OAO GAZPROM
IAS CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1999

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders of OAO Gazprom

1. We have audited the accompanying consolidated balance sheet of OAO Gazprom and its subsidiaries and associates (the "Group") as of 31 December 1999 and the related consolidated statements of operations, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 1999, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

4. Without qualifying our opinion, we draw your attention to Note 2 to the consolidated financial statements. The operations of the Group have been affected, and may continue to be affected for the foreseeable future, by the continuing regulatory, political and economic uncertainties existing for enterprises operating in the Russian Federation.

5. Further, we draw your attention to Note 24 to the consolidated financial statements. The Government of the Russian Federation is a significant shareholder of the Group and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

Moscow, Russian Federation
17 July 2000

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OAO GAZPROM
IAS CONSOLIDATED BALANCE SHEET
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

Notes		31 December 1999	31 December 1998
	Assets		
	Current assets		
6	Cash and cash equivalents	12,853	10,432
	Marketable securities	6,349	2,385
7	Accounts receivable and prepayments	219,835	246,541
8	Inventories	39,428	47,504
6	Other current assets	26,054	22,106
		304,519	328,968
	Long-term assets		
9	Property, plant and equipment	1,046,531	1,030,054
10	Investments	44,807	49,838
24	Other long-term assets	80,190	66,263
		1,171,528	1,146,155
5	Total assets	1,476,047	1,475,123
	Liabilities and equity		
	Current liabilities		
11	Accounts payable and accrued charges	83,889	95,487
12	Taxes payable	134,523	135,361
13	Short-term loans and current portion of long-term borrowings	85,145	35,573
16	Provisions for liabilities and charges	5,629	-
		309,186	266,421
	Long-term liabilities		
14	Long-term borrowings	233,403	252,339
15	Deferred profit tax	87,120	12,456
16	Provisions for liabilities and charges	31,098	47,394
		351,621	312,189
5	Total liabilities	660,807	578,610
23	Minority interest in subsidiaries	6,178	4,738
17	**Shareholders' equity**		
	Share capital (23.7 billion shares issued; nominal value of RR 118,368 at 31 December 1999 and 1998)	197,903	197,903
	Treasury shares (at cost, 2.6 billion shares and 2.3 billion shares at 31 December 1999 and 1998, respectively)	(5,302)	(5,103)
	Retained earnings and other reserves	616,461	698,975
		809,062	891,775
	Total liabilities and equity	1,476,047	1,475,123

R.I. Vyakhirev
Chairman of the Management Committee

I.N. Bogatyreva
Chief Accountant

The accompanying notes are an integral part of these consolidated financial statements.

OAO GAZPROM
IAS CONSOLIDATED STATEMENT OF OPERATIONS
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

Notes		Year ended 31 December 1999	1998
5, 18	Sales	333,147	345,302
5, 19	Operating expenses	(309,840)	(402,343)
	Operating profit (loss)	23,307	(57,041)
2, 4	Exchange gain	59,794	156,101
2, 4	Exchange loss	(95,067)	(318,275)
	Interest income	10,797	8,890
12	Interest expense on taxes payable	(15,562)	(16,923)
	Other interest expense	(14,748)	(15,011)
	Net finance costs	(54,786)	(185,218)
10	Share of net losses of associated undertakings	(492)	(216)
	Loss before gain on net monetary position, profit tax and minority interest	(31,971)	(242,475)
3	Monetary gain	51,243	85,944
	Profit (loss) before profit tax	19,272	(156,531)
15	Profit tax expense	(98,368)	(49,425)
	Loss after profit tax	(79,096)	(205,956)
23	Minority interest	(183)	4,865
5, 20	**Net loss**	(79,279)	(201,091)
21	**Loss per share (in Roubles)**	(3.76)	(9.40)

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OAO GAZPROM
IAS CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

