,234,070
including:			
cash	261	1,899	2,442
settlement accounts	262	33,863,233	10,246,253
foreign currency accounts	263	29,594,903	48,099,614
other monetary assets	264	9,584,847	2,885,761
Other current assets	270	1,029	290
Total Section II	290	808,380,412	918,353,501
TOTAL SECTIONS I and II	300	4,248,829,579	4,553,244,241

Assets	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
III. EQUITY AND RESERVES			
Charter capital	410	118,367,564	118,367,564
Treasury shares	411	-	-
Additional capital	420	2,584,117,995	2,582,467,620
Legal reserve	430	8,636,001	8,636,001
including:			
reserves formed in accordance with legislation	431	8,636,001	8,636,001
Retained earnings (loss)	470	636,309,504	945,937,462
Social government fund	480	-	-
Total Section III	490	3,347,431,064	3,655,408,647
IV. NON-CURRENT LIABILITIES			
Borrowings	510	615,097,556	521,983,429
bank borrowings due for repayment beyond 12 months	511	401,755,723	240,564,290
other borrowings due for repayment beyond 12 months	512	213,341,833	281,419,139
Deferred tax liabilities	515	89,093,084	108,601,670
Other non-current liabilities	520	-	4,893
Promissory notes payable	522	-	-
Total Section IV	590	704,190,640	630,589,992
V. CURRENT LIABILITIES			
Borrowings and bank loans	610	62,159,693	95,613,844
bank borrowings due for repayment within 12 months	611	12,707,413	-
other borrowing due for repayment within in months	612	-	-
current portion of long-term borrowings	613	49,452,280	95,613,844
Accounts payable	620	133,169,882	162,592,885
including:			
suppliers and contractors	621	100,123,804	130,388,044
salaries payable	622	15,621	9,097
payable to state non-budget funds	623	5,490	7,808
taxes payable	624	16,245,088	15,687,696
other creditors, including:	625	16,779,879	16,500,240
promissory notes payable	626	380,990	-
advances received	627	1,250,146	932,924
other creditors	628	15,148,743	15,567,316
Payable to participants (shareholders)	630	44,510	371,001
Income of future periods	640	4,417	3,177
Reserves for future expenses and payments	650	1,829,373	8,664,695
Other current liabilities	660	-	-
Total Section V	690	197,207,875	267,245,602
TOTAL SECTIONS III, IV, V	700	4,248,829,579	4,553,244,241

REFERENCE ON ITEMS ACCOUNTED ON OFF-BALANCE SHEET ACCOUNTS

Narrative	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
Rented fixed assets	910	21,186	22,593
thereof by leasing	911	-	-
Working and fixed assets received for storing	920	38,248	38,977
Goods on commission	930	245	-
Bad debts of insolvent debtors written off to losses	940	21,761,734	14,772,968
Securities of liabilities and payments received	950	1,226,238	670,237
Securities of liabilities and payments issued	960	62,333,158	82,978,534
Housing stock depreciation	970	71,192	61,435
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for usage	990	-	-

Chief executive officer

_____ A.B. Miller
(signature)

Chief accountant

_____ E.A. Vasilieva
(signature)

**PROFIT AND LOSS ACCOUNT
for 2006**

		CODES
	Form N2 on OKUD	0710002
	Date (year, month, day)	31.12.2006
Company OAO «Gazprom»	OKPO	00040778
Taxpayer identification number	INN	7736 050 003
Field of activity wholesale	OKVED	51
Legal form / property form		
Open Joint Stock Company	OKOPF/OKFS	47/31
Unit of measurement: thousands of RR	OKEI	384

Narrative	Line code	For reporting period	For the same period of the previous year
1	2	3	4
Income from and expenses on ordinary activities			
Sales of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	1,632,652,981	1,231,261,784
including:			
gas	11	1,312,325,670	968,579,508
leased assets	12	221,602,053	183,676,815
oil and gas refinery products	13	54,686,915	44,423,772
gas transportation services	14	23,421,453	20,404,184
gas condensate	15	19,355,407	13,246,477
other	16	1,029,183	836,294
gas storage services	17	232,300	94,734
Cost of goods, products, work, services sold	20	(578,525,891)	(425,190,517)
including:			
gas	21	(302,627,520)	(194,018,128)
leased assets	22	(204,243,671)	(169,868,748)
oil and gas refinery products	23	(26,807,059)	(22,807,321)
gas transportation services	24	(32,305,047)	(30,108,635)
gas condensate	25	(10,737,654)	(6,792,077)
other	26	(1,658,435)	(1,550,022)
gas storage services	27	(146,505)	(45,586)
Gross profit	29	1,054,127,090	806,071,267
Selling expenses	30	(518,675,487)	(433,953,918)
Administrative expenses	40	(17,555,687)	(13,972,952)
Profit (loss) from sales	50	517,895,916	358,144,397
Other income and expenses			
Interest income	60	3,446,856	4,142,007
Interest expenses	70	(40,113,371)	(35,557,522)
Income from investments in other companies	80	30,916,289	12,052,918
Other income	105	1,510,000,738	1,293,676,184
Other expenses	110	(1,526,822,946)	(1,343,229,678)
Income (loss) from operations	140	495,323,482	289,228,306
Deferred tax assets	141	(126,565)	(1,066,444)
Deferred tax liabilities	142	(19,508,654)	11,733,296

Narrative	Line code	For reporting period	For the same period of the previous year
1	2	3	4
Current income tax	150	(131,915,177)	(72,975,244)
Other expenses out of profit	151	(93,019)	(14,640)
Net profit (loss) for the reporting year	190	343,680,067	203,438,682

REFERENCE

Permanent tax liabilities (assets)	200	39,985,421	19,125,458
Basic earnings (loss) per share	201	14.52	8.58
Diluted earnings (loss) per share	202	-	-

BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES

Narrative	Line code	For reporting period		For the similar period of the previous year	
		income	expense	income	expense
1	2	3	4	5	6
Fines and penalties recognized by court or those on which there are judgments of a court (or arbitrage court) on their recovery	210	210,983	6,615	120,506	5,058
Profit (loss) of previous years	220	4,188,933	2,934,515	1,243,020	1,850,442
Compensation for damages caused by default on obligations or by improper fulfillment of obligations	230	-	-	-	-
Exchange rate differences	240	66,226,647	44,508,426	42,656,057	50,810,641
Revaluation reserve	250	-	4,103,343	-	2,408,777
Write-off of debtor and creditor indebtedness on which the period of limitation has expired	260	43,586	1,165,087	21,410	2,629,153
Release of revaluation reserve	270	1,338,729	-	31,630,063	-

Chief executive officer

 _____ A.B. Miller
 (signature)

Chief accountant

 _____ E.A. Vasilieva
 (signature)

**FLOW OF EQUITY AND FUNDS
for 2006**

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 (year, month, day)
OKPO
INN
OKVED
OKOPF/OKFS
OKEI

CODES
0710003
31.12.2006
00040778
7736 050 003
51
47/31
384

I. Changes in equity

Narrative	code	Charter capital	Additional capital	Reserve capital	Accumulated profit/loss	Social government fund	Total
1	2	3	4	5	6	7	8
Balance as of 31 December of the year antecedent to the prior year	70	118,367,564	1,252,736,131	8,636,001	472,220,683	-	1,851,960,379
2005 (previous year)							
Changes							
in accounting policies	71	X	X	X	-	X	-
Revaluation of fixed assets	72	x	940,259,682	x	(3,168,491)	X	937,091,191
Balance as of 1 January of the previous year	80	118,367,564	2,192,995,813	8,636,001	469,052,192	X	2,789,051,570
Exchange rate differences	81	X	-	X	X	X	-
Net profit (loss)	82	x	x	x	203,438,682	X	203,438,682
Dividends	83	x	x	x	(28,171,480)	X	(28,171,480)
Allocations							
to the legal reserve	84	X	X	-	-	X	-
Increase of capital due to	85	-	-	-	741,027	-	741,027
additional shares issue	86	-	X	X	X	X	-
increase of share par value	87	-	X	X	X	X	-
reorganization of legal entity	88	-	X	X	-	-	-
other transactions	89	-	-	-	741,027	-	741,027
Decrease of capital due to:	90	-	(741,449)	-	-	-	(741,449)
decrease in value of shares	91	-	X	X	X	X	-
reduction in number of shares	92	-	X	X	X	X	-
reorganization of legal entity	93	-	X	X	-	-	-
other transactions	94	-	(741,449)	-	-	-	(741,449)

Form 0710003 p.2

Narrative	code	Charter capital	Additional capital	Reserve capital	Accumulated profit/loss	Social government fund	Total
1	2	3	4	5	6	7	8
Balance as of 31 December of the previous year	95	118 367 564	2 192 254 364	8 636 001	645 060 421	-	2 964 318 350
2006 (current year)							
Changes in accounting policy	96	X	X	X	173,205	X	173,205
Results of property evaluation	97	X	391,863,631	X	(8,924,122)	-	382,939,509
Balance as of 1 January of the current year	100	118,367,564	2,584,117,995	8,636,001	636,309,504	-	3,347,431,064
Exchange rate differences	101	X	-	X	X	X	-
Net profit	102	X	X	X	343,680,067	X	343,680,067
Dividends	103	X	X	X	(35,510,269)	X	(35,510,269)
Contributions to legal reserves	110	X	X	-	-	X	-
Increase of capital due to additional shares issue	120	-	-	-	1,458,160	-	1,458,160
increase of share par value	121	-	X	X	X	X	-
reorganization of legal entity	122	-	X	X	X	X	-
other transactions	123	-	X	X	-	-	-
other transactions	125	-	-	-	1,458,160	-	1,458,160
Decrease of capital due to decrease in value of shares	130	-	(1,650,375)	-	-	-	(1,650,375)
reduction in number of shares	131	-	X	X	X	X	-
reorganization of legal entity	132	-	X	X	X	X	-
other transactions	133	-	X	X	-	-	-
other transactions	135	-	(1,650,375)	-	-	-	(1,650,375)
Balance as of 31 December of the current year	140	118 367 564	2 582 467 620	8 636 001	945 937 462	-	3 655 408 647

II. Reserves

Narrative	Line code	Balance b/f	Additions	Disposals	Balance
1	2	3	4	5	6
Legal reserves					
formed in accordance with legislation					
Reserve fund	151	-	-	-	-
previous year	152	8,636,001	-	-	8,636,001
current year	153	8,636,001	-	-	8,636,001
Other reserves	154	-	-	-	-
previous year	155	-	-	-	-
current year	156	-	-	-	-
Legal reserves formed in accordance with foundation documents					
Reserve fund	157	-	-	-	-
previous year	158	-	-	-	-
current year	159	-	-	-	-
Other reserves	160	-	-	-	-
previous year	161	-	-	-	-
current year	162	-	-	-	-
Provisions					
Provision for impairment of receivables	163	-	-	-	-
previous year	164	37,890,026	(22,725,669)	(6,806,610)	8,357,747
current year	165	8,357,747	2,617,951	(1,031)	10,974,667
Provision for impairment of investments	166	-	-	-	-
previous year	167	9,955,157	2,408,777	(8,904,394)	3,459,540
current year	168	3,459,540	1,440,254	(1,293,591)	3,606,203
Provision for impairment of inventories	169	-	-	-	-
previous year	170	-	-	-	-
current year	171	-	-	-	-
Other provisions	172	-	-	-	-
previous year	173	-	-	-	-
current year	174	-	-	-	-
Reserves for future expenses for vacation bonus expenses					
for vacation bonus expenses	175	-	-	-	-
prior year	176	17 673	542 324	(386 792)	173 205
reporting year	177	-	-	-	-
for annual works record bonus expenses	178	-	-	-	-
prior year	179	-	-	-	-
reporting year	180	-	-	-	-
for annual appreciation bonus expenses	181	-	-	-	-
prior year	182	315 854	557 896	(317 527)	556 223
reporting year	183	556 223	739 205	(612 391)	683 037
for repair works to be incurred	184	-	-	-	-

Narrative	Line code	Balance b/f	Additions	Disposals	Balance
1	2	3	4	5	6
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	3 115 380	(1 842 230)	-	1 273 150
reporting year	192	1 273 150	7 981 658	(1 273 150)	7 981 658
Other reserves	193	-	-	-	-
previous year	194	-	-	-	-
current year	195	-	-	-	-

REFERENCES

Narrative	code	At beginning of reporting year		At the end of reporting period	
1	2	3		4	
1) Net assets	200	3,347,435,481		3,655,411,824	
		From budget		From non-budget funds	
		for reporting year	for previous year	for reporting year	for previous year
		3	4	5	6
2) Received for:					
expenses					
on ordinary activities-total	210	358	295	-	-
capital investments	220	-	-	-	-

Chief executive officer

 _____ A.B. Miller
 (signature)

Chief accountant

 _____ E.A. Vasilieva
 (signature)

**CASH FLOW STATEMENT
for 2006**

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)	31.12.2006
OKPO	00040778
INN	7736 050 003
OKVED	51
OKOPF/OKFS	47/31
OKEI	384

Narrative	code	For the current year	For the same period of the previous year
1	2	3	4
Cash at the beginning of the reporting year	100	71,070,646	64,590,094
Cash flows from operating activities			
Total cash received, including from	110	3,378,892,868	2,742,194,438
- sale of goods, products, works and services	111	1,924,739,405	1,487,626,850
- sale of other assets	112	1,348,989,792	1,149,303,041
including currency sales	113	1,348,927,201	1,083,308,631
- advances received from buyers (customers)	114	31,036,617	1,503,303
- budget allocations and other special purpose financing	115	358	295
- free of charge	116	-	-
- other income	117	74,126,696	103,760,949
Total cash used for:	120	(2,954,675,856)	(2,362,676,751)
payments for purchased goods, work, services, materials and other current assets	150	(985,934,235)	(733,709,035)
wages and salaries payments	160	(4,873,715)	(3,967,758)
dividend paid, interest paid	170	(33,749,258)	(25,885,255)
settlements of taxes and duties	180	(143,954,263)	(91,965,012)
custom duties	183	(342,070,148)	(256,564,273)
payments to state non-budget funds	190	(556,727)	(460,348)
advances paid	191	(5,660,705)	(6,938,230)
other payments	192	(1,437,876,805)	(1,243,186,840)
including currency sales	193	(1,343,415,774)	(1,081,473,896)
Net cash from operating activity	199	424,217,012	379,517,687
Cash movement - investing activity	200	75,589,476	64,685,292
Sales of fixed assets and other non-current assets	210	260,835	26,058
Sales of securities and other financial investments	220	26,960,512	2,103,737
Dividends received	230	25,997,620	13,581,815
Interest received	240	1,082,326	853,469
Redemption of loans provided to other entities	250	17,034,699	7,659,122
Budget allocations and other special purpose financing	255	-	-

Narrative	code	For the current year	For the same period of the previous year
1	2	3	4
Proceeds under the investment contract	256	-	-
Settlement of securities and other investments	257	4,253,484	40,461,091
Other proceeds	260	-	-
Total cash used for	270	(489 445 794)	(372 870 113)
Subsidiaries acquisition	280	-	-
Acquisition of fixed assets, income-bearing investments in tangible and intangible assets	290	(665,867)	(169,158)
Acquisition of securities and other financial investments	300	(57,771,200)	(58,923,883)
Loans granted to other entities	310	(81,291,878)	(4,000,469)
Financing of joint construction	320	-	-
Allocated to capital construction settlements	325	294,225,532	277,796,078
Other payments, transfers, etc.	330	55,491,317	31,980,525
Net cash from investing activity	340	(413,856,318)	(308,184,821)
Cash movement - financing activity			
Total cash resived	350	160,184,992	176,817,045
Proceeds from issue of shares and other equity instruments	351	-	-
Loans and credits received	352	160,184,992	176,817,045
Other receipt	353	-	-
Total cash used for	360	(180,382,267)	(239,695,157)
Repayment of loans and credits (without interest)	361	(180,382,267)	(239,695,157)
Repayment of financial lease obligations	362	-	-
Purchased goode works, servieces	363	-	-
Other payments, transvers, etc.	364	-	-
Net cash from financing activity	370	(20,197,275)	(62,878,112)
Net increase (decrease) in cash and cash equivalents	380	(9,836,581)	8,454,754
Cash at the end of the reporting year	400	61,234,065	73,044,848
Ruble exchange rate difference	401	(2,872,052)	(762,547)

Chief executive officer

 (signature)

A.B. Miller

Chief accountant

 (signature)

E.A. Vasilieva

**SUPPLEMENT TO THE BALANCE SHEET
for 2006**

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)	31.12.2006
OKPO	00040778
INN	7736 050 003
OKVED	51
OKOPF/OKFS	47/31
OKEI	384

