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**OPEN JOINT-STOCK COMPANY «GAZPROM»  
STATUTORY FINANCIAL (ACCOUNTING) REPORTS  
OF THE PARENT COMPANY OAO «GAZPROM»**



**ОАО ГАЗПРОМ**

**AUDIT REPORT  
ON STATUTORY FINANCIAL (ACCOUNTING) REPORTS 2005**

**[Translation from Russian original]**

**AUDIT REPORT****on Statutory financial (accounting) reports**

To the shareholders of OAO Gazprom

**Auditor**

Closed Joint Stock Company PricewaterhouseCoopers Audit (ZAO PwC Audit)

State registration certificate of joint stock company № 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 22 August 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, V-420, GSP-7, 117997

State registration certificate of joint stock company № 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 № 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 2005. 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.

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 2005 and financial results of its operations for the period from 1 January up to 31 December 2005 in accordance with the legislation of Russian Federation applicable for Statutory financial (accounting) reports.

30 March 2006

Director of ZAO PricewaterhouseCoopers Audit

Statutory auditor

Certificate No 000254  
for general audit  
termless



S. Haffner



A.L. Uzornikova

**BALANCE SHEET**  
**as at 31 December 2005**

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

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

Codes
0710001
2005 12 31
00040778
7736 050 003
51
47/31
384

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets	110	436	464
including :			
patents, licenses, trade marks (service marks), other similar rights and assets	111	436	464
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	2,264,894,191	2,262,768,847
including :			
land plots and natural resources	121	2,027	12,476
buildings, machinery and equipment	122	2,262,780,484	2,260,718,704
Construction in progress	130	132,006,873	145,046,985
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	300,807,912	639,128,935
including :			
investments in subsidiaries	141	204,580,513	546,641,766
investments in associates	142	13,748,856	26,184,047
investments in other entities	143	7,541,951	416,167
loans provided to companies for a period over 12 months	144	17,758,019	10,135,026
Deferred tax assets	145	7,122,290	6,054,992
Other non-current assets	150	945,515	4,509,435
<b>Total section I</b>	<b>190</b>	<b>2,705,777,217</b>	<b>3,057,509,658</b>
<b>II. Current assets</b>			
Inventories	210	79,301,180	95,251,067
including:			
raw materials and other inventories	211	1,223,257	1,374,980
livestock	212	124	131
work in progress	213	53,176,499	63,551,746
finished goods and goods for resale	214	23,007,319	27,286,277
goods dispatched	215	584,058	561,403
expenses related to future periods	216	1,309,923	2,476,530
Value added tax on purchased goods	220	24,665,563	37,843,011

Form 0710001 p. 2

ASSETS	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
Accounts receivable (payments expected beyond 12 months after the reporting date) including:	230	133,500,702	148,477,849
buyers and customers	231	11,647,839	20,001,100
promissory notes receivable	232	-	-
advances issued	234	27,748,700	21,586,875
other debtors	235	94,104,163	106,889,874
Accounts receivable (payments expected within 12 months after the reporting date) including:	240	399,475,807	437,558,426
buyers and customers	241	128,001,507	152,228,105
promissory notes receivable	242	-	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	14,057,994	18,474,744
other debtors	246	257,416,306	266,855,577
Short-term investments	250	41,402,857	16,204,148
loans provided to other companies for a period within 12 months	251	3,768,882	4,941,172
Monetary assets	260	64,814,577	73,044,882
including:			
cash	261	1,032	1,899
settlement accounts	262	23,597,652	33,863,233
foreign currency accounts	263	21,797,988	29,594,903
other monetary assets	264	19,417,905	9,584,847
Other current assets	270	2,036	1,029
<b>Total section II</b>	<b>290</b>	<b>743,162,722</b>	<b>808,380,412</b>
<b>TOTAL ASSETS</b>	<b>300</b>	<b>3,448,939,939</b>	<b>3,865,890,070</b>

Form 0710001 p.3

EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>III. Equity and reserves</b>			
Charter capital	410	118,367,564	118,367,564
Treasury shares	411	-	-
Additional capital	420	2,192,995,813	2,192,254,364
Legal reserve	430	8,636,001	8,636,001
including:			
reserves and provisions formed in accordance with legislation	431	8,636,001	8,636,001
Retained earnings (loss)	470	469,052,192	645,060,421
Social government fund	480	-	-
<b>Total section III</b>	<b>490</b>	<b>2,789,051,570</b>	<b>2,964,318,350</b>
<b>IV. Non-current liabilities</b>			
Borrowings	510	381,563,594	615,097,556
bank borrowings due for repayment beyond 12 months	511	260,768,879	401,755,723
other borrowings due for repayment beyond 12 months	512	120,794,715	213,341,833
Deferred tax liabilities	515	77,359,788	89,093,084
Other non-current liabilities	520	610,118	-
including:			
promissory notes payable	522	-	-
<b>Total section IV</b>	<b>590</b>	<b>459,533,500</b>	<b>704,190,640</b>
<b>V. Current liabilities</b>			
Borrowings	610	57,924,045	62,159,693
bank borrowings due for repayment within 12 months	611	5,677,570	12,707,413
other borrowings due for repayment within 12 months	612	-	-
current portion of long-term borrowings	613	52,246,475	49,452,280
Accounts payable	620	138,148,438	133,169,882
including:			
suppliers and contractors	621	91,820,563	100,123,384
salaries payable	622	22,913	15,621
payable to state non-budget funds	623	3,575	5,490
taxes payable	624	16,534,115	16,245,088
other creditors, including:	625	29,767,272	16,780,299
promissory notes payable	626	1,033,341	380,990
advances received	627	681,043	1,250,146
other creditors	628	28,052,888	15,149,163
Dividends payable to participants (shareholders)	630	832,473	44,510
Income of future periods	640	1,006	4,417
Reserves for future expenses and payments	650	3,448,907	2,002,578
Other current liabilities	660	-	-
<b>Total section V</b>	<b>690</b>	<b>200,354,869</b>	<b>197,381,080</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>700</b>	<b>3,448,939,939</b>	<b>3,865,890,070</b>

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

Line name	Line code	At beginning of reporting year	At end of reporting year
1	2	3	4
Rented fixed assets	910	27,291	23,479
thereof by leasing	911	-	-
Working assets and fixed assets accepted for custody	920	38,127	38,248
Goods on commission	930	261	245
Bad debts of insolvent debtors written off to losses	940	11,813,695	21,761,734
Security of liabilities and payments received	950	20,883,724	1,226,238
Security of liabilities and payments issued	960	96,406,250	62,333,158
Housing stock depreciation	970	10,446	47,103
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for use	990	-	-
Transition period profit tax	998	-	-

Chief executive officer



(signature)

A.B. Miller

Chief accountant

(signature)

E.A. Vasilieva

**PROFIT AND LOSS ACCOUNT for 2005**

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 N2 on OKUD Date (year, month, day) on OKPO INN on OKVED on OKOPF/OKFS on OKEI	Codes 0710002 2005 12 31 00040778 7736 050 003 51 47/31 384
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Parameter name	code	For reporting period	For the similar period of the prior year
1	2	3	4
<b>Income from and expenses on ordinary activities</b>			
Sale of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	1,231,261,784	887,230,674
including:			
gas	11	968,579,508	706,610,516
leased assets	12	183,676,815	107,280,540
oil and gas refinery products	13	44,423,772	32,075,838
gas transportation services	14	20,404,184	32,147,692
gas condensate	15	13,246,477	8,311,851
other	16	836,294	804,148
gas storage services	17	94,734	89
Cost of goods, products, work, services sold	20	( 425,190,517)	( 317,406,047)
including:			
gas	21	( 194,018,128)	( 153,904,186)
leased assets	22	( 169,868,748)	( 98,418,076)
oil and gas refinery products	23	( 22,807,321)	( 20,145,145)
gas transportation services	24	( 30,108,635)	( 38,275,255)
gas condensate	25	( 6,792,077)	( 5,309,930)
other	26	( 1,550,022)	( 1,353,392)
gas storage services	27	( 45,586)	( 63)
Gross profit	29	806,071,267	569,824,627
Selling expenses	30	( 433,953,918)	( 347,190,966)
Administrative expenses	40	( 13,972,952)	( 11,041,109)
Profit (loss) from operations	50	358,144,397	211,592,552
<b>Other income and expenses</b>			
Interest income	60	4,142,007	2,829,159
Interest expenses	70	( 35,557,522)	( 27,779,295)
Income from investments			
in other companies	80	12,052,918	5,239,571
Other operating income	90	1,245,623,750	791,309,012
Other operating expenses	100	(1,246,715,736)	( 766,339,051)

Form 0710002 p. 2

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
Non-operating income	120	48,051,671	63,347,801
Non-operating expenses	130	( 96,512,264)	( 69,465,468)
Extraordinary income	135	763	972
Extraordinary expenses	136	( 1,678)	( 17,376)
<b>Profit (loss) before profit tax</b>	<b>140</b>	<b>289,228,306</b>	<b>210,717,877</b>
Deferred tax assets	141	( 1,066,444)	831,510
Deferred tax liabilities	142	( 11,733,296)	( 19,975,130)
Current profit tax	150	( 72,975,244)	( 26,157,309)
Other expenses out of profit	151	( 14,640)	( 4,332,925)
<b>Net profit (loss) for the reporting period</b>	<b>190</b>	<b>203,438,682</b>	<b>161,084,023</b>

**REFERENCE**

Permanent tax liabilities (assets)	200	19,125,458	( 4,126,772)
Basic earnings (loss) per share, RR	201	8.58	6.80
Diluted earnings (loss) per share	202	-	-

**BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES**

Parameter		For reporting period		For the similar period of the prior year	
name	code	income	expense	income	expense
1	2	3	4	5	6
Fines and penalties recognized or in respect of which there are court (arbitration) judgements on their recovery	210	120,506	5,058	228,678	5,638
Profit (loss) of prior years	220	1,243,020	1,850,442	3,829,444	3,167,084
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230	-	-	-	-
Exchange differences on foreign currency transactions	240	42,656,057	50,810,641	51,417,625	41,939,827
Revaluation reserves	250	X	2,408,777	X	678,457
Written off past due accounts receivable and accounts payable with expired limitation period	260	21,410	2,629,153	11,906	60,123

Chief executive officer  (signature) A.B. Miller

Chief accountant  (signature) E.A. Vasilieva



**FLOW OF EQUITY AND FUNDS  
for 2005**

	Form N3 on OKUD	Codes
Company OAO «Gazprom»	Date (year, month, day)	0710003
Taxpayer identification number	on OKPO	2005 12 31
Field of activity wholesale	INN	00040778
Legal form/property form Open Joint Stock Company	on OKVED	7736 050 003
Unit of measurement: thousands of RR	on OKOPF/OKFS	51
	on OKEI	47/31
		384

**I. Changes in equity**

Parameter name	code	Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
1	2	3	4	5	6	7	8
Balance as of 31 December of the year preceding the prior year	70	118,367,564	1,252,976,071	8,636,001	327,231,444	-	1,707,211,080
<b>2004 (prior year)</b>							
Changes in the accounting policies	71	X	X	X	-	X	-
Revaluation of fixed assets	72	X	-	X	-	X	-
Balance as of 1 January of the prior year	80	118,367,564	1,252,976,071	8,636,001	327,231,444	-	1,707,211,080
Exchange differences	81	X	-	X	X	X	-
Net profit	82	X	X	X	161,084,023	X	161,084,023
Dividends	83	X	X	X	( 16,334,724)	X	( 16,334,724)
Allocations to the legal reserve	84	X	X	-	-	X	-
Increase of equity due to additional share issue	85	-	-	-	239,940	-	239,940
increased par value of shares	86	-	X	X	X	X	-
reorganization of the legal entity	87	-	X	X	X	X	-
other transactions	88	-	X	X	-	-	-
Reduction of equity due to:	89	-	-	-	239,940	-	239,940
reduced par value of shares	90	-	( 239,940)	-	-	-	( 239,940)
reduced number of shares	91	-	X	X	X	X	-
reorganization of the legal entity	92	-	X	X	X	X	-
other transactions	93	-	X	X	-	-	-
Balance as of 31 December of the prior year	94	-	( 239,940)	-	-	-	( 239,940)
Balance as of 31 December of the prior year	95	118,367,564	1,252,736,131	8,636,001	472,220,683	-	1,851,960,379

Form 0710003 p. 2

Parameter name	code	Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
1	2	3	4	5	6	7	8
<b>2005 (reporting year)</b>							
Changes							
in the accounting policies	96	X	X	X	-	X	-
Revaluation							
of fixed assets	97	X	940,259,682	X	( 3,168,491)	-	937,091,191
Balance as of 1 January							
of the reporting year	100	118,367,564	2,192,995,813	8,636,001	469,052,192	-	2,789,051,570
Exchange differences	101	X	-	X	X	X	-
Net profit	102	X	X	X	203,438,682	X	203,438,682
Dividends	103	X	X	X	( 28,171,480)	X	( 28,171,480)
Allocations							
to the legal reserve	110	X	X	-	-	X	-
Increase of equity due to	120	-	-	-	741,027	-	741,027
additional share issue	121	-	X	X	X	X	-
increased par value	122	-	X	X	X	X	-
of shares	122	-	X	X	X	X	-
reorganization	123	-	X	X	-	-	-
of the legal entity	123	-	X	X	-	-	-
other transactions	125	-	-	-	741,027	-	741,027
Reduction							
of equity due to:	130	-	( 741,449)	-	-	-	( 741,449)
reduced par value	131	-	X	X	X	X	-
of shares	131	-	X	X	X	X	-
reduced number	132	-	X	X	X	X	-
of shares	132	-	X	X	X	X	-
reorganization	133	-	X	X	-	-	-
of the legal entity	133	-	X	X	-	-	-
other transactions	135	-	( 741,449)	-	-	-	( 741,449)
Balance as							
of 31 December	140	118,367,564	2,192,254,364	8,636,001	645,060,421	-	2,964,318,350
of the reporting year	140	118,367,564	2,192,254,364	8,636,001	645,060,421	-	2,964,318,350

## II. Reserves

Parameter name	code	Balance	Addition	Used	Balance
1	2	3	4	5	6
<b>Legal reserves formed in accordance with legislation:</b>					
Reserve funds	151				
prior year	152	8,636,001	-	-	8,636,001
reporting year	153	8,636,001	-	-	8,636,001
<b>Other reserves</b>					
prior year	155	-	-	-	-
reporting year	156	-	-	-	-
<b>Legal reserves formed in accordance with foundation documents:</b>					

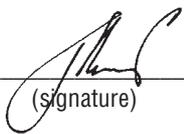
Form 0710003 p. 3

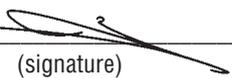
Parameter		Balance	Addition	Used	Balance
name	code				
1	2	3	4	5	6
Reserve funds	157				
prior year	158	-	-	-	-
reporting year	159	-	-	-	-
Other reserves	160				
prior year	161	-	-	-	-
reporting year	162	-	-	-	-
<b>Provisions:</b>					
Provision for impairment of receivables	163				
prior year	164	73,699,129	( 35,376,869)	( 432,234)	37,890,026
reporting year	165	37,890,026	( 22,725,669)	( 6,806,610)	8,357,747
Provision for impairment of investments	166				
prior year	167	19,550,742	( 9,595,585)	-	9,955,157
reporting year	168	9,955,157	2,408,777	( 8,904,394)	3,459,540
Provision for impairment of inventories	169				
prior year	170	-	-	-	-
reporting year	171	-	-	-	-
Other provisions	172				
prior year	173	-	-	-	-
reporting year	174	-	-	-	-
<b>Provisions for liabilities and charges:</b>					
for vacation bonus expenses	175				
prior year	176	-	219,038	( 201,365)	17,673
reporting year	177	17,673	542,324	( 386,792)	173,205
for annual work record bonus expenses	178				
prior year	179	-	-	-	-
reporting year	180	-	-	-	-
for annual appreciation bonus expenses	181				
prior year	182	-	315,854	-	315,854
reporting year	183	315,854	557,896	( 317,527)	556,223
for repair works to be incurred	184				
prior year	185	-	-	-	-
reporting year	186	-	-	-	-
for warranty and service expenses	187				
prior year	188	-	-	-	-
reporting year	189	-	-	-	-
for contingent liabilities	190				
prior year	191	-	3,115,380	-	3,115,380
reporting year	192	3,115,380	( 1,842,230)	-	1,273,150

Parameter name	Parameter code	Balance	Addition	Used	Balance
1	2	3	4	5	6
Other provisions	193				
prior year	194	-	-	-	-
reporting year	195	-	-	-	-

REFERENCE

Parameter name	Parameter code	At beginning of reporting year		At end of reporting year	
1	2	3		4	
1) Net assets	200	2,789,052,576		2,964,322,767	
		from the budget		from non-budget funds	
		for reporting year	for prior year	for reporting year	for prior year
		3	4	5	6
2) Received for:					
expenses on ordinary activities – total	210	295	-	-	-
including:					
capital investments in non-current assets	220	-	-	-	-
including:					

Chief executive officer  (signature) A.B. Miller

Chief accountant  (signature) E.A. Vasilieva



**CASH FLOW STATEMENT  
for 2005**

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

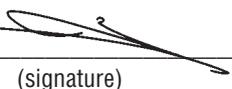
Form N4 on OKUD  
Date (year, month, day)  
on OKPO  
INN  
on OKVED  
on OKOPF/OKFS  
on OKEI

Codes
0710004
2005 12 31
00040778
7736 050 003
51
47/31
384

name	Parameter code	For reporting period	For the similar period of the prior year
		3	4
<b>Cash at beginning of reporting year</b>	100	63,940,241	46,140,425
<b>Cash flows from operating activities</b>			
Total cash received, including from	110	2,742,194,088	1,826,489,552
- sale of goods, products, works and services	111	1,487,626,850	1,073,706,982
- sale of other assets including currency sales	112	1,149,303,041	705,455,757
- advances received from buyers (customers)	113	1,503,303	841,772
- budget allocations and other special purpose financing	114	295	307
- free of charge	115	-	-
- other income	116	103,760,599	46,484,734
Total cash used, including:	120	(2,362,211,682)	(1,620,316,843)
purchased goods, works, services, raw materials and other current assets	150	(733,709,035)	(583,133,287)
wages and salaries	160	(3,967,758)	(3,362,991)
dividends and interest	170	(25,885,255)	(15,400,097)
settlement of taxes and duties	180	(91,965,012)	(61 818 934)
custom duties	183	(256,564,273)	(178,479,846)
payments to state non-budget funds	190	( 460,348)	( 519,280)
advances paid	191	(6,938,230)	(39,520,139)
other expenses including currency sales	192	(1,242,721,771)	(738,082,269)
Net cash received from operating activity	199	379,982,406	206,172,709
<b>Cash flows from investment activities</b>			
Total cash received, including from	200	64,685,292	84,616,444
Sale of fixed assets and other non-current assets	210	26,058	1,016
Sale of securities and other financial investments	220	2,103,737	1,935,764
Dividends received	230	13,581,815	8,234,927
Interest income	240	853,469	1,071,327
Repayment of loans provided to other companies	250	7,659,122	69,278,367
Budget allocations and other special purpose financing	255	-	-
Proceeds under the investment contract	256	-	-