Notes		Year ended 31 December 1999	1998
	Operating activities		
22	**Net cash provided by (used for) operating activities**	17,419	(12,416)
	Investing activities		
	Capital expenditures	(35,076)	(28,093)
24	Net change in loans made	(4,256)	(6,222)
	Interest received	10,000	8,195
9	Interest paid and capitalised	(9,012)	(4,099)
23	Purchase of subsidiary, net of cash acquired	(1,565)	-
	Sale of investments	2,000	-
	Purchase of investments	(9,662)	(9,177)
	Net cash used for investing activities	(47,571)	(39,396)
	Financing activities		
	Proceeds from long-term borrowings (including current portion)	54,856	41,410
	Reduction of long-term borrowings (including current portion)	(105,648)	(114,491)
14	Proceeds from issuance of bonds	2,659	-
	Net increase in short-term loans	22,501	26,184
	Effect of inflation accounting on borrowings and short-term loans	80,926	107,695
17	Dividends paid	(781)	(1,337)
	Interest paid	(15,372)	(13,630)
	Purchases of treasury shares	(6,639)	(8,597)
	Sales of treasury shares	6,787	10,185
	Profit tax on sales of treasury shares	(104)	-
	Net cash provided by financing activities	39,185	47,419
	Effect of exchange rate changes on cash and cash equivalents	9,901	26,355
	Effect of inflation accounting on cash and cash equivalents	(10,112)	(17,907)
	Increase in cash and cash equivalents	8,822	4,055
6	Cash and cash equivalents, at beginning of year	25,312	21,257
6	**Cash and cash equivalents, at end of year**	34,134	25,312

A significant portion of operations, including capital expenditures, is transacted by mutual cancellations or barter. Such transactions are included within operating activities in the consolidated statement of cash flows on the same basis as cash transactions (see Note 4); investing and financing activities include only cash transactions.

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OAO GAZPROM
IAS CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

Notes		**Number of shares outstanding (billions)**	**Share capital**	**Treasury shares**	**Retained earnings and other reserves**	**Total shareholders' equity**
	Balance at 31 December 1997	21.1	36,548	(6,902)	1,058,062	1,087,708
	Increase in the nominal value of shares		161,355		(161,355)	-
	Net loss				(201,091)	(201,091)
4, 15	Net treasury share transactions	0.3		1,799	(211)	1,588
17	Translation differences				7,352	7,352
4, 17	Return of social assets to governmental authorities				(3,782)	(3,782)
	Balance at 31 December 1998	21.4	197,903	(5,103)	698,975	891,775
	Net loss				(79,279)	(79,279)
4, 15	Net treasury share transactions	(0.3)		(199)	243	44
17	Translation differences				1,025	1,025
4, 17	Return of social assets to governmental authorities				(3,763)	(3,763)
4, 17	Dividends				(740)	(740)
	Balance at 31 December 1999	21.1	197,903	(5,302)	616,461	809,062

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1 NATURE OF OPERATIONS

RAO Gazprom was established as a Russian joint stock company by Presidential Decree No. 1333 dated 5 November 1992. The Annual General Meeting of shareholders, held on 26 June 1998, approved a recommendation from the Board of Directors on revising the name of the organisation in order to comply with the federal law on joint stock companies. Consequently, the new name became the open joint stock company Gazprom or OAO Gazprom.

OAO Gazprom and its subsidiaries and associates (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 also a major exporter of gas to European countries.

The Group is directly involved in the following activities:

- exploration and drilling for hydrocarbons;
- production of gas and other hydrocarbons;
- transportation of gas;
- underground storage of gas; and
- domestic and export sale of gas and other hydrocarbons.

Weighted average number of employees for 1999 and 1998 was 298,000 and 309,000, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

The Russian Federation continues to experience economic difficulties following the financial crisis of August 1998. Consequently, the country's currency continues to devalue, there is continued volatility in the debt and equity markets, hyperinflation persists, confidence in the banking sector has yet to be restored and there continues to be a general lack of liquidity in the economy. In addition, laws and regulations affecting businesses operating within the Russian Federation continue to evolve.

The Russian Federation's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of international lending organizations, and other actions, including regulatory and political developments, which are beyond the Group's control.

The Group's assets and operations could be at risk if there are any further significant adverse changes in the political and business environment. Management is unable to predict what effect those uncertainties might have on the future financial position of the Group. No adjustments related to these uncertainties have been included in the accompanying consolidated financial statements.

3 BASIS OF PRESENTATION

The Group subsidiaries and associated undertakings maintain their statutory financial statements in accordance with the Regulation on Accounting and Reporting of the Russian Federation ("RAR") or the accounting regulations of the country in which the particular Group company is resident. The financial statements of the Group's subsidiaries and associated undertakings resident in the Russian Federation, which account for substantially all assets and liabilities of the Group, are based on the statutory records, which are maintained under the historical cost convention with adjustments and reclassifications recorded in the financial statements for the purpose of fair presentation in accordance with International Accounting Standards ("IAS"). Similar adjustments are recorded in the financial statements in respect of Group companies not resident in the Russian Federation.