INTANGIBLE ASSETS

Narrative	code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property) including the rights of:	010	521	253	-	774
the patent holder on invention					
industrial design, utility model	011		253	-	253
software, database owner	012	-	-	-	-
the integrated circuit layout owner	013	-	-	-	-
the trademark, servicemark owner, names of origin of goods owner	014	521	-	-	521
plant patent holder	015	-	-	-	-
Administration expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Narrative	code	At beginning of reporting year	At end of reporting period
1	2	3	4
Amortization of intangible assets - total	050	57	90

FIXED ASSETS

Narrative Additions	Disposals	code At end		At beginning	
		of reporting year		of reporting period	
1	2	3	4	5	6
Buildings	060	220,063,703	11,683,133	(4,345,257)	227,401,579
Constructions and transfer mechanisms	061	5,630,646,241	124,322,686	(3,043,832)	5,751,925,095
Machinery and equipment	062	776,563,729	58,729,642	(6,086,179)	829,207,192
Means of transportation	063	1,303,457	387,992	(121,249)	1,570,200
Production and work appliances	064	2,334,038	278,156	(183,159)	2,429,035
Working livestock	065	2,505	-	(160)	2,345
Productive livestock	066	-	-	-	-
Perennial plants	067	21,588	5,529	(2,715)	24,402
Other types of fixed assets	068	475,976	253	(63,427)	412,802
Plots of land and natural resources	069	12,476	-	(108)	12,368
Investments in reclamation	070	-	-	-	-
Total	071	6,631,423,713	195,407,391	(13,846,086)	6,812,985,018

Narrative	code	At beginning of reporting year		At end of reporting period	
		3		4	
1	2				
Depreciation of fixed assets - total	140	3,985,715,357		4,183,690,552	
including:					
buildings and constructions	141	3,376,560,707		3,552,052,619	
machinery, equipment, means of transportation	142	608,000,160		630,296,724	
other	143	1,154,490		1,341,209	
Fixed assets leased out - total	150	6,587,213,086		6,769,225,985	
including:					
buildings	151	204,976,291		213,689,330	
constructions	152	5,609,074,345		5,729,618,532	
machinery, equipment, means of transportation	153	771,755,983		824,530,789	
other	154	1,406,467		1,387,334	
Fixed assets transferred to conservation	160	23,336,602		23,869,941	
Fixed assets leased in - total	161	21,186		22,593	
Fixed assets received and being in the process of state registration	162	34,267,122		48,004,429	

Chief executive officer

 _____ A.B. Miller
 (signature)

Chief accountant

 _____ E.A. Vasilieva
 (signature)

REFERENCE	code	At beginning of reporting year	At beginning of previous year
	2	3	4
Result of fixed assets revaluation:			
historical (recovered) value	171	971,135,407	2,293,127,805
depreciation	172	588,195,898	1,356,036,614
	code	At beginning of reporting year	At end of reporting period
	2	3	4
Changes in fixed assets value as a result of fitting-out, rigging up, reconstruction, partial liquidation			
	180	5,777,042	8,914,907

INCOME-BEARING PROPERTY

Narrative	code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Property for lease-out	190	-	-	-	-
Property for hiring	191	-	-	-	-
Other	192	-	-	-	-
Total	193	-	-	-	-
	code <th>At beginning of reporting year</th> <th colspan="2">At end of reporting period</th>	At beginning of reporting year	At end of reporting period		
1	2	3	4		
Depreciation of income-bearing property	200	-	-		

RESEARCH AND DEVELOPMENT COSTS

Narrative	code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Total Research and Development costs	310	4,498,988	2,876,125	(2,105,681)	5,269,432

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REFERENCE	code	At beginning of reporting year	At end of reporting period
	2	3	4
Costs related to Research and Development in progress	320	1,646,378	1,542,516
	code	For reporting period	For the same period of the previous year
	2	3	4
Costs related to Research and Development without positive outcome which were charged to other expenses	321	5,640	-

NATURAL RESOURCES DEVELOPMENT COSTS

Narrative	code	Balance at beginning of reporting year	Additions	Disposals	Balance at end of reporting period
1	2	3	4	5	6
Total natural resources development costs	410	633,767	1,166,493	554,810	1,245,450

REFERENCE	code	For reporting period	For the same period of the previous year
	2	3	4
Expenses attributable to those areas of subsoil where prospecting and evaluation of deposits, exploration and/or hydrological survey and other similar works have not been finalized	412	633,489	633,489

REFERENCE	code	For reporting period	For the same period of the previous year
	2	3	4
Expenses attributable to natural resources development without positive outcome, which were charged to non-operating expenses of the current period	413	2,140,741	1,872,925

FINANCIAL INVESTMENTS

Narrative	code	Long-term		Short-term	
		at beginning of reporting year	at end of reporting period	at beginning of reporting year	at end of reporting period
1	2	3	4	5	6
Investments in share capital					
of other entities - total	510	574,193,433	638,405,289	13,800	-
including subsidiaries	511	573,269,003	608,285,772	-	-
State and municipal securities	515	1,551	-	-	775
Securities of other entities	520	657,123	65,428	10,202,062	7,013,972
including debt securities (debentures, promissory notes)	521	656,123	64,428	10,202,062	7,013,972
Loans granted	525	10,135,026	70,650,189	4,994,651	8,565,069
Deposits	530	7,541,573	5,415,971	959,233	1,545,127
Other	535	49,555,333	58,150,078	538,838	139,984
Total	540	642,084,039	772,686,955	16,708,584	17,264,927

Financial investments
at current market value from total

Investments in share capital					
of other entities - total	550	311,776,497	375,257,050	13,800	-
including subsidiaries	551	311,776,497	345,699,265	-	-
State and municipal securities	555	-	-	-	-
Securities of other entities	560	-	-	1,393,954	-
including debt securities (debentures, promissory notes)	561	-	-	1,393,954	-
Other	565	-	-	-	-
Total	570	311,776,497	375,257,050	1,407,754	-

REFERENCE

Change in value due to measurement adjustments of financial investments at current market value	580	(3,958,325)	34,899,421	-	-
Difference between acquisition cost and par value of debt securities is charged to financial results of the current period	590	-	-	-	-

ACCOUNT RECEIVABLE AND ACCOUNTS PAYABLE

Narrative	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Accounts receivable:			
Short-Term	600	447,865,736	562,541,341
including:			
receivables from customers and clients	601	162,535,415	236,659,293
promissory notes receivable	602	-	-
advances given	603	18,474,744	16,869,942
other	604	266,855,577	309,012,106
Long-Term	610	148,477,849	128,585,647
including:			
receivables from customers and clients	611	20,001,100	33,548,064
promissory notes receivable	612	-	-
advances given	613	21,586,875	13,165,550
other	614	106,889,874	81,872,033
Total	620	596,343,585	691,126,988
Accounts payable			
Short-Term	630	197,279,138	260,116,168
including:			
payables to suppliers and contractors	631	100,123,804	130,388,044
advances received	632	1,250,146	932,924
tax and duties payments	633	16,250,578	15,695,504
promissory notes payable	634	380,990	-
credits	635	51,368,542	66,677,698
loans	636	10,791,151	28,936,146
other	637	17,113,927	17,485,852
Long-Term	640	615,097,556	521,988,322
including:			
credits	641	401,755,723	240,564,290
loans	642	213,341,833	281,419,139
other	643	-	4,893
Total	650	812,376,694	782,104,490

EXPENSES INCURRED IN ORDINARY (BY COST NATURE)

Narrative	code	For reporting year	For previous year
1	2	3	4
Materials	710	606,998,959	503,807,073
Wages and salaries expenses	720	5,206,156	4,744,808
Obligatory social payments	730	558,035	504,388
Fixed assets depreciation	740	205,685,610	170,167,254
Other expenses	750	7,943,259	6,732,795
Total by expense type	760	826,392,019	685,956,318
Changes in the balance (increase [+], decrease,[-]):			
work in progress	765	19,265,891	10,375,247
expenses of future periods	766	1,364,731	576,039
reserves of future expenses	767	126,814	395,901

COLLATERAL

Narrative	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Received	810	1,226,238	670,237
including:			
promissory notes	811	-	-
including past due notes	812	-	-
Property in pledge	820	1,226,238	670,237
including:			
fixed assets	821	-	217,802
securities and other financial investments	822	1,226,238	452,435
other	823	-	-
Issued	830	62,333,158	82,978,534
including:			
promissory notes	831	-	-
including past due notes	832	-	-
Property given for pledge	840	188,888	817,550
including:			
fixed assets	841	-	-
securities and other financial investments	842	188,888	817,550
other	843	-	-

1. GENERAL INFORMATION

The principal activity of OAO Gazprom (hereinafter «the Company») is the sale of natural gas. The Company is also involved in other types of activities, which includes the leasing of assets, organization services for gas transportation and storage, sales of gas condensate and refinery 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, Tyumen, Kiev, Salekhard, Minsk, Teheran, Peking and Ashkhabad and in the Moscow region. The representative office in Tyumen is under liquidation.

As of 31 December 2006 and 2005 the Company employed 5,678 and 5,540 persons, respectively.

The Company's shares are quoted in the Russian Trading system.

As of 31 December 2006 members of the Board of Directors of OAO Gazprom include:

Medvedev, Dmitry Anatoljevich – Chairman of the Board of Directors

Ananenkov, Alexander Georgievich
Bergmann, Burkhard
Gazizullin, Farit Rafikovich
Gref, German Oskarovich
Karpel, Elena Evgenievna

Miller, Alexei Borisovich
Sereda, Mikhail Leonidovich
Fedorov, Boris Grigorievich
Khristenko, Victor Borisovich
Yusufov, Igor Hanukovich

As of 31 December 2006 members of the Management Committee of OAO Gazprom include:

Miller, Alexei Borisovich – Chairman of the Management Committee

Ananenkov, Alexander Georgievich
Budzuliak, Bogdan Vladimirovich
Vasilieva, Elena Alexandrovna
Golubev, Valery Alexandrovich
Ilyushin, Victor Vasilievich
Kozlov, Alexander Nikolayevich
Kruglov, Andrei Viacheslavovich
Medvedev, Alexander Ivanovich

Pavlova, Olga Petrovna
Podyuk, Vasily Grigorievich
Rusakova, Vlada Vilorikovna
Seleznev, Kirill Gennadjevich
Ushakov, Sergey Konstantinovich
Chujchenko, Konstantin Anatoljevich

As of 31 December 2006 members of the Internal Audit Commission of OAO Gazprom include:

Arkhipov, Dmitry Alexandrovich – Chairman of the Internal Audit Commission

Bikulov, Vadim Kasymovich
Volkov, Denis Igorevich
Gladkov, Alexander Alexeevich
Ishutin, Rafael Vladimirovich

Lobanova, Nina Vladislavovna
Mal'gin Oleg Viacheslavovich
Sinev, Vlasidlav Mikhailovich
Stefanenko, Svetlana Mikhailovna

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.

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

Transactions in foreign currencies have been accounted for based on the Central Bank of the Russian Federation official exchange rates of the rouble effective on the date of transaction. Assets and liabilities denominated in foreign currency have been recognized based on the official exchange rate of RR 26.3311 and 28.7825 per 1 USD, RR 34.6965 and RR 34.1850 per 1 Euro that were effective as of 31 December 2006 and 2005, respectively.

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. 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 under the established procedure starting from the date of their put to operation and transfer of the documents for the state registration.

The fixed assets are presented in the balance sheet at historical (replacement) cost less depreciation accumulated for the period of their use. Information about revaluation of fixed assets is presented in Notes 3.

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:

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

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

- Land plots;
- Suspended assets (above 3 months);
- Housing assets (commissioned prior to 01.01.2006);
- 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, the Company management believes that it ensures adequate representation of the Company's property position as the assets are used for what they were designed for and generate income to 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 no current market value is determinable are recorded on the balance sheet as of the end of the reporting year at their carrying (book) value net of impairment provision related to assets for which there are indications as of the reporting date that the decline in their value is significant and steady. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. While determining the provision, the Company 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. The total provision expense or release was 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 stocks are measured at the weighted average cost.

Selling and administrative costs

Selling costs, except for cost of natural gas transportation in the territory of Russia and abroad, 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 storages within the reporting period.

Administrative costs are expensed in full on a monthly basis.

Trade accounts receivable

Trade accounts receivable are recorded based on prices contracted between the Company and buyers (customers) taking into account all discounts 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.

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 rendering (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 2006 accounting policies

Changes have been made to the accounting policies of the Company for 2006 resulting from changes in tax legislation related to VAT. Starting from 1 January 2006 the Company shifted to the accrual basis in revenue recognition for tax purposes, in this regard starting from 1 January 2006 VAT was accepted for deduction upon recording of purchased goods (services), based on invoices complied with tax legislation requirements.

In accordance with the changes in the accounting treatment of income and expenses introduced by the RF Ministry of Finance, other income and other expenses should not be broken down by operating, non-operating and extraordinary starting from the 2006 accounting reports. Therefore, the form of the 2006.

Profit and Loss Account was amended and the 2005 comparatives, which were disclosed in the 2006 annual accounting reports of the Company have been adjusted.

Opening balances as of 1 January 2006

As of 1 January 2006 the net book value of fixed assets has been adjusted for the revaluation performed by independent appraiser Ernst & Young (CIS) Limited under the decision of the Company management. The revaluation adjustment resulted in the increase of balance sheet lines Non-Current Assets and Equity and Reserves by 382,939,509 as of the beginning of the reporting period.

In accounting policy for 2006 accrual of provision for future employees vacations was ceased, therefore the provision balance was adjusted as of 1 January 2006.

Line code	Article	before the adjustment	Adjustment	after the adjustment
120	Fixed assets, including:	2,262,768,847	382,939,509	2,645,708,356
122	property, plant and equipment	2,260,718,704	382,640,299	2,643,359,003
420	Additional capital	2,192,254,364	391,863,631	2,584,117,995
470	Retained earnings	645,060,421	- 8,750,917	636,309,504
650	Provisions for future expenses	2,002,578	- 173,205	1,829,373

Comparative amounts for 2005

Starting from 2006 balance on account 57 «Cash in transit» is presented in Cash Flow Statements in lines «Cash at beginning of reporting period» and «Cash as of the end of reporting period» (balance sheet lines 100 and 400 respectively). To ensure the comparability of the data in Cash Flow Statements for 2006 with the corresponding prior year figures, the 2005 amounts were adjusted.

Line code	Article	before the adjustment	Adjustment	after the adjustment
100	Cash at beginning of reporting period	63,940,241	649,853	64,590,094
110	Cash flow from operating activities	2,742,194,088	350	2,742,194,438
117	Other income	103,760,599	350	103,760,949
192	Other expenses, including:	(1,242,721,771)	(465,069)	(1,243,186,840)
193	sales of foreign currency	(1,081,008,827)	(465,069)	(1,081,473,896)
400	Cash as of the end of reporting period	72,859,714	185,134	73,044,848

Changes in the 2007 accounting policies

The following changes have been made to the 2007 accounting policies of the Company. Starting from 2007 property tax is recorded within cost of sales. In 2006 this tax was recorded as other expenses.

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.

	Domestic and export sales of gas	Leasing of assets	Other	Total
For 2006				
Segment revenue	1,312,325,670	221,602,053	98,725,258	1,632,652,981
Segment profit (loss)	478,018,210	15,075,317	24,802,389	517,895,916
Unallocated expenses				(174,215,849)
Capital expenditures for the period	-	277,902,050	-	277,902,050
Depreciation of fixed assets and intangible assets	-	203,461,030	311,154	203,772,184
Unallocated depreciation of fixed assets and intangible assets	-	-	-	358 835
For 2005				
Segment revenue	968,579,508	183,676,815	79,005,461	1,231,261,784
Segment profit (loss)	330,472,475	11,913,725	15,758,197	358,144,397
Unallocated expenses				(154,705,715)
Capital expenditures for the period	-	185,996,481	-	185,996,481
Depreciation of fixed assets and intangible assets	-	169,124,581	542,232	169,666,813
Unallocated depreciation of fixed assets and intangible assets	-	-	-	100,364

	Domestic and export sales of gas	Leasing of assets	Other	Total
As of 31 December 2005				
Segment assets	285,875,046	2,704,742,451	19,598,935	3,010,216,432
Unallocated assets				855,673,638
Total assets				3,865,890,070
Segment liabilities	34,317,796	6,211,634	8,522,210	49,051,640
Unallocated liabilities				852,520,080
Total liabilities				901,571,720
As of 31 December 2006				
Segment assets	381,814,618	3,142,921,831	33,522,552	3,558,259,001
Unallocated assets				994,985,240
Total assets				4,553,244,241
Segment liabilities	42,705,360	9,430,798	9,460,645	61,596,803
Unallocated liabilities				836,238,791
Total liabilities				897,835,594

Transactions with other segments are not carried out. Segment revenue (income) is generated from transactions with buyers other than OAO 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 services are not included in segment assets because required allocation base is not available. Financial investments are not included in segment assets as they are not directly related to the reporting segments.