Form 0710004 p. 2

name	Parameter code	For reporting period	For the similar period of the prior year
1	2	3	4
Settlement of securities and other investments	257	40,461,091	4,095,043
Other proceeds	260	-	-
Total cash used, including	270	(372,870,113)	(338,899,897)
Acquisition of subsidiaries	280	-	-
Acquisition of fixed assets, income bearing investments in tangible and intangible assets	290	( 169,158)	( 340,121)
Acquisition of securities and other financial investments	300	(58,923,883)	(64,237,813)
Loans provided to other companies	310	(4,000,469)	(61,711,597)
Financing of joint construction	320	-	-
Allocated to capital construction settlements	325	(277,796,078)	(194,335,128)
Other payments, transfers, etc.	330	(31,980,525)	(18,275,238)
Net cash from investment activities	340	(308,184,821)	(254,283,453)
<b>Cash flows from financial activities</b>			
Total cash received, including from	350	176,817,045	261,160,173
Proceeds from issue of shares and other equity securities	351	-	-
Proceeds from loans provided to other companies	352	176,817,045	261,160,173
Other receipts	353	-	-
Total cash used, including	360	(239,695,157)	(195,074,690)
Repayment of loans, credits (net of interest)	361	(239,695,157)	(195,074,690)
Settlement of financial lease	362	-	-
Purchased goods, works, services	363	-	-
Other payments, transfers, etc.	364	-	-
Net cash from financial activities	370	(62,878,112)	66,085,483
Net increase (decrease) of cash and cash equivalents	380	8,919,473	17,974,739
Cash at the end of reporting year	400	72,859,714	64,115,164
Effect of exchange differences	401	( 762,611)	(1,420,898)


 Chief executive officer  (signature) A.B. Miller  
 Chief accountant  (signature) E.A. Vasilieva

**SUPPLEMENT TO THE BALANCE SHEET  
for 2005**

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 N5 on OKUD  
Date (year, month, day)  
on OKPO  
INN  
on OKVED  
on OKOPF/OKFS  
on OKEI

Codes
0710005
2005 12 31
00040778
7736 050 003
51
47/31
384

**Intangible assets**

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Intellectual property (exclusive rights to intellectual property)	010	474	47	-	521
including rights of:					
industrial design, useful model patent holders	011	-	-	-	-
owners of software, databases	012	-	-	-	-
owners of IC pattern	013	-	-	-	-
owners of trademarks and service marks, name of goods' origin	014	474	47	-	521
patent holders to plants	015	-	-	-	-
Organizational expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Parameter name	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Total amortization of intangible assets, including	050	38	57

**Fixed assets**

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Buildings	060	166,197,175	18,302,318	( 535,096)	183,964,397
Structures and transfer mechanisms	061	4,691,642,290	108,314,267	(3,277,305)	4,796,679,252
Machinery and equipment	062	636,452,708	42,570,956	(3,074,958)	675,948,706
Means of transportation	063	977,211	261,799	( 29,493)	1,209,517
Production and work appliances	064	1,952,461	240,310	( 15,962)	2,176,809
Working livestock	065	2,386	-	-	2,386
Productive livestock	066	-	-	-	-

Form 0710005 p. 2

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Perennial plants	067	19,428	-	-	19,428
Other types of fixed assets	068	488,736	3,040	( 216,441)	275,335
Plots of lands and natural resources	069	2,027	11,684	( 1,235)	12,476
Capital investments in land rehabilitation	070	-	-	-	-
Total	071	5,497,734,422	169,704,374	(7,150,490)	5,660,288,306

Parameter name	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Total depreciation of fixed assets	140	3,232,840,231	3,397,519,459
including:			
buildings and structure	141	2,734,153,038	2,880,996,457
machinery, equipment, means of transportation	142	497,817,930	515,454,855
other	143	869,263	1,068,147
Total fixed assets leased out	150	5,458,642,530	5,616,081,134
including:			
buildings	151	153,722,132	170,299,363
structure	152	4,671,143,482	4,772,737,713
machinery, equipment, means of transportation	153	632,822,302	671,726,563
other	154	954,614	1,317,495
Suspended fixed assets	160	18,870,614	23,336,602
Total fixed assets leased in	161	11,926	11,926
including:			

Fixed assets put into operation and being in the process of state registration	162	46,734,190	34,267,122
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REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Result of fixed assets revaluation:			
historical (replacement) cost	171	2,293,127,805	-
depreciation	172	1,356,036,614	-
	code	For reporting year	For the similar period of the prior year
	2	3	4
Changes in the value of fixed assets as a result of fitting-out, rigging up, reconstruction, partial liquidation	180	5,902,751	5,777,042

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**Income bearing investments in tangible assets**

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

	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Depreciation of income bearing investments in tangible assets	200	-	-

**Research and development costs**

Types of works name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Total	310	344,500	4,660,560	( 506,072)	4,498,988

including:

REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Total research and development costs in progress	320	4,441,565	1,646,378
	code	For reporting period	For the similar period of the prior year
	2	3	4
Total unsuccessful research and development costs posted to non-operating expenses	321	-	-

**Natural resources development costs**

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Total natural resources development costs	410	379,958	633,767	( 379,958)	633,767

including:

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REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Costs of natural resources development in progress	412	633,489	633,489
	code	For reporting period	For the similar period of the prior year
	2	3	4
Costs of natural resources development charged to non-operating expenses	413	1,872,925	1,093,629

### Financial investments

Parameter name	code	Long-term		Short-term	
		At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
1	2	3	4	5	6
Total investments in share capital of other companies, including subsidiary and associated companies	510	232,349,532	574,193,433	-	13,800
	511	218,722,075	573,269,003	-	-
State and municipal securities	515	1 551	1 551	-	-
Total securities of other companies, including debt securities (bonds, promissory notes)	520	5,604,892	657,123	37,491,889	10,202,062
	521	5,603,892	656,123	37,491,889	10,202,062
Loans provided	525	17,824,945	10,135,026	5,106,093	4,994,651
Deposits	530	8,117,855	7,541,573	1,676,056	959,233
Other	535	43,454,275	49,555,333	538,838	538,838
<b>Total</b>	<b>540</b>	<b>307,353,050</b>	<b>642,084,039</b>	<b>44,812,876</b>	<b>16,708,584</b>
<b>Of the total financial investments carried at market value :</b>					
Total investments in share capital of other companies, including subsidiary and associated companies	550	9,021,043	311,776,497	-	13,800
	551	8,893,482	311,776,497	-	-
State and municipal securities	555	-	-	-	-

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Parameter name	code	Long-term		Short-term	
		At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
1	2	3	4	5	6
Total securities of other companies, including debt securities (bonds, promissory notes)	560	-	-	-	1,393,954
Other	565	-	-	-	-
<b>Total</b>	<b>570</b>	<b>9,021,043</b>	<b>311,776,497</b>	<b>-</b>	<b>1,407,754</b>
<b>REFERENCE</b>					
Changes in financial investments carried at market value due to valuation adjustments	580	5,970,498	(3,958,325)	-	-
For debt securities - the difference between the historic cost and face value charged to financial result of the reporting year	590	-	-	-	-

#### Accounts receivable and accounts payable

Parameter name	code	At beginning of reporting year	At end of reporting year
1	2	3	4
<b>Accounts receivable:</b>			
total short-term	600	440,902,815	447,865,736
including:			
receivables from buyers and customers	601	158,452,033	162,535,415
promissory notes receivable	602	-	-
advances issued	603	14,057,994	18,474,744
other	604	268,392,788	266,855,577
total long-term	610	133,500,702	148,477,849
including:			
receivables from buyers and customers	611	11,647,839	20,001,100
promissory notes receivable	612	-	-
advances issued	613	27,748,700	21,586,875
other	614	94,104,163	106,889,874
<b>Total</b>	<b>620</b>	<b>574,403,517</b>	<b>596,343,585</b>
<b>Accounts payable</b>			
total short-term	630	199,609,465	197,279,138
including:			
settlements with suppliers and contractors	631	91,820,563	100,123,384
advances received	632	681,043	1,250,146
taxes payable	633	16,537,690	16,250,578

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Parameter		At beginning of	At end of
name	code	reporting year	reporting year
1	2	3	4
promissory notes payable	634	1,033,341	380,990
credits	635	50,030,430	51,368,542
borrowings	636	7,893,615	10,791,151
other	637	31,612,783	17,114,347
total long-term	640	382,173,712	615,097,556
including:			
credits	641	260,768,879	401,755,723
borrowings	642	120,794,715	213,341,833
other	643	610,118	-
<b>Total</b>	<b>650</b>	<b>581,783,177</b>	<b>812,376,694</b>

#### Ordinary operating expenses (by types of expenses)

Parameter		For reporting period	For the similar period
name	code		of the prior year
1	2	3	4
Materials	710	503,807,073	423,413,514
Wages and salaries	720	4,744,808	3,564,738
Social expenses	730	504,388	487,022
Depreciation	740	170,167,254	97,738,156
Other expenses	750	6,732,795	6,606,301
Total expenses	760	685,956,318	531,809,731
Changes in balances (increase [+], decrease [-]):			
work in progress	765	10,375,247	12,487,704
future period expenses	766	576,039	807,825
provisions for liabilities and charges	767	395,901	333,527

#### COLLATERAL

Parameter		At beginning	At end
name	code	of reporting year	of reporting year
1	2	3	4
Received - total	810	20,883,724	1,226,238
including:			
promissory notes	811	3,529,000	-
including past due notes	812	-	-
Pledged assets	820	17,354,724	1,226,238
including:			
fixed asset items	821	-	-
securities and other financial investments	822	17,354,724	1,226,238
other	823	-	-
Issued - total	830	96,406,250	62,333,158
including:			
promissory notes	831	-	-
including past due notes	832	-	-

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Parameter		At beginning	At end
name	code	of reporting year	of reporting year
1	2	3	4
Pledged assets, including:	840	170,593	188,888
fixed asset items	841	-	-
securities and other financial investments	842	170,593	188,888
other	843	-	-

**Government grants**

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

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


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

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

**ОАО ГАЗПРОМ**  
**EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS**  
**(in thousands of Russian Roubles)**

## 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 include leasing of assets, organization services for gas transportation and storage, sale of gas condensate and refinery products.

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

As of 31 December 2005 and 2004 the Company employed 5,540 and 5,410 persons, respectively.

### Members of the Board of Directors of OAO Gazprom include:

Medvedev, Dmitry Anatoljevich – Chairman of the Board of Directors	Miller, Alexei Borisovich
Ananekov, Alexander Georgievich	Sereda, Mikhail Leonidovich
Bergmann, Burkhard	Fedorov, Boris Grigorievich
Gazizullin, Farit Rafikovich	Khristenko, Victor Borisovich
Gref, German Oskarovich	Yusufov, Igor Hanukovich
Karpel, Elena Evgenievna	

### Members of the Management Committee of OAO Gazprom include:

Miller, Alexei Borisovich – Chairman of the Management Committee	Pavlova, Olga Petrovna
Ananekov, Alexander Georgievich	Podyuk, Vasily Grigorievich
Budzuliak, Bogdan Vladimirovich	Rusakova, Vlada Vilorikovna
Vasilieva, Elena Alexandrovna	Ryazanov, Alexander Nikolayevich
Golubev, Valery Alexandrovich	Seleznev, Kirill Gennadjevich
Ilyushin, Victor Vasilievich	Ushakov, Sergey Konstantinovich
Kozlov, Alexander Nikolayevich (from 18 March 2005)	Chujchenko, Konstantin Anatoljevich
Kruglov, Andrei Viacheslavovich	
Medvedev, Alexander Ivanovich	

### Members of the Internal Audit Commission of OAO Gazprom include:

Arkhipov, Dmitry Alexandrovich – Chairman of the Internal Audit Commission	Ishutin, Rafael Vladimirovich
Ananyev, Stanislav Anatolievich	Lobanova, Nina Vladislavovna
Bikulov, Vadim Kasymovich	Mal'gin Oleg Viacheslavovich
Grechukhin Igor Nickolayevich	Tkachenko, Andrei Petrovich
Gulyukina, Svetlana Alekseevna	

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

### Accounting principles

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» dated 21 November 1996 № 129-FZ and the Regulation of Accounting and Reporting in the Russian Federation approved by order of the Russian Federation Ministry of Finance dated 29 July 1998 № 34n 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 investments, for which market value is determinable, and regularly revalued fixed assets.

**ОАО ГАЗПРОМ**  
**EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS**  
 (in thousands of Russian Roubles)

**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 rate of the rouble effective on the date of transaction. Assets and liabilities denominated in foreign currency have been recognized based on the official exchange rates of RR 28.7825 and RR 27.7487 per 1 USD, RR 34.1850 and RR 37.8104 per 1 Euro that were effective as of 31 December 2005 and 2004, 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 non-operating income and expenses.

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

Accounts receivable and accounts payable, including loans and borrowings, are treated in the balance sheet as current if the term of their circulation (maturity) does not exceed 12 months after the reporting date or is not set. 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, № 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.

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, № 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 № 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.

**ОАО ГАЗПРОМ**  
**EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS**  
**(in thousands of Russian Roubles)**

### **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 for the property registration as of the reporting date. Such assets are depreciated similarly to fixed assets. 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. On the balance sheet such assets are recorded net of accumulated depreciation.

### **Investments**

Investments are recorded at their historical cost, being their actual cost of acquisition, except for investments for which the market value is determinable. The latter 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 operating 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 operating 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 current 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 operating income and expenses.

### **Inventories**

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

### **Selling and administrative expenses**

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

Administrative expenses are posted to the cost of sales of the reporting period 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 recognized 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 redeemed. Bad debt provisions are recorded within other operating expenses.

**ОАО ГАЗПРОМ  
EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS  
(in thousands of Russian Roubles)**

**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 operating 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 within non-current assets (line 145 Deferred Tax Assets of the balance sheet) and non-current liabilities (line 515 Deferred Tax Liabilities of the balance sheet) respectively.

**Revenue recognition**

Revenue from sales of goods (products) and services rendering is recognized at the moment when goods (products) 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 compulsory charges.

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

**Changes in the 2005 accounting policies**

No changes have been made to the accounting policies of the Company for 2005, which can have any significant impact on the 2005 statutory financial (accounting) reports.

**Opening balances as of 1 January 2005**

As of 1 January 2005 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's management. The revaluation adjustment resulted in the increase of balance sheet lines Non-Current Assets and Equity and Reserves by 937,091,191 as of the beginning of the reporting period.

In addition, the 2005 opening balances have been formed by adjusting the 2004 closing balances to recognize changes related to settlements with suppliers under commission, guarantee and agent contracts.

<b>Line code</b>	<b>Article</b>	<b>before the adjustment</b>	<b>Adjustment</b>	<b>after the adjustment</b>
120	Fixed assets	1,327,803,000	937,091,191	2,264,894,191
	including:			
122	Buildings, machinery and equipment	1,326,144,511	936,635,973	2,262,780,484
240	Accounts receivable (payments expected within 12 months after the reporting date)	399,475,807	-	399,475,807
	including:			
245	Advances issued	9,415,192	4,642,802	14,057,994
246	Other debtors	262,059,108	(4,642,802)	257,416,306
420	Additional capital	1,252,736,131	940,259,682	2,192,995,813
470	Retained earnings (loss)	472,220,683	(3,168,491)	469,052,192

**GAZPROM**  
**EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS**  
(in thousands of Russian Roubles)

#### Comparative amounts for 2004

In 2005 the Cash Flow Statement a new line, 183 Custom Duties, was added for cash transferred in payment of custom fees; other non-tax payments to the budget (payment for usage of environmental resources, environmental payments) were recorded in line 192 Other Expenses. In 2004 these payments were recorded in line 180 Settlement of Taxes and Duties.

To enhance comparability of the 2005 Cash Flow Statement with the corresponding prior year figures, the 2004 amounts were adjusted for the above changes in the annual accounting reports of the Company.

Line code	Article	before the adjustment	Adjustment	after the adjustment
180	Settlement of taxes and duties	(240,303,789)	178,484,855	(61,818,934)
183	Custom duties	-	(178,479,846)	(178,479,846)
192	Other expenses	(738,077,260)	(5,009)	(738,082,269)

#### Changes in the 2006 accounting policies

The 2006 accounting policies of the Company have been adjusted for changes in the VAT taxation. Starting from 1 January 2006 the Company shall shift to the accrual basis in revenue recognition for output VAT purposes, in this regard VAT shall be accepted for deduction upon submission of documents by suppliers of goods (works, services).

#### 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 nature of risks related to the Company's activities 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.

	Domestic and export sales of gas	Leasing of assets	Other	Total
<b>For 2005</b>				
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
<b>For 2004</b>				
Segment revenue	706,610,516	107,280,540	73,339,618	887,230,674
Segment profit (loss)	197,422,612	7,640,003	6,529,937	211,592,552
Unallocated expenses				(50,508,529)
Capital expenditures for the period	-	155,405,099	-	155,405,099
Depreciation of fixed assets and intangible assets	-	97,396,056	294,832	97,690,888

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	Domestic and export sales of gas	Leasing of assets	Other	Total
Unallocated depreciation of fixed assets and intangible assets	-	-	-	64,243
<b>As of 31 December 2004</b>				
Segment assets	269,974,251	1,683,793,746	26,521,318	1,980,289,315
Unallocated assets				531,559,433
<b>Total assets</b>				<b>2,511,848,748</b>
Segment liabilities	1,205,539	9,922,367	6,159,007	17,286,913
Unallocated liabilities				642,601,456
<b>Total liabilities</b>				<b>659,888,369</b>
<b>As of 31 December 2005</b>				
Segment assets	297,524,685	2,704,742,451	26,855,643	3,029,122,779
Unallocated assets				836,767,291
<b>Total assets</b>				<b>3,865,890,070</b>
Segment liabilities	34,317,796	6,211,634	8,522,210	49,051,640
Unallocated liabilities				852,520,080
<b>Total liabilities</b>				<b>901,571,720</b>

Segment revenue (income) is generated from transactions with buyers. Transactions with other segments are not carried out. 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, as well as extraordinary income and expenses are not included in segment profit (loss). Other operating income and expense as well as non-operating 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, inventory, work in progress, accounts receivable and other current assets. 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 predominantly current liabilities except for 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.

All of 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.