The preparation of consolidated financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

3 BASIS OF PRESENTATION (continued)

The adjustments and reclassifications made to the statutory accounts for the purpose of IAS reporting include the restatement for changes in the general purchasing power of the Rouble in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The restatement was calculated from the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian State Committee on Statistics ("Goscomstat"), and from indices obtained from other published sources for years prior to 1992.

The indices used to restate the consolidated financial statements, based on 1988 prices (1988=100) for the five years ended 31 December 1999, and the respective conversion factors used are:

Year	Index	Conversion Factor
1995	487,575	3.4
1996	594,110	2.8
1997	659,403	2.5
1998	1,216,400	1.4
1999	1,661,481	1.0

The significant guidelines followed in restating the consolidated financial statements are:

- all amounts are stated in terms of the measuring unit current at 31 December 1999;
- monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at 31 December 1999;
- non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current at 31 December 1999) and shareholders' equity, including the share capital, are restated by applying the relevant conversion factors;
- all items in the consolidated statements of operations and of cash flows are restated by applying appropriate conversion factors;
- the effect of inflation on the Group's net monetary position is included in the consolidated statement of operations as a net monetary gain or loss; and
- comparative amounts for 1998 are restated using the conversion factor 1.3659 in order to state them in terms of the measuring unit current at 31 December 1999.

The consolidated statement of operations includes a net monetary gain of RR 51,243 and RR 85,944 for the years ended 31 December 1999 and 1998, respectively, because on average the Group had net monetary liabilities in both years.

These statements are prepared in accordance with all International Accounting Standards effective for financial statements covering periods ending 31 December 1999.

Reclassifications

Minor reclassifications have been made to certain prior year balances to conform to the current year presentation.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are set out below.

Consolidation

Significant subsidiary companies in which the Group, directly or indirectly, has an interest of more than 50.0% of the voting rights and/or is able to exercise control over the operations have been fully consolidated. Separate disclosure is made of minority interests. Certain subsidiaries, which it would ordinarily be appropriate to consolidate, have been included in investments on a restated historical cost basis due to their aggregate immateriality to the Group.

Mutual cancellation and barter transactions

A significant portion of accounts receivable arising from sales are settled either through a chain of non-cash transactions involving several enterprises (mutual cancellations) or, to a lesser extent, through direct settlement by goods or services from the final customer (barter). Such transactions are included in the operating activities section of the consolidated statement of cash flows on the same basis as cash transactions, since such transactions are considered to be a surrogate for cash in the Russian economy. The Group accepts such consideration as settlement when the value of the consideration is equal to the related account receivable balance. Approximately, 40.0% and 46.0% of accounts receivable settled during the years ended 31 December 1999 and 1998, respectively, were settled in this manner.

Deferred profit tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using a balance sheet liability method for financial reporting and accounting for deferred income taxes. Deferred profit tax is recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

The balance sheets of foreign subsidiaries and associated undertakings and the monetary assets and liabilities which are held by the Group and denominated in foreign currencies at the year end are translated into Roubles at the exchange rates prevailing at the year end. Exchange differences arising on the retranslation of the net assets of foreign subsidiaries and associated undertakings are recognised as translation differences and included in shareholders' equity. Statements of operations of foreign entities are translated at average exchange rates for the year.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of operations.

Property, plant and equipment

Property, plant and equipment are carried at historical cost restated to the equivalent purchasing power of the Rouble at 31 December 1999 on the basis of indices included in Note 3.

Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of successful development and exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major renewals and improvements are capitalised and the assets replaced are retired. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gains and losses arising from the disposal of property, plant and equipment are included in the consolidated statement of operations as incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

The return to a governmental authority of social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation are recorded only upon both the transfer of title to, and termination of operating responsibility for, the social assets. These disposals are deemed to be shareholder transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a charge to other reserves.

Depreciation is calculated on all assets on a straight line basis. Depreciation on wells and production equipment has been calculated on cost restated to the equivalent purchasing power of the Rouble at 31 December 1999, using the straight line method rather than, as is the more generally accepted international industry practice, on the unit-of-production method. As a result, gas production and changes in gas reserves do not impact the computation of the Group's depreciation. The estimated useful lives of the Group's assets are as follows:

	Years
Pipelines	33
Wells and production equipment	12-40
Machinery and equipment	10-18
Buildings	30-40
Roads	20-40
Social assets	10-40

Assets under construction are not depreciated.