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

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

5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31.12.2005						
Historical (replacement) cost	3,988,710,829	511,738,673	675,948,706	183,964,397	299,925,701	5,660,288,306
Accumulated depreciation	(2,325,030,722)	(371,667,223)	(514,877,194)	(68,515,678)	(117,428,642)	(3,397,519,459)
Net book value	1,663,680,107	140,071,450	161,071,512	115,448,719	182,497,059	2,262,768,847
As of 31.12.2006 ¹						
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
Net book value	1,899,667,589	154,794,953	199,625,508	136,778,012	238,428,404	2,629,294,466

Net book value of fixed assets leased out to subsidiaries amounted to 2,561,758,805 and 2,243,132,851 as of 31 December 2006 and 2005, respectively.

6. CONSTRUCTION IN PROGRESS

	31 December	
	2006	2005
Construction in progress	225,196,183	144,915,918
Equipment for installation	106,316	131,067
Total	225,302,499	145,046,985

As of 31 December 2006 and 2005 construction in progress balance included assets of 216,448,587 and 136,723,475, respectively (net of accumulated depreciation in the amount 760,523 and 382,397, respectively), which had been constructed and put into operation but were still to be registered in the State Register. As of 31 December 2006 assets to be registered include «SRTO-Torzok gas pipeline», «North-European gas pipeline (part Gryzovets-Vyborg)», «KS Sohranovka-KS Oktyabrskaya gas pipeline» and other production infrastructure assets.

7. INVESTMENTS

Long-term investments

Investments in subsidiaries and associated undertakings

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

Investments in other companies

Investments in other companies (line 143 of the balance sheet) are presented net of provision for impairment of 212,630 and 508,263 as of 31 December 2006 and 2005, respectively (see Note 17).

Loans provided to companies for a period over 12 months

Line 144 «Loans provided to companies for a period over 12 months» of the balance sheet includes a long-term loan provided by the Company in November 2006 to Gazprom Germany GmbH in the amount of 52,521,986, secured by OAO Novatek shares, with maturity date in 2013 at an interest rate of 6.2%. Under the loan agreement the shares of OAO Novatek shall be transferred to the Company as collateral within 6 months of the contract date (until June 2007). Other loans includes long-term loans provided primarily to subsidiaries, including an interest-free loan to subsidiary, OOO Noyabrskgazdobycha, with maturity date in 2009 in amount of 1,891,518 and 2,959,030 as of 31 December 2006 and 2005, respectively.

¹ Including revaluation as at 1 January 2006 (Note 3)

Other long-term investments

	31 December	
	2006	2005
Joint activity, including	47,717,960	37,248,776
development of oil and gas fields on the Barents and Pechora Seas shelf (operator – Sevmorneftegaz)	35,688,601	25,233,763
development of a satellite communication system (operator - OAO Gazcom)	3,035,973	2,763,155
Long-term promissory notes of subsidiaries	64,428	656,123
Long-term deposits	5,415,971	7,541,573
Other, including:	8,379,939	10,305,457
South Pars (oil and gas field located in Iran)	8,216,984	10,268,454
Total	61,578,298	55,751,929

Other Long-Term Investments (line 140) of the balance sheet are presented net of the impairment provision of 2,053,179 and 2,003,651 as of 31 December 2006 and 2005, respectively. The provision relates to investments in joint activities.

Short-term investments

PLoans Provided to Other Companies for a Period of within 12 Months (line 251) of the balance sheet includes, but is not limited to, short-term loans provided to subsidiary companies, in the amount of 4,775,962 and 2,239,697 as of 31 December 2006 and 2005, respectively. Short-term loans are presented net of impairment provision of 16,395 and 53,479 as of 31 December 2006 and 2005, respectively.

Short-term investments include short-term promissory notes of 7,013,972 and 8,427,311 as of 31 December 2006 and 2005, respectively. Short-term promissory notes are presented net of impairment provision of 380,796 as of 31 December 2005, respectively. As of 31 December 2006 impairment provision was not accrued.

8. ACCOUNTS RECEIVABLE

As of 31 December 2006 accounts receivable in line 231 «Trade Accounts Receivable (payments expected beyond 12 months after the reporting date)» of the balance sheet mainly include accounts receivables from OOO Elion in the amount of 12,904,991 as of 31 December 2006 and 2005, respectively, for sold investments in media assets (see Note 17).

In addition the above line of the balance sheet also includes accounts receivable for pipes supplied to EuRoPol Gaz s.a., an associated company (see Note 17), for the construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the EuRoPol Gaz s.a. debt was 5,710,315 and 7,096,109 as of 31 December 2006 and 2005, respectively. The short-term portion of the debt, included into line 241 «Trade Accounts Receivable (payments expected within 12 months after the reporting date)» of the balance sheet was 1,142,063 and 1,182,684 as of 31 December 2006 and 2005, respectively.

As of 31 December 2006 total receivables of RosUkrEnergo AG for the gas supplied and services provided in connection with the arranging the gas transportation (under the framework of the agency contract) amounted to 41,848,254 and as of 31 December 2005 - 1,190,812. In 2006 a part of the aforementioned accounts receivable was restructured. Non-current part of the restructured accounts receivable is recorded in line 'Trade receivables (payments expected beyond 12 months of the reporting date)' (line 231) of the balance sheet amounting to 14,903,403.

From 1999 the Company has concluded investment agreements with its subsidiaries on the construction and commencement of operation of production fixed asset items. 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 recorded in balance sheet line 235 «Receivables from Other Debtors (payments expected beyond 12 months after the reporting date)» in the amount of 68,520,388 and 97,481,549 as of 31 December 2006 and 2005, respectively.

The current portion of receivables from subsidiaries related to amounts received for financing of the investment contracts is recorded in balance sheet line 246 «Receivables from other debtors (payments expected within 12 months after the reporting date)» in the amount of 224,239,414 and 191,725,008 as of 31 December 2006 and 2005, respectively.

As of 31 December 2006 and 2005, the balance sheet line «Advances given» includes 13,165,550 and 21,586,875 (line 234) and 6,528,775 and 7,195,625 (line 245), respectively, representing advance payment to NAK Naftogaz Ukraine for gas transportation services in 2005-2009. As of 31 December 2006 and 31 December 2005 accounts receivable in line 246 «Other accounts receivable (payments expected within 12 months after the reporting date)» of the balance sheet includes amount of 39,365,574 due from OOO «Gazoenergeticheskaya kompania» for guarantee issued (see Note 17). The Company issued the guarantee to secure the loans obtained by OOO «Gazoenergeticheskaya kompania» from AB Gazprombank (ZAO) to finance the purchase of a block of RAO UES Rossii shares (see Note 17).

Accounts receivable recorded in line «Trade receivables (payments expected within 12 months of the reporting date)» (line 241) of the balance sheet are stated less the bad debt provision, which amounted to 12,884,106 and 10,307,310 as of 31 December 2006 and 2005, respectively. Bad debt provision was calculated less the deferred excise of 1,909,439 and 1,949,563 as of 31 December 2006 and 2005, respectively. Deferred excise is presented as reducing line «Other creditors» (628) of the balance sheet.

9. MONETARY ASSETS

Line 264 «Other monetary assets» of the balance sheet includes balances of cash in the amount of 2,876,524 and 9,388,282 as of 31 December 2006 and 2005, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings (see Note 11).

In the line 117 «Other income» of the Cash Flow Statement includes cash paid to the Company by the principals in connection with agency agreements on gas transit in amount 31,551,167 in 2006 and 21,680,440 in 2005 (see Note 13).

In the line 192 «Other expenses» of the Cash Flow Statement includes cash paid by the Company to the contractors (subsidiaries) in payment for gas transport services under the above agency agreements in amount 32,190,589 in 2006 and 23,503,837 in 2005.

Also, the line 117 «Other income» includes cash mistakenly paid by subsidiary OOO «Gazprom export» in amount of 4,792,900. In January 2007 this cash was returned.

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 2006.

In accordance with the resolution of the general shareholders' meeting, based on the 2005 results of the Company, final dividends were accrued in the amount of RR 1.5 per common share. Based on the 2004 results the dividends were accrued in the amount of RR 1.19 per common share.

In 2006 and 2005 the Company did not make any contributions to the reserve fund as the target limit of the fund was reached (7.3% of the charter capital).

As at 31 December 2006 additional capital increase was due to revaluation of fixed assets (see Note 3).

11. BORROWINGS

Bank loans

Lender	Currency	Maturity period from - to	31 December	
			2006	2005
Morgan Stanley Bank AG	US Dollar	2013	47,557,807	51,985,393
ABN AMRO	US Dollar	2010	35,765,012	-
Dresdner Bank AG ¹	US Dollar	2007-2010	33,142,809	36,194,064
Dresdner Bank AG ¹	US Dollar	2007-2008	33,135,495	36,185,868
Salomon Brothers AG	US Dollar	2005-2009	32,183,540	35,179,796
Deutsche Bank AG	US Dollar	2008-2014	31,776,062	34,731,953
Credit Suisse International	Euro	2009	13,968,754	13,762,825
Depfa Bank	US Dollar	2008	13,502,442	14,759,506
Deutsche Bank AG	US Dollar	2008-2011	9,357,600	10,214,448
Credit Suisse First Boston	Euro	2007	8,719,531	8,576,675
Credit Suisse First Boston	Euro	2006-2008	7,008,896	6,880,319
Credit Suisse First Boston	Euro	2008	6,996,278	6,893,138
ABN AMRO	US Dollar	2009	6,608,667	-
Mannesmann (Deutsche Bank AG) ¹	Euro	2000-2008	5,814,135	8,591,410
Morgan Chase Bank	US Dollar	2008-2011	5,301,767	5,792,461
Credit Suisse International	US Dollar	2005-2009	5,292,753	5,782,881
PNB PARIBAS	US Dollar	2008	5,270,817	5,760,849
Deutsche Bank AG	US Dollar	2004-2009	2,987,997	4,562,346
Dresdner Bank AG ¹	US Dollar	2005-2006 ²	-	74,349,118
ABN AMRO ¹	US Dollar	2006 ²	-	28,102,456
ABN AMRO ¹	US Dollar	2005-2006 ²	-	25,666,178
Bank Calyon ¹	US Dollar	2004-2006 ²	-	23,977,401
Credit Suisse First Boston	US Dollar	2006	-	5,827,094
German banking consortium	Euro	1999-2006 ²	-	3,594,025
Deutsche Bank AG	US Dollar	2004-2006	-	2,318,974
Other loans	Various	Various	2,851,626	3,435,087
Total loans, including			307,241,988	453,124,265
Due within one year			66,677,698	51,368,542

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

² These loans were redeemed before maturity date stated in loan agreement

Bank loans

Total amount of loans received in 2006 was 63,647,552, total amount of loans repaid in 2006 was 180,351,643.

As of 31 December 2006 and 2005 long-term borrowings of 33,901,428 and 98,886,633, respectively, are secured by revenue from export sales of gas to Western Europe.

Part of the long-term borrowings was lent by the banks in the form of direct payment to suppliers of the debt for supplied equipment. This equipment is used for construction of production assets performed by subsidiaries under investment agreements.

As of 31 December 2006 and 2005 long-term bank borrowings included loans from Salomon Brothers AG received in 2002 in connection with the issuance of USD 500 million of Loan Participation Notes due 2007 at an interest rate of 9.1% and of USD 700 million of Loan Participation Notes due 2009, at an interest rate of 10.5%, respectively, and a long-term loan received from Morgan Stanley in connection with the issuance in 2003 of USD 1,750 million of Loan Participation Notes due 2013 at an interest rate of 9.6%.

Borrowings from Dresdner Bank AG as at 31 December 2006 represented outstanding loans to finance the purchase the Sibneft shares (Note 17).

In 2006 interest rates on the long-term bank borrowings denominated in foreign currency ranged from 2.0% to 10.5%, the same in 2005.

In 2006 interest rates on the short-term bank borrowings denominated in foreign currency ranged from 2.4% to 5.5%. Similar rates for 2004 ranged from 2.4% to 4.6%.

Borrowings

Lender	Currency	Maturity period from - to	31 December	
			2006	2005
Gas Capital S.A.	Euro	2015	35,885,578	35,356,548
Gas Capital S.A.	US Dollar	2016	35,786,204	-
Gas Capital S.A.	Euro	2010	35,408,301	34,886,308
Gas Capital S.A.	Euro	2012	34,793,188	34,280,262
Gazprom International S.A.	US Dollar	2007-2020	33,901,428	37,057,619
Gas Capital S.A.	US Dollar	2034	32,074,242	35,060,323
Gas Capital S.A.	Euro	2014	27,316,879	-
Gas Capital S.A.	Euro	2017	17,443,454	-
Gazstream	US Dollar	2006-2013	14,298,700	20,133,080
A3 series Russian bonds	Russian Roubles	2007	10,360,000	10,348,900
Liberty Hamshir Corporation	Russian Roubles	2009	7,600,261	-
A4 series Russian bonds	Russian Roubles	2010	5,154,250	5,153,150
A6 series Russian bonds	Russian Roubles	2009	5,136,150	5,135,200
A5 series Russian bonds	Russian Roubles	2007	5,085,150	5,084,100
A8 series Russian bonds	Russian Roubles	2011	5,056,600	-
A7 series Russian bonds	Russian Roubles	2009	5,054,900	-
Other	Various	Various	-	1,637,494
Total, including:			310,355,285	224,132,984
due within one year			28,936,146	10,791,151

Total amount of borrowings received in 2006 was 86,928,485, total amount of borrowings repaid in 2006 was 5,889,131.

In 2006 the Company issued A7 series bonds of 5,000,000 due 2009, with a coupon yield of 6.79% per annum to be paid every 6 months, and A8 series bonds of 5,000,000 due 2011 with a coupon yield of 7% per annum to be paid every 6 months.

Total amount of the A7 and A8 series bonds was recorded in line 512 «Borrowings due for repayment beyond 12 months of the reporting date» of the balance sheet.

In 2006 the Company received three loans from Gaz Capital S.A. in connection with issuance of Loan Participation Notes in amount of Euro 780 million due 2014 at an interest rate of 5.03%, of Euro 500 million due 2017 at an interest rate of 5.14% and of USD 1,350 million due 2016 at an interest rate of 6.21%.

As of 31 December 2006 and 2005 the long-term borrowings include the loan from Gas Capital S. A. in connection with placement of bonds in 2004 amounting to USD 1,200 million due on 28 April 2034 at an interest rate of 8.6%. The placed bonds can be presented for redemption in the amount of a principal and interest accrued earlier than the specified date, i.e. on 28 April 2014 (date of exercise of put option).

In 2006 per long-term borrowings denominated in foreign currency received from Gaz Capital S.A., Gazprom International and Gazstream in connection with issuance of Loan Participation Notes interest rates were ranged from 4.56% to 8.63%, the same in 2005.

In 2006 interest rates on long-term borrowings (including bonds) denominated in Russian Rubles ranged from 2.0% to 8.22%, the same in 2005.

12. TAXATION

Profit tax

Theoretical profit tax of the reporting year determined based on accounting profit and statutory rates amounted to 111,564,975 (in 2005 – 66,649,526). According to the tax return the profit tax in 2006 included within the line «Current profit tax» amounted to 131,915,177 (in 2005 – 72,975,244).

In 2006 non-temporary differences, which increase the taxable profit as compared to accounting profit, amounted to 166,815,500 (in 2005 – 79,688,845). The non-temporary differences arise from non-deductible expenses, in particular such as excess of depreciation charge of fixed assets revalued in accounting as of 1 January 2006 over depreciation charge of those fixed assets in tax accounting.

In 2006 deductible temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense amounted to 7,015,573 (in 2005 – 8,975,532). Deductible temporary differences redeemed in the reporting year totaled 7,542,931 (in 2005 – 13,419,045).

In 2006 deferred tax assets amounting to 13,525 thousand were written-off to profit and loss account of the reporting year.

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.

In 2006 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 88,383,770 (in 2005 – 59,145,702). Taxable temporary differences redeemed in the reporting year amounted to 7,097,713 (in 2005 – 10,233,455).

In 2006 deferred tax liabilities amounting to 68 thousand were written-off to profit and loss account of the reporting year.

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;
- 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 151,853,578.

In the reporting year VAT payable (related to settled accounts receivable for goods (products, work, services) shipped in prior reporting periods totaled 5,268,724.

Outstanding deferred VAT and deferred excise were 5,528,064 and 10,035,189 as of 31 December 2006 and 2005, respectively.

13. SALES OF GOODS, WORK AND SERVICES

	Year ended 31 December	
	2006	2005
Revenue from gas sales:		
on the territory of Russia	366,225,612	315,201,555
outside Russia,	946,100,058	653,377,953
including far-abroad countries	754,319,678	562,474,585
	1,312,325,670	968,579,508
Revenue from leasing of assets	221,602,053	183,676,815
Revenue from sale of organization services for gas transportation and storage	23,421,453	20,404,184
Revenue from sale of gas condensate and refined products	74,042,322	57,670,249
Other	1,261,483	931,028
Total	1,632,652,981	1,231,261,784

The 35.5% increase in gas sales revenues was principally the result of higher prices for the natural gas sold outside Russia.