## 5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
<b>As of 31.12.2004</b>						
Historical (replacement) cost	2,195,732,554	338,292,890	399,911,291	98,409,327	172,260,555	3,204,606,617
Accumulated depreciation	(1,230,489,962)	(258,957,030)	(292,208,537)	(34,567,462)	(60,580,626)	(1,876,803,617)
<b>Net book value</b>	<b>965,242,592</b>	<b>79,335,860</b>	<b>107,702,754</b>	<b>63,841,865</b>	<b>111,679,929</b>	<b>1,327,803,000</b>
<b>As of 31.12.2005<sup>1</sup></b>						
Historical (replacement) cost	3,988,710,829	511,738,673	675,948,706	183,964,397	299,925,701	5,660,288,306

<sup>1</sup>Including revaluation as at 1 January 2005.

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	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
Accumulated depreciation	(2,325,030,722)	(371,667,223)	(514,877,194)	(68,515,678)	(117,428,642)	(3,397,519,459)
<b>Net book value</b>	<b>1,663,680,107</b>	<b>140,071,450</b>	<b>161,071,512</b>	<b>115,448,719</b>	<b>182,497,059</b>	<b>2,262,768,847</b>

Net book value of fixed assets leased out to subsidiaries amounted to 2,243,132,851 and 1,310,244,027 as of 31 December 2005 and 2004, respectively.

## 6. CONSTRUCTION IN PROGRESS

	31 December	
	2005	2004
Construction in progress	144,915,918	131,836,101
Equipment for installation	131,067	170,772
<b>Total</b>	<b>145,046,985</b>	<b>132,006,873</b>

As of 31 December 2005 and 2004 construction in progress balance included assets of 136,723,475 and 122,028,525, respectively (net of accumulated depreciation in the amount 382,397 and 1,602,163, respectively), which had been constructed and put into operation but were still to be registered in the State Register. As of 31 December 2005 assets to be registered included «SRTO-Torzhok» and «Pochinki-Izobilnoe-Severo-Stavropolskoe UGS» pipelines 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 18.

#### Investments in other entities

Investments in other entities (line 143 of the balance sheet) are presented net of provision for impairment of 508,263 and 6,085,506 as of 31 December 2005 and 2004, respectively. Provision decrease was mainly due to sales of investments in ZAO «Media-Most» (see Note 18).

#### 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 long-term loans provided primarily to subsidiaries, including an interest-free loan to subsidiary, OOO Noyabrskgazdobycha, with maturity date in 2009 in amount of 2,959,030 and 5,936,837 as of 31 December 2005 and 2004, respectively.

#### Other long-term investments

	31 December	
	2005	2004
Joint activity, including:	37,248,776	29,850,682
development of oil and gas fields on the Barents and Pechora Seas shelf (operator – ZAO Sevmorneftegaz)	25,233,763	16,527,320
development of a satellite communication system (operator - OAO Gazcom)	2,763,155	2,763,155
Long-term promissory notes of subsidiaries	656,123	5,274,230

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	31 December	
	2005	2004
Long-term deposits	7,541,573	8,117,855
Other, including:	10,305,457	13,935,806
South Pars (oil and gas field located in Iran)	10,268,454	12,739,456
<b>Total</b>	<b>55,751,929</b>	<b>57,178,573</b>

Other Long-Term Investments (line 140 of the balance sheet) are presented net of the impairment provision of 2,003,651 and nil as of 31 December 2005 and 2004, respectively (see Note 15). The provision relates to investments in joint activities.

### Short-term investments

Loans Provided to Other Companies for a Period within 12 Months (line 251 of the balance sheet) include, but are not limited to, short-term loans provided to subsidiary companies, in the amount of 2,239,697 and 3,640,276 as of 31 December 2005 and 2004, respectively. Short-term loans are presented net of impairment provision of 53,479 and 1,337,211 as of 31 December 2005 and 2004, respectively.

Short-term investments include short-term promissory notes of 8,427,311 and 35,419,081 as of 31 December 2005 and 2004, respectively. Short-term promissory notes are presented net of impairment provision of 380,796 and 2,072,808 as of 31 December 2005 and 2004, respectively (see Note 15). The impairment provision relates primarily to promissory notes of non-core subsidiary companies.

## 8. ACCOUNTS RECEIVABLE

As of 31 December 2005 accounts receivable in line 231 «Accounts Receivable from buyers and customers (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 for sold investments in media assets (see Note 18).

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 18), for the construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the EuRoPol Gaz s.a. debt was 7,096,109 and 8,577,988 as of 31 December 2005 and 2004, respectively. The short-term portion of the debt, included into line 241 «Accounts Receivable from buyers and customers (payments expected within 12 months after the reporting date)» of the balance sheet was 1,182,684 and 1,742,517 as of 31 December 2005 and 2004, respectively.

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 «Accounts Receivable from Other Debtors (payments expected beyond 12 months after the reporting date)» in the amount of 97,481,549 and 74,438,017 as of 31 December 2005 and 2004, 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 «Accounts Receivable from Other Debtors (payments expected within 12 months after the reporting date)» in the amount of 191,725,008 and 149,412,376 as of 31 December 2005 and 2004, respectively.

In August 2004 the Company signed debt transfer agreements to settle 47,479,410 (including 36,921,918 of principal and 10,507,516 of interest and fines) of the accounts receivable due from NAK Naftogaz Ukraine for gas shipments made in 1997–2000, with payment of 36,399,973 upon execution of the agreement. Also in August 2004, the Company signed an addendum to the existing transit agreement, under which the Company made an advance payment in the amount of USD 1,250,000 thousand to NAK Naftogaz Ukraine for future transit services from 2005–2009.

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As of 31 December 2005 and 2004, the balance sheet line «Advances issued» includes 21,586,875 and 27,748,700 (line 234) and 7,195,625 and 6,937,175 (line 245), respectively, representing advance payment to NAK Naftogaz Ukraine for gas transportation services in 2005–2009.

In 2005 the Company signed a number of contracts with OOO Factoring-Finance on the assignment of the right to claim debt of 43,298,173 from a number of the Company's debtors. In particular, claims to the following entities were assigned: to AO Moldovagaz in the amount of 34,568,269, including outstanding payments for gas supplied in 1997–2004 in the amount of 19,054,239, plus corresponding interest of 15,514,030, and to ZAO FK Gaztrust in respect of the outstanding guarantee of 6,694,202. The Company received 43,298,173 from OOO Factoring-Finance in payment for the assignment of claims.

Accounts receivable in line 241 «Accounts Receivable from Buyers and Customers (payments expected within 12 months after the reporting date)» of the balance sheet are presented net of impairment provision of 10,307,310 and 30,450,526 as of 31 December 2005 and 2004, respectively. As of 31 December 2005 and 2004 the impairment provision is shown net of deferred excise tax in the amount of 1,949,563 and 3,536,982, respectively. The deferred excise tax is shown as reducing line 628 «Other Creditors» of the balance sheet.

As of 31 December 2004 line 235 «Receivables from other debtors (payments expected beyond 12 months after the reporting date)» of the balance sheet includes 8,373,027, representing the long-term portion of OAO AK Sibur's debt restructured in 2002 for a period of up to nine years as per the amicable agreement. The current portion of the debt in the amount of 748,818 was recorded in line 246 «Receivables from other debtors (payments expected within 12 months of the reporting date)» of the balance sheet.

Accounts receivable from OAO AK Sibur for gas transit and storage services, which had also been restructured under the amicable agreement, were recorded in line 231 «Accounts receivable from buyers and customers (payments expected beyond 12 months after the reporting date)» of the balance sheet in the amount of 1,429,862 as of 31 December 2004. As of 31 December 2005 there were no restructured accounts receivable from OAO AK Sibur on the balance sheet of the Company because of the assignment of the right to claim to Gazprom Group subsidiaries (see Note 18).

As of 31 December 2005 accounts receivable in line 246 «Accounts Receivable from Other Debtors (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.

Accounts receivable in line 246 «Accounts Receivable from Other Debtors (payments expected within 12 months after the reporting date)» of the balance sheet are presented net of impairment provision in the amount of 10,976,482 of 31 December 2004. As of 31 December 2005 the provision was reversed in full due to assignment of claims to those debtors to OOO «Factoring-Finance» and due to write-off of accounts due from entities which were liquidated in 2005.

## 9. MONETARY ASSETS

Line 264 «Other monetary assets» of the balance sheet includes, but is not limited to, balances of cash in the amount of 9,388,282 and 18,700,867 as of 31 December 2005 and 2004, respectively, which are restricted as to withdrawal under the terms of certain loans and borrowings (see Note 11).

As of 31 December 2005 and 2004 the balance of cash in transit (acc. 57), amounted to 185,134 and 698,955, respectively. The balance resulting from the currency conversion transactions, not completed as at the reporting date, is excluded from the Lines «Cash at beginning of reporting year» and «Cash at end of reporting year» (Lines 100 and 510, respectively) of the Cash Flow Statement.

Line 116 «Other income» of the Cash Flow Statement includes 21,680,440 paid to the Company by the principals in connection with agency agreements on gas transit (see Note 13). Cash in the amount of 23,503,837 transferred to the contractors in payment for gas transport services under the above agency agreements, are recorded in Line 192 «Other expenses».

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## 10. SHAREHOLDERS' EQUITY

The Company's charter capital amounts to 118,367,564 (23,673,513 thousand of fully paid common shares with the nominal value of RR 5 each) and did not change in 2005.

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

In 2005 and 2004 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).

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	
			2005	2004
Dresdner Bank AG <sup>1</sup>	US Dollar	2005–2007	74,349,118	-
Morgan Stanley AG	US Dollar	2013	51,985,393	50,118,199
Dresdner Bank AG <sup>1</sup>	US Dollar	2007–2010	36,194,064	-
Dresdner Bank AG <sup>1</sup>	US Dollar	2007–2008	36,185,868	-
Salomon Brothers AG	US Dollar	2005–2009	35,179,796	33,927,121
Deutsche Bank AG	US Dollar	2008–2014	34,731,953	33,439,738
ABN AMRO <sup>1</sup>	US Dollar	2006–2010	28,102,456	-
ABN AMRO <sup>1</sup>	US Dollar	2005–2010	25,666,178	29,886,427
Calyon <sup>1</sup>	US Dollar	2004–2010	23,977,401	28,173,327
Depfa Bank	US Dollar	2008	14,759,506	14,236,933
Credit Suisse First Boston	Euro	2009	13,762,825	-
Deutsche Bank AG	US Dollar	2008–2011	10,214,448	9,815,222
Mannesmann (Deutsche Bank AG) <sup>1</sup>	Euro	2000–2008	8,591,410	12,669,917
Credit Suisse First Boston	Euro	2007	8,576,675	-
Credit Suisse First Boston	Euro	2008	6,893,138	-
Credit Suisse First Boston	Euro	2006	6,880,319	-
Credit Suisse First Boston	US Dollar	2006	5,827,094	-
Morgan Chase Bank	US Dollar	2008–2011	5,792,461	5,578,179
Credit Suisse First Boston	US Dollar	2005–2006	5,782,881	13,119,638
BNP PARIBAS	US Dollar	2008	5,760,849	-
Deutsche Bank AG	US Dollar	2004–2009	4,562,346	5,629,749
German banking consortium <sup>1</sup>	Euro	1999–2007	3,594,025	6,074,728
Deutsche Bank AG	US Dollar	2004–2006	2,318,974	5,581,312
ABN AMRO	US Dollar	2005	-	11,218,040
Intesa BCI <sup>1</sup>	US Dollar	1997–2005	-	10,029,572
Mizuho Bank (Fuji Bank) <sup>1</sup>	US Dollar	2003–2005	-	8,224,149
Commerzbank AG <sup>1</sup>	US Dollar	2004–2005	-	7,968,872
SACE <sup>1</sup>	US Dollar	2003–2005	-	6,992,189
WestLB AG <sup>1</sup>	US Dollar	2004–2005	-	5,968,141
ABN AMRO	US Dollar	2005	-	5,569,495
Other loans	Various	Various	3,435,087	6,578,361
<b>Total loans, including</b>			<b>453,124,265</b>	<b>310,799,309</b>
Due within one year			51,368,542	50,030,430

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

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Total amount of loans received in 2005 was 366,177,395, total amount of loans repaid in 2005 was 233,133, 261.

As of 31 December 2005 and 2004 long-term borrowings of 98,886,633 and 147,634,283, 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 2005 and 2004 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 2005 represented outstanding loans to finance the purchase of the OAO Sibneft shares (Note 18).

In 2005 interest rates on the long-term bank borrowings denominated in foreign currency ranged from 2.0% to 10.5%. Similar rates for 2004 ranged from 2.6% to 10.5%.

In 2005 interest rates on the short-term bank borrowings denominated in foreign currency ranged from 2.4% to 4.6%. Similar rates for 2004 ranged from 2.8% to 8.0%.

### Borrowings

Lender	Currency	Maturity period from - to	31 December	
			2005	2004
Gazprom International	US Dollar	2007–2020	37,057,619	35,740,472
Gas Capital S.A.	Euro	2015	35,356,548	-
Gas Capital S.A.	US Dollar	2034	35,060,323	33,801,038
Gas Capital S.A.	Euro	2010	34,886,308	38,583,964
Gas Capital S.A.	Euro	2012	34,280,262	-
Gazstream	US Dollar	2006–2013	20,133,080	-
A3 series Russian bonds	Russian Roubles	2007	10,348,900	10,337,800
A4 series Russian bonds	Russian Roubles	2010	5,153,150	-
A6 series Russian bonds	Russian Roubles	2009	5,135,200	-
A5 series Russian bonds	Russian Roubles	2007	5,084,100	5,083,050
A2 series Russian bonds	Russian Roubles	2005	-	5,098,317
Other	Various	Various	1,637,494	43,689
<b>Total, including:</b>			<b>224,132,984</b>	<b>128,688,330</b>
due within one year			10,791,151	7,893,615

Total amount of borrowings received in 2005 was 100,112,306, total amount of borrowings repaid in 2005 was 5,000,000.

In 2005 the Company issued A4 series Russian bonds of 5,000,000 due 10 February 2010, with a coupon yield of 8.22% per annum to be paid every 6 months, and A6 series Russian bonds of 5,000,000 due 06 August 2009 with a coupon yield of 6.95% per annum to be paid every 6 months.

Total amount of the A4 and A6 series Russian bonds was recorded in line 512 «Other Borrowings due for Repayment beyond 12 Months» of the balance sheet.

As of 31 December 2005 and 2004 long-term borrowings included long-term loans received from Gas Capital S.A. related to the issuance of Euro 1,000 million of Loan Participation Notes due 2010 at an interest rate of 7.8% and issuance of USD 1,200 million of Loan Participation Notes due 2034 at an interest rate of 8.6%.

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In 2005 the Company obtained two borrowings from Gas Capital S.A. in the amount of Euro 1,000 million due 2015 at an interest rate of 5.9% and in the amount of Euro 1,000 million due 2012 at an interest rate of 4.6%.

As of 31 December 2005 and 2004 long-term borrowings included loans received in 2004 from Gazprom International related to the issuance of USD 1,250 million of Structured Export Notes due 2020 at an interest rate of 7.2%.

## 12. TAXATION

### Profit tax

Theoretical profit tax of the reporting year determined based on accounting profit amounted to 66,649,526 (2004 – 49,427,701). According to the tax return the profit tax in 2005 included within the line «Current Profit Tax» amounted to 72,975,244 (in 2004 – 26,157,309).

In 2005 non-temporary differences, which increase the taxable profit as compared to accounting profit, amounted to 79,688,845. The non-temporary differences arise from non-deductible expenses for tax purposes, in particular such as excess of depreciation charge of fixed assets revalued in accounting as of 1 January 2005 over depreciation charge of those fixed assets in tax accounting. In 2004 non-temporary differences, which decrease the taxable profit as compared to accounting profit, amounted to 17,185,693.

In 2005 deductible temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense amounted to 8,975,532 (in 2004 – 19,368,003). Deductible temporary differences redeemed in the reporting year totaled 13,419,045 (in 2004 – 15,903,378).

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;
- different timeline of recognition of development costs in accounting and tax accounting records.

In 2005 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 59,145,702 (in 2004 – 83,580,359). Taxable temporary differences redeemed in the reporting year amounted 10,233,455 (in 2004 – 387,018).

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.

### Other taxes

For the purposes of other sales based taxes, the Company recognizes sale revenue on a cash basis, i.e. when cash is received to the Company's account, to petty cash, when mutual settlements or barter transactions are finalized. Given the above, taxes accrued for the reporting period are as follows:

	Revenue recognition for accounting purposes	Revenue recognition for tax purposes	Difference
Value added tax	133,946,119	140,352,911	(6,406,792)
Excise	9,992,300	12,056,997	(2,064,697)

Outstanding deferred VAT and deferred excise were 10,035,189 and 14,301,606 as of 31 December 2005 and 2004, respectively. Deferred taxes related to receivables due for payment beyond 12 months of the reporting date were recorded in balance sheet line 520 «Other Non-current Liabilities» and amounted to 610,118 as of 31 December 2004. As at 31 December 2005 the debt was settled.

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

	Year ended 31 December	
	2005	2004
Revenue from gas sales:		
on the territory of Russia	315,201,555	258,469,523
outside Russia,	653,377,953	448,140,993
including far-abroad countries	562,474,585	394,097,944
	<b>968,579,508</b>	<b>706,610,516</b>
Revenue from leasing of assets	183,676,815	107,280,540
Revenue from sale of organization services for gas transportation and storage	20,404,184	32,147,692
Revenue from sale of gas condensate and refined products	57,670,249	40,387,689
Other	931,028	804,237
<b>Total</b>	<b>1,231,261,784</b>	<b>887,230,674</b>

The 37.1% increase in gas sales revenues was principally the result of higher prices for the natural gas sold outside Russia.

Decrease of revenue from sale of organization services for gas transportation and storage in 2005 in comparison with prior reporting period was due to the entering into agent agreements with several customers and, correspondingly, recognition of revenue only in amount of agent remuneration. The major customers of the Company entered into the agent agreements are RosUkrEnrgo AG, ZMB – Zarubezhgaz Management und Beteiligungsgesellschaft mbH, OAO TNK-BP. RosUkrEnrgo AG sales gas to European countries. Gazprom Group owns 50% of its charter capital.

Revenues from organization services for gas transportation and storage include the proceeds from the services provided to the ITERA Group in the amount of 6,718,698 (18.8 bcm) and 5,980,000 (16.8 bcm) for the years ended 31 December 2005 and 2004 respectively. ITERA Group is involved in the natural gas production and sales in the Russian Federation and other FSU-countries.

In 2004 the Company provided organization services for gas transportation and storage in the amount of 12,579,039 (34.6 bcm) to Ural Trans Gas, registered in Hungary and established for the natural gas sales from Central Asia to the European customers. In 2005 no organization services for gas transportation and storage were provided to Ural Trans Gas.