Associated undertakings

Associated undertakings are undertakings over which the Group has significant influence, but which it does not control. Associated undertakings are accounted for using the equity method.

Purchase accounting

Acquisitions of subsidiaries are recorded in accordance with the purchase accounting method. The consolidated financial statements of the Group reflect the results of operations of the subsidiary acquired from the date control is established.

Assets and liabilities of subsidiaries acquired are restated to comply with uniform Group accounting policies. Any excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition is recorded as goodwill. In respect of associates, goodwill is included in investments in associated undertakings.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Long-term investments, excluding bonds, are reflected at cost restated to the equivalent purchasing power of the Rouble at 31 December 1999 on the basis of indices included in Note 3. Bonds are reflected at amortised cost. Provision for impairment is only made where, in the opinion of the Group's management, there is a diminution in value, which is other than temporary. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of operations.

Marketable securities

Marketable securities are valued at the lower of cost restated to the equivalent purchasing power of the Rouble at 31 December 1999 on the basis of indices included in Note 3, or market value.

Accounts receivable

Accounts receivable are carried at anticipated realisable value. An impairment estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. This estimate reflects, inter alia, the payment record of specific debtors and management's perception of the economic risks and factors specific to customers operating in certain regions and markets. Bad debts are written off during the year in which they are identified.

Inventories

Inventories are valued at the lower of net realisable value or weighted average cost restated to the equivalent purchasing power of the Rouble at 31 December 1999 on the basis of indices included in Note 3.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Impairment of assets

Management periodically reviews the carrying value of its assets to assess whether the recoverable amount has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of operation in the period in which the reduction is identified.

Environmental liabilities

Liabilities for environmental remediation are recorded when an obligation exists at the balance sheet date, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Pension and other post-retirement benefits

Mandatory contributions to the governmental pension scheme are expensed when incurred and are included within staff costs in the operating expenses. The cost of providing other immaterial discretionary pension payments and other post-retirement obligations (including constructive) is charged to the consolidated statement of operations so as to spread the regular cost over the service lives of employees.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales are recognised for financial reporting purposes when products are delivered to customers and are stated net of value-added tax ("VAT"), excise taxes and other similar compulsory payments.

Interest income is recognised as it accrues (taking into account effective yield on the asset), unless collectibility is in doubt.

Research and development

Research costs are expensed in the year in which they are incurred. Development costs are expensed as incurred, except for major projects when it is probable that the costs will be recovered through commercial activities. Capitalised development costs are amortised over estimated useful lives.

Off-balance sheet derivative financial instruments

Off-balance sheet derivative financial instruments include forward and spot transactions and option contracts in foreign exchange markets. The Group's normal policy is to measure these instruments using contractual rates, with resultant gains or losses being reported within the consolidated statement of operations. Following the financial crisis of August 1998, (see Note 2) the Group adopted specific accounting methods as follows:

Index Forwards

- The Group has either paid the amount due under index contracts, and realised a loss (gain), or negotiated a settlement for a lesser amount and has recognised a loss (gain) based on the agreed terms, or has not settled with the counterparty. Where no settlements or agreements have been reached the loss on the index contracts has been recognised by applying the rate of exchange ruling at the date of the contract maturity, for domestic counterparties, and the year end exchange rate, for foreign counterparties. This difference in the application of exchange rates is due to the fact that settlements with domestic counterparties in the normal course of business have been performed in Roubles, and with foreign counterparties in foreign currency. Management has not recorded a gain where no settlement or agreements have been reached due to the uncertainty of collectibility.

  Gains and losses recognised on the index contracts have been offset within each counterparty since management believes that there is a legally enforceable right to offset these amounts, and it intends to settle all the contracts with the same counterparty on a net basis.

Deliverable Forwards

- The Group has either paid the amount due under deliverable contracts and recognised a loss (gain), or negotiated a settlement for a lesser amount and has recognised a loss (gain) based on the agreed terms, or has not settled with the counterparty. Where no settlements or agreements have been reached the loss on the deliverable contracts has been recognised based on the year end exchange rate, plus interest and penalties where applicable. Management has not recorded a gain where no settlement or agreements have been reached due to the uncertainty of collectibility.

  Gains and losses on the deliverable contracts have not been offset within counterparties.

Options

- Where conditions of an option agreement include the actual delivery of currency, the Group has treated a loss (gain) in the same way as for the deliverable forwards contracts, otherwise the Group has used the index forwards approach.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Treasury shares

Treasury shares are recorded at cost, using the specific identification method. The gains (losses) arising from treasury share transactions are recognised as a movement in shareholders' equity, net of associated costs including taxation.