In 2005 the Company has entered into agent agreements on gas transportation services with several customers and, correspondingly, recognized revenue only in amount of agent remuneration. The major customers of the Company entered into the agent agreements are RosUkrEnrgo AG, ZMB – Zarubezh Management und Beteiligungsgesellschaft mbH. RosUkrEnrgo AG sales gas to European countries. Gazprom Group owns 50% of its charter capital.

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

	Year ended 31 December	
	2006	2005
Purchase cost of gas, including gas sold		
in Russia	137,383,348	116,931,943
outside Russia	165,244,172	77,086,185
including far-abroad countries	58,508,735	49,425,314
	302,627,520	194,018,128
Gas transportation costs, including:		
in Russia	235,932,713	190,075,557
outside Russia	281,508,339	242,817,925
including far-abroad countries	239,088,700	200,073,752
	517,441,052	432,893,482
Cost of assets leasing services	204,243,671	169,868,748
Cost of organization services for gas transportation and storage	32,305,047	30,108,635
Cost of purchased gas condensate, oil products and their refinery and transportation	38,779,148	30,659,834
Cost of other sales	1,804,940	1,595,608
Total	1,097,201,378	859,144,435

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

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

Increase in expenses associated with leasing out the property resulted from revaluation of fixed assets (see Note 3).

15. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December			
	2006		2005	
	Income	Expenses	Income	Expenses
Sale of foreign currency	1,363,085,461	1,363,826,540	1,080,317,161	1,080,777,873
Movement of securities, including promissory notes	33,209,219	19,653,267	70,177,571	73,907,253
Debt transfer related				
to accounts receivable (see Note 8)	-	-	60,181,857	66,393,638
Bad debt provision	45,138	2,663,089	22,725,669	-
Investment impairment provision	1,293,591	1,440,254	8,904,394	2,408,777
Revaluation of investments to market value	35,189,043	289,622	875,979	4,652,904
Contingencies provision	-	6,708,508	1,885,160	-
Property tax	-	14,064,682	-	11,509,766
Services of credit institutions	-	1,992,342	-	4,745,437
Exchange difference				
on foreign exchange transactions	66,226,647	44,508,426	42,656,057	50,810,641
Investments in property of subsidiaries	-	51,493,566	-	30,646,773
Other	10,951,639	20,182,650	5,952,336	17,376,616
Total	1,510,000,738	1,526,822,946	1,293,676,184	1,343,229,678

Income and expenses from securities movements for 2006 includes income and expenses from sale of investments to AB Gazprombank ZAO (see Note 17). The profit resulting from the above transaction amounted to 13,835,326.

Income and expenses resulting from securities movements in 2005, as well as debt transfer include income and expenses resulting from the sale of investments to the media assets (see Note 17). The loss resulting from the above transaction amounted to 5,547,490.

Income and expenses resulting from assignment of rights of claim related to the 2005 accounts receivable include income and expenses from assignment of rights of claim related to the receivables of AO Moldovagaz for supplies of gas and interest payable as well as receivables of ZAO FK Gastrust related to the guarantee issued. Rights of claim were assigned to OOO Factoring-Finance. This transaction did not result in any profit.

Income from release of bad debt provision in 2005 relates to AO Moldovagaz amounts to 17,208,990 (without excise in the amount 1,487,756) (see Note 17).

Reversal of the investments impairment provision in 2005 is primary related to the reversal of the provision associated with investment in the media assets in the amount of 8,042,003 (see Note 17).

Contribution into subsidiaries' assets were presented in line «Investments to property of subsidiaries». Contributions were made based on participants (the Company) decisions approved during 2004-2006. As of 31 December 2006 unpaid contributions into subsidiaries' assets amounted 7,597,211.

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 2006 and 2005.

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 OAO Gazprom:

OOO Astrakhangazprom	OOO Gazflot	OOO Severgazprom
OOO Bashtransgaz	OOO Informgaz	ZAO Sevmorneftegaz
OOO Burgaz	OOO IRTs Gazprom	OOO Liquefied gas
OOO VNIlgaz	OOO Kavkaztransgaz	OOO Surgutgazprom
OOO Volgogradtransgaz	OOO Kaspiygazprom	OOO Surgutstroygaz
OOO Volgotransgaz	OOO Kubangazprom	OOO Tatransgaz
OOO Gazkomplektimpex	OOO Lentransgaz	OOO Tomsktransgaz
OOO Gaznadzor	OOO Mezhrefiongaz	OOO TyumenNilgiprogoz
OOO Gazobezopasnost	OOO Mostransgaz	OOO Tyumentransgaz
OOO Gazoenergeticheskaya kompaniya	OOO Nadymgazprom	OOO Uraltransgaz
Gazprom (UK) Ltd	OOO Nadymstroygazdobytcha	OOO Urengoygazprom
OOO Gazprom export	OOO Novourenyogysky GCC	OOO Yugtransgaz
OOO Gazpromavia	OOO Noyabrskgazdobytcha	OOO Yamburggazdobytcha
ZAO Gazprominvestholding	OOO Orenburggazprom	ZAO Yamalgazinvest
Gazprom-Finance B.V.	OOO Permtransgaz	
OOO Gazsviaz	OOO Samaratransgaz	

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

As of 31 December 2006, OOO Gazoenergeticheskaya kompaniya owned a 10.49% interest in RAO UES of Russia.

Other significant subsidiary companies of OAO Gazprom:

Company	% of interest	Type of activity	Location
OAO Vostokgazprom	99.9	Production of hydrocarbons	Russia
OAO Tsentrgaz	99.9	Construction	Russia
OOO «GazpromPurInvest»	99,9	Investment	Russia
ZAO Kaunasskaya power plant	99.5	Generation and distribution of electric power	Lithuania
OAO Gazpromtrubinvest	99.4	Manufacturing pipes	Russia
OOO Gaztorgpromstroy	99.0	Trading	Russia
OAO Zapsibgazprom	76.7	Development of gas and oil fields	Russia
ZAO Stimul	61.8	Production, processing and refinery of oil	Russia
OAO Gazprom Neft	59.0	Production, processing and refinery of oil	Russia
ZAO Amrosgazprom	53.4	Gas sales	Armenia
OAO Volgogradneftemash	51.5	Manufacturing oil and gas refinery equipment	Russia
OOO Gazenergoservice	51.0	Maintenance of equipment	Russia
OAO Spetsgazavtotrans	51.0	Transportation services	Russia
OAO AK Sibur	50.7	Production and sale of petrochemical products	Russia
OAO Gazavtomatika	49.6	Science	Russia

In 2006 the Company acquired an additional interest of 8.4% in the share capital of ZAO Armrosgazprom for 2,983,808 paid in cash. This transaction was performed in connection of ZAO Armrosgazprom's additional stock issuance.

In 2005 the Company performed a number of transactions with media assets, including sales of promissory notes and equity interests for the total amount of 12,904,991. The above assets were sold to OOO Elion, a related party of the Company. As of 31 December 2006 receivables from OOO Elion are recorded within long-term accounts receivable (see Note 8).

In 2005 the Company purchased from AB Gazprombank and Gazprom Finance B.V. 3.016% and 55.996% ownership interests in OAO Sibneft for 16,588,000 and USD 10,079 million. As a result of this transaction Gazprom Group ownership interest in OAO Sibneft as of 31 December 2006 and 2005 was 75,679%. In 2006 OAO Sibneft was renamed as OAO Gazprom neft.

In April 2006 the Company acquired from Gazprom Germany GmbH a 51% interest in the share capital of Nord Stream AG for 10,869 paid in cash. Nord Stream AG was established for the construction of the sea section of the North-European gas pipeline.

Investments in Subsidiaries (line 141) of the balance sheet are presented net of impairment provision which was 562,998 and 412,601 as of 31 December 2006 and 2005, respectively.

Major associated companies of OAO Gazprom:

Company	% of interest	Type of activity	Location
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	Construction and gas transportation	Holland
TOO KazRosGaz	50.0	Transportation and sale of gas	Kazakhstan
EuRoPol Gaz s.a.	48.0	Transportation and sale of gas	Poland
AO Turusgaz	45.0	Sale of gas	Turkey
AB Gazprombank ZAO	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
OAO Sibur Holding	25.0	Production and sale of petrochemical products	Russia

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

Investments in associated companies (line 142) of the balance sheet are presented net of impairment provision of 761,001 and 30,590 as of 31 December 2006 and 2005, respectively (see Note 17).

Other associated companies

WINGAS GmbH	Gazprom Germania	ОАО Сибур-Тюмен
Wintershall Erdgas Handelshaus GmbH (WIEH)	ООО Нефтехимleasing	ОАО Стройтрансгаз
	ОАО Novatek	АО Фрагаз
Wintershall Erdgas Handelshaus Zug AG (WIEE)	АО Overgaz Inc	ОАО Салаватнефтеоргсинтез
GWH Gas und Warenhandelsgesellschaft GmbH	АО Панрусгаз	ОАО Мосэнерго
Zarubezhgaz-Management und Beteiligungsgesellschaft mbH	АО Promgaz S.P.A.	RosUkrEnergo AG
ZMB (Schweiz) AG	АО Prometheus Gaz	

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 ООО Нефтехимleasing, ОАО Сибур-Тюмен, ОАО Стройтрансгаз, ОАО Мосэнерго and ОАО Салаватнефтеоргсинтез are engaged in gas transport and sales in the countries of their registration.

In December 2006 the Company acquired from ZAO Lider (management company of NPF Gazfund's assets) a 19.87% interest in the share capital of ОАО Мосэнерго for 28,581,132 in cash.

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 ОАО Gazprom Entities» approved by ОАО 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 power plant, were performed based on the above Price-List. Gas sales to ZAO Kaunasskaya power plant, were performed at fixed prices based on the annual contracts.

Gas sales to the major associated companies and other related parties, except for АО Moldovagaz and RosUkrEnergo AG, were performed based on the long-term contracts, at market prices based on world oil and gas prices. Gas prices per thousand cubic meters varied from USD 87 to USD 355 in 2006 and from USD 83 to USD 255 in 2005. Gas is sold to АО Moldovagaz and RosUkrEnergo AG based on quarter and annual contracts at fixed prices.

During 2006 and 2005 the Company supplied liquid hydrocarbon products and gas condensate to ОАО Салаватнефтеоргсинтез for 12,514,280 and 4,749,418 (net of VAT), respectively. Sales performed on fixed prices based on market prices.

As of 31 December 2006 the amounts due from ОАО Салаватнефтеоргсинтез totaled 1,378,856, as of 31 December 2005 the amounts owed to ОАО Салаватнефтеоргсинтез for advances received totaled 10,201 (net of VAT).

During 2006 and 2005 the Company supplied gas to its affiliated companies for 362,863,624 and 191,235,654 (net of VAT, excise, custom duties and similar payments), respectively.

As of 31 December 2006 and 2005 the amounts due from major subsidiary and associated companies to the Company totaled 96,223,976 and 42,122,463, respectively. As of 31 December 2006 amounts due from AO Moldovagaz is impaired for the amount 3,545,870.

In addition, the Company purchased gas transportation services from certain associated companies (both, directly and via the commissioner OOO Gazprom export) that totaled 22,892,874 and 21,821,823 for 2006 and 2005, respectively. Part from the above services were rendered under agents agreements (see Note 13).

The amount of guarantees issued by the Company on behalf of its related parties totaled 56,777,051 and 62,147,035 as of 31 December 2006 and 2005, respectively (see Note 18).

Remuneration to members of the Board of Directors and Management Committee

In 2006 and 2005 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 632,480 and 424,328, respectively.

In 2006 the Company's approved standing order for annual bonus to management and standing order for management option plan. In 2006 the Company did not accrued and did not paid remuneration to management based on those orders.

18. CONTINGENCIES

Contingencies in respect of guarantees issued

	31 December	
	2006	2005
Guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	36,097,915	43,956,971
EM Interfinance Limited	7,153,052	-
Blackrock Capital Investments Limited	6,460,367	-
Dever Capital International Limited	6,445,718	-
ОАО Газком	4,661,520	-
ZAO Sevmorneftegaz	4,433,765	4,599,884
ООО Нововоронежский ГЦ	2,702,083	-
DCK Assets International Limited	2,483,957	-
United Energy Investments Limited	2,482,158	-
ZAO Gaztransit	2,125,621	3,016,686
ZAO Kaunasskaya power plant	1,051,995	1,033,390
ООО Невтехимлизинг	1,025,890	1,187,895
EuroPolGaz s.a.	-	5,811,650
ОАО АК Сибур	-	1,778,031
Other	5,854,493	948,651
Total	82,978,534	62,333,158

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Company, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction credits in the amount of USD 1,185.3 were received from Gazstream S.A. The Company guaranteed the above credits until the year of 2013. The guarantees amounted to 34,123,082 and 41,798,283 as of 31 December 2006 and 2005 respectively.

The guarantee of the loan issued by Depfa bank to Blue Stream Pipeline Company B.V. amounted to 1,974,833 and 2,158,688 as of 31 December 2006 and 2005 respectively.

As of 31 December 2005 the guarantees issued included the guarantee of 5,811,650 issued by the Company on behalf of EuRoPolGAS s.a. with respect to the loan received from AB Gazprombank (ZAO) for the construction of the transit gas pipeline in the Polish territory. In 2006 the company signed a supplement to the contract of guarantee with AB Gazprombank (ZAO) under which obligations of the Company under the contract were terminated.

In 2006 ОАО АК Сибур fulfilled its obligations under the loan agreement with Vneshtorgbank guaranteed by the Company. Consequently the company's obligations under the contracts of guarantee were terminated as of 31 December 2006.

In 2006 the Company issued guarantees to Asset Repackaging Trust Five B.V. incorporated in the Netherlands for five companies (Dever Capital International Limited, Blackrock Capital Investments Limited, DSL Assets International Limited, United Energy Investments Limited, EM Interfinance Limited) incorporated in Ireland and with respect to bonds issued by them for periods until 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 STG EuroPol Gaz s.a. Total amount of guarantees issued to Asset Repackaging Trust Five B.V. as of 31 December 2006 was 25,025,252.

In 2006 the Company issued guarantees on security of loans received by ОАО Газком from ZAO ABN AMRO Bank for the purposes of financing the Yamal-300 Project (setup of satellite communication and broadcasting) in the amount of €58 million and RR 2,400,000 with repayment periods being December 2008 and December 2007 respectively. The amount of guarantees issued as of 31 December 2006 was RR 4,661,520.

In 2006 the Company issued the guarantee on security of a bridge loan received by OOO Novourengoysky GGC from ZAO ABN AMRO Bank for the purposes of completing the construction of the Novy Urengoy petrochemical facility with repayment period being May 2007. The amount of the guarantee issued as of 31 December 2006 was 2,702,083.

The line «Other» includes mainly guarantees issued on behalf of the Company's subsidiaries under contracts for the purchase of equipment and for construction, installation works and other obligations.

The management expects that the Company will have to pay some of its obligations under guarantees issued. Therefore, as of 31 December 2006 and 2005 provision for the guarantees issued was created by the Company in the amount of 7,981,658 and 1,273,150, 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. 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 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. In the opinion of management, 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 2006 management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

19. POST BALANCE SHEET EVENTS

In January 2007 the Company acquired a share in the charter capital of RosUkrEnergo AG in the amount of 50%. The share was acquired from Arosgas Beteiligungs Holding AG (part of Gazprombank Group) for €2,360 thousand and paid for in cash.

In February 2007 the Company issued A9 series bonds of 5,000,000 due 2014, with a coupon yield of 7.23% per annum to be paid every 6 months.

In March 2007 the Company received loans from Gas Capital S.A. in connection with issuance of Loan Participation Notes in amount of Euro 500 million due 2017 at an interest 5.44% and of USD 1,300 million due 2022 at an interest rate of 6.51%.

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 2006 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 № 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 2007.

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 № 1027700070518 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies № 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 2006. 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.

AUDIT REPORT

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 OAO Gazprom and its subsidiaries as of 31 December 2006 and the results of their operations for the period from 1 January through 31 December 2006 in accordance with the Russian legislation in the area of consolidated reporting.