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

	Year ended 31 December	
	2005	2004
Purchase cost of gas, sold		
in Russia	116,931,943	94,626,133
outside Russia	77,086,185	59,278,053
including far-abroad countries	49,425,314	41,884,618
<b>sold</b>	<b>194,018,128</b>	<b>153,904,186</b>
Gas transportation costs,		
in Russia	190,075,557	147,558,639
outside Russia	242,817,925	198,760,366
including far-abroad countries	200,073,752	168,902,836
	<b>432,893,482</b>	<b>346,319,005</b>
Cost of asset leasing services	169,868,748	98,418,076
Cost of organization services for gas transportation and storage	30,108,635	38,275,255
Cost of purchased gas condensate, oil products and their refinery and transportation	30,659,834	26,327,036
Cost of other sales	1,595,608	1,353,455
<b>Total</b>	<b>859,144,435</b>	<b>664,597,013</b>

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

**15. OTHER OPERATING INCOME AND EXPENSES**

	Year ended 31 December			
	2005		2004	
	Income	Expenses	Income	Expenses
Sale of foreign currency	1,080,317,161	1,080,777,873	672,655,902	672,747,714
Movement of securities, including promissory notes	70,177,571	73,907,253	28,885,462	27,931,242
Debt transfer related to accounts receivable (see Note 8)	60,181,857	66,393,638	36,399,973	47,479,410
Bad debt provision	22,725,669	-	35,376,869	-
Investment impairment provision (see Note 7)	8,904,394	2,408,777	10,274,042	678,457
Revaluation of investments to market value	875,979	4,652,904	5,970,498	-
Contingencies provision	1,885,160	-	-	3,115,380
Property tax	-	11,509,766	-	6,620,717
Services of credit institutions	-	4,745,437	-	4,305,334
Other	555,959	2,320,088	1,746,266	3,460,797
<b>Total</b>	<b>1,245,623,750</b>	<b>1,246,715,736</b>	<b>791,309,012</b>	<b>766,339,051</b>

Income from the release of bad debt provision related to ОАО Moldovagaz amounts to 17,208,990 (without excise in amount 1,487,756) (see Note 18).

Income and expenses resulting from the securities movements, as well as debt transfer include income and expenses resulting from sales of investments to the media assets in 2005 (see Note 18). The loss resulting from the above transactions amounted to 5,547,490.

Reversal of the investments impairment provision is primarily related to the reversal of the provision associated with investments to the media assets in the amount of 8,042,003 (see Note 18).

**16. OTHER NON-OPERATING INCOME AND EXPENSES**

	Year ended 31 December			
	2005		2004	
	Income	Expenses	Income	Expenses
Exchange differences related to foreign currency transactions	42,656,057	50,810,641	51,417,625	41,939,827
Investments to subsidiaries	-	30,646,773	-	16,724,705
Other	5,395,614	15,054,850	11,930,176	10,800,936
<b>Total</b>	<b>48,051,671</b>	<b>96,512,264</b>	<b>63,347,801</b>	<b>69,465,468</b>

Contributions into subsidiaries' assets were presented in the line «Investments to subsidiaries». Contributions were made based on participant (the Company) decisions approved during 2004-2005. As of 31 December 2005 unpaid contributions into subsidiaries' assets amounted 6,717,979.

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### 17. 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 2005 and 2004.

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.

### 18. RELATED PARTIES

#### Principal subsidiaries, 100 % owned by OAO Gazprom:

000 Astrakhangazprom	000 Gazprominvestholding	000 Samaratransgaz
000 Bashtransgaz	000 Informgaz	000 Severgazprom
000 Burgaz	000 IRTs Gazprom	ZAO Sevmorneftegaz
000 VNIlgaz	000 Kavkaztransgaz	000 Liquefied gas
000 Volgogradtransgaz	000 Kaspiygazprom	000 Surgutgazprom
000 Volgostansgaz	000 Kubangazprom	000 Surgutstroygaz
000 Gazkomplektimpex	000 Lentransgaz	000 Tatransgaz
000 Gaznadzor	000 Mezhrregiongaz	000 Tomsktransgaz
000 Gazobezопасnost	000 Mostransgaz	000 TyumenNilgiprogaz
000 Gazoenergeticheskaya kompaniya	000 Nadymgazprom	000 Tyumentransgaz
000 Gazsviaz	000 Nadymstroygazdobycha	000 Uraltransgaz
000 Gazflot	000 Novourengeysky GCC	000 Urengoygazprom
000 Gazexport	000 Noyabrskgazdobycha	000 Yugtransgaz
Gazprom-Finance B.V.	000 Orenburggazprom	000 Yamburggazdobycha
000 Gazpromavia	000 Permtransgaz	ZAO Yamalgazinvest

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

In March 2005 the Company purchased from OAO NK Rosneft-Purneftegaz additional 42% ownership interest in ZAO Sevmorneftegaz for 31,334,575. In December 2005 the Company purchased from ZAO Rosshelf additional 50% ownership interest in ZAO Sevmorneftegaz for 1,040,000. As the result of the above transactions the Company's ownership interest in ZAO Sevmorneftegaz increased from 8% to 100%.

In July 2005 the Company purchased from 000 Noviye Finansovyye Tekhnologii, being under the Company control, 100% ownership interest in 000 Gazoenergeticheskaya kompaniya for 4,027,000 paid in cash. 000 Gazoenergeticheskaya kompaniya has 10.49% ownership interest in RAO UES Rossii.

#### 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
ZAO Kaunasskaya power station	99.5	Generation and distribution of electric power	Lithuania
OAO Gazpromtrubinvest	99.4	Manufacturing pipes	Russia
000 Gaztorgpromstroy	99.0	Trading	Russia
AB Gazprombank (ZAO)	87.5	Banking	Russia
OAO Zapsibgazprom	76.7	Development of gas and oil fields	Russia
ZAO Stimul	61.8	Production, processing and refinery of oil	Russia
OAO Sibneft	59.0	Crude oil production, refining and sales	Russia
OAO Volgogradneftemash	51.5	Manufacturing oil and gas refinery equipment	Russia

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Company	% of interest	Type of activity	Location
ОАО Gazenergoservice	51.0	Maintenance of equipment	Russia
ОАО Spetsgazavtotrans	51.0	Transportation services	Russia
ОАО АК Сибур	50.7	Production and sale of petrochemical products	Russia
ОАО Gazavtomatika	49.6	Science	Russia

In August-September 2005 the Company performed a number of sales of its ownership interests in media companies (ОАО Gazprom-Media (85.5%), ЗАО PRT-1 (100%), ЗАО Media-Most (14.3%), ОАО Telecompaniya NTV (4.4%), ОАО TNT-Teleset (1.7%)) for a total amount of 4,511,322 to ООО Elion, being the Company's controlled entity. As of 31 December 2005 the Company had no investments in these media companies. During the same period the Company transferred to ООО Elion the rights for demand related to short-term loans, issued to ОАО Gazprom-Media and a short-term note, issued to ЗАО Media-Most for 802,953. In addition, in October 2005 the Company also sold to ООО Elion the notes of ОАО Gazprom-Media and ОАО Telecompaniya NTV for 8,393,669.

As the result of the above transactions the Company reversed earlier accrued provision for impairment of some of the above investments (see Note 15).

In September 2005 the Company purchased from AB Gazprombank (ZАО) 3.016% ownership interest in ОАО Sibneft for 16,588,000 in cash. In October 2005 Gazprom-Finance B.V., being the Company controlled entity, purchased 72,663% ownership interest in ОАО Sibneft for USD 13,079 mln. in cash. In the same month the Company purchased from Gazprom-Finance B.V., additional 55,996% ownership interest in ОАО Sibneft for USD 10,079 mln. in cash, thus increasing its ownership interest in ОАО Sibneft up to 59,012%. In connection to this transaction the Company received from Gazprom-Finance B.V. liabilities for loans borrowed from a bank syndicate in amount of USD 10,079 mln. for ОАО Sibneft shares purchasing. As a result of this transaction Gazprom Group ownership interest in ОАО Sibneft as of 31 December 2005 was 75,679%.

**Major associated companies of ОАО Gazprom:**

Company	% of interest	Type of activity	Location
АО Moldovagaz	50.0	Transportation and sale of gas	Moldova
АО Slovrusgaz	50.0	Sale of gas	Slovakia
Blue Stream Pipeline Company B.V.	50.0	Construction and gas transportation	Holland
ЗАО KazRosGaz	50.0	Transportation and sale of gas	Kazakhstan
EuRoPol Gaz s.a.	48.0	Transportation and sale of gas	Poland
ЗАО Armrosgazprom	45.0	Sale of gas	Armenia
АО Turusgaz	45.0	Sale of gas	Turkey
АО Lietuvos Dujos	37.1	Transportation and sale of gas	Lithuania
ЗАО Rosshelf	35.6	Production of gas	Russia
АО Latvijas Gaze	34.0	Transportation and sale of gas	Latvia
ЗАО Stella Vitae	30.0	Transportation and sale of gas	Lithuania
АО Gazum	25.0	Sale of gas	Finland
ОАО Сибур Holding	25.0	Production and sale of petrochemical products	Russia

In January 2005 the Company purchased from ООО Itera Latvia additional 9% ownership interest in АО Latvijas Gaze for USD 58 mln., thus increasing its ownership interest in АО Latvijas Gaze up to 34% + 1 share.

In December 2005 the Company purchased from ОАО АК Сибур 25% ownership interest in ОАО АКС Holding for 10,025,010 in cash (in December 2005 ОАО АКС Holding was renamed to ОАО Сибур Holding). To finance the transaction, in November 2005 the Company sold the receivables of ОАО АК Сибур with the book values of 7,907,581, as well the promissory notes with the book values of 3,909,155 for 11,816,736 in cash to its subsidiaries.

In December 2005 the Company sold to ООО Factoring-Finance, being a Company controlled entity, long-term and short-term notes of ОАО Vostokgazprom and ЗАО АСВ Gazprombank with the book values of 7,997,346 and 3,480,000 respectively for 11,497,346 in cash.

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**Other associated companies**

WINGAS GmbH	GWH Gas und	AO Panrusgaz
Wintershall Erdgas Handelshaus GmbH (WIEH)	Warenhandels-gesellschaft GmbH	AO Promgaz S.P.A.
Wintershall Erdgas Handelshaus Zug AG (WIEE)	Zarubezhgaz-Management und Beteiligungsgesellschaft mbH	AO Prometheus Gaz
AO Fragaz	OOO Neftekhimleasing	RosUkrEnergo AG
	AO Overgaz Inc	AO Sibur-Tyumen
		AO Stroytransgaz

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

**Related party transactions**

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

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

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

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

Gas sales to the major associated companies and other related parties, except for AO 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 83 to USD 255 in 2005 and from USD 78 to USD 194 in 2004. Gas is sold to AO Moldovagaz and RosUkrEnergo AG based on annual contracts at fixed prices.

During 2005 and 2004 the Company supplied gas to its affiliated companies for 191,235,654 and 126,842,217 (net of VAT, excise, custom duties and similar payments), respectively.

As of 31 December 2005 and 2004 the amounts due from major subsidiary and associated companies to the Company totaled 42,122,463 and 63,773,830, respectively. As at 31 December 2004 the receivables from AO Moldovagaz were provided for bad debt provision in the amount of 17,208,990. In December 2005 the above provision was reversed due to the transfer of the rights for demand to OOO Factoring-Finance (see Note 15).

In addition, the Company purchased gas transportation services from certain associated companies (both, directly and via the commissioner OOO Gazexport), mainly from EuRoPol Gaz s.a., that totaled 18,768,305 and 17,793,217 for 2005 and 2004, respectively. The cost of these services was based on the prices for gas sold to these companies.

In the normal course of business, the Company enters into transactions with OAO Stroytransgaz for construction of pipelines in Russia based on the results of tenders. During 2005 and 2004 certain transactions with OAO Stroytransgaz were conducted under the contracts, which had been approved by certain prior members of the Board of Directors who at that time, together with close members of their families, owned significant interests in OAO Stroytransgaz.

During 2005 and 2004 OAO Stroytransgaz completed construction and assembling work for the Company for 28,229 and 64,003, respectively. The Company's payables to OAO Stroytransgaz amounted to 46,438 and 470,765 as of 31 December

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2005 and 2004, respectively. In addition, as of 31 December 2005 and 2004 the Company had an investment of 588,958 under a partnership agreement with OAO Stroytransgaz.

The amount of guarantees issued by the Company on behalf of its related parties totaled 62,147,035 and 65,677,816 as at 31 December 2005 and 2004, respectively (see Note 19).

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

In 2005 and 2004 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 424,328 and 321,165, respectively.

**19. CONTINGENCIES**

**Contingencies in respect of guarantees issued**

	31 December	
	2005	2004
Guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	43,956,971	46,803,039
Interconnector	-	30,523,570
EuRoPolGaz s.a.	5,811,650	5,602,909
ZAO Sevmorneftegaz	4,599,884	2,515,986
ZAO Gaztransit	3,016,686	451,304
OAO AK Sibur	1,778,031	2,367,402
OOO Neftekhimleasing	1,187,895	5,560,239
ZAO Kaunasskaya power station	1,033,390	1,137,140
Other	948,651	1,444,661
<b>Total</b>	<b>62,333,158</b>	<b>96,406,250</b>

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 mln. were received from Gazstream S.A. The Company guaranteed the above credits. The guarantees amounted to 41,798,283 and 44,746,234 as at 31 December 2005 and 2004, respectively.

The guarantee of the loan issued by Depfa bank to Blue Stream Pipeline Company B.V. amounted to 2,158,688 and 2,056,805 as at 31 December 2005 and 2004, respectively.

In 2005 the lessors of Interconnector (UK) Ltd withdrew all the guarantees, issued by the Company under the lease contracts, signed between Interconnector (UK) Ltd and the lessors.

In June 2005 the Company provided guarantees to the loans, provided by ING Bank N.V. to ZAO Sevmorneftegaz to finance construction of the fixed assets.

In 2005 OOO Neftekhimleasing fulfilled its obligations under the loan agreements with AB IBG Nikoil and Sberbank of Russia, guaranteed by the Company. Thus as at 31 December 2005 the Company's obligations under these guarantee contracts were terminated. Therefore, as at 31 December 2005 the Company's obligations under the guarantee contracts with regard to OOO Neftekhimleasing amounted to 1,187,895, which are related to the loan issued by OAO Investitsionny bank Trust.

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

The management expects that the Company will have to pay some of its obligations under guarantees issued. Therefore, as of 31 December 2005 and 2004 provision for the guarantees issued was created by the Company in the amount of 1,273,150 and 3,115,380, respectively.

**ОАО ГАЗПРОМ**  
**EXPLANATORY NOTES TO THE 2005 ACCOUNTING REPORTS**  
**(in thousands of Russian Roubles)**

### 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 2005 management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

## 20. POST BALANCE SHEET EVENTS

### Fixed assets revaluation

The Company will perform a revaluation of its fixed assets as at 1 January 2006. The revaluation results will be recorded in the 2006 accounting reports of the Company. Previous revaluation was performed as at 1 January 2005.

### Taxation

Under the Federal Law dated 22 July 2005 № 119-FZ, starting from 1 January 2006 VAT related tax base should be determined as at the earlier of: the date of the dispatch (transfer) of the goods (works, services), property rights or the date of payment (partial payment) for the future delivery of goods (works performance, services provision), transfer of the property rights. This amendment to the tax legislation might effect the financial position and business results of the Company, however at present accurate quantification of the effect is not practicable.

Chief executive officer  A.B. Miller  
 (signature)

Chief accountant  E.A. Vasilieva  
 (signature)



30 March 2006

**STATUTORY CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS  
OF OAO «GAZPROM» 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

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

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****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 for the period from 1 January up to 31 December 2005. The statutory consolidated financial (accounting) reports comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in the Shareholders' Equity, the Consolidated Statement of Cash Flow and the Notes to the consolidated financial (accounting) reports (together, the "statutory consolidated financial (accounting) reports"). These statutory consolidated financial (accounting) reports were prepared by the management of OAO Gazprom in accordance with the Russian legislation in the area of consolidated reporting. Such statutory consolidated financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

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

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

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

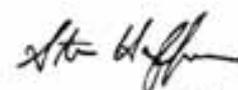
4. In our opinion, the statutory consolidated financial (accounting) reports attached to this opinion have been properly prepared to present in all material respects the financial position of OAO Gazprom and its subsidiaries as of 31 December 2005 and the results of their operations for the period from 1 January through 31 December 2005 in accordance with the Russian legislation in the area of consolidated reporting.