Dividends

Dividends are recognised as a liability at the balance sheet date only if they are proposed or declared before or on the balance sheet date.

5 SEGMENT INFORMATION

Management does not separately identify segments within the Group, as it operates as a vertically integrated business with substantially all external sales generated by the gas distribution business. However, following the practice suggested by IAS 14, "Segment Reporting", Revised 1997 ("IAS 14") for vertically integrated businesses, information can be analysed based on the following business segments:

- Production - extraction of gas and other hydrocarbons;
- Refining - processing of gas and other hydrocarbons, and sales of other hydrocarbon products;
- Transport - transportation of gas;
- Distribution – sales of gas in the Russian Federation and abroad; and
- Other - other activities, including banking.

	Production	Refining	Transport	Distribution	Other	Total
31 December 1999						
Segment assets	323,602	22,830	761,521	193,540	131,664	1,433,157
Unallocated assets						98,661
Inter-segment eliminations						(55,771)
Total assets						1,476,047
Segment liabilities	11,152	3,166	18,552	81,408	25,382	139,660
Unallocated liabilities						576,918
Inter-segment eliminations						(55,771)
Total liabilities						660,807
Capital expenditures for the period	23,950	1,355	62,820	925	10,925	99,975
Depreciation and amortisation	16,252	1,305	34,729	65	1,502	53,853
Charges for impairment and provisions	13,876	60	7,714	9,023	7,402	38,075

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
31 December 1998						
Segment assets	340,982	27,427	767,177	236,501	111,307	1,483,394
Unallocated assets						77,912
Inter-segment eliminations						(86,183)
Total assets						1,475,123
Segment liabilities	14,559	7,283	24,822	95,188	39,818	181,670
Unallocated liabilities						483,123
Inter-segment eliminations						(86,183)
Total liabilities						578,610
Capital expenditures for the period	25,202	1,559	34,309	541	6,069	67,680
Depreciation and amortisation	16,045	1,310	34,871	63	1,508	53,797
Charges for impairment and provisions	6,740	807	6,828	21,775	6,868	43,018

	Production	Refining	Transport	Distribution	Other	Total
31 December 1999						
Segment revenues						
Inter-segment sales	26,849	7,306	74,966	3,118	-	112,239
External sales	2,959	13,251	17,399	279,936	19,602	333,147
Total segment revenues	29,808	20,557	92,365	283,054	19,602	445,386
Segment expenses						
Inter-segment expenses	(409)	(3,055)	(4,325)	(104,450)	-	(112,239)
External expenses	(45,002)	(14,229)	(89,749)	(109,977)	(22,577)	(281,534)
Total segment expenses	(45,411)	(17,284)	(94,074)	(214,427)	(22,577)	(393,773)
Segment result	(15,603)	3,273	(1,709)	68,627	(2,975)	51,613
Unallocated operating expenses						(28,306)
Operating income						23,307
Net finance costs						(54,786)
Share of net losses of associated undertakings						(492)
Monetary gain						51,243
Income before profit tax						19,272
Profit tax expense						(98,368)
Loss after profit tax						(79,096)
Minority interest						(183)
Net loss						(79,279)

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
31 December 1998						
Segment revenues						
Inter-segment sales	48,341	7,089	130,581	4,765	-	190,776
External sales	3,038	13,580	21,018	290,465	17,201	345,302
Total segment revenues	51,379	20,669	151,599	295,230	17,201	536,078
Segment expenses						
Inter-segment expenses	(478)	(4,658)	(5,720)	(179,920)	-	(190,776)
External expenses	(61,582)	(18,142)	(106,498)	(89,214)	(61,109)	(336,545)
Total segment expenses	(62,060)	(22,800)	(112,218)	(269,134)	(61,109)	(527,321)
Segment result	(10,681)	(2,131)	39,381	26,096	(43,908)	8,757
Unallocated operating expenses						(65,798)
Operating loss						(57,041)
Net finance costs						(185,218)
Share of net losses of associated undertakings						(216)
Monetary gain						85,944
Loss before profit tax						(156,531)
Profit tax expense						(49,425)
Loss after profit tax						(205,956)
Minority interest						4,865
Net loss						(201,091)

The inter-segment revenues mainly consist of:

- Production – sale of gas to the Distribution segment and sale of hydrocarbons to the Refining segment;
- Transport – rendering transportation services to the Distribution segment; and
- Distribution – sale of gas to the Transport segment for internal needs.