8 May 2007

Director of ZAO PricewaterhouseCoopers Audit

Statutory Auditor

Certificate K013014
for general audit
termless



S. Hafner

V.Y. Sokolov

Note	ASSETS	As of 1 January 2006	As of 31 December 2006
	I. NON-CURRENT ASSETS		
	Intangible assets, including:	465,177	443,336
5,20	goodwill on subsidiaries	461,670	438,389
3,6	Fixed assets, including:	3,031,812	3,052,600
	buildings, constructions, machinery and equipment	3,000,685	3,014,520
7	Construction in progress	482,385	596,026
8,20	Long-term financial investments, including:	295,425	551,359
	investments in subsidiaries	40,548	93,660
	investments in associates	127,263	138,655
	investments in other companies	57,196	231,741
	loans issued to companies beyond 12 months	16,931	39,890
	other long-term financial investments	53,487	47,413
14	Deferred tax assets	19,170	23,418
	Other non-current assets	35,938	37,476
	TOTAL Section I	4,329,907	4,704,215
	II. CURRENT ASSETS		
	Inventories, including:	198,437	244,256
	materials and other inventories	84,324	95,942
	work in progress	6,662	7,898
	finished goods and goods for resale	89,639	117,200
	goods dispatched	2,262	3,452
	expenses related to future periods	15,550	19,764
	Value added tax on purchased goods	145,751	140,123
9	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	58,432	74,828
	buyers and customers	17,344	31,945
	promissory notes, bills of exchange receivable	2,147	986
	advances paid	22,430	23,164
	other accounts receivable	16,511	18,733
9	Accounts receivable (payment expected within 12 months of the reporting date), including:	401,395	540,731
	buyers and customers	202,732	266,896
	promissory notes, bills of exchange receivable	2,519	1,338
	advances paid	82,812	115,421
	other accounts receivable	113,332	157,076
	Short-term financial investments, including:	99,003	129,913
	loans issued to companies due within 12 months	7,096	6,447
10	other short-term financial investments	91,907	123,466
11	Monetary assets, including:	138,674	154,021
	cash on hand	55	110
	rouble bank accounts	71,578	74,780
	non-rouble bank accounts	54,058	71,396
	other monetary assets	12,983	7,735
	Other current assets	1,719	567
	TOTAL Section II	1,043,411	1,284,439
	TOTAL ASSETS	5,373,318	5,988,654

Note	EQUITY AND LIABILITIES	As of 1 January 2006	As of 31 December 2006
12	III. EQUITY AND RESERVES		
	Charter capital	118,368	118,368
	Treasury shares	(3,326)	(13,734)
3	Additional capital	2,779,988	2,772,772
	Legal reserves, including:	21,897	22,947
	reserves and provisions formed in accordance with legislation	9,146	9,557
	reserves formed in accordance with foundation documents	12,751	13,390
2	Special purpose financing	1,041	1,604
3	Retained earnings	1,176,066	1,695,947
2,6	Social government fund	6,314	2,959
	TOTAL Section III	4,100,348	4,600,813
3	Minority interest	52,684	74,802
	IV. NON-CURRENT LIABILITIES		
13	Borrowings, including:	697,562	611,635
	bank borrowings due for repayment beyond 12 months of the reporting date	481,824	326,287
	other borrowings due for repayment beyond 12 months of the reporting date	215,738	285,348
14	Deferred tax liabilities	99,349	131,030
15	Other non-current liabilities	5,672	4,058
	TOTAL Section IV	802,583	746,723
	V. CURRENT LIABILITIES		
13	Loans and borrowings, including:	90,789	150,487
	loans due for repayment within 12 months of the reporting date	23,901	26,401
	borrowings due for repayment within 12 months of the reporting date	6,185	5,101
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	60,703	118,985
	Accounts payable, including:	257,093	294,477
	suppliers and contractors	118,723	177,110
	promissory notes, bills of exchange payable	693	220
	salaries payable	5,994	6,655
	payable to state non-budget funds	1,574	1,617
	payable to budget	48,845	50,890
	advances received	8,117	13,797
	other accounts payable	73,147	44,188
	Dividends payable	2,244	9,552
	Income of future periods	2,576	2,775
16	Provisions for future expenses and payments	65,001	109,025
	TOTAL Section V	417,703	566,316
	TOTAL EQUITY AND LIABILITIES	5,373,318	5,988,654

A.B. Miller
Chairman of the Management Committee

E.A. Vasilieva
Chief Accountant

8 May 2007

Note		For 2006	For 2005
	INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES		
17	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	2,204,888	1,437,981
18	Cost of goods, products, works and services sold	(1,330,031)	(864,531)
18	Commercial expenses	(318)	(293)
18	Management expenses	(91,446)	(77,516)
	Profit from sales	783,093	495,641
	OTHER INCOME AND EXPENSES		
	Interest income	7,889	5,202
	Interest expense	(47,514)	(41,556)
	Income from investments in other companies	1,660	2,359
19	Other income	2,270,663	1,667,776
19	Other expenses	(2,235,563)	(1,573,353)
	Capitalized profit of associates	37,115	21,903
	Profit before profit tax	817,343	577,972
14	Deferred tax assets	4,863	2,077
14	Deferred tax liabilities	(31,740)	(16,255)
14	Current profit tax	(208,925)	(135,026)
14	Other similar payments	(2,853)	(1,720)
	Net profit of the reporting period before minority interest	578,688	427,048
	Minority interest	(26,309)	(6,466)
	Net profit of the reporting period	552,379	420,582
	FOR REFERENCE:		
	Non-temporary tax liabilities	37,771	3,970
22	Basic earnings per share (in roubles)	24.07	19.30

A.B. Miller

Chairman of the Management Committee

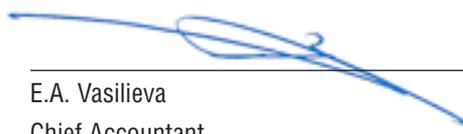
8 May 2007

E.A. Vasilieva

Chief Accountant

Note		For 2006	For 2005
	Balance at the end of the prior reporting period	3,574,694	2,062,265
3	Change in opening balance	525,654	937,103
	Balance at the beginning of the reporting period (Section III of the Consolidated Balance Sheet)	4,100,348	2,999,368
	(Increase) decrease of treasury shares	(10,408)	13,852
	(Decrease) increase of additional capital:	(7,266)	17,601
	change in the Group structure and change of interest in subsidiaries	423	18,338
	differences resulting from the translation of foreign investments	(1,574)	(4,646)
	revaluation surplus upon disposal of revalued fixed assets	(6,115)	(1,036)
	other movements	-	4,945
	Increase of reserve capital	1,050	851
	change in the Group structure and change of interest in subsidiaries	1	15
	allocation from retained earnings	1,087	836
	other movements	(38)	-
	(Decrease) increase of retained earnings of prior periods	(32,498)	122,845
	change in the Group structure and change of interest in subsidiaries	325	147,701
	revaluation surplus upon disposal of revalued fixed assets	6,115	1,036
	dividends	(34,233)	(23,858)
	allocations to reserve fund	(1,087)	(836)
	other movements	(3,618)	(1,198)
	Net profit of the reporting period	552,379	420,582
	Decrease of social government fund	(3,355)	(472)
2,6	social assets transferred to State authorities	(3,355)	(472)
	Increase of special purpose financing	563	67
	special purpose financing received	563	67
	Balance at the end of the reporting period (Section III of the Consolidated Balance Sheet)	4,600,813	3,574,694


 A.B. Miller
 Chairman of the Management Committee


 E.A. Vasilieva
 Chief Accountant

8 May 2007

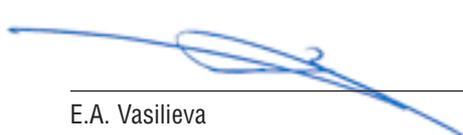
Note		For 2006	For 2005
11	Cash at the beginning of the reporting period	136,576	117,093
	Cash provided by operating activities		
	Total cash received, including:	2,658,025	1,677,754
	sales of goods, products, works and services	2,557,630	1,625,842
	sales of accounts receivable and other assets	5,194	7,112
	advances received from buyers (customers)	14,060	5,735
	other receipts	73,063	37,658
	impact of changes in exchange rates on sales and purchases of currency	8,078	1,407
	Total cash used, including:	(2,169,071)	(1,369,136)
	payment for purchased goods, works, products, services	(831,479)	(446,338)
	wages, salaries and social payments	(172,327)	(144,188)
	dividend and interest payments	(35,458)	(34,467)
	settlements with budget	(494,492)	(349,189)
	settlements with customs	(473,088)	(289,196)
	advances paid	(41,512)	(20,774)
	interest payments for borrowings received	(46,013)	(37,364)
	other payments	(74,702)	(47,620)
	Net cash provided by operating activities	488,954	308,618
	Cash flows used for investing activities		
3	Total cash received, including:	263,867	166,537
	sale of fixed assets and other non-current assets	2,887	1,442
3	sale of securities and other financial investments	176,825	95,703
	redemption of securities and other financial investments	55,204	29,943
3	return of loans issued	12,507	21,052
	other receipts	16,444	18,397
3	Total cash used, including:	(746,185)	(851,935)
	acquisition of fixed assets and other non-current assets	(22,217)	(17,691)
20	acquisition of subsidiaries	(41,193)	(397,107)
3	acquisition of securities and other financial investments	(306,539)	(153,651)
	construction in progress	(327,926)	(254,296)
3	loans issued	(30,531)	(16,845)
	other payments	(17,779)	(12,345)
	Net cash used for investing activities	(482,318)	(685,398)
	Cash flows provided by financing activities		
	Total cash received, including:	299,591	878,650
	borrowings received	285,596	672,653
	sale of treasury shares	13,278	204,080
	other receipts	717	1,917
	Total cash used, including:	(288,860)	(480,789)
	repayment of borrowings (net of interest)	(269,495)	(462,998)
	purchase of treasury shares	(9,851)	(10,157)

Note	For 2006	For 2005
other payments	(9,514)	(7,634)
Net cash provided by financing activities	10,731	397,861
Net increase of cash	17,367	21,081
11 Cash at the end of the reporting period	153,943	138,174
FOR REFERENCE:		
Impact of changes in exchange rates	(3,893)	(1,754)



A.B. Miller
Chairman of the Management Committee

8 May 2007



E.A. Vasilieva
Chief Accountant

1. GENERAL INFORMATION

AO 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. Subsequent to acquisition of a controlling interest in October 2005 in AO Siberian Oil Company («AO Gazprom Neft»), renamed to OAO Gazprom Neft effective from June 2006, the Group's production of crude oil and processing of oil significantly increased.

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 432,230 and 396,757¹ people in 2006 and 2005, respectively, including OAO Gazprom Neft and its consolidated subsidiaries («Gazprom Neft group»).

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 Decree 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 Ministry of Finance of the Russian Federation dated 30 December 1996 No. 112 («the Methodology recommendations»), the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in 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 OAO Gazprom and the Group's principal subsidiaries and associates.

All significant investments in wholly and partly owned 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 that 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. NPF Gazfund is a non-state pension fund and included in the consolidated financial (accounting) reports in compliance with the consolidation methodology. Accordingly the line «Special purpose financing» is included within section III «Equity and reserves» of the Consolidated Balance Sheet.

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

The official exchange rate of the Russian Rouble («RR») effective at the date of a transaction, was used to account for transactions made in foreign currency. Monetary assets and liabilities denominated in foreign currencies are recorded at amounts calculated based on the official exchange rate of the RR which equaled RR 26.3311 and RR 28.7825 for USD 1, and RR 34.6965 and RR 34.1850 for Euro 1 as of 31 December 2006 and 2005, respectively.

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

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 RF 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 recorded at replacement cost (as of 01 January 2006) or historical cost (additions of 2006) net of depreciation accumulated for the period of their use. For details on fixed assets revaluations refer to Notes 3 and 6.

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 «Fund of the state social assets» 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.

Fixed assets acquired and constructed 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 put into operation before 01 January 2006, 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 period. The change in the investment value is recorded in other income and expenses.

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.

Investments for which no current fair market value is determinable are recorded on the statutory balance sheet as of the end of the reporting year at their carrying (book) value net of impairment provision related to assets for which there are indications as of the reporting date that the decline in their value is significant and non-temporary.

The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. In asserting the provision, the Group calculates the estimated value of investments based on available information and creates the investment impairment provision in the amount by which the carrying value of investments exceeds their estimated value. Total amount of provision expense is posted to other expenses.

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 oil products are shown in «Cost of goods, products, works and services sold» of the consolidated income statement.

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 is less than their actual cost as of reporting date.

Finished goods are carried at the historical 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 Statement of cash flows are restated using the exchange rates of the Central Bank of the Russian Federation effective at the end of the respective periods.

Management expenses

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

Trade 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 and overdue trade receivables are stated net of doubtful debt provisions. These provisions are based on the judgment of the management of OAO Gazprom as to the extent the debts collectability determined to be doubtful. Doubtful debt provisions are charged against other expenses in the Consolidated Statement of Income.

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 of 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 are recognized at the moment when goods are shipped (or services rendered) and corresponding settlement documents submitted to customers. Revenues are presented net of value added tax, excise tax and other similar charges.

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

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

Changes in the 2006 accounting policies

In line with the changes in the accounting treatment of income and expenses introduced by regulatory documents approved by the Russian Ministry of Finance, starting from the 2006 accounting reports other income and expenses is not to be distributed by operating, non-operating and extraordinary. In this connection, appropriate changes were made in the 2006 Consolidated Statement of Income and the comparative data for 2005 has been adjusted accordingly.

In addition, starting from 2006 the Group companies do not accrue the following provisions:

- provision for future vacation payments to its employees;
- provision for future fixed asset repairs.

The accounting policies for 2006 in the part related to VAT taxation have been adjusted for changes in the VAT legislation. Starting from 1 January 2006 the Group has shifted to the accrual basis in revenue recognition for output VAT purposes, in this regard VAT has been accepted for deduction after goods (works, services) acquired after 1 January 2006 were recognized on the basis of VAT-invoices compliant with the tax legislation requirements.

Opening balances as of 1 January 2006

The opening balances of the 2006 Consolidated Balance Sheet have been formed by adjusting the closing balances of the 2005 Consolidated Balance Sheet for the revaluation performed by independent appraisers in accordance with the decision of the management of the Group's companies. As a result of the revaluation «Non-Current Assets» and «Equity and Reserves» of the Consolidated Balance Sheet increased by RR 522,128 as of the beginning of the period.

Due to changes in the 2006 accounting policies related to provisioning for future vacation payments to its employees, the balance of such a provision recognized as of 31 December 2005 has been posted to increase the retained profit in the Consolidated Balance Sheet as of 1 January 2006.

The above adjustments resulted in the following changes in the Balance Sheet:

Item	As of 31 December 2005	Adjustment	As of 1 January 2006
Non-current assets	3,808,360	521,547	4,329,907
Fixed assets	2,509,684	522,128	3,031,812
including buildings, constructions, machinery and equipment	2,484,214	516,471	3,000,685
Deferred tax assets	19,751	(581)	19,170
Total assets	4,851,771	521,547	5,373,318
Capital and reserves	3,574,694	525,654	4,100,348
Additional capital	2,240,481	539,507	2,779,988
Retained earnings	1,189,954	(13,888)	1,176,066
Social government fund	6,279	35	6,314
Minority interest	52,418	266	52,684
Short-term liabilities	422,076	(4,373)	417,703
Provision for future expenses and payments	69,374	(4,373)	65,001
Total equity and liabilities	4,851,771	521,547	5,373,318

Comparative amounts for 2005

In the 2006 Consolidated Statement of Income comparative figures for other income and expenses related to the year 2005 have been increased by RR 44,488. In the 2006 Consolidated Statement of Cash Flows comparative figures for certain categories within the investing activities for 2005 have been increased by RR 53,401 to enhance comparability of Gazfund's operations.

In the 2006 Consolidated Statement of Cash Flow comparative figures for certain categories within the investing activities for 2005 have been netted by RR 64,605, which represent operations with short term deposits in Gazprom Neft group.

Item	In the reports for 2005	Adjustment	In the reports for 2006
Cash flows used for investing activities			
Total cash received, including:	177,741	(11,204)	166,537
sale of securities			
and other financial investments	48,302	47,401	95,703
return of loans issued	79,657	(58,605)	21,052
Total cash used, including:	(863,139)	11,204	(851,935)
acquisition of securities			
and other financial investments	(106,250)	(47,401)	(153,651)
loans issued	(75,450)	58,605	(16,845)

Changes in the 2007 accounting policies

The following changes have been introduced in the accounting policies of the Group:

- From 1 January 2007 the property tax is included within expenses of ordinary activities. In 2006 the tax was included in other expenses;
- From 1 January 2007, for accounting and reporting purposes the Group is translating foreign currency denominated assets and liabilities that, under the law or the contract, are payable in roubles, and recognize arising differences between the rouble value of an asset or obligation 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. The change was implemented as a result of an amendment in Russian accounting rules for accounting reports for periods starting from 2007.

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 – domestic and export sale 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, construction and media assets.

In the 2005 consolidated financial (accounting) reports segment information related to Gazprom Neft group was presented separately from the segment information of the rest of the Group. In the 2006 consolidated financial (accounting) reports business segments of Gazprom Neft group have been integrated and disclosed within the segments of the Group. Following the increase in the Group's production of crude oil in 2006 production of crude oil and gas condensate have been presented as a separate business segment. Earlier the Group disclosed information on sales of oil and gas condensate in the segment Refining as the activities of that segment were immaterial for the consolidated financial (accounting) reports of the Group. The segment information has been adjusted accordingly to ensure compliance with the presentation format of the current reporting period.