17 May 2006

Director of ZAO

Statutory Auditor

Certificate K013014  
for general audit  
termless



S. Haffner



V.Y. Sokolov

**ОАО ГАЗПРОМ**  
**CONSOLIDATED BALANCE SHEET as of 31 December 2005**  
(in million Roubles)

Note	ASSETS	As of 1 January 2005	As of 31 December 2005
	<b>I. Non-current assets</b>		
	Intangible assets, including:	47,021	465,177
5,21	goodwill on subsidiaries	45,171	461,670
3,6	Fixed assets, including:	2,429,709	2,509,684
	buildings, constructions, machinery and equipment	2,408,878	2,484,214
7	Construction in progress	369,799	482,385
8,21	Long-term financial investments, including:	141,719	295,425
	investments in subsidiaries	24,148	40,548
	investments in associates	47,852	127,263
	investments in other companies	2,207	57,196
	loans issued to companies beyond 12 months	18,402	16,931
	other long-term financial investments	49,110	53,487
14	Deferred tax assets	15,199	19,751
	Other non-current assets	27,947	35,938
	<b>Total Section I</b>	<b>3,031,394</b>	<b>3,808,360</b>
	<b>II. Current assets</b>		
	Inventories, including:	152,925	198,437
	materials and other inventories	68,755	84,324
	work in progress	4,226	6,662
	finished goods and goods for resale	71,360	89,639
	goods dispatched	1,421	2,262
	expenses related to future periods	7,163	15,550
	Value added tax on purchased goods	96,871	145,751
9	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	67,968	58,432
	buyers and customers	21,086	17,344
	promissory notes, bills of exchange receivable	1,101	2,147
	advances paid	28,259	22,430
	other accounts receivable	17,522	16,511
9	Accounts receivable (payment expected within 12 months of the reporting date), including:	330,240	401,395
	buyers and customers	150,014	202,732
	promissory notes, bills of exchange receivable	2,288	2,519
	advances paid	55,531	82,812
	other accounts receivable	122,407	113,332
	Short-term financial investments, including:	56,520	99,003
	loans issued to companies due within 12 months	5,950	7,096
10	other short-term financial investments	50,570	91,907
11	Monetary assets, including:	113,869	138,674
	cash on hand	135	55
	rouble bank accounts	45,990	71,578
	non-rouble bank accounts	42,608	54,058
	other monetary assets	25,136	12,983
	Other current assets	545	1,719
	<b>Total section II</b>	<b>818,938</b>	<b>1,043,411</b>
	<b>Total assets</b>	<b>3,850,332</b>	<b>4,851,771</b>

**ОАО ГАЗПРОМ**  
**CONSOLIDATED BALANCE SHEET as of 31 December 2005**  
 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2005	As of 31 December 2005
12	<b>III. Equity and reserves</b>		
	Charter capital	118,368	118,368
	Treasury shares	(17,178)	(3,326)
3	Additional capital	2,222,880	2,240,481
	Legal reserves, including	21,046	21,897
	reserves and provisions formed in accordance with legislation	8,747	9,146
	reserves formed in accordance with foundation documents	12,299	12,751
2	Special purpose financing	974	1,041
3	Retained earnings	646,527	1,189,954
2,6	Social government fund	6,751	6,279
	<b>Total section III</b>	<b>2,999,368</b>	<b>3,574,694</b>
12	Minority interest	7,972	52,418
	<b>IV. Non-current liabilities</b>		
13	Borrowings, including	397,760	697,562
	bank borrowings due for repayment beyond 12 months of the reporting date	275,470	481,824
	other borrowings due for repayment beyond 12 months of the reporting date	122,290	215,738
14	Deferred tax liabilities	79,630	99,349
15	Other non-current liabilities	11,028	5,672
	<b>Total section IV</b>	<b>488,418</b>	<b>802,583</b>

**ОАО ГАЗПРОМ**  
**CONSOLIDATED BALANCE SHEET as of 31 December 2005**  
(in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2005	As of 31 December 2005
	<b>V. Current liabilities</b>		
13	Loans and borrowings, including:	84,505	90,789
	loans due for repayment within 12 months of the reporting date	19,758	23,901
	borrowings due for repayment within 12 months of the reporting date	2,088	6,185
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	62,659	60,703
	Accounts payable, including:	244,049	257,093
	suppliers and contractors	108,926	118,723
	promissory notes, bills of exchange payable	23,960	693
	salaries payable	4,320	5,994
	payable to state non-budget funds	1,206	1,574
	payable to budget	35,544	48,845
	advances received	3,705	8,117
14	other accounts payable	66,388	73,147
	Dividends payable	91	2,244
	Income of future periods	1,878	2,576
16	Provisions for future expenses and payments	24,051	69,374
	<b>Total section V</b>	<b>354,574</b>	<b>422,076</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,850,332</b>	<b>4,851,771</b>



A.B. Miller

Chairman of the Management Committee




E.A. Vasilieva

Chief Accountant

16 May 2006

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF INCOME for the year ended 31 December 2005**  
**(in million Roubles)**

Note		For the year ended 31 December 2005	For the year ended 31 December 2004
<b>INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES</b>			
17	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	1,437,981	1,010,698
18	Cost of goods, products, works and services sold	(864,531)	(637,954)
18	Commercial expenses	(293)	(320)
18	Management expenses	(77,516)	(64,679)
	<b>Profit from sales</b>	<b>495,641</b>	<b>307,745</b>
<b>OTHER INCOME AND EXPENSES</b>			
	Interest income	5,202	4,221
	Interest expense	(41,556)	(31,261)
	Income from investments in other companies	2,359	666
19	Other operating income	1,561,713	904,234
19	Other operating expenses	(1,419,599)	(902,489)
20	Non-operating income	60,926	80,394
20	Non-operating expenses	(108,447)	(94,426)
	Capitalized profit of associates	21,903	14,544
	Extraordinary income	649	684
	Extraordinary expenses	(819)	(772)
	<b>Profit before profit tax</b>	<b>577,972</b>	<b>283,540</b>
14	Deferred tax assets	2,077	(305)
14	Deferred tax liabilities	(16,255)	(16,675)
14	Current profit tax	(135,026)	(55,868)
14	Other similar payments	(1,720)	(7,598)
	<b>Net profit of the reporting period before minority interest</b>	<b>427,048</b>	<b>203,094</b>
12	Minority interest	(6,466)	(2,408)
	<b>Net profit of the reporting period</b>	<b>420,582</b>	<b>200,686</b>
<b>FOR REFERENCE:</b>			
	Non-temporary tax liabilities	3,970	5,338
23	Basic and deluted profit per share (in roubles)	19.30	9.82

  
 A.B. Miller  
 Chairman of the Management Committee



  
 E.A. Vasilieva  
 Chief Accountant

16 May 2006

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
**For the year ended 31 December 2005**  
**(in million Roubles)**

Note	For 2005	For 2004
	<b>2,062,265</b>	<b>1,872,378</b>
3	937,103	44
	<b>2,999,368</b>	<b>1,872,422</b>
	13,852	(2,879)
	17,601	6,771
	18,338	2,530
	(4,646)	3,014
	(1,036)	(259)
	4,945	1,486
	851	5,249
	15	7
	836	5,247
	-	(5)
	122,845	(19,512)
	147,701	145
	1,036	259
	(23,858)	(14,672)
	(836)	(5,247)
	(1,198)	3
	420,582	200,686
	(472)	(548)
2,6	(472)	(548)
	67	76
	67	76
	<b>3,574,694</b>	<b>2,062,265</b>

A.B. Miller  
Chairman of the Management Committee



E.A. Vasilieva  
Chief Accountant

16 May 2006

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the year ended 31 December 2005**  
**(in million Roubles)**

Note	For 2005	For 2004
11	<b>117,093</b>	<b>91,798</b>
	<b>Cash at the beginning of the reporting period</b>	
	<b>Cash provided by operating activities</b>	
	1,677,754	1,194,625
	Total cash received, including:	
	1,625,842	1,131,079
	7,112	39,858
	5,735	4,219
	37,658	19,469
	impact of changes in exchange rates	
	1,407	-
	Total cash used, including:	
	(1,369,136)	(991,682)
	(446,338)	(338,962)
	(144,188)	(127,382)
	(34,467)	(14,264)
	(349,189)	(229,718)
3	(289,196)	(179,609)
	(20,774)	(50,396)
	(37,364)	(27,110)
	(47,620)	(24,130)
	impact of changes in exchange rates	
	-	(111)
	<b>308,618</b>	<b>202,943</b>
	<b>Net cash provided by operating activities</b>	
	<b>Cash flows used for investing activities</b>	
	177,741	80,598
	Total cash received, including:	
	1,442	4,619
	48,302	12,416
	29,943	37,428
	79,657	14,229
	18,397	11,906
	Total cash used, including:	
	(863,139)	(328,513)
	(17,691)	(16,720)
	acquisition of fixed assets and other non-current assets	

**ОАО ГАЗПРОМ**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the year ended 31 December 2005**  
**(in million Roubles)**

Note		For 2005	For 2004
3,21	acquisition of subsidiaries	(397,107)	(9,447)
	acquisition of securities and other financial investments	(106,250)	(99,501)
	construction in progress	(254,296)	(178,277)
	loans given	(75,450)	(16,889)
	other payments	(12,345)	(7,679)
	<b>Net cash used for investing activities</b>	<b>(685,398)</b>	<b>(247,915)</b>
	<b>Cash flows provided by financing activities</b>		
	Total cash received, including:	878,650	326,905
	borrowings received	672,653	321,023
	sale of treasury shares	204,080	5,146
	other receipts	1,917	736
	Total cash used, including:	(480,789)	(260,626)
	repayment of borrowings (net of interest)	(462,998)	(245,250)
	purchase of treasury shares	(10,157)	(10,830)
	other payments	(7,634)	(4,546)
	<b>Net cash provided by financing activities</b>	<b>397,861</b>	<b>66,279</b>
	<b>Net increase of cash</b>	<b>21,081</b>	<b>21,307</b>
11	<b>Cash at the end of the reporting period</b>	<b>138,174</b>	<b>113,105</b>
	<b>FOR REFERENCE:</b>		
	Impact of changes in exchange rates	(1,754)	(1,387)



A.B. Miller

Chairman of the Management Committee




E.A. Vasilieva

Chief Accountant

16 May 2006

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

## 1. GENERAL INFORMATION

OAO 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 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 396,757<sup>1</sup> and 388,714 people in 2005 and 2004, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

### Accounting principles

The statutory consolidated financial (accounting) reports of the Group have been prepared in accordance with the accounting rules effective in the Russian Federation, in particular, the Federal Law On Accounting dated 29 November 1996 № 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 № 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

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 "statutory consolidated financial (accounting) reports") comprise a consolidation of the statutory financial (accounting) reports of OAO Gazprom and the Group's principal subsidiaries and associates prepared in accordance with the methodology recommendations on preparing statutory consolidated financial (accounting) reports, approved by Order of the Ministry of Finance of the Russian Federation dated 30 December 1996 № 112 ("the Methodology recommendations").

With the exception of the Group's banking subsidiaries, all significant investments in wholly and partly owned subsidiary undertakings have been included in the statutory consolidated financial (accounting) reports in compliance with the consolidation methodology (see Note 21). Included are also investments in associates, which are mainly gas distribution businesses in Eastern and Western Europe countries and Former Soviet Union countries. The financial results and net assets of the above-mentioned associates are stated on an equity basis in these statutory consolidated financial (accounting) reports.

According to the procedure specified by the Methodology recommendations the Group's banking subsidiaries have been accounted for on the basis prescribed for inclusion in the statutory consolidated financial (accounting) reports of investments in associates and included within investments in subsidiaries.

NPF Gazfund is a non-state pension fund controlled by the Group. NPF Gazfund is included in the statutory 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.

### 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 28.7825 and RR 27.7487 for USD 1, and RR 34.1850 and RR 37.8104 for Euro 1 as of 31 December 2005 and 2004, respectively.

<sup>1</sup>Average number of employees includes effect of OAO Sibneft since the date of acquisition (see Note 21).

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
**(in million Roubles)**

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

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 for the period is shown within Other operating expenses.

**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, № 26n. Fixed assets include real estate assets that have been put into operation, documents for the state registration of title for which were submitted.

Fixed assets are recorded at historical or replacement cost 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 Group management 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, № 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 № 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:

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
 (in million Roubles)

	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	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;
- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing, 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 have not been properly registered in 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 Group management 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, 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 operating 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 operating expenses.

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

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
**(in million Roubles)**

### **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, is 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.

### **Management expenses**

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

### **Accounts receivable**

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

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

### **Loans and borrowings received**

Additional costs attributable to the receipt of credits and loans are included in other operating expenses in the reporting period, in which they are incurred.

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

The Group records provisions for future expenses and payments during the year primarily related to future vacation payments, annual performance bonuses and for future fixed assets repairs.

The provision for year-end bonuses payable to its employees is determined based on the Group's established procedures for calculating year-end bonuses.

The rolling forward amount of provision for future vacation payments is determined based on the number of unused vacation days, and the average daily pay for the reporting period.

The provision for future fixed assets repairs unused as of the end of the reporting period has been credited to the Consolidated Statement of Income.

The amounts of provisions have been charged to expenses related to ordinary activities.

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
 (in million Roubles)

### Deferred taxes

For the purposes of consolidated financial (accounting) reports the Group recognizes deferred tax assets, deferred tax liabilities, non-temporary tax assets and non-temporary 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, customs duties, 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 accounting policies

No changes have been made to the accounting policies of the Group for 2005, which could have a significant impact on the consolidated financial (accounting) reports.

### Opening balances as of 1 January 2005

As of 1 January 2005, the net book value of the Group's fixed assets includes the effect of 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" increased by RR 937,069.

Note	Item	As of 31 December 2004	Adjustment	As of 1 January 2005
6	Fixed assets	1,492,640	937,069	2,429,709
	including buildings, constructions, machinery and equipment	1,472,252	936,626	2,408,878
	<b>Total assets</b>	<b>2,913,263</b>	<b>937,069</b>	<b>3,850,332</b>
	Additional capital	1,282,591	940,289	2,222,880
	Retained earnings	649,713	(3,186)	646,527
	Minority interest	8,006	(34)	7,972
	<b>Total equity and liabilities</b>	<b>2,913,263</b>	<b>937,069</b>	<b>3,850,332</b>

### Comparative amounts for 2004

In 2005 additional lines were added to Consolidated statement of Cash Flow:

- "Settlements with customs", representing cash transfers to pay customs duties. Other non-tax budget payments (fees for the use of environment-oriented resources, fees for negative impact on environmental conditions) are recorded in "Other payments". In 2004 all these amounts were recorded in "Settlements with budget".
- "Acquisition of subsidiaries", representing cash transfers to pay for the purchase of subsidiaries. In 2004 all these amounts were recorded in "Other payments".

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

Item	For 2004	Adjustment	Adjusted 2004 amounts
<b>Cash provided by/used for operating activities</b>			
settlements with budget	(410,075)	180,357	(229,718)
settlements with customs	-	(179,609)	(179,609)
other payments	(23,382)	(748)	(24,130)
<b>Cash flows used for investing activities</b>			
acquisition of subsidiaries	-	(9,447)	(9,447)
other payments	(17,126)	9,447	(7,679)

In addition, certain comparative amounts in the notes to the statutory consolidated financial (accounting) reports have been changed to ensure their comparability with the corresponding 2005 balances.

#### Changes in the 2006 accounting policies

Accounting policies for 2006 have been changed in accordance with the provisions of the Federal Law #119-FZ dated 22 July 2005 as pertains to accounting for VAT. Starting 1 January 2006 the Group companies calculate VAT tax base on an accrual basis, upon dispatch or provision of goods (works, services) or property rights. Tax base is calculated on an earlier of the two dates: (1) day of dispatching (transfer) of goods (works, services) or property rights; (2) day of payment (pre-payment) for the forthcoming shipments of goods (fulfillment of work or provision of services), transfer of the property rights. What concerns repayment of accounts receivable relating to transactions prior to 1 January 2006, VAT in respect of such receivables is accrued when the payment for the supplied goods (works, services) and property rights is received. VAT submitted by vendors upon the purchase of goods (works, services), property rights is accepted for deduction after recognition of these goods (works, services) and property rights in the accounting records and when appropriate original supporting documents are available, irrespective of the fact of the payment to the supplier. The same VAT deduction procedure is to be followed in case of capital construction that commenced after 1 January 2006. The amounts of VAT submitted by suppliers in respect of the goods (works, services) and property rights purchased before 1 January 2006 and deductible for the tax purposes, are to be paid by the suppliers.

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

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

#### 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.

As of 31 December 2005 the process of vertical integration of OAO Sibneft to the Group was not completed as the control over OAO Sibneft has been established in October 2005 (see Note 21). For that reason and also to ensure the comparability for 2004 and 2005 the operational segments of OAO Sibneft are disclosed separately from the segment information of the rest of the Group.

##### 4.1. Segment information (except for OAO Sibneft).

The following business segments are identified within the Group:

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

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
 (in million Roubles)

	Production	Refining	Transportation	Distribution	Other	Total
<b>As of 1 January 2005</b>						
Segment assets	612,749	105,363	2,219,654	361,175	230,980	3,529,921
Unallocated assets						439,496
Inter-segment elimination						(119,085)
<b>Total assets</b>						<b>3,850,332</b>
Segment liabilities	41,244	20,492	90,988	103,045	33,917	289,686
Unallocated liabilities						672,391
Inter-segment elimination						(119,085)
<b>Total liabilities</b>						<b>842,992</b>
Capital expenditures for the period	101,021	11,057	100,200	9,127	11,077	232,482
Depreciation	22,561	3,361	78,218	1,540	4,602	110,282
Investments in associates and joint activity	-	1,748	12,088	15,049	32,832	61,717
<b>As of 31 December 2005</b>						
Segment assets	620,119	116,421	2,252,939	412,789	344,054	3,746,322
Unallocated assets						531,764
Inter-segment elimination						(113,373)
<b>Total assets</b>						<b>4,164,713</b>
Segment liabilities	49,163	17,957	119,645	111,197	30,437	328,399
Unallocated liabilities						922,076
Inter-segment elimination						(113,373)
<b>Total liabilities</b>						<b>1,137,102</b>
Capital expenditures for the period	78,166	15,872	151,279	19,102	12,069	276,488
Depreciation	34,771	4,818	137,469	3,766	5,999	186,823
Investments in associates and joint activity	2 891	464	14,693	23,616	31,019	72,683

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other current assets. Financial investments (excluding investments into unconsolidated subsidiaries, associates, other equity investments and joint activity) 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.

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

**ОАО ГАЗПРОМ**  
**NOTES TO THE CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS**  
(in million Roubles)

	Production	Refining	Transportation	Distribution	Other	Total
<b>For the year ended</b>						
<b>31 December 2005</b>						
<b>Segment revenues</b>						
Inter-segment sales	196,120	5,704	332,225	35,246	-	569,295
External sales	3,504	161,355	25,050	1,033,574	116,943	1,340,426
<b>Total segment revenues</b>	<b>199,624</b>	<b>167,059</b>	<b>357,275</b>	<b>1,068,820</b>	<b>116,943</b>	<b>1,909,721</b>
<b>Segment expenses</b>						
Inter-segment expenses	(4,715)	(11,142)	(37,825)	(515,613)	-	(569,295)
External expenses	(154,799)	(103,255)	(294,199)	(209,781)	(107,209)	(869,243)
<b>Total segment expenses</b>	<b>(159,514)</b>	<b>(114,397)</b>	<b>(332,024)</b>	<b>(725,394)</b>	<b>(107,209)</b>	<b>(1,438,538)</b>
<b>Segment profit from sales</b>	<b>40,110</b>	<b>52,662</b>	<b>25,251</b>	<b>343,426</b>	<b>9,734</b>	<b>471,183</b>
<b>For the year ended</b>						
<b>31 December 2004</b>						
<b>Segment revenues</b>						
Inter-segment sales	158,747	4,543	251,972	27,933	3,198	446,393
External sales	2,941	121,972	30,545	764,517	90,723	1,010,698
<b>Total segment revenues</b>	<b>161,688</b>	<b>126,515</b>	<b>282,517</b>	<b>792,450</b>	<b>93,921</b>	<b>1,457,091</b>
<b>Segment expenses</b>						
Inter-segment expenses	(4,054)	(8,156)	(31,504)	(402,679)	-	(446,393)
External expenses	(123,335)	(85,405)	(222,800)	(180,200)	(91,213)	(702,953)
<b>Total segment expenses</b>	<b>(127,389)</b>	<b>(93,561)</b>	<b>(254,304)</b>	<b>(582,879)</b>	<b>(91,213)</b>	<b>(1,149,346)</b>
<b>Segment profit from sales</b>	<b>34,299</b>	<b>32,954</b>	<b>28,213</b>	<b>209,571</b>	<b>2,708</b>	<b>307,745</b>

The inter-segment sales mainly consist of:

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

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 2005 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, as well as extraordinary income and expenses 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.