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

External expenses within Other for the year ended 31 December 1998 include losses on derivatives and loan losses totalling RR 24,915 and RR 5,600, respectively. Banking activities, after minority interest, contributed a net gain of RR 2,879 and net loss of RR 27,206 for the years ended 31 December 1999 and 1998, respectively.

Provisions for guarantees (see Note 25) have been included within unallocated expenses. Also included within unallocated expenses are corporate expenses, including provision for the impairment of investments.

Segment assets consist primarily of property, plant and equipment and current assets. Unallocated assets include investments and deferred profit tax assets. Segment liabilities comprise operating liabilities, excluding items such as taxes payable, borrowings, and deferred profit tax liabilities.

Capital expenditures comprise additions to property, plant and equipment. Charges for impairment provisions relate only to those charges made against allocated assets. A significant portion of operations is transacted by mutual cancellations or barter. As disclosed in Note 3, such transactions are reported on the same basis as cash transactions. Consequently, expenses paid by mutual cancellations or barter are not disclosed as non-cash expenses in this note.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

5 SEGMENT INFORMATION (continued)

Substantially all of the Group’s assets are located in the Russian Federation. Gas sales to different geographical regions are disclosed in Note 18.

6 CASH AND CASH EQUIVALENTS

Included within cash and cash equivalents in the consolidated balance sheet are balances totalling RR 12,853 and RR 10,432 at 31 December 1999 and 1998, respectively, representing cash in hand and balances with banks. Included within other current assets are balances of cash and cash equivalents totalling RR 21,281 and RR 14,880 at 31 December 1999 and 1998, respectively, which are restricted as to withdrawal under the terms of certain of the borrowings noted above. In addition, other current assets include balances of cash RR 3,609 and RR 1,849 at 31 December 1999 and 1998, respectively, which are restricted in subsidiary banks as to withdrawal under banking regulations.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December	
	1999	**1998**
Trade receivables (net of a provision for doubtful accounts of RR 54,861 and RR 75,843 at 31 December 1999 and 1998, respectively)	162,202	172,386
Prepayments and advances paid (net of a provision for doubtful accounts of RR 5,777 at 31 December 1999)	16,726	27,922
Other receivables (net of a provision for doubtful accounts of RR 7,481 and RR 14,966 at 31 December 1999 and 1998, respectively)	40,907	46,233
	219,835	246,541

Substantially all trade receivables are currently receivable in accordance with their contractual terms and, accordingly, are classified as current assets. Management has considered the likelihood of collection of receivables beyond 2000 when determining the amount of the provision for doubtful accounts.

RR 75,714 and RR 61,299 of trade receivables are denominated in hard currency, mainly United States (“US”) dollars, at 31 December 1999 and 1998, respectively.

Other receivables include RR 24,003 and RR 30,054 of receivables relating to the operations of Gazprombank and National Reserve Bank (see Note 23) at 31 December 1999 and 1998, respectively. These balances mainly represent loans issued to other banks and customers at commercial rates ranging from 3.0% to 40.0% per annum at 31 December 1999 and 1.0% to 40.0% per annum at 31 December 1998.

8 INVENTORIES

	31 December	
	1999	**1998**
Materials and supplies	15,192	21,521
Gas (in pipelines and storage)	17,614	19,262
Goods for resale	4,755	5,112
Other	1,867	1,609
	39,428	47,504

Inventories are presented net of a provision for obsolescence of RR 6,858 and RR 8,908 at 31 December 1999 and 1998, respectively.

Goods for resale are stated at their net realisable value at 31 December 1999 and 1998, respectively.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