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
As of 1 January 2006							
Segment assets	644,425	2,621,401	426,304	279,040	232,623	367,143	4,570,936
Unallocated assets							963,838
Inter-segment elimination							(161,456)
Total assets							5,373,318
Segment liabilities	49,163	119,645	111,197	32,672	61,606	30,437	404,720
Unallocated liabilities							977,022
Inter-segment elimination							(161,456)
Total liabilities							1,220,286

	Production of gas	Transporta- tion	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
For 2005							
Capital expenditures for the period	71,456	152,096	19,510	14,313	17,474	11,143	285,992
Depreciation	33,806	136,629	3,766	4,819	4,986	4,980	188,986
Investments in associates and joint activity	181	2,367	5,894	1,222	2,277	9,962	21,903
As of 31 December 2006							
Segment assets	806,268	2,651,761	584,421	334,931	281,680	515,735	5,174,796
Unallocated assets							1,010,765
Inter-segment elimination							(196,907)
Total assets							5,988,654
Segment liabilities	52,960	173,421	165,226	46,430	65,729	41,557	545,323
Unallocated liabilities							964,623
Inter-segment elimination							(196,907)
Total liabilities							1,313,039
For 2006							
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
Investments in associates and joint activity	974	2,549	6,112	4,723	8,806	13,951	37,115

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 payable to the budget 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.

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

	Production of gas	Transportation	Distribution of gas	Production of crude oil and gas condensate	Refining	Other	Total
For the year ended 31 December 2006							
Segment revenues							
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
Total segment revenues	227,679	475,705	1,448,908	228,729	456,041	138,490	2,975,552
Segment expenses							
Inter-segment expenses	(5,361)	(44,217)	(650,978)	-	(70,108)	-	(770,664)
External expenses	(179,009)	(365,607)	(349,310)	(129,958)	(280,163)	(117,748)	(1,421,795)
Total segment expenses	(184,370)	(409,824)	(1,000,288)	(129,958)	(350,271)	(117,748)	(2,192,459)
Segment profit from sales	43,309	65,881	448,620	98,771	105,770	20,742	783,093
For the year ended 31 December 2005							
Segment revenues							
Inter-segment sales	196,120	332,225	35,246	27,803	5,704	-	597,098
External sales	3,504	25,050	1,033,971	52,591	209,437	113,428	1,437,981
Total segment revenues	199,624	357,275	1,069,217	80,394	215,141	113,428	2,035,079
Segment expenses							
Inter-segment expenses	(4,715)	(37,825)	(515,613)	-	(38,945)	-	(597,098)
External expenses	(154,704)	(296,059)	(208,949)	(39,905)	(140,100)	(102,623)	(942,340)
Total segment expenses	(159,419)	(333,884)	(724,562)	(39,905)	(179,045)	(102,623)	(1,539,438)
Segment profit from sales	40,205	23,391	344,655	40,489	36,096	10,805	495,641

The inter-segment sales mainly consist of:

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

Internal transfer prices 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 2006 is primarily due to changes in internal transfer prices.

Segment revenues (income) are generated from transactions with customers. Profit tax expenses and other similar compulsory payments, interest payable and receivable, income from participation in other organizations are not included in the segment profit (loss). Other operating income and expenses as well as non-operating 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 17.

5. GOODWILL ON SUBSIDIARIES

Note		Gross book value	Accumulated amortization	Net book value
	As of 1 January 2006			
20	ОАО Gazprom Neft	401,263	(3,344)	397,919
20	ЗАО Севморнефтегаз	37,303	(1,473)	35,830
20	Media-companies	17,296	(3,450)	13,846
20	Petrochemical companies	7,698	(1,538)	6,160
	Other	8,123	(208)	7,915
	Total	471,683	(10,013)	461,670
	Additions			
	Media companies	1,569		
20	Petrochemical companies	163		
20	ЗАО Севморнефтегаз	113		
	Other	15		
	Total	1,860		
	Deductions			
20	ОАО Gazprom Neft	(70)		
20	Petrochemical companies	(2)		
	Total	(72)		
2	Accumulated amortization			
	ОАО Gazprom Neft		(20,618)	
	ЗАО Севморнефтегаз		(1,866)	
	Petrochemical companies		(1,128)	
	Media-companies		(1,049)	
	Other		(408)	
	Total		(25,069)	
	As of 31 December 2006			
20	ОАО Gazprom Neft	401,193	(23,962)	377,231
20	ЗАО Севморнефтегаз	37,416	(3,339)	34,077
20	Media-companies	18,865	(4,499)	14,366
20	Petrochemical companies	7,859	(2,666)	5,193
	Other	8,138	(616)	7,522
	Total	473,471	(35,082)	438,389

6. FIXED ASSETS

Note	Trunk Pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total	
Net book value as of 31 December 2004							
	969,729	83,392	143,844	170,826	124,849	1,492,640	
	Revaluation	755,835	57,900	31,386	57,458	34,490	937,069
Net book value as of 1 January 2005							
	1,725,564	141,292	175,230	228,284	159,339	2,429,709	
As of 1 January 2005							
	Historical (replacement) cost	3,937,595	498,382	699,992	313,315	278,905	5,728,189
	Accumulated depreciation	(2,212,031)	(357,090)	(524,762)	(85,031)	(119,566)	(3,298,480)
	Net book value	1,725,564	141,292	175,230	228,284	159,339	2,429,709
	Additions	58,547	45,883	71,918	46,012	51,267	273,627
	Disposals	(10)	(28)	(766)	(2,574)	(1,288)	(4,666)
4	Depreciation	(116,089)	(18,340)	(28,358)	(10,986)	(15,213)	(188,986)
Net book value as of 31 December 2005							
	1,668,012	168,807	218,024	260,736	194,105	2,509,684	
3	Revaluation of fixed assets	314,914	15,961	17,992	113,141	60,120	522,128
Net book value as of 1 January 2006							
	1,982,926	184,768	236,016	373,877	254,225	3,031,812	
As of 1 January 2006							
	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)
Net book value as of 31 December 2006							
	1,911,129	204,440	272,298	387,099	277,634	3,052,600	
As of 31 December 2006							
	Historical (replacement) cost	4,821,608	644,376	990,305	549,281	483,598	7,489,168
	Accumulated depreciation	(2,910,479)	(439,936)	(718,007)	(162,182)	(205,964)	(4,436,568)
Net book value as of 31 December 2006							
	1,911,129	204,440	272,298	387,099	277,634	3,052,600	

Revaluation of fixed assets as of 1 January 2006 was performed by OAO Gazprom and other Group entities. Replacement cost determined as a result of the revaluation has been used to adjust the opening balance of fixed assets as of 1 January 2006. Certain Group entities, in particular, Gazprom Neft group entities and Sibur group entities have reported fixed assets in the consolidated accounting records at their historic cost. The management of OAO Gazprom does not believe that the exclusion of these assets from the 1 January 2006 revaluation have 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 2006 the transferred assets amounted to RR 3,355 (2005 – RR 472).

7. CONSTRUCTION IN PROGRESS

	As of 1 January 2006	As of 31 December 2006
Construction in progress	444,218	552,006
Equipment for installation	38,167	44,020
Total	482,385	596,026

The balance of construction in progress as of 1 January and 31 December 2006 includes assets constructed and put into operation in the amount of RR 165,614 and RR 243,729 (net of accumulated depreciation in the amount of RR 977 and RR 1,351), 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 are the Group's banking subsidiaries with the carrying value of RR 33,617 and RR 78,061 as of 1 January and 31 December 2006, respectively (see Note 20). The carrying amount of investments in subsidiary banks increased primarily due to completion of additional share issue of AB Gazprombank (ZAO) in favor of NPF Gazfund at amount of RR 34,556.

Investments in subsidiaries in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 15,252 and RR 12,025 as of 1 January and 31 December 2006, respectively. The impairment provision primarily relates to non-core investments.

Investments in associates

Included within investments in associates in the Consolidated Balance Sheet is RosUkrEnerg AG (see Note 21) with the carrying value of RR 3,236 and nil as of 1 January and 31 December 2006. As of 1 January and 31 December 2006 this investment is stated net of unrealized profit in the amount of RR 6,500 and RR 5,166 arising from the Group's gas sales to RosUkrEnerg AG.

Investments in associates in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 807 and RR 712 as of 1 January and 31 December 2006, respectively.

Investments in other companies

Investments in other companies in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 5,701 and RR 5,398 as of 1 January and 31 December 2006, respectively. The impairment provision primarily relates to non-core investments.

Investments in other companies include the 10.49% strategic ownership interest in RAO UES of Russia at its current market value of RR 54,745 and RR 128,599 as of 1 January and 31 December 2006, respectively.

In 2006, the Group has completed the purchase of 19.39% interest in OAO Novatek. OAO Novatek is included within investments in other companies in the Consolidated Balance Sheet at its current market value of nil and RR 97,862 as of 1 January and 31 December 2006, respectively.

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 of RR 13,086 and RR 13,282 as of 1 January and 31 December 2006, respectively. In 2006 and 2005 the average interest rate on this loan was 3.8% and 3.3%, respectively.

Other long-term financial investments

	As of 1 January 2006	As of 31 December 2006
Joint activity, including:	12,467	13,510
development of a satellite communication system (operator – OAO Gazcom)	2,763	3,036
Other, including:	41,020	33,903
Third party promissory notes	10,876	13,717
Long-term deposits	10,506	7,470
South Pars (oil and gas field in Iran)	10,268	8,217
Total	53,487	47,413

The Group's long-term deposits in its banking subsidiaries amounted to RR 7,669 and RR 7,100 as of 1 January and 31 December 2006, respectively.

Other long-term financial investments in the Consolidated Balance Sheet are stated net of impairment provision in the amount of RR 2,279 and RR 2,451 as of 1 January and 31 December 2006, respectively, related primarily to joint activity.

9. ACCOUNTS RECEIVABLE

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

Trade Accounts Receivable in the Consolidated Balance Sheet include amounts related to pipes supplied by OAO Gazprom to its associated undertaking, SGT EuRoPol GAZ s.a. (see Note 21), 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 7,096 and RR 5,710 as of 1 January and 31 December 2006, respectively. Also long-term trade receivables contain debt for gas in the amount of RR 1,772 and RR 17,470 as of 1 January and 31 December 2006, respectively.

As of 1 January and 31 December 2006 Advances Issued in the Consolidated Balance Sheet include the advance of RR 21,587 and RR 13,166 issued by OAO 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 2006 Trade Accounts Receivable in the Consolidated Balance Sheet include accounts receivable for gas supplies in the amount of RR 136,470 and RR 198,591, respectively. The increase in accounts receivable is mostly due to increased gas sales to the Former Soviet Union (FSU) countries and European customers (see Note 17).

The short-term portion of the SGT EuRoPol GAZ s.a. debt totals RR 1,183 and RR 1,142 as of 1 January and 31 December 2006, respectively.

As of 1 January and 31 December 2006 Trade Accounts Receivable are stated net of impairment provision of RR 44,900 and RR 49,355, respectively. The impairment provision has been calculated net of deferred excise tax on natural gas of RR 1,950 and RR 1,909 as of 1 January and 31 December 2006, respectively.

As of 1 January and 31 December 2006 Advances Paid of the Consolidated Balance Sheet include advances of RR 7,196 and RR 6,583, respectively, paid by OAO Gazprom to NAK Naftogaz Ukraine for gas transportation services.

As of 1 January and 31 December 2006 Other accounts receivable of the Consolidated Balance Sheet include settlements of claims issued and recognized and commercial penalties awarded in amount of RR 24,658 and RR 22,581, respectively, overpaid taxes of RR 27,916 and RR 44,461, respectively, and advances in the form of promissory notes of RR 5,007 and RR 1,516, respectively.

As of 1 January and 31 December 2006 Other accounts receivable are stated net of the impairment provision of RR 13,639 and RR 14,940, respectively. Although the provision for doubtful debts within Other accounts receivable represents a deviation from the established procedure, the management of OAO Gazprom believes that it ensures appropriate presentation of the Group's assets, as the provision has been created principally in respect of a number of payments made under guarantee contracts and there is significant uncertainty about the future collectability of these amounts.

10. OTHER SHORT-TERM FINANCIAL INVESTMENTS

	As of 1 January 2006	As of 31 December 2006
Short-term deposits	29,126	59,336
Shares, bonds and participatory interests	35,586	50,635
Third party promissory notes	22,033	10,702
Other	5,162	2,793
Total	91,907	123,466

The Group's short-term deposits in its banking subsidiaries amount to RR 16,542 and RR 26,728 as of 1 January and 31 December 2006, respectively.

Included within Other short-term financial investments are shares, bonds and participatory interests held by NPF Gazfund for trading purposes in the amount of RR 28,684 and RR 46,136 as of 1 January and 31 December 2006, respectively.

As of 1 January and 31 December 2006, Other short-term financial investments are stated net of impairment provision of RR 5,942 and RR 4,971, respectively, related primarily to promissory notes.

11. MONETARY ASSETS

The Group maintained cash balances in Roubles and foreign currencies with its banking subsidiaries of RR 82,655 and RR 72,345 as of 1 January and 31 December 2006, respectively.

Other monetary assets in the Consolidated Balance Sheet include balances of RR 9,388 and RR 2,877 as of 1 January and 31 December 2006, respectively, which are restricted as to withdrawal under the terms of certain borrowings.

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 2006.

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 494 million and 602 million as of 1 January and 31 December 2006, respectively. These balances include 463 million and 571 million treasury shares held by NPF Gazfund as of 1 January and 31 December 2006, respectively.

As of 1 January and 31 December 2006 the Group's banking subsidiaries held 111 million and 84 million shares of OAO Gazprom, respectively. These shares are not taken into account in calculation of earnings per share.

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 2005 results of OAO Gazprom, final dividends have been paid in 2006 in the amount of 1.50 roubles per ordinary share. Based on the 2004 results dividends were paid in 2005 in the amount of 1.19 roubles per ordinary share.

13. BORROWINGS

Bank borrowings

Lender	Currency	Maturity	As of 1 January 2006	As of 31 December 2006
Morgan Stanley AG	US Dollar	2013	51,985	47,558
ABN AMRO*	US Dollar	2006-2010	-	35,765
Dresdner Bank AG*	US Dollar	2007-2010	36,194	33,143
Dresdner Bank AG*	US Dollar	2007-2008	36,186	33,135
Deutsche Bank AG	US Dollar	2008-2014	34,732	31,776
Salomon Brothers AG	US Dollar	2009	20,548	18,798
Citibank International PLC	US Dollar	2006-2009	-	16,646
Credit Suisse First Boston	Euro	2009	13,763	13,969
Salomon Brothers AG	US Dollar	2009	15,122	13,834
Salomon Brothers AG	US Dollar	2007	14,632	13,386
Depfa Bank*	US Dollar	2008	14,760	13,502
Salomon Brothers AG	US Dollar	2007	12,031	11,007
OAO Vneshtorgbank	US Dollar	2007	-	10,538
OOO Aragon	Euro	2010	-	9,541
Deutsche Bank AG	US Dollar	2008-2011	10,214	9,358
Credit Suisse First Boston	Euro	2007	8,577	8,720
Credit Suisse First Boston	Euro	2008	6,880	7,009
Credit Suisse First Boston	Euro	2008	6,893	6,996
ABN AMRO	US Dollar	2007-2009	-	6,609
GasEnerg Capital Limited	Euro	2007	-	5,907
Mannesmann (Deutsche Bank AG)*	Euro	2000-2008	8,591	5,814
ABN AMRO*	US Dollar	2009	-	5,355
JP Morgan Chase Bank	US Dollar	2008-2011	5,792	5,302
Credit Suisse International	US Dollar	2009	5,783	5,293
BNP Pariba SA	US Dollar	2008	5,761	5,271
Deutsche Bank AG	US Dollar	2004-2009	4,562	2,988
International banking consortium	Euro	2007	2,051	1,735
Dresdner Bank AG*	US Dollar	2005-2006**	74,349	-
ABN AMRO*	US Dollar	2005-2006**	25,666	-
Calyon	US Dollar	2004-2006**	23,977	-
ABN AMRO*	US Dollar	2006**	20,249	-
ABN AMRO*	US Dollar	2006**	7,853	-
Credit Suisse First Boston	US Dollar	2006	5,827	-
Raiffeisen Centralbank	US Dollar	2005-2006**	5,184	-
ZAO KB Citibank	US Dollar	2006**	4,363	-
German banking consortium	Euro	1999-2006**	3,594	-
BNP Pariba SA	US Dollar	2002-2006**	3,187	-
OAO Vneshtorgbank	US Dollar	2005-2006**	2,894	-
Deutsche Bank AG	US Dollar	2004-2006	2,319	-
Other	Various	Various	62,647	63,782
Total			557,166	442,737

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

** Loans were repaid ahead of the contracted date

	As of 1 January 2006	As of 31 December 2006
Total bank borrowings, including:		
due within 12 months of the reporting date	23,901	26,401
current portion of bank borrowings which are due for repayment beyond 12 months of the reporting date	51,441	90,049
due beyond 12 months of the reporting date	481,824	326,287
Total	557,166	442,737

As of 1 January and 31 December 2006 long-term borrowings of RR 98,886 and RR 33,901, respectively, were secured by gas sales contracts to Western Europe.