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#### 4.2. Segment information (ОАО Sibneft)

The following business segments are identified within ОАО Sibneft:

- Production – exploration and production of oil, gas and other hydrocarbons, sales of oil, gas and other hydrocarbons;
- Refining – processing of oil and other hydrocarbons, and sales of hydrocarbon products.

	Production	Refining	Total
<b>As of 31 December 2005</b>			
Segment assets	199,058	133,293	332,351
Unallocated assets			402,792
Inter-segment elimination			(48,085)
<b>Total assets</b>			<b>687,058</b>
Segment liabilities	70,579	51,429	122,008
Unallocated liabilities			13,634
Inter-segment elimination			(48,085)
<b>Total liabilities</b>			<b>87,557</b>
Capital expenditures for the period	8,568	936	9,504
Depreciation	2,027	136	2,163
Investments in associates and joint activity	46,656	10,112	56,768

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other current assets.

Unallocated assets include mainly the goodwill resulting from the acquisition of controlling interest in ОАО Sibneft (see Notes 5 and 21).

Segment liabilities include primarily short-term liabilities except for profit tax payable to the budget and loans and borrowings received to finance Sibneft.

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

	Production	Refining	Total
<b>For the year ended 31 December 2005</b>			
<b>Segment revenues</b>			
Inter-segment sales	11,870	-	11,870
External sales	38,899	58,656	97,555
<b>Total segment revenues</b>	<b>50,769</b>	<b>58,656</b>	<b>109,425</b>
<b>Segment expenses</b>			
Inter-segment expenses	-	(11,870)	(11,870)
External expenses	(40,732)	(32,365)	(73,097)
<b>Total segment expenses</b>	<b>(40,732)</b>	<b>(44,235)</b>	<b>(84,967)</b>
<b>Segment profit from sales</b>	<b>10,037</b>	<b>14,421</b>	<b>24,458</b>

Inter-segment revenues (income) from “Production” segment contains mainly from sales of oil and other hydrocarbons to the segment “Refining”.

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, as well as extraordinary income

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and expenses 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.

## 5. GOODWILL

Note		Gross book value	Accumulated depreciation	Net book value
<b>As of 1 January 2005</b>				
21	ZAO Sevmorneftegaz	5,968	-	5,968
21	Media-companies	17,296	(2,584)	14,712
21	Petrochemical companies	22,963	(2,135)	20,828
	Other	3,663	-	3,663
	<b>Total</b>	<b>49,890</b>	<b>(4,719)</b>	<b>45,171</b>
<b>Additions</b>				
21	AO Sibneft	401,263		
21	ZAO Sevmorneftegaz	31,335		
	Petrochemical companies	303		
	Other	4,460		
	<b>Total</b>	<b>437,361</b>		
<b>Deductions</b>				
21	Petrochemical companies	(15,568)	1,915	(13,653)
	<b>Total</b>	<b>(15,568)</b>	<b>1,915</b>	<b>(13,653)</b>
2	<b>Accumulated amortization</b>			
	AO Sibneft		(3,344)	
	ZAO Sevmorneftegaz		(1,473)	
	Media-companies		(866)	
	Petrochemical companies		(1,318)	
	Other		(208)	
	<b>Total</b>		<b>(7,209)</b>	
<b>As of 31 December 2005</b>				
21	AO Sibneft	401,263	(3,344)	397,919
21	ZAO Sevmorneftegaz	37,303	(1,473)	35,830
21	Media-companies	17,296	(3,450)	13,846
21	Petrochemical companies	7,698	(1,538)	6,160
	Other	8,123	(208)	7,915
	<b>Total</b>	<b>471,683</b>	<b>(10,013)</b>	<b>461,670</b>

## 6. FIXED ASSETS

Note	Trunk Pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total	
<b>As of 1 January 2004</b>							
	Cost	2,159,078	323,503	422,745	191,709	180,404	3,277,439
	Accumulated depreciation	(1,167,552)	(249,229)	(302,872)	(46,384)	(69,210)	(1,835,247)
	Net book value	991,526	74,274	119,873	145,325	111,194	1,442,192
	Additions	42,035	20,987	43,158	36,026	25,178	167,384
	Disposals	(86)	(80)	(124)	(4,127)	(2,237)	(6,654)
4	Depreciation	(63,746)	(11,789)	(19,063)	(6,398)	(9,286)	(110,282)

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Note	Trunk Pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total	
<b>Net book value as of 31 December 2004</b>							
	<b>969,729</b>	<b>83,392</b>	<b>143,844</b>	<b>170,826</b>	<b>124,849</b>	<b>1,492,640</b>	
3	Revaluation of fixed assets	755,835	57,900	31,386	57,458	34,490	937,069
<b>Net book value as of 1 January 2005</b>							
	<b>1,725,564</b>	<b>141,292</b>	<b>175,230</b>	<b>228,284</b>	<b>159,339</b>	<b>2,429,709</b>	
<b>As of 1 January 2005</b>							
	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)
<b>Net book value as of 31 December 2005</b>							
	<b>1,668,012</b>	<b>168,807</b>	<b>218,024</b>	<b>260,736</b>	<b>194,105</b>	<b>2,509,684</b>	
<b>As of 31 December 2005</b>							
	Cost	3,993,928	543,637	769,064	356,165	328,330	5,991,124
	Accumulated depreciation	(2,325,916)	(374,830)	(551,040)	(95,429)	(134,225)	(3,481,440)
	Net book value	1,668,012	168,807	218,024	260,736	194,105	2,509,684

Revaluation of fixed assets as of 1 January 2005 related to the revaluation of fixed assets, performed by OAO Gazprom based on the independent appraiser's report.

The Group entities continued to transfer social assets to the local authorities (see Note 2). In 2005 the transferred assets amounted to RR 472 (2004 – RR 548).

## 7. CONSTRUCTION IN PROGRESS

	As of 1 January 2005	As of 31 December 2005
Construction in progress	341,867	444,218
Equipment for installation	27,932	38,167
<b>Total</b>	<b>369,799</b>	<b>482,385</b>

In 2005 construction in progress activity primarily related to construction of transport infrastructure (pipeline Northern district of Tyumen region – Torzhok, and pipeline Pochinki – Izobilnoye – North-Stavropol underground gas storage) and the development of the Harvutinskaya and Aneryakhunskaya areas of Yamburgskoye gas condensate field and Pestsovaya area of Urengoiyskoye gas condensate field and Prirazlomnoye oil field.

The balance of construction in progress as of 31 December and 1 January 2005 includes assets constructed and put into operation in the amount of RR 165,614 and RR 138,275 (net of accumulated depreciation in the amount of RR 977 and RR 1,929), respectively, subject to registration of title in the State Register, documents for which were not yet submitted.

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## 8. LONG-TERM FINANCIAL INVESTMENTS

### Investments in subsidiaries

Included within investments in subsidiaries are the Group's banking subsidiaries with the carrying value of RR 33,617 and RR 17,270 as of 31 December and 1 January 2005, respectively (see Note 2). The carrying amount of investments in subsidiary banks increased primarily due to additional profit earned by AB Gazprombank (ZAO) resulting from sale of treasury shares, including transaction with OAO Rosneftegaz in 2005 (see Note 12).

Investments in subsidiaries are stated net of impairment provision in the amount of RR 15,252 and RR 16,839 as of 31 December and 1 January 2005, respectively. The impairment provision primarily relates to non-core investments.

### Investments in associates

Increase in investments in associates is principally due to inclusion of Group's share in net assets of AO NK Slavneft and OAO Moskovsky NPZ in the amount of RR 56,177 and RR 9,132, respectively, as of 31 December 2005 resulting from acquisition of control over OAO Sibneft (see Note 21).

Included within investments in associates is RosUkrEnergо AG (see Note 21) with the carrying value of RR 3,236 as of 31 December 2005. This investment is stated net of unrealized profit in the amount of RR 6,500 from gas sales from the Group to RosUkrEnergо AG during 2005. The gas has not been sold by RosUkrEnergо AG to other parties by 31 December 2005.

Investments in associates are stated net of impairment provision in the amount of RR 807 and RR 949 as of 31 December and 1 January 2005, respectively.

### Investments in other companies

Investments in other companies are stated net of impairment provision in the amount of RR 5,701 and RR 6,290 as of 31 December and 1 January 2005, respectively. The impairment provision primarily relates to non-core investments.

Investments in other companies include 10.49 % and 0.00 % strategic ownership interest in RAO UES Rossii at its current market value of RR 54,745 and RR nil as at 31 December and 1 January 2005, respectively. As of 31 December and 1 January 2005 0.00 % and 5.19 % interest in RAO UES Rossii, respectively, was held by Group's banking subsidiaries.

### Loans issued to companies due beyond 12 months

Loans issued to companies include foreign currency amounts due from associated undertaking WINGAS GmbH of RR 13,086 and RR 14,474 as of 31 December and 1 January 2005, respectively. The loan is due in 2007. In 2005 and 2004 average interest rate of this loan was 3.3 % and 3.6 %, respectively.

### Other long-term financial investments

	As of 1 January 2005	As of 31 December 2005
Joint activity, including:	13,865	12,467
OAO Gazcom (development of a satellite communication system)	2,763	2,763
Other, including:	35,245	41,020
South Pars (gas condensate field in Iran)	12,739	10,268
Long-term deposits	11,902	10,506
Third party promissory notes	8,454	10,876
<b>Total</b>	<b>49,110</b>	<b>53,487</b>

The Group long-term deposits in its banking subsidiaries amounted RR 7,699 and RR 8,322 as of 31 December and 1 January 2005, respectively.

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Other long-term financial investments are stated net of impairment provision in the amount of RR 2,279 and RR 277 as of 31 December and 1 January 2005, respectively.

## **9. ACCOUNTS RECEIVABLE**

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

Accounts receivable from customers in the Consolidated Balance Sheet include amounts related to pipes supplied by OAO Gazprom to an associated undertaking, SGT EuRoPol GAZ s.a. (see Note 22), for construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the SGT EuRoPol GAZ s.a. debt was RR 7,096 and RR 8,578 as of 31 December and 1 January 2005, respectively.

Included in accounts receivable from buyers and customers of the Consolidated Balance Sheet as of 31 December and 1 January 2005 were long-term trade receivables for gas in the amount of RR 1,772 and RR 3,110, respectively.

As of 31 December and 1 January 2005 "Advances issued" include RR 21,587 and RR 27,749 for the advance made by OAO Gazprom to NAK Naftogaz Ukraine for transit services.

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

Among accounts receivable as at 31 December and 1 January 2005 are accounts receivable for the supply of gas in the amount RR 136,470 and RR 103,334 respectively. The increase in the balance of accounts receivable is mostly due to European customers which is in line with increased sales (see Note 17).

The short-term portion of the SGT EuRoPol GAZ s.a. debt, included into accounts receivable from buyers and customers, was RR 1,183 and RR 1,743 as of 31 December and 1 January 2005, respectively.

As of 31 December and 1 January 2005 trade receivables from the Itera Group for gas and for gas transportation and storage services (net of amount of doubtful debt provision in the amount of RR 354 and RR 377) amounted to RR 575 and RR 2,640, respectively. As of 31 December 2005 the receivables from the associated undertaking RosUkrEnergo for the gas supply and gas transport services being provided for transport of gas from the beginning of 2005, amount to RR 1,792. The amount of receivables from Ural Trans Gas for the gas supply and gas transport services, provided earlier, as of 31 December 2005, is nil (as of 1 January 2005 the receivables amounted to RR 6,082) (see Note 17).

Accounts receivable from buyers and customers as of 31 December and 1 January 2005 are shown net of a doubtful debt provision of RR 44,900 and RR 44,378, respectively. The doubtful debt provision is stated net of deferred excise tax on natural gas of RR 1,950 and RR 3,537 as of 31 December and 1 January 2005, respectively.

As of 31 December and 1 January 2005 "Advances issued" of the Consolidated Balance Sheet includes advances in respect of gas transportation services amounting to RR 7,196 and 6,937, respectively, transferred by OAO Gazprom to NAK Naftogaz Ukraine.

As of 31 December and 1 January 2005 other accounts receivable included settlements on claims issued and recognized and commercial penalties awarded in amount of RR 24,658 and RR 27,962, respectively, RR 27,916 and RR 9,077, respectively, of refundable taxes and RR 5,007 and RR 10,934, respectively, of advances in the form of promissory notes.

As of 1 January 2005 among accounts receivables of the group was RR 31,335 paid to acquire a 42 % interest in ZAO Sevmorneftegaz. This receivable was settled as of 31 January 2005 with the completion of the acquisition (see Note 21).

As of 31 December and 1 January 2005 line "Other accounts receivable" are recorded net of a doubtful debt provision of RR 13,639 and RR 14,171, respectively. This provision was created principally in respect of a number of debts due to the Group arising from payments under guarantees previously issued as there is significant uncertainty about the debts future collectability.

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### 10. OTHER SHORT-TERM FINANCIAL INVESTMENTS

	As of 1 January 2005	As of 31 December 2005
Third party promissory notes	27,181	22,033
Short-term deposits	7,883	29,126
Shares, bonds and participatory interests	11,694	35,586
Other	3,812	5,162
Total	50,570	91,907

The Group short-term deposits in its banking subsidiaries amounted RR 16,542 and RR 4,432 as of 31 December and 1 January 2005, respectively.

Included within Other short-term financial investments are shares, bonds and participatory interests held by Gazfund for trading purposes in the amount of RR 28,684 and RR 11,252 as of 31 December and 1 January 2005, respectively.

As of 31 December and 1 January 2005, Other short-term financial investments are shown net of impairment provision in the amount of RR 5,942 and RR 2,820 million, respectively.

### 11. CASH FLOW STATEMENT AND MONETARY ASSETS

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 № 67n) 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.

The Group maintained cash balances in Roubles and foreign currencies with its banking subsidiaries of RR 82,655 and RR 64,978 as of 31 December and 1 January 2005, respectively.

Other monetary assets in the Consolidated Balance Sheet included balances totaling RR 9,388 and RR 18,701 as of 31 December and 1 January 2005, respectively, which are restricted as to withdrawal under the terms of certain borrowings.

### 12. EQUITY AND RESERVES

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 2005.

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 3,169 million as of 31 December and 1 January 2005, respectively. These balances include 463 million and 864 million treasury shares of OAO Gazprom held by NPF Gazfund as of 31 December and 1 January 2005, respectively, and nil and 1,144 million treasury shares held by the joint activity, in which the Group was the only participant as of 31 December and 1 January 2005, respectively.

As of 31 December and 1 January 2005 the Group's banking subsidiaries held 111 million and 404 million of the ordinary shares of OAO Gazprom, respectively.

The Group controls the voting rights of all the shares in OAO Gazprom held by its subsidiaries.

In June 2005 the Board of Directors approved sale of Gazprom shares being owned by its subsidiaries, to OAO Rosneftgas, being a company 100 % owned by the government. These shares which amount to 10.74 % of Gazprom shares were sold in June-July 2005 for RR 203,502, including those sold by AB Gazprombank (ZAO) for RR 20,554 (see Note 8). This transaction had impact on Other operating income (Note 19), except for the shares sale to NPF Gazfund. Income from the sales of treasury shares by NPF Gazfund was recorded within created pension provision (Note 16). In 2005 cash payment in the amount of RR 203,502 was received from OAO Rosneftgaz. As the result of the above transaction in July 2005 the government received the controlling block of Gazprom shares.

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In accordance with the decision of the General shareholders meeting, based on the 2004 results of OAO Gazprom, final dividends were accrued in the amount of 1.19 roubles per ordinary share.

Additional capital increased as the result of the fixed assets revaluation (see Note 3).

**Minority interest**

The increase in minority interest resulted from the acquisition of controlling interest in OAO Sibneft (see Note 21) amounted to RR 43,795 as of 31 December 2005 compared to 1 January 2005, and RR 5,469 in 2005 compared to 2004.

**13. BORROWINGS**

**Bank borrowings**

<b>Lender</b>	<b>Currency</b>	<b>Maturity</b>	<b>As of 1 January 2005</b>	<b>As of 31 December 2005</b>
Dresdner Bank AG*	US Dollar	2005–2007	-	74,349
Morgan Stanley AG	US Dollar	2013	50,118	51,985
Dresdner Bank AG*	US Dollar	2007–2010	-	36,194
Dresdner Bank AG*	US Dollar	2007–2008	-	36,186
Deutsche Bank AG	US Dollar	2008–2014	33,440	34,732
ABN AMRO*	US Dollar	2005–2010	29,886	25,666
Calyon	US Dollar	2004–2010	28,173	23,977
Salomon Brothers AG	US Dollar	2005–2009	19,821	20,548
ABN AMRO*	US Dollar	2006–2008	-	20,249
Salomon Brothers AG	US Dollar	2009	-	15,122
Depfa Bank*	US Dollar	2008	14,237	14,760
Salomon Brothers AG	US Dollar	2007	14,106	14,632
Credit Suisse First Boston	Euro	2009	-	13,763
Salomon Brothers AG	US Dollar	2007	-	12,031
Deutsche Bank AG	US Dollar	2008–2011	9,815	10,214
Mannesmann (Deutsche Bank AG)*	Euro	2000–2008	12,670	8,591
Credit Suisse First Boston	Euro	2007	-	8,577
ABN AMRO*	US Dollar	2006–2010	-	7,853
Credit Suisse First Boston	Euro	2008	-	6,893
Credit Suisse First Boston	Euro	2006	-	6,880
Credit Suisse First Boston	US Dollar	2006	-	5,827
JP Morgan Chase Bank	US Dollar	2008–2011	5,578	5,792
Credit Suisse First Boston	US Dollar	2005–2006	11,245	5,783
BNP Pariba SA	US Dollar	2008	-	5,761
Raiffeisen Centralbank	US Dollar	2005–2008	-	5,184
Deutsche Bank AG	US Dollar	2004–2009	5,630	4,562
ZAO KB Citibank	US Dollar	2006–2008	-	4,363
German banking consortium	Euro	1999–2007	6,075	3,594
BNP Pariba SA	US Dollar	2002–2007	-	3,187
OAO Vneshtorgbank	US Dollar	2005–2008	-	2,894
Deutsche Bank AG	US Dollar	2004–2006	5,581	2,319
International banking consortium	Euro	2006	6,239	2,051
ABN AMRO	US Dollar	2005	11,218	-
Intesa BCI*	US Dollar	1997–2005	10,030	-
Mitsuho Bank (Fuji Bank)*	US Dollar	2003–2005	8,224	-
Commerzbank AG*	US Dollar	2004–2005	7,969	-
SACE*	US Dollar	2003–2005	6,992	-
WestLB AG*	US Dollar	2004–2005	5,968	-

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

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Lender	Currency	Maturity	As of 1 January 2005	As of 31 December 2005
ABN AMRO	US Dollar	2005	5,569	-
GAZPROM Vneshtorgbank	US Dollar	2004–2005	4,101	-
Credit Suisse First Boston	US Dollar	2004–2005	1,875	-
Other bank borrowings	Various	Various	35,240	62,647
<b>Total bank borrowings</b>			<b>349,800</b>	<b>557,166</b>

	As of 1 January 2005	As of 31 December 2005
Total bank borrowings, including:		
due within 12 months of the reporting date	19,758	23,901
current portion of bank borrowings which are due for repayment beyond 12 months of the reporting date	54,572	51,441
due beyond 12 months of the reporting date	275,470	481,824
<b>Total</b>	<b>349,800</b>	<b>557,166</b>

As of 31 December and 1 January 2005 long-term borrowings of RR 98,886 and RR 147,634, respectively, were secured by gas sales contracts to Western Europe.