9 PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells and production equipment	Machinery and equipment	Buildings and roads	Total operating assets	Social assets	Assets under construction	Total
At 31.12.97								
Cost	696,564	202,840	229,860	313,789	1,443,053	88,413	210,051	1,741,517
Accumulated depreciation	(277,934)	(97,763)	(152,508)	(145,364)	(673,569)	(15,149)	-	(688,718)
Net book value at 31.12.97	418,630	105,077	77,352	168,425	769,484	73,264	210,051	1,052,799
Depreciation	(19,317)	(6,852)	(13,258)	(11,733)	(51,160)	(2,637)	-	(53,797)
Additions	1,635	14,751	20,251	22,226	58,863	8,551	266	67,680
Disposals	(817)	(1,464)	(2,890)	(4,753)	(9,924)	(8,659)	(3,583)	(22,166)
Increase in impairment provision	-	-	-	-	-	-	(14,462)	(14,462)
Net book value at 31.12.98	400,131	111,512	81,455	174,165	767,263	70,519	192,272	1,030,054
At 31.12.98								
Cost	695,128	215,258	241,693	327,400	1,479,479	85,599	192,272	1,757,350
Accumulated depreciation	(294,997)	(103,746)	(160,238)	(153,235)	(712,216)	(15,080)	-	(727,296)
Net book value at 31.12.98	400,131	111,512	81,455	174,165	767,263	70,519	192,272	1,030,054
Depreciation	(19,901)	(6,318)	(13,742)	(11,638)	(51,599)	(2,254)	-	(53,853)
Additions	19,211	9,245	41,635	24,954	95,045	7,092	(2,162)	99,975
Acquisition of subsidiary	-	3,265	-	2,545	5,810	-	3,730	9,540
Disposals	(61)	(710)	(3,381)	(5,227)	(9,379)	(9,579)	(3,141)	(22,099)
Increase in impairment provision	-	-	-	-	-	-	(17,086)	(17,086)
Net book value at 31.12.99	399,380	116,994	105,967	184,799	807,140	65,778	173,613	1,046,531
At 31.12.99								
Cost	713,784	227,426	277,446	347,602	1,566,258	81,171	173,613	1,821,042
Accumulated depreciation	(314,404)	(110,432)	(171,479)	(162,803)	(759,118)	(15,393)	-	(774,511)
Net book value at 31.12.99	399,380	116,994	105,967	184,799	807,140	65,778	173,613	1,046,531

Assets under construction are presented net of a provision for impairment of RR 37,091 and RR 20,005 at 31 December 1999 and 1998, respectively.

Included in additions above is capitalised interest of RR 9,310 and RR 4,099 for the years ended 31 December 1999 and 1998, respectively.

Included in the property, plant and equipment above are fully depreciated assets which are still in service of RR 192,125 and RR 167,685 at 31 December 1999 and 1998, respectively.

Depreciation disclosed above includes RR 705 and RR 774 for the years ended 31 December 1999 and 1998, respectively, which is considered a cost of self constructed assets and thus capitalised rather than expensed in the consolidated statement of operations. Similarly, RR 7,712 and RR 7,055 of depreciation for the years ended 31 December 1999 and 1998, respectively, is capitalised as a component of gas inventories and expensed in the consolidated statement of operations when the gas is sold.

The Group's gas fields are operated under licenses granted by federal and local authorities. These licenses to develop and extract hydrocarbons expire between 2013 and 2016, however they may be extended. Management intends to extend the existing licenses on properties expected to produce hydrocarbons subsequent to their current expiration dates.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

10 INVESTMENTS

	31 December 1999	31 December 1998
Nonconsolidated subsidiaries	17,729	18,111
Associated undertakings	8,929	10,591
Other investments	18,149	21,136
	44,807	49,838

Investments are presented net of a provision for impairment of RR 59,777 and RR 45,745 at 31 December 1999 and 1998, respectively.

Nonconsolidated subsidiaries

Nonconsolidated subsidiaries represent entities that were not consolidated due to their aggregate immateriality to the Group. Nonconsolidated subsidiaries include a number of non-core activities, such as agriculture, which were segregated from the ongoing operations and transferred to newly formed subsidiaries. As it is management's intention to divest these non-core activities, these subsidiaries have been recorded at their net realisable value of RR 11,445 and RR 3,196 at 31 December 1999 and 1998, respectively.

Principal associated undertakings

			% of share capital held 31 December	
Associated undertaking	**Country**	**Nature of operations**	**1999**	**1998**
EuRoPol GAZ	Poland	Gas distribution and transportation	49	49
Gasum Oy	Finland	Gas distribution and transportation	25	25
Prometheus Gas	Greece	Construction	50	50
Wintershall Gas GmbH	Germany	Gas distribution and transportation	35	35

Summarised consolidated financial information for associated undertakings is shown below on a 100.0% basis.