As of 1 January 2006 and 31 December 2006 long-term bank borrowings included loans from Salomon Brothers AG received in 2002 in connection with the issuance of USD 500 million of Loan Participation Notes due in 2007 with an interest rate of 9.125% and of USD 700 million of Loan Participation Notes due 2009 with an interest rate of 10.5%, and also long-term loan received from Morgan Stanley AG in 2003 in connection with the issuance of USD 1,750 million of Loan Participation Notes due 2013 with an interest rate of 9.625%.

As of 31 December 2006 the amount payable to Dresdner Bank AG represents outstanding borrowings, received for the purchase of the shares of OAO Gazprom Neft.

In 2006 interest rates on the long-term foreign currency denominated borrowings ranged from 2.0% to 12.5%, similar to 2005.

Interest rates on the short-term foreign currency denominated borrowings ranged from 2.4% to 10.0% and on rouble short-term borrowings from 6.75% to 13.0% in 2006. In 2005 these rates ranged from 2.4% to 7.8% on the short-term foreign currency denominated borrowings and from 8.0% to 13.0% on the rouble short-term borrowings.

Other borrowings

Borrowing	Currency	Maturity	As of 1 January 2006	As of 31 December 2006
Loan participation notes issued in May 2005	Euro	2015	35,357	35,886
Loan participation notes issued in November 2006	US Dollar	2016	-	35,786
Loan participation notes issued in September 2003	Euro	2010	34,886	35,408
Loan participation notes issued in December 2005	Euro	2012	34,280	34,793
Structured export notes issued in July 2004	US Dollar	2007-2020	37,058	33,901
Loan participation notes issued in April 2004	US Dollar	2034	35,060	32,074
Loan participation notes issued in October 2006	Euro	2014	-	27,317
Loan participation notes issued in November 2006	Euro	2017	-	17,443
A3 series Russian bonds, issued in February 2004	RR	2007	10,338	10,359
Liberty Hamshir Corporation	RR	2007-2009	-	7,600
Gazstream SA	US Dollar	2006-2012	11,775	7,248
Gazstream SA	US Dollar	2006-2010	8,358	7,050

Borrowing	Currency	Maturity	As of 1 January 2006	As of 31 December 2006
A4 series Russian bonds, issued in February 2005	RR	2010	5,153	5,134
A6 series Russian bonds, issued in August 2005	RR	2009	5,135	5,134
A5 series Russian bonds, issued in October 2004	RR	2007	5,070	5,084
A8 series Russian bonds, issued in November 2006	RR	2011	-	5,057
A7 series Russian bonds, issued in November 2006	RR	2009	-	5,040
Other	Various	Various	8,715	9,071
Total			231,185	319,385

	As of 1 January 2006	As of 31 December 2006
Total other borrowings, including:		
due within 12 months of the reporting date	6,185	5,101
current portion of other borrowings due for repayment beyond 12 months of the reporting date	9,262	28,936
due beyond 12 months of the reporting date	215,738	285,348
Total	231,185	319,385

In 2006 the Group issued A7 series bonds for the amount of RR 5,000 with the maturity date in 2009 and the coupon yield of 6.79% per annum, being paid every six months, and A8 series bonds for the amount of RR 5,000 with the maturity date in 2011 and the coupon yield of 7.0% per annum, being paid every six months.

In 2006 the Group had three issues of Loan participation notes in the amount of Euro 780 million due 2014 at an interest rate of 5.03%, of Euro 500 million due 2017 at an interest rate of 5.136% and of USD 1,350 million due 2016 at an interest rate of 6.212%.

In 2006 interest rates on long-term foreign currency denominated borrowings received from the issues of loan participation notes, ranged from 4.560% to 8.625%, similar to 2005.

In 2006 and 2005 interest rates on long-term borrowings denominated in Russian Rubles (including bonds) ranged from 6.79% to 8.22% and from 6.95% to 8.22%, respectively.

As of 1 January and 31 December 2006 long-term borrowings included loans received 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. before 28 April 2014 (put option date).

14. TAXATION

Profit tax

In accordance with the Tax Code of the Russian Federation, from 1 January 2002 the Group recognizes sales revenue for profit tax purposes on an accrual basis rather than a cash basis. In this connection the Group accrued transition period profit tax of RR 24,039 to be settled over a period up to five years. Liabilities in the amount of RR 1,755 and RR 1,624 were paid as due in 2006 and 2005, respectively, and recorded within Other similar payments in Consolidated Statement of Income.

In 2006 and 2005 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 198,034 and RR 144,796, respectively. According to the tax returns filed the profit tax in 2006 and 2005 included within line Current Profit Tax amounted to RR 208,925 and RR 135,026, respectively.

In 2006 non-temporary differences which increase the taxable profit exceeded non-temporary differences that decrease the taxable profit by RR 164,012 (in 2005 by RR 41,164). 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 2005 proceeds of RR 78,676 from the sale by Gazprom Finance B.V. (Netherlands) of Gazprom's treasury shares significantly impacted on the excess of non-temporary differences which increase the taxable profit over non-temporary differences that decrease the taxable profit income.

In 2006 and 2005 incurred deductible temporary differences which have impacted the difference between the theoretical profit tax expense and the current profit tax amounted to RR 64,473 and RR 59,950, respectively.

Deductible temporary differences incurred in 2006 principally arise from 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, research and development and annual bonuses are deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2006 and 2005 totaled RR 44,205 and RR 51,291, respectively. Settlement of these differences in 2006 is principally due to utilisation of tax losses, carried forward and decrease of the current tax base related to exploration, research and development, annual bonuses and other expenses recognized for accounting purposes in the prior periods.

In 2006 and 2005 taxable temporary differences that have impacted the difference between the theoretical profit tax expense and the current profit tax expense amounted to RR 149,552 and RR 84,754, respectively.

Taxable temporary differences in 2006 and 2005 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 that could not be deductible and revaluation of investments.

Taxable temporary differences settled in 2006 and 2005 totaled RR 17,679 and RR 17,003, 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.

	For 2006	For 2005
Transition period profit tax	1,755	1,624
Other similar payments:		
Penalties	190	25
Interest and other taxes	889	53
Total paid and payable to budget	2,834	1,702
Total paid and payable to non-budget funds (penalties and interest)	19	18
Total	2,853	1,720

15. OTHER NON-CURRENT LIABILITIES

Included in Other non-current liabilities of the Consolidated Balance Sheet are payables to external companies of ОАО АК Сибур and its subsidiaries of RR 2,493 and RR 1,498 as of 1 January and 31 December 2006, respectively, restructured under amicable agreements.

16. PROVISION FOR FUTURE COSTS AND PAYMENTS

Increase of Provision for Future Costs and Payments of the Consolidated Balance Sheet by RR 44,024 is explained primarily by the increase of the retirement reserves of NPF Gazfund.

17. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES

	For 2006	For 2005
Gas sales to customers (net of VAT, excise and other similar mandatory payments) in:		
Russia	356,033	309,985
Former Soviet Union countries (excluding Russia)	209,719	108,391
Europe	845,867	619,099
Net sales of gas	1,411,619	1,037,475
Sales of refined products (net of VAT and excise)	448,302	209,437
Sales of oil and gas condensate (net of VAT and excise)	171,977	52,591
Sales of gas transportation services (net of VAT)	34,500	25,050
Other sales (net of VAT)	138,490	113,428
Net sales	2,204,888	1,437,981

Compared to 2005 revenues from sales of gas in 2006 increased by 36% mostly resulting from increased sales of gas to the Former Soviet Union (FSU) countries and Europe and due to higher domestic tariffs established by the Federal Service for Tariffs (FST) and higher price of gas supplied to FSU and Europe.

Consolidation of Gazprom Neft group from October 2005 resulted in the increase of the Group's sales of oil. The oil sales by Gazprom Neft group incorporated into Consolidated statement of income totaled RR 151,757 and RR 38,500 in 2006 and 2005, respectively. Sales of refined products by Gazprom Neft group were RR 273,687 and RR 58,656 in 2006 and 2005, respectively.

Other sales have increased primarily as a result of increased sales of materials to capital contractors, sales, performed by media companies and the sales of other works, products and services.

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

	For 2006	For 2005
Depreciation and amortization	239,613	184,747
Purchased gas	202,880	77,728
Taxes included in cost of sales	173,272	98,951
Staff costs and social expenses	162,947	137,951
Transit costs for gas, oil and oil products	161,452	111,789
Cost of goods for resale	86,190	77,130
Materials	84,314	64,953
Repairs and maintenance	84,190	58,816

	For 2006	For 2005
Purchased oil	77,087	10,286
Electricity	45,130	32,928
Insurance	14,811	12,115
Rent	14,470	13,839
Other	75,439	61,107
Total cost of goods, products, works and services sold, commercial and management expenses	1,421,795	942,340

Consolidation of Gazprom Neft group from October 2005 resulted in the increase of the Group's costs. Cost of goods, products, works and services sold, commercial expenses and management expenses of Gazprom Neft group incorporated into Consolidated statement of income totaled RR 302,774 and RR 73,097 in 2006 and 2005, respectively.

Increase in depreciation and amortization expenses is related to the revaluation of fixed assets performed by the Group at 1 January 2006 (see Notes 3 and 6).

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 158,586 and RR 88,008 for 2006 and 2005, respectively. The increase was primarily due to the change in tax legislation and consolidation of Gazprom Neft group from October 2005. From 1 January 2006, the natural gas production tax rate changed from 135 roubles per mcm to 147 roubles per mcm of natural gas produced. The natural resources production tax paid by Gazprom Neft group totaled RR 73,914 and RR 12,726 in 2006 and 2005, respectively.

Staff costs and social expenses increased due to an increase in average staff salaries and other compensation payments to employees, including vacation compensations and bonuses paid based on year-end results.

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

Other expenses primarily include costs of transportation services, legal and consulting fees, telecommunication, advertisement and other services.

19. OTHER INCOME AND EXPENSES

	For 2006		For 2005	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	1,778,378	1,779,758	1,245,668	1,246,076
Net proceeds from sales of OAO Gazprom shares to OAO Rosneftegaz	-	-	166,603	-
Transactions with securities, including promissory notes	233,937	218,555	148,199	147,476
Transfer of the Group claims to third parties	14,935	14,256	16,078	16,215
Doubtful debt provision	-	9,848	-	8,231
Investment impairment provision	2,765	-	-	4,868
Accrual (release) of provisions for contingent events	-	2,569	-	76
Property tax	-	21,708	-	15,269
Reversal of fines and penalties payable to budget and non-budget funds	966	-	1,920	-

	For 2006		For 2005	
	Income	Expenses	Income	Expenses
Exchange differences	86,521	55,176	45,717	55,986
Social expenses	-	19,771	-	16,087
Profit and losses of previous years identified in the reporting period	16,110	13,320	4,642	4,506
Adjustment of investments (to fair value)	108,630	-	16,300	-
Income and expenses from sale and contribution of fixed assets to charter capital	5,816	4,827	2,668	2,024
Amortisation of goodwill	-	25,069	-	7,209
Income from gratuitous receipt of assets/ expenses related to gratuitous transfer of assets	78	6,066	140	1,260
Accounts receivable write off	-	2,470	-	4,066
Services of credit organizations	-	3,953	-	7,803
Other	22,527	58,217	19,841	36,201
Total	2,270,663	2,235,563	1,667,776	1,573,353

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.

The Consolidated Statement of Income for 2005 include net proceeds from sales of OAO Gazprom shares to OAO Rosneftegaz, whereas income from sale of OAO Gazprom shares to OAO Rosneftegaz is RR 178,266 and related expenses are RR 11,663.

20. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Principal subsidiaries as of 31 December 2006

Note	Company	Share of participation, %	Type of activity	Location
	OAO Azot (Kemerovo)	75	Gas and petrochemicals production and sale	Russia
	ZAO ArmRosgazprom	53	Gas transportation and sale	Armenia
	ZAO Archinskoe	100	Crude oil production	Russia
	OOO Astrakhangazprom	100	Hydrocarbons production and processing	Russia
	OOO Aura-Media	100	Advertising	Russia
	ZAO Aeroport-Service	50	Sale of petroleum products	Russia
	OOO Bashtransgaz	100	Gas transportation	Russia
	OOO Belozerniy GPK	100	Gas refining	Russia
	OOO Burgaz	100	Exploration, wells construction	Russia
	OOO VNIlgaz	100	Research and development	Russia
	OAO Volgogradneftemash	51	Production of oil and gas refinery equipment	Russia
	OOO Volgogradtransgaz	100	Gas transportation	Russia
	OOO Volgotransgaz	100	Gas transportation	Russia
	OAO Volzhskiy air-nitrogen plant	91	Gas and petrochemicals production and sale	Russia
	OAO VoltairProm	82	Tire production	Russia
	OAO Voronezhskintezkauchuk	75	Gas and petrochemicals production and sale	Russia

Note	Company	Share of participation, %	Type of activity	Location
	OAO Vostokgazprom	99	Gas and gas condensate production, processing and sale	Russia
	OAO Gazavtomatika	49	Research and development	Russia
	OOO Gazkomplektimpex	100	Trading activities	Russia
	OOO Gaznadzor	100	Gas pipelines security	Russia
	OOO GazNeftoTrade	100	Investing activity	Russia
	OOO Gazobezopasnost	100	Gas safety control	Russia
	OOO Gazoenergeticheskaya Companiya	100	Investing activity	Russia
	OOO Gazpromavia	100	Air transportation services	Russia
2	AB Gazprombank (ZAO)	98	Banking activity	Russia
	OOO Gazprominvestholding	100	Investing activity	Russia
	Gazprom Marketing and Trading Ltd.	100	Gas distribution	United Kingdom
	OAO Gazprom-Media	100	Media assets management	Russia
	OOO Gazpromtrans	100	Transportation	Russia
	OAO Gazpromtrubinvest	99	Production and sale of pipes	Russia
	OOO GazpromPurInvest	100	Investing activity	Russia
	OAO Gazprom Neft	76	Crude oil production, refining and sales	Russia
	OAO Gazpromregiongaz	100	Gas pipelines operation	Russia
	ZAO Gazpromstroyengineering	100	Construction and engineering	Russia
	Gazprom Finance BV	100	Investing activity	Netherlands
	OOO Gazpromenergo	100	Transmission of heat and electrical energy	Russia
	OOO Gazsvyaz	100	Telecommunications	Russia
	OOO Gaztorgpromstroy	100	Trading activity	Russia
	OOO Gazflot	100	Transportation, offshore field development	Russia
	OOO Gazprom export	100	Foreign trade activity	Russia
	OAO Gazenergoservice	51	Equipment repair	Russia
	ZAO Gerosgaz	51	Investing and consultancy activities	Russia
	OAO Gubkinskiy GPK	100	Gas refining	Russia
	OAO Zapsibgazprom	77	Construction	Russia
	GAZPROM Germania GmbH	100	Gas distribution	Germany
	ZMB-Zarubezhgaz Management und Beteiligungsgesellschaft GmbH (ZMB GmbH)	100	Gas distribution	Germany
	ZGG Cayman Holding Ltd	100	Investing activity	Cayman Islands
	ZGG Cayman Ltd	100	Investing activity	Cayman Islands
	ZMB (Schwiez) AG	100	Gas distribution	Switzerland
	OOO Informgaz	100	IT development	Russia
	OOO IRTs Gazprom	100	Information analysis	Russia
	OOO Kavkaztransgaz	100	Gas transportation	Russia
	OOO Kaspygazprom	100	Gas transportation	Russia
	ZAO Kaunasskaya power plant	99	Generation and distribution of heat and electrical energy	Lithuania
	OAO Kauchuk	100	Gas and petrochemicals production and sale	Russia
	OAO Krasnodargazstroy	51	Construction	Russia