As of 31 December 2005 long-term borrowings of RR 39,887 and short-term borrowings of RR 2,456, respectively, were secured by oil sales contracts to Western Europe.

As of 31 December 2005 and 1 January 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 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 2005 the amount payable to Dresdner Bank AG represents outstanding borrowings, received for the purchase of the shares of OAO Sibneft (see Note 21).

In 2005 interest rates on the long-term foreign currency denominated borrowings ranged from 2.0 % to 12.5 %. Similar rates for 2004 ranged 2.6 % to 10.5 %.

Interest rates on the short-term foreign currency denominated borrowings ranged from 2.4 % to 7.8 % and on rouble short-term borrowings from 8.0 % to 18.0 % in 2005. In 2004 these rates ranged from 2.8 % to 13.0 % on the short-term foreign currency denominated borrowings and from 3.5 % to 10.3 % on the rouble short-term borrowings.

#### Other borrowings

Borrowing	Currency	Maturity	As of 1 January 2005	As of 31 December 2005
Structured export notes issued in July 2004	US Dollar	2007–2020	35,740	37,058
Loan participation notes issued in May 2005	Euro	2015	-	35,357
Loan participation notes issued in April 2004	US Dollar	2034	33,801	35,060
Loan participation notes issued in September 2003	Euro	2010	38,584	34,886
Loan participation notes issued in December 2005	Euro	2012	-	34,280
Gazstream SA	US Dollar	2006–2012	-	11,775

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<b>Borrowing</b>	<b>Currency</b>	<b>Maturity</b>	<b>As of 1 January 2005</b>	<b>As of 31 December 2005</b>
A3 series Russian bonds, issued in February 2004	RR	2007	10,338	10,338
Gazstream SA	US Dollar	2006–2010	-	8,358
A4 series Russian bonds, issued in February 2005	RR	2010	-	5,153
A6 series Russian bonds, issued in August 2005	RR	2009	-	5,135
A5 series Russian bonds, issued in October 2004	RR	2007	5,083	5,070
A2 series Russian bonds, issued in October 2002	RR	2005	5,098	-
Other	Various	Various	3,821	8,715
<b>Total</b>			<b>132,465</b>	<b>231,185</b>

	<b>As of 1 January 2005</b>	<b>As of 31 December 2005</b>
Total other borrowings, including:		
due within 12 months of the reporting date	2,088	6,185
current portion of other borrowings due for repayment beyond 12 months of the reporting date	8,087	9,262
due beyond 12 months of the reporting date	122,290	215,738
<b>Total</b>	<b>132,465</b>	<b>231,185</b>

In 2005 the Company issued A4 series bonds for the amount of RR 5,000 with the maturity date on 10 February 2010, coupon yield of 8.22 % per annum, being paid every six months, and A6 series bonds for the amount of RR 5,000 with the maturity date on 6 August 2009 coupon yield of 6.95 % per annum, being paid every six months.

In 2005 the Group had two issues of Loan participation notes in the amount of EUR 1,000 million each with the interest rate of 5.875 % subject to be repaid in 2015, and with the interest rate of 4.56 % subject to be repaid in 2012.

#### 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 24,010 to be settled over a period up to five years. Of that amount, RR 1,624 and RR 6,592 were paid as due in 2005 and 2004, respectively, and recorded within other similar payments in the Consolidated Statement of Income. Liabilities in the amount of RR 1,726 are due in 2006 and shown off balance sheet.

In 2005 and 2004 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 144,796 and RR 67,389, respectively. According to the tax returns the profit tax in 2005 and 2004 included within line Current Profit Tax amounted to RR 135,026 and RR 55,868, respectively.

Non-temporary differences, which increase the taxable profit as compared to accounting profit, in 2005 and 2004 amounted to RR 175,714 and RR 97,032, respectively.

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The non-temporary differences principally arise from:

- non-deductible expenses, such as social expenses, charitable donations, expenses, exceeding prescribed limits and other non-production costs;
- excess of depreciation charge in respect of fixed assets revalued as of 1 January 2005 for accounting purposes as compared to depreciation charge for tax purposes.

Non-temporary differences which decreased the taxable profit as compared to accounting profit amounted to RR 134,550 and RR 74,551 for 2005 and 2004, respectively. These non-temporary differences arise principally from non-taxable income, in particular proceeds from Gazprom Finance B.V. treasury shares sales and release of doubtful debt provision.

In 2005 and 2004 incurred deductible temporary differences which have decreased the taxable profit as compared to accounting profit amounted to RR 59,950 and RR 49,492, respectively.

Deductible temporary differences incurred in 2005 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;
- geological and geophysical exploration, research and development, bonuses and other expenses deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2005 and 2004 totaled RR 51,291 and RR 50,189, respectively. Settlement of these differences in 2005 is principally due to decrease of the current tax base related to the annual bonuses accounted in the prior periods.

In 2005 and 2004 taxable temporary differences that have increased the taxable profit as compared to accounting profit amounted to RR 84,754 and RR 85,707, respectively.

Taxable temporary differences which were incurred in 2005 and 2004 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.

Taxable temporary differences settled in 2005 and 2004 totaled RR 17,003 and RR 15,463, respectively.

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

	<b>For 2005</b>	<b>For 2004</b>
Transition period profit tax	1,624	6,592
Other similar payments:		
Penalties	25	64
Interest and other taxes	53	892
Total paid and payable to budget	1,702	7,548
Total paid and payable to non-budget funds (penalties and interest)	18	50
<b>Total</b>	<b>1,720</b>	<b>7,598</b>

**Value added tax and excise tax**

For the purpose of other revenue-based taxes, the Group recognizes revenue on a cash basis, i.e. cash receipts on settlement account, as result of mutual settlements or other ways.

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Outstanding value added tax (VAT) and excise tax due from customers and ultimately payable to the budget are included within other accounts payable. The other accounts payable balance as of 31 December 2005 includes deferred VAT and excise tax of RR 48,373 and RR 3,727, respectively. As of 1 January 2005 other accounts payable include deferred VAT and excise tax of RR 45,026 and RR 2,326, respectively. Outstanding VAT and excise taxes related to receivables due for payment beyond 12 months of the reporting date are recorded in other non-current liabilities of the Consolidated Balance Sheet and amount to RR 1,471 and RR 2,840 as of 31 December and 1 January 2005, respectively.

**15. OTHER NON-CURRENT LIABILITIES**

Included in other non-current liabilities are payables of ОАО АК Сибур and its subsidiaries of RR 2,493 and RR 4,396 as of 31 December and 1 January 2005, respectively, restructured under the amicable agreements.

**16. PROVISION FOR FUTURE COSTS AND PAYMENTS**

Increase of provision for future costs and payments by RR 45,323 in the Consolidated Balance Sheet is explained primarily by increase of the retirement reserves of NPF Gazfund (see Note 12).

**17. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES**

	For 2005	For 2004
Gas sales to customers (net of VAT, excise and other similar mandatory payments) in:		
Russia	309,985	250,445
Former Soviet Union countries (excluding Russia)	108,391	68,763
Europe	619,099	448,250
Net sales of gas	1,037,475	767,458
Sales of gas condensate and petroleum refined products (net of VAT and excise)	220,011	121,972
Sales of oil (net of VAT and excise)	38,591	-
Sales of gas transportation services (net of VAT)	25,050	30,545
Other sales (net of VAT)	116,854	90,723
<b>Net sales</b>	<b>1,437,981</b>	<b>1,010,698</b>

Compared to 2004 revenues from sale of gas in 2005 increased by 35 % 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. Besides, gas sales revenues increased due to reduction of the VAT rate (included into the price of gas) from 18 % to 0 % in respect of all sales to CIS countries and Republic of Moldova (starting from 1 January 2005 zero VAT rate is applicable to sales of gas to Republic of Belarus and Ukraine and starting from 1 February 2005 – to sales of gas to Kazakhstan) in line with the change of VAT legislation starting from 2005.

Sales of gas condensate and petroleum processing products increased primarily due to higher prices for such products and increased volumes of sales on the domestic market and due to the acquisition of the controlling interest in ОАО Сибнеф in October 2005 (see Note 21).

Sales of gas transportation services include services provided to the Itera Group in the amount of RR 6,719 (18.8 bcm) and RR 5,980 (16.8 bcm) for the years ended 31 December 2005 and 2004, respectively. The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries.

The Group also sold gas in the Russian Federation to Itera Group companies amounting to RR 2,612 (7.6 bcm) and RR 6,657 (12.8 bcm) (net of VAT and excise tax) in the years ended 31 December 2005 and 2004, respectively. Trade receivables in respect of gas sales to the Itera Group amounted to RR 575 and RR 1,079 as of 31 December and 1 January 2005, respectively.

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Starting from 1 January 2005 the Group has been providing gas transportation services to its associated undertaking RosUkrEnergo AG, transporting through the territory of Russia gas from Central Asia. Revenue from provision of gas transportation services to RosUkrEnergo AG amounted to RR 6,508 (43.2 bcm) in 2005. In 2004 gas from Central Asia was transported by Eural Trans Gas. The Group provided gas transportation services through the territory of Kazakhstan, Uzbekistan and Russia. Revenue from provision of gas transportation services to Eural Trans Gas in 2004 amounted to RR 12,579 (34.6 bcm).

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

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

	<b>For 2005</b>	<b>For 2004</b>
Depreciation and amortization	184,747	111,294
Staff costs and social expenses	137,951	118,787
Transit costs for gas, oil and oil products	111,789	103,790
Taxes other than income	98,951	61,731
Purchased gas	77,728	66,387
Cost of goods for resale	77,130	44,853
Materials	64,953	67,550
Repairs and maintenance	58,816	43,834
Electricity	32,928	28,610
Rent	13,839	6,083
Insurance	12,115	12,247
Purchased oil	10,286	-
Other	61,107	37,787
<b>Total cost of goods, products, works and services sold, commercial and management expenses</b>	<b>942,340</b>	<b>702,953</b>

Included in total costs of sales for 2005 are costs in OAO Sibneft for the amount of RR 73,097. Controlling interest in OAO Sibneft was acquired in October 2005 (see Note 21). Such costs include mainly taxes other than on income (RR 18,777 – natural resources production tax, excise tax, other taxes), goods for resale (RR 17,064 – purchased oil products), purchased oil (RR 10,286), transit of gas, oil and oil products (RR 8,192).

Staff costs and social expenses increased primarily 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.

Increase in depreciation and amortization expenses is due to revaluation of fixed assets performed by the companies of the group during the reporting period (see Notes 3 and 6).

The natural resources production tax, included in taxes other than on income, amounted to RR 85,762 and RR 57,615 for the year ended 31 December 2005 and 2004, respectively. The increase was primarily due to the change in tax legislation and the acquisition of controlling interest in OAO Sibneft (see Note 21). From 1 January 2005, the natural gas production tax rate changed from 107 roubles per mcm to 135 roubles per mcm of natural gas produced.

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.

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

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**19. OTHER OPERATING INCOME AND EXPENSES**

Notes	For 2005		For 2004	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	1,245,668	1,246,076	718,040	718,404
12 Net proceeds from sales of OAO Gazprom shares to OAO Rosneftegaz	166,603	-	-	-
Transactions with securities, including promissory notes	103,711	102,988	89,718	86,231
Transfer of the Group claims to third parties	16,078	16,215	48,047	59,219
Doubtful debt provision	-	8,231	29,615	-
Investment impairment provision	-	4,868	-	3,750
Property tax	-	15,269	-	9,724
Other	29,653	25,952	18,814	25,161
<b>Total</b>	<b>1,561,713</b>	<b>1,419,599</b>	<b>904,234</b>	<b>902,489</b>

In 2004 income from release of NAK Naftogaz Ukrainy accounts receivable impairment provision amounted to of RR 36,004 less deferred excise of RR 3,724.

Included within other operating income and expenses are 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 (see Note 12).

Operating income and expenses related to accrual (release) of bad debt provision and impairment provision for financial investments are reported net in the financial statements.

**20. NON-OPERATING INCOME AND EXPENSES**

	For 2005		For 2004	
	Income	Expenses	Income	Expenses
Reversal of fines and penalties payable to budget and non-budget funds	1,920	-	7,312	-
Exchange differences	45,717	55,986	55,000	45,017
Social expenses	-	16,087	-	13,335
Profit and losses of previous years identified in the reporting period	4,642	4,506	7,156	8,371
Other	8,647	31,868	10,926	27,703
<b>Total</b>	<b>60,926</b>	<b>108,447</b>	<b>80,394</b>	<b>94,426</b>

**21. PRINCIPAL SUBSIDIARIES AND ASSOCIATES**

**Principal subsidiaries as of 31 December 2005**

Note	Company	Share in Charter Capital, %	Type of activity	Location
	OAO Azot (Kemerovo)	75	Gas and petrochemicals production and sale	Russia
	ZAO Archinskoe*	100	Crude oil production	Russia
	ООО Astrakhangazprom	100	Hydrocarbons production and transportation	Russia
	ZAO Aeroport-Service*	50	Sale of petroleum products	Russia
	ООО Bashtransgaz	100	Gas transportation	Russia
	OAO Belozerniy GPK	100	Gas refining	Russia
	ООО Burgaz	100	Exploration, wells construction	Russia
	ООО VNIlgaz	100	Research and development	Russia

\* Subsidiaries acquired within acquisition of control over OAO "Sibneft" (see Note 21).

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Note	Company	Share in Charter Capital, %	Type of activity	Location
	ОАО Volgogradneftemash	51	Production of oil and gas refinery equipment	Russia
	ООО Volgogradtransgaz	100	Gas transportation	Russia
	ООО Volgostansgaz	100	Gas transportation	Russia
	ОАО Volzhskiy air-nitrogen plant	51	Gas and petrochemicals production and sale	Russia
	ОАО VoltairProm	82	Tire production	Russia
	ОАО Voronezhskintezkauchuk	75	Gas and petrochemical production and sale	Russia
	ОАО Vostokgazprom	99	Gas and gas condensate production, processing and sale	Russia
	ОАО Gazavtomatika	49	Research and development	Russia
	ООО Gazkomplektimpex	100	Trading activities	Russia
	ООО Gaznadzor	100	Gas pipelines security	Russia
	ООО GazNeftoTrade	100	Investing activity	Russia
	ООО Gazobezopasnost	100	Gas safety control	Russia
	ООО Gazoenergeticheskaya Companiya	100	Investing activity	Russia
	Gazprom Finance BV	100	Investing activity	Netherlands
	ООО Gazpromavia	100	Air transportation services	Russia
2	AB Gazprombank (ZAO)*	99	Banking activity	Russia
	ООО Gazprominvestholding	100	Investing activity	Russia
	Gazprom Marketing and Trading Ltd.	100	Sales of gas	United Kingdom
	ОАО Gazprom-Media	100	Media assets management	Russia
	ООО GazpromPurInvest	99	Investing activity	Russia
	ОАО Gazpromregiongaz	100	Gas pipeline operation	Russia
	ЗАО Gazpromstroyengineering	100	Construction and engineering	Russia
	ООО Gazpromtrans	100	Transportation	Russia
	ОАО Gazpromtrubinvest	99	Production and sale of pipes	Russia
	ООО Gazpromenergo	100	Power plants construction	Russia
	ООО Gazsvyaz	100	Telecommunications	Russia
	ООО Gaztorgpromstroy	100	Trading activity	Russia
	ООО Gazflot	100	Transportation, offshore field development	Russia
	НПФ Gazfund	100	Non-government pension fund	Russia
	ООО Gazexport	100	Foreign trade activity	Russia
	ОАО Gazenergосervice	51	Equipment repair	Russia
	ЗАО Gerosgaz	51	Investing and consultancy activities	Russia
	ОАО Gubkinskiy GPK	100	Gas refining	Russia
	ОАО Zapsibgazprom	77	Construction	Russia
	ZGG-Zarubezhgaz Erdgashandel mbH (ZGG GmbH)	100	Sales of gas	Germany
	ZMB-Zarubezhgaz Management und Beteiligungsgesellschaft mbH (ZMB GmbH)	100	Sales of gas	Germany
	ООО Informgaz	100	IT development	Russia
	ООО IRTs Gazprom	100	Information analysis	Russia
	ООО Kavkaztransgaz	100	Gas transportation	Russia
	ООО Kaspygazprom	100	Hydrocarbons production and transportation	Russia
	ЗАО Kaunasskaya power station	99	Electricity generation and distribution	Lithuania
	ОАО Kauchuk	100	Gas and refined products sale	Russia
	ОАО Krasnodargazstroy	51	Construction	Russia
	ООО Krasnoyarskgazdobycha	100	Gas and oil production	Russia
	ОАО Krasnoyarskgazprom	75	Exploration, geophysics	Russia

\* Subsidiaries acquired within acquisition of control over ОАО "Sibneft" (see Note 21).