Note	Company	Share of participation, %	Type of activity	Location
	ООО Красноярскгаздобыча	100	Exploration, geophysics	Russia
	ОАО Красноярскгазпром	75	Exploration, geophysics	Russia
	ОАО Красноярский ЗСК	97	Gas and petrochemical production and sale	Russia
	ООО Кубангазпром	100	Hydrocarbons production and transportation	Russia
	ЗАО Кузбасснефтепродукт	100	Petroleum products trading	Russia
	ОАО Ленгазспецстрой	63	Construction, modernisation and repair activity of gas distribution facilities	Russia
	ООО Лентрансгаз	100	Gas transportation	Russia
	Leadville Investments Ltd.	100	Investing activity	Cyprus
	ООО Межрегионгаз	100	Gas distribution	Russia
	ОАО Меретоякханефтегаз	67	Crude oil production	Russia
	ООО Мострасгаз	100	Gas transportation	Russia
	ООО Надымгазпром	100	Hydrocarbons production	Russia
	ООО Надымстройгаздобыча	100	Construction	Russia
	ООО Нефтехим-Leasing	100	Leasing	Russia
	ООО НИ and PP INPETRO	51	Crude oil and petroleum products trading	Russia
	ООО Нижнеуртовский ГПК	100	Gas refining	Russia
	ЗАО Новокуйбышевск petrochemical company	100	Hydrocarbons refining	Russia
	ООО Новоренгоуский ГСС	100	Hydrocarbons refining	Russia
	ООО Нойабрскгаздобыча	100	Hydrocarbons production	Russia
	ОАО NTV-PLUS	78	TV and radio broadcasting	Russia
	ООО Нягангазпереработка	100	Gas processing	Russia
	ОАО Омскшина	83	Tire manufacture	Russia
	ООО Оренбурггазпром	100	Hydrocarbons production, processing and transportation	Russia
	ОАО Ортон	71	Gas and petrochemicals production and sale	Russia
	ООО Пермтрансгаз	100	Gas transportation	Russia
	ОАО Пластик	67	Gas and petrochemicals production and sale	Russia
	ООО Подземгазпром	100	Research and development	Russia
	ООО PRT-1	100	Information services	Russia
	ООО PRT-2	100	Information services	Russia
	ЗАО Пургаз	51	Gas production	Russia
	ООО Пургаздобыча	100	Hydrocarbons production	Russia
	ОАО Регионгазholding	56	Construction and maintenance of gas facilities	Russia
	ЗАО Росшельф	57	Investments in oil and gas fields	Russia
	ЗАО RSH-Center	99	Transportation services	Russia
	ООО Самаратрансгаз	100	Gas transportation	Russia
	ОАО Саранский завод Резинотехника	92	Production of general mechanical rubber goods	Russia
	ОАО Свердловскнефтепродукт	45	Petroleum products trading	Russia

Note	Company	Share of participation, %	Type of activity	Location
	ООО Severgazprom	100	Hydrocarbons production and transportation	Russia
	ООО Severneftegazprom	100	Geological and design and exploration surveys	Russia
	ZАО Sevmorneftegaz	100	Development of oil and gas fields	Russia
	ООО Liquefied gas	100	Liquefied gas distribution	Russia
	ООО Sibirskaya metanol chemical company	100	Gas and petrochemicals production and sale	Russia
	ZАО Sibneftavia	100	Air transportation services	Russia
	ООО Sibneft-AZS Service	100	Gas station operation	Russia
	ОАО Sibneft-Barnaulnefteproduct	93	Petroleum products trading	Russia
	ООО Sibneft-Vostok	100	Crude oil production	Russia
	ОАО Sibneft-Kaluga	100	Petroleum products trading	Russia
	ООО Sibneft-Krasnoyarsknefteproduct	100	Petroleum products trading	Russia
	ООО Sibneft-Nizhni Novgorod	100	Petroleum products trading	Russia
	ОАО Sibneft-Noyabrskneftegaz	100	Crude oil production	Russia
	ОАО Sibneft-Noyabrskneftegazgeophysika	81	Geological and geophysical surveys	Russia
	ООО Sibneft-Noyabrsknefteproduct	100	Petroleum products trading, storage and transportation	Russia
	ОАО Sibneft-Omskiy NPZ	100	Oil refining	Russia
	ОАО Sibneft-Omsknefteproduct	100	Petroleum products trading	Russia
	ООО Sibneft-Resource	100	Petroleum products trading	Russia
	ООО Sibneft-St.Petersburg	100	Petroleum products trading	Russia
	ZАО Sibneft-SeveroZapad	100	Petroleum products trading	Russia
	ОАО Sibneft-Tyumennefteproduct	90	Petroleum products trading	Russia
	ООО Sibneft-Khantos	100	Operator's services	Russia
	ООО Sibneft-Chukotka	100	Exploration, production, transportation of crude oil	Russia
	ООО NK Sibneft-Ugra	99	Oil production	Russia
	ОАО Sibneft-Yaroslavnefteproduct	100	Petroleum products trading	Russia
	ОАО АК Сибур	99	Gas and petrochemicals production and sale	Russia
	ОАО Сибур-Volzhskiy	100	Petrochemicals production and sale	Russia
	ZАО Сибур-Gazservice	100	Trading activity	Russia
	ООО Сибур-Geotekstil	100	Gas and petrochemicals production and sale	Russia
	ООО Сибур-Europe	100	Investing activity	Switzerland
	ОАО Сибур-Neftekhim	100	Gas and petrochemicals production and sale	Russia
	ОАО Сибур-PETF	100	Gas and petrochemicals production and sale	Russia
	ООО Сибур-Russian-Tires	100	Trading activity	Russia
	ОАО СибурTyumenGaz	100	Gas refining	Russia
	ZАО Сибур-Khimprom	100	Gas and petrochemicals production and sale	Russia
	ОАО Сибур Holding	100	Hydrocarbons refining, gas and petrochemicals production and sale	Russia

Note	Company	Share of participation, %	Type of activity	Location
	AKB Sovfintrade	99	Banking activity	Russia
	OAO Spetsgazavtotrans	51	Construction	Russia
	ZAO Spec'cisterni	100	Transportation	Russia
	ZAO Stimul	100	Oil production, treatment and processing	Russia
	OOO Surgutgazprom	100	Hydrocarbons refining and transportation	Russia
	OOO Tattransgaz	100	Gas transportation	Russia
	OAO TV Company NTV	100	TV and radio broadcasting	Russia
	OOO Tobolsk-Neftekhim	100	Hydrocarbons refining	Russia
	OOO Tolyattikauchuk	100	Gas and petrochemicals production and sale	Russia
	OOO Tomskneftekhim	100	Gas and petrochemicals production and sale	Russia
	OOO Tomsktransgaz	100	Gas transportation	Russia
	OOO TyumenNllgiprologaz	100	Research and development	Russia
	OOO Tyumentransgaz	100	Gas transportation	Russia
	OAO Uralorgsintez	95	Gas and petrochemicals production and sale	Russia
	OOO Uraltransgaz	100	Gas transportation	Russia
	OOO Uralskiy Tire Plant	100	Tire production	Russia
	OOO Urengoygazprom	100	Hydrocarbons production	Russia
	OOO Faktoring-Finance	90	Investing activity	Russia
	OAO Khimprom	100	Property leasing	Russia
	OAO Tsentr gaz	100	Construction	Russia
	OAO Tsentrenergogaz	62	Repair and maintenance of gas equipment	Russia
	OOO Shinginskoe	100	Crude oil production	Russia
	OOO Elion	100	Investing activity	Russia
	OOO Yugtransgaz	100	Gas transportation	Russia
	OAO Yuzhno-Balykiski GPK	100	Gas refining	Russia
	ZAO Yamalgazinvest	100	Designing and construction of gas facilities	Russia
	OOO Yamburggazdobycha	100	Hydrocarbons production	Russia
	OAO Yaroslavsky tire plant	88	Tire production	Russia

In 2005 the Group purchased 3.02% and 72.66% ownership in OAO Gazprom Neft for RR 16,408 and USD 13,079 million. As a result, the Group acquired 75.68% share in equity capital of OAO Gazprom Neft.

In 2006 the Company acquired an additional interest of 8.4% in the share capital of ZAO ArmRosgazprom for RR 2,984 paid in cash. This transaction was performed in connection of ZAO ArmRosgazprom's additional stock issuance.

Principal associates as of 31 December 2006

Company	Share of participation, %	Type of activity	Location
ZAO Achimgaz	50	Gas production	Russia
Bosphorus Gaz Corporation A.S.	40	Gas distribution	Turkey
Vemex s.r.o.	33	Gas distribution	Czech Republic
Wintershall Gas GmbH (WINGAS GmbH)	35	Transportation and gas distribution	Germany
Wintershall Erdgas Handelshaus GmbH &Co.KG (WIEH)	50	Gas distribution	Germany
Wintershall Erdgas Handelshaus Zug AG (WIEE)	50	Gas distribution	Romania
Wirom Gas S.A.	26	Gas distribution	Romania
WIEE Romania SRL	50	Gas distribution	Romania
WINGAS Storage UK Ltd.	33	Underground gas storage reconstruction	United Kingdom
Gaz Project Development Central Asia AG	50	Gas distribution	Germany
AO Gazum	25	Gas distribution	Finland
SGT EuRoPol GAZ s.a.	48	Transportation and gas distribution	Poland
TOO KazRosGaz	50	Transportation and gas distribution	Kazakhstan
AO Latvijas Gaze	34	Transportation and gas distribution	Latvia
AO Lietuvos Dujos	37	Transportation and gas distribution	Lithuania
AO Moldovagaz	50	Transportation and gas distribution	Moldova
OAO Moscovsky NPZ	39	Petrochemicals refining and distribution	Russia
OAO Mosenergo	30	Electrical energy and heat production	Russia
OAO Moscow united Electricity Network Company	28	Transmission and distribution of electrical energy	Russia
OAO Moscow city Electricity Network Company	28	Production, transmission and distribution of electrical energy	Russia
OAO Moscow Heating Network Company	28	Transmission of heat energy	Russia
ZAO Nortgaz	51	Exploration and production of gas	Russia
AO Overgaz Inc.	50	Gas distribution	Bulgaria
RosUkrEnergo AG	50	Gas distribution	Switzerland
Centrex Beteiligungs GmbH	38	Gas distribution	Germany
AO NGK Slavneft	50	Oil and petrochemicals distribution	Russia
OAO Sogaz	24	Insurance	Russia
ZAO Stella Vitae	30	Transportation and gas distribution	Lithuania
Blue Stream Pipeline company B.V.	50	Construction, gas transportation	Netherlands
AO Turusgaz	45	Gas distribution	Turkey

21. RELATED PARTIES

As defined by PBU 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 2006 and 2005 the Group supplied gas to certain of its associates for RR 410,844 and RR 234,016, 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 56 to USD 355 in 2006 and from USD 37 to USD 255 in 2005. Gas is sold to AO Moldovagaz based on quarterly contracts with fixed prices. Prices of gas per mcm sold to AO Moldovagaz ranged from USD 110 to USD 160 in 2006 and amounted to USD 80 in 2005.

In 2006 and 2005 the Group recorded sales of gas, produced in Russia and Central Asia, to its associated undertaking RosUkrEnergO AG for the total amount of RR 157,450 (66 bcm) and RR 30,590 (16.6 bcm).

Prices for sales of gas produced in Russia ranged from USD 163 to USD 232 per mcm in 2006 and from USD 80 to USD 93 per mcm in 2005, and average prices for sales of Central Asian gas were USD 72 and USD 44 per mcm in 2006 and 2005, respectively. In July 2005 the Group sold to RosUkrEnergO AG gas stored in the Ukrainian underground gas storage at USD 150 per mcm. During 2006 and 2005 the Group arranged transportation of this gas to the Ukrainian border. The amount of sales was equal to RR 11,881 and RR 6,508, respectively. In 2006 and 2005 the Group purchased gas from RosUkrEnergO AG in the amount of RR 16,863 and RR 18,385, respectively. The purchase prices were determined on the basis of market gas prices.

As of 1 January and 31 December 2006 the amounts due to the Group from RosUkrEnergO AG totaled RR 2,678 and RR 77,605, respectively. These receivables relates mainly to sales of gas and transportation services (under agent agreement) and advances issued. In 2006 part of these receivables was restructured. The long term part of accounts receivable, shown in line «Accounts receivable (payment expected beyond 12 months of the reporting date)» is equal to RR 14,903.

In 2006 the Group supplied petrochemical products and gas condensate to OAO Salavatnefteorgsyntez in the amount of RR 12,514, in 2005 supplies of gas condensate totaled RR 4,749. Petrochemical products and gas condensate were sold at market prices.

As of 31 December 2006 the account receivable by the Group from OAO Salavatnefteorgsyntez amounted to RR 1,379 as of 31 December 2005 the Group had accounts payable to OAO Salavatnefteorgsyntez related to advances received, in the amount of RR 10.

In 2006 and 2005 the Group purchased gas from TOO KazRosGaz for RR 9,179 and RR 5,428 at USD 59 and USD 36 per mcm, respectively.

In addition, the Group has purchased gas transportation services from associates that amounted to RR 22,893 and RR 21,810 for 2006 and 2005, respectively. The cost of these services was determined based on prices of gas sold to these companies.

As of 1 January and 31 December 2006 the amounts due to the Group from its associates, including SGT EuRoPol GAZ s.a. (see Note 9), totaled RR 47,665 and RR 138,965, respectively. As of 1 January and 31 December 2006, the Group's doubtful debt provision related to amounts due from AO Moldovagaz amounted to RR 19,054 and RR 22,600, respectively.

OAO Stroytransgaz rendered construction services for the Group in the amounts of RR 30,530 and RR 16,593 for 2006 and 2005, respectively. As of 1 January and 31 December 2006, the Group had advances and receivables due from OAO Stroytransgaz in the amounts of RR 6,667 and RR 1,565, respectively. As of 1 January and 31 December 2006, the Group had accounts payable to OAO Stroytransgaz in respect of construction of RR 5,845 and RR 8,981, respectively.

Remuneration to Board of Directors and Management Committee members

In 2006 and 2005 OAO Gazprom paid to members of the Board of Directors and Management Committee remuneration for the total amount of RR 1,173 and RR 1,027, net of unified social tax respectively. These amounts include remuneration paid to the members of Board of Directors of OAO Gazprom and salaries and bonuses of Management Committee members paid by OAO 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.

In 2006 OAO Gazprom approved the Annual Bonus Scheme and Stock Option Plan for managers. In the reporting year no remuneration was accrued under the above plans.

22. 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 outstanding during the year (see Note 12).

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

The weighted average number of ordinary shares outstanding for the years ended 31 December 2006 and 2005 amounted to 22,946 and 21,794 shares, respectively.

23. CONTINGENCIES

Guarantees issued

	As of 1 January 2006	As of 31 December 2006
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V. (BSPC)	43,957	36,098
EM Interfinance Limited	-	7,153
Blackrock Capital Investments Limited	-	6,460
Devere Capital International Limited	-	6,446
DCL Assets International Limited	-	2,484
United Energy Investments Limited	-	2,482
RosUkrEnergо AG	19,350	-
SGT EuRoPol GAZ s.a.	5,812	-
ZAO Investment Technologies	-	6,005
Other	11,364	8,230
Total	80,483	75,358

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 2006 outstanding amounts of these loans were RR 41,798 and RR 34,123, 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 2,159 and RR 1,975 as of 1 January and 31 December 2006, respectively.

In 2006 RosUkrEnergо AG fulfilled its obligations under the loan agreement with AB Gazprombank (ZAO) guaranteed by the Group. Consequently the Group's obligations under the contracts of guarantee were terminated as of 31 December 2006.

As of 1 January 2006 the guarantees issued included the guarantee of RR 5,812 issued by the Group on behalf of SGT EuRoPol GAZ s.a. with respect to the loan received from AB Gazprombank (ZAO) for the construction of the transit gas pipeline in the Polish territory. In 2006 the Group signed a supplement to the contract of guarantee with AB Gazprombank (ZAO) under which obligations of the Group under the contract were terminated.

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 as of 31 December 2006.

In November 2006 the Group provided a guarantee to Lascer Limited on behalf of ZAO Investment Technologies with respect to its purchase of ОАО Salavatnefteorgsintez shares in the amount of RR 6,005 (USD 228 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. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments.

Management believes that its interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions will be sustained.

24. POST BALANCE SHEET EVENTS

Investments

In April 2007, the Group acquired 50% plus one share of Sakhalin Energy Investment Company Ltd., which is the operator of Sakhalin-2 project, for USD 7,450 million paid in cash.

Loans and Borrowings

In February 2007 the Group issued RR 5,000 million documentary bonds due 2014 at an interest rate of 7.23%.

In March 2007 the Group received long-term loans from Credit Suisse First Boston in the amount of USD 470 million at an interest rate of 5.60% due to 2008 and in the amount of USD 480 million at an interest rate of 5.65% due to 2009.

In March 2007 the Group issued Euro 500 million 5.44% loan participation notes due 2017 and USD 1,300 million 6.51% Loan Participation Notes due 2022 under the USD 15,000 million Programme for the Issuance of Loan Participation Notes.

In April 2007 the Group received long-term loan from ABN AMRO in the amount of USD 5,450 million at an interest rate of Libor + 0.3% due to 2008, to refinance part of this loan Group received two loans in the amount of USD 1,000 million at an interest rate of Libor + 0.4% due in 2010 and in the amount of USD 1,000 million at an interest rate of Libor + 0.5% due in 2012.



A.B. Miller
Chairman of the Management Committee

8 May 2007



E.A. Vasilieva
Chief Accountant