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Note	Company	Share in Charter Capital, %	Type of activity	Location
	ОАО Красноярский ЗСК	97	Gas and petrochemical production and sale	Russia
	ООО Кубангазпром	100	Hydrocarbons production and transportation	Russia
	ЗАО Кuzbassnefteproduct*	100	Petroleum products trading	Russia
	ОАО Ленгазспецстрой	67	Construction	Russia
	ООО Лентрансгаз	100	Gas transportation	Russia
	Leadville Investments Ltd.	100	Investing activity	Cyprus
	ООО Межрегионгаз	100	Sales of gas	Russia
	ОАО Меретояханeftegaz*	67	Crude oil production	Russia
	ООО Мострасгаз	100	Gas transportation	Russia
	ООО Надымгазпром	100	Hydrocarbons production	Russia
	ООО Надымстройгаздобыча	100	Construction and engineering	Russia
	ООО Нефтехим-Leasing	100	Leasing	Russia
	ООО Нефтяная Компания Сибнефт-Югра*	99	Crude oil production	Russia
	ООО "NI and PP "INPETRO"*	51	Crude oil and petroleum products trading	Russia
	ОАО Нижнеуртовский ГПК	100	Gas refining	Russia
	ЗАО Новокуйбисhevsk petrochemical company	100	Hydrocarbons refining	Russia
	ООО Новourengoysky GCC	100	Hydrocarbons refining	Russia
	ООО Нойабрскгазодобыча	100	Hydrocarbons production	Russia
	ОАО NTV-Plus	76	TV and radio broadcasting	Russia
	ООО Нягангазпереработка	100	Gas processing	Russia
	ОАО Омскшина	83	Tire manufacture	Russia
	ООО Оренбурггазпром	100	Hydrocarbons production and transportation	Russia
	ОАО Ортон	71	Gas and petrochemical production and sale	Russia
	ООО Пермтрансгаз	100	Gas transportation	Russia
	ОАО Plastic	66	Gas and petrochemical production and sale	Russia
	ООО Подземгазпром	100	Research and development	Russia
	ЗАО Пургаз	51	Gas production	Russia
	ООО Пургазодобыча	100	Hydrocarbons production	Russia
	ЗАО Регионгазholding	56	Construction and maintenance of gas facilities	Russia
	ЗАО Росshelf	53	Investment in oil and gas fields	Russia
	ООО Самаратрасгаз	100	Gas transportation	Russia
	ОАО Саранский завод "Режинотехника"	92	Production of general mechanical rubber goods	Russia
	ОАО Свердловскнеfteproduct*	45	Oil products trade	Russia
	ООО Севергазпром	100	Hydrocarbons production and transportation	Russia
	ЗАО Севморнеftegaz	100	Development of oil and gas fields	Russia
	ООО Liquefied gas	100	Liquefied gas sales	Russia
	ОАО Сибнефт*	76	Crude oil production, refining and sales	Russia
	ЗАО Сибнефтavia*	100	Air transportation services	Russia
	ООО Сибнефт-AZS Service*	100	Gas station operation	Russia
	ОАО Сибнефт- Barnaulnefteproduct*	93	Petroleum products trading	Russia
	ООО Сибнефт-Vostok*	100	Crude oil production	Russia
	ООО Сибнефт-Nizhni Novgorod*	100	Petroleum products trading	Russia
	ОАО Сибнефт-Noyabrskneftegaz*	100	Crude oil production	Russia
	ОАО Сибнефт- Noyabrskneftegazgeophysika*	81	Geological and geophysical surveys	Russia
	ООО Сибнефт- Noyabrsknefteproduct*	100	Petroleum products trading, storage and transportation	Russia

\* Subsidiaries acquired within acquisition of control over ОАО "Сибнефт" (see Note 21).

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Note	Company	Share in Charter Capital, %	Type of activity	Location
	ООО Sibneft- Krasnoyarsknefteproduct*	100	Petroleum products trading	Russia
	Sibneft Oil Trade Company Gmbh*	100	Crude oil sales	Austria
	ОАО Sibneft-Omskiy NPZ*	100	Oil refining	Russia
	ОАО Sibneft- Omsknefteproduct*	100	Petroleum products trading	Russia
	ЗАО Sibneft-SeveroZapad*	100	Petroleum products trading	Russia
	ООО Sibneft-St.Pitersburg*	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
	ОАО Sibneft- Yaroslavnefteproduct*	100	Petroleum products trading	Russia
	Sib Oil Trade Ltd.*	100	Crude oil and petroleum products trading	Virgin Islands
	ОАО АК Сибур	99	Gas and petrochemical production and sale	Russia
	ООО Сибур-Europe	100	Investing activity	Switzerland
	ЗАО Сибур-Gazservice	100	Trading	Russia
	ООО Сибур-Geotekstil	100	Gas and petrochemical production and sale	Russia
	ОАО Сибур Holding	100	Refining, sales of refined products	Russia
	ЗАО Сибур-Khimprom	100	Gas and petrochemical production	Russia
	ОАО Сибур-Neftekhim	100	Gas and petrochemical production and sale	Russia
	ОАО Сибур-PETF	100	Gas and petrochemical production and sale	Russia
	ООО Сибур-Russian-Tires	100	Trading	Russia
	ОАО Сибур-Tyumen	100	Gas and petrochemical products refinery and sale	Russia
	ОАО СибурTyumenGaz	100	Gas refining	Russia
	ОАО Сибур-Volzhskiy	100	Petrochemicals production and sale	Russia
2	АКБ Sovfintrade	99	Banking activity	Russia
	ОАО Spetsgazavtotrans	51	Transportation	Russia
	ЗАО Spec'cisterni	100	Transportation	Russia
	ЗАО Stimul	100	Oil production, treatment and processing	Russia
	ООО Surgutgazprom	100	Hydrocarbons production, refining and transportation	Russia
	ООО Tattransgaz	100	Gas transportation	Russia
	ОАО TV Company NTV	69	TV and radio broadcasting	Russia
	ООО Tobolsk-Neftekhim	100	Refining	Russia
	ООО Tolyattikauchuk	100	Gas and petrochemical production and sale	Russia
	ООО Tomsk petrochemical plant	100	Gas and petrochemical production and sales	Russia
	ООО Tomskneftekhim	100	Gas and petrochemical production and sale	Russia
	ОАО Tomskpolimerprom	80	Investing activity	Russia
	ООО Tomsktransgaz	100	Gas transportation	Russia
	ООО TyumenNllgiprogaz	100	Research and development	Russia
	ООО Tyumentransgaz	100	Gas transportation	Russia
	ОАО Uralorgsintez	88	Gas and petrochemical production and sale	Russia
	ООО Uraltransgaz	100	Gas transportation	Russia
	ООО Uralskiy Tire Plant	100	Tire production	Russia
	ООО Urengoygazprom	100	Hydrocarbons production	Russia

\* Subsidiaries acquired within acquisition of control over ОАО "Sibneft" (see Note 21).

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Note	Company	Share in Charter Capital, %	Type of activity	Location
	OAO Khimprom	100	Property leasing	Russia
	OAO Tsentrgez	99	Construction	Russia
	OAO Tsentrenergogaz	62	Repair and maintenance of gas equipment	Russia
	ООО Шингинское*	100	Crude oil production	Russia
	ООО Югтрансгаз	100	Gas transportation	Russia
	OAO Yuzhno-Balykskiy GPK	100	Gas refining	Russia
	ZAO Yamalgazinvest	100	Designing and Construction of gas facilities	Russia
	ООО Ябурггаздобыча	100	Hydrocarbons production	Russia
	OAO Yaroslavsky tire plant	88	Tire production	Russia

In September 2005 the Group purchased 3.016 % ownership interest in OAO Sibneft for RR 16,408 and in October 2005 the Group purchased 72.66 % for USD 13,079 million in cash. The resulting goodwill amounted to RR 401,263 (see Note 5). To finance this transaction, in October 2005 the Group borrowed from a bank syndicate USD 13,080 million (see Note 13). In 2005 the Group repaid USD 8,000 million of the loans received. In addition, in 2006 up to the date of these statutory consolidated financial (accounting) reports the Group repaid USD 2,001 million of its debt related to the acquisition of OAO Sibneft.

In April 2003 the Group purchased additional shares of a number of Russian gas and petrochemical companies and gained control over the aforementioned companies. In 2005 the Group completed this transaction. Promissory notes issued for the purposes of the transaction with nominal value of RR 22,800 were repaid in 2005. As a result the goodwill decreased by RR 13,653 (see Note 5).

In March 2005 the Group purchased the remaining 42 % of shares of ZAO Sevmorneftegaz, an operator of joint activity established to develop Prirazlomnoye and Schtokmanovskoye fields, from NK Rosneft-Purneftegas for RR 31,335 increasing its share to 100 %. Payments for the purchase were made in cash in December 2004. The resulting goodwill amounted to RR 31,335 (see Note 5).

**Principal associates as of 31 December 2005**

Company	Share in Charter Capital, %	Type of activity	Location
ZAO Armrosgazprom	45	Transportation and sale of gas	Armenia
ООО Ачимгаз	50	Gas production	Russia
Bosphorus Gaz Corporation A.S.	40	Gas distribution	Turkey
Vemex s.r.o.	33	Gas distribution	Czech Republic
WINGAS GmbH	35	Transportation and sale of gas	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
Gaz Project Development Central Asia AG	50	Gas distribution	Germany
AO Gazum	25	Sale of gas	Finland
STG EuRoPol GAZ s.a.	48	Transportation and sale of gas	Poland
ZAO KazRosGaz	50	Transportation and sale of gas	Kazakhstan
AO Latvijas Gaze	34	Transportation and sale of gas	Latvia
AO Lietuvos Dujos	37	Transportation and sale of gas	Lithuania
OAO Moscovsky NPZ*	39	Refining and trading	Russia
AO Moldovagaz	50	Transportation and sale of gas	Moldova

\* Subsidiaries acquired within acquisition of control over OAO "Sibneft" (see Note 21).

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<b>Company</b>	<b>Share in Charter Capital, %</b>	<b>Type of activity</b>	<b>Location</b>
OAO Mosenergo and companies established under restructuring	25	Electricity distribution	Russia
ZAO Nortgaz	51	Exploration and production of gas	Russia
AO Overgaz Inc.	50	Sale of gas	Bulgaria
RosUkrEnergo AG	50	Sale of gas	Switzerland
Centrex Beteiligungs GmbH	38	Gas distribution	Germany
AO NK Slavneft*	50	Sale of gas	Russia
OAO Sogaz	24	Insurance	Russia
ZAO Stella Vitae	30	Transportation and sale of gas	Lithuania
OAO Stroytransgaz Blue Stream	26	Construction	Russia
Pipeline company B.V.	50	Construction, gas transportation	Netherlands
AO Turusgaz	45	Sale of gas	Turkey

In January 2005 the Company purchased from OOO Itera Latvia additional 9 % ownership interest in AO Latvijas Gaze for USD 58 million, thus increasing its ownership interest in AO Latvijas Gaze up to 34 % + one share.

Due to acquisition of controlling interest in OAO Sibneft, the Group acquired 50 % and 38.83 % interest in AO NK Slavneft and OAO Moskovsky NPZ respectively, that provided to the Group significant influence over these companies.

In 2004 the general shareholders' meeting of OAO Mosenergo approved the company's restructuring, which entailed the creation of 13 new companies. As a result of the reorganization in April 2005 each shareholder of OAO Mosenergo including the Group received ordinary shares of each of 13 companies in the amount equal to OAO Mosenergo ordinary shares previously owned and remained the owner of the same quantity of OAO Mosenergo ordinary shares as prior to the creation of new companies. After the restructuring the Group continues to exercise significant influence on OAO Mosenergo and 13 created companies.

## 22. RELATED PARTIES

For the purpose of this statutory consolidated financial (accounting) reports, 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 as defined by PBU 11/2000 "Related Party Disclosures".

During 2005 and 2004 the Group supplied gas to certain of its associates for RR 198,970 and RR 84,714, respectively.

Gas is sold to the Group associates, except for AO Moldovagaz, on the basis of long-term contracts, at prices based on world oil and gas prices. Gas prices per mcm ranged from USD 37 to USD 255 in 2005 and from USD 80 to USD 147 in 2004. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices of gas per mcm sold to AO Moldovagaz amounted to USD 80 in 2005 and 2004.

In 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 30,590 (16.6 bcm). Prices for sales of gas produced in Russia ranged from USD 80 to USD 93 per tcm, and average prices for sales of Central Asia gas were USD 44 per tcm. In July 2005 the Group sold to RosUkrEnergo AG gas stored in the Ukrainian underground gas storage at USD 150 per tcm. During 2005 the Group arranged transportation of these gas to the Ukrainian border. The amount of sales was equal to RR 6,508 (see note 17). The Group purchased gas from RosUkrEnergo AG in the amount of RR 18,385. The prices were determined on the basis of market gas prices.

In 2005 and 2004 the Group purchased gas from ZAO KazRosGaz for RR 5,428 and RR 691 at USD 36 and USD 32 and per mcm, respectively.

\* Subsidiaries acquired within acquisition of control over OAO "Sibneft" (see Note 21).

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In addition, the Group has purchased gas transportation services from certain associates that amounted to RR 21,810 and RR 17,793 for 2005 and 2004, respectively. The cost of these services was determined based on prices of gas sold to these companies.

As of 31 December and 1 January 2005 the amounts due to the Group from its associates, including SGT EuRoPol GAZ s.a. (see Note 9), totaled RR 47,665 and RR 22,045, respectively. As of 31 December and 1 January 2005, the Group's doubtful debt provision related to amounts due from AO Moldovagaz amounted to RR 19,054 and RR 17,209, respectively.

In the normal course of business, the Group outsources pipeline construction services to third-party contractors through a tender process. OAO Stroytransgaz has been a successful bidder in the large number of these tenders to construct pipelines in the Russian Federation.

OAO Stroytransgaz rendered construction services for the Group in the amounts of RR 16,593 and RR 22,304 for the years ended 31 December 2005 and 2004, respectively. As of 31 December and 1 January 2005, the Group had advances and receivables due from OAO Stroytransgaz in the amounts of RR 6,667 and RR 5,670, respectively. As of 31 December and 1 January 2005, the Group had accounts payable to OAO Stroytransgaz in respect of construction of RR 5,845 and RR 10,343, respectively.

**Remuneration to senior management and directors**

In 2005 and 2004 OAO Gazprom paid to members of the Board of Directors and Management Committee remuneration for the total amount of RR 474 and RR 363, 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.

**23. PROFIT PER SHARE**

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

The weighted average number of ordinary shares outstanding for the years ended 31 December 2005 and 2004 amounted to 21,794 and 20,427, respectively.

**24. CONTINGENCIES**

**Guarantees issued**

	As of 1 January 2005	As of 31 December 2005
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V. (BSPC)	46,803	43,957
RosUkrEnergо AG	-	19,350
AO STG EuRoPol GAZ s.a.	5,603	5,812
Interconnector (UK) Ltd.	30,524	-
Other	7,710	11,364
<b>Total</b>	<b>90,640</b>	<b>80,483</b>

In July 2005 Blue Stream Pipeline Company B.V. refinanced some of the existing liabilities, guaranteed by the Group, by means of repayment of the liabilities to a group of Italian and Japanese banks. For the purpose of this transaction loans in the amount of USD 1,185.3 million were received from Gazstream S.A. The Group guaranteed the above loans. As of 31 December and 1 January 2005 outstanding amounts of these loans were RR 34,920 (USD 1,213 million) and RR 33,326 (USD 1,201 million), respectively, which were guaranteed by the Group, pursuant to its obligations.

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The guarantee of the loan issued by Depfa bank to Blue Stream Pipeline Company B.V. amounted to RR 996 and RR 999 as of 31 December and 1 January 2005, respectively.

In October 2005 the Group issued a guarantee of the loan issued by AB Gazprombank (ZAO) to RosUkrEnerg AG in the amount USD 672 million due in June 2007 at an interest rate 10%. As of 31 December 2005 outstanding amount of this loan was RR 10,524 (USD 366 million), which were guaranteed by the Group, pursuant to its obligations.

During 2005 the lessors of Interconnector (UK) Ltd discharged the Group of its obligations under guarantees provided by the Group in accordance with lease contracts concluded by Interconnector (UK) Ltd and its lessors.

Other guarantees include mainly guarantees issued on behalf of the Company's subsidiaries under contracts for the purchase of equipment and construction and installation works.

#### **Other guarantees issued**

As of 31 December 2005 26.1 % of ordinary shares and 15.5 % of preferred shares of OAO Stroytransgaz, held by the Group (see Note 21), were pledges as a guarantee of the loan received from OAO Vneshtorgbank.

#### **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 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. Management's interpretation of such legislation as applied to the transactions and activity of the Group (including those transactions and activities of OAO Sibneft before it was acquired by the Group) may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the 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, based on existing legislation, will be sustained.

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

### **Investments**

In December 2005 the Board of Directors of OAO Gazprom approved a decision to increase the charter capital of AB Gazprombank as a result of additional shares issuance that constitutes decrease of the Group's interest in AB Gazprombank (ZAO) down to 66.7 %. The transaction is not completed at the date of issuance these financial statements.

In April 2006 the Group signed agreements with OOO Group Evrofinance to acquire additional ownership interests in media-companies, including 23.52 % of OAO NTV-PLUS and 30.56 % of OAO TV Company NTV for total amount RR 2,171 mln. Up to the date of these statutory consolidated financial (accounting) reports the Group fully repaid its debt related to the acquisition of the companies. Additionally, in February 2006 a framework agreement on creation of a new holding media company signed in 2002 between OOO Group Evrofinance and the Group was cancelled. All rights and obligations under the agreement were ceased.

In April 2006 OAO Gazprom and BASF AG entered into an agreement to swap certain assets related to the development of Yuzhno-Russkoye field in the Western Siberia. According to the agreement BASF AG will receive 25 % minus one voting share as well as newly issued block of non-voting shares in ZAO Severneftegazprom. ZAO Severneftegazprom develops Yuzhno-Russkoye field. OAO Gazprom will increase its share in WINGAZ GmbH from 35 % to 50 % minus one share and will receive a 49 % interest in Libyan oil concessions (C97, C98). The parties will also consider the possibility to establish a new company on a joint basis (50/50) in order to market gas in Europe.

### **Equity and reserves**

In April 2006 OAO Gazprom commenced the implementation of the program on I Level American Depositary Receipts (ADR), under which the ordinary shares of OAO Gazprom can be converted in ADR and conversely. The Bank of New York acts as a depository bank. I Level ADR of OAO Gazprom are marketable at over-the-counter market of the USA and European stock markets. The maximum volume of shares which is the basic asset for ADR does not exceed 35% of OAO Gazprom charter capital. ADR for OAO Gazprom shares issued in 1996 under the program on private placement are automatically converted in I Level ADR.

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**Loans and borrowings**

In April 2006 the Group concluded an agreement to receive a non-secured syndicated loan amounting to USD 1,526 million due in 2010 at an interest rate of LIBOR + 0.55 % to refinance existing obligations to Calyon bank and ABN AMRO. This loan is arranged by ABN AMRO.

**Fixed assets revaluation**

In 2005 the OAO Gazprom and its subsidiaries entered agreements with independent appraisers to perform the revaluation of fixed assets as of 1 January 2006. The prior revaluation of fixed assets of OAO Gazprom was performed as of 1 January 2005. The prior revaluation of fixed assets of subsidiaries was performed as of 1 January 2001.

**Taxation**

As a result of the application of the new VAT accrual and deduction procedures prescribed by the Federal Law № 119-FZ dated 22 July 2005 the amounts of VAT accrued and VAT accepted for deduction increased significantly in the first months of 2006. This increase is due to simultaneous application of the new VAT accounting procedures introduced by the said Federal Law and calculation and submission for deduction of VAT related to accounts receivable and payable dating back to the period prior to 31 December 2005 upon the receipt of payment. At the moment the management of the Group is unable to make an assessment the the impact of such changes in the Federal Law № 119-FZ to the financial position and results of the Group.

  
A.B. Miller  
Chairman of the Management Committee



  
E.A. Vasilieva  
Chief Accountant

16 May 2006