	Year ended 31 December 1999	Year ended 31 December 1998
Results of operations		
Sales	33,782	38,699
Profit (loss) before profit tax	2,387	(1,234)
Net loss	(1,209)	(3,757)
OAO Gazprom's share in net losses of associated undertakings	(492)	(216)

	At 31 December 1999	At 31 December 1998
Financial position		
Current assets	16,843	18,725
Non-current assets	103,399	103,688
Total assets	120,242	122,413
Current liabilities	24,793	25,198
Non-current liabilities	81,215	80,026
Total liabilities	106,008	105,224
OAO Gazprom's interest in associated undertakings	8,929	10,591

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

10 INVESTMENTS (continued)

Sales to associated undertakings amounted to RR 7,162 and RR 10,660 for the years ended 31 December 1999 and 1998, respectively. Dividends received from associated undertakings were RR 904 and RR 287 for the years ended 31 December 1999 and 1998, respectively.

Other investments

Other investments include Ukrainian bonds held by National Reserve Bank with a carrying value of RR 4,302 and RR 7,294 at 31 December 1999 and 1998, respectively. These bonds were issued by the Ukrainian government in settlement of gas sales made to the Ukraine in 1994. The bonds are denominated in United States ("US") dollars, carry an interest rate of 8.5% per annum and are redeemable between June 1999 and March 2006. The Group has pledged Ukrainian bonds of RR 2,631 and RR 3,635 against certain short-term borrowings at 31 December 1999 and 1998, respectively. In April 2000, the Group elected to participate in a restructuring program and exchanged these bonds for US dollar denominated bonds bearing interest at 11.0% per annum. The new bonds mature between March 2001 and March 2007.

Other investments include a 14.3% interest in Media-Most. This interest in Media-Most was acquired in November 1999 via the settlement of Media-Most's debt to the Group of RR 5,157. Media-Most is one of the largest publishing and entertainment companies operating in the Russian Federation (see Note 27).

11 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	31 December	
	1999	**1998**
Trade payables	33,266	25,383
Accounts payable in respect of acquisition of property, plant and equipment	24,138	27,602
Advances received	1,443	2,348
Accruals and deferred income	669	3,685
Other payables	24,373	36,469
	83,889	95,487

Other payables includes RR 9,664 and RR 27,721 related to the operations of Gazprombank and National Reserve Bank (see Note 23) at 31 December 1999 and 1998, respectively. These balances mainly represent amounts due to the banks' customers with terms at commercial rates ranging from 7.2% to 10.0% per annum at 31 December 1999 and 4.4% to 48.0% per annum at 31 December 1998.

12 TAXES PAYABLE

	31 December	
	1999	**1998**
Excise tax (including deferred amounts of RR 21,607 and RR 29,753 at 31 December 1999 and 1998, respectively)	39,033	50,130
Tax penalties and interest	30,303	26,116
VAT (including deferred amounts of RR 11,527 and RR 14,461 at 31 December 1999 and 1998, respectively)	29,019	27,665
Road use and housing fund taxes (including deferred amounts of RR 4,626 and RR 6,707 at 31 December 1999 and 1998, respectively)	16,030	15,279
Profit tax	7,743	2,676
Mineral use and mineral restoration taxes (including deferred amounts of RR 1,118 and RR 1,945 at 31 December 1999 and 1998, respectively)	5,037	5,227
Pension fund and other social taxes	1,207	1,990
Other taxes	6,151	6,278
	134,523	135,361

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

12 TAXES PAYABLE (continued)

The deferred amounts included in the taxes above are payable upon settlement of the related trade receivable balances. Substantially all accrued taxes above, excluding the deferred amounts, incur interest at a rate of 1/300 of the refinancing rate of the Central Bank of the Russian Federation (the refinancing rate was last set at 33.0% per annum on 20 March 2000). Interest does not accrue on tax penalties and interest.

13 SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December 1999	31 December 1998
Short-term loans	49,727	25,814
Current portion of long-term borrowings	35,418	9,759
	85,145	35,573

Short-term borrowings are mostly US dollar denominated with interest rates varying from 8.5% to 15.0% for the year ended 31 December 1999 and from 6.8% to 14.0% for the year ended 31 December 1998. The annual interest rates on RR denominated borrowings range from 35.0% to 40.0% for the year ended 31 December 1999 and from 58.0% to 61.0% for the year ended 31 December 1998.

14 LONG-TERM BORROWINGS

	Currency	Due	31 December 1999	31 December 1998
Long-term borrowings payable to:				
A French banking consortium	US dollar	2000-2005	81,142	84,618
A German banking consortium	US dollar	2000-2005	69,105	70,515
An Italian banking consortium	US dollar	2000-2007	35,739	40,854
A German consortium	Deutsche mark	2000-2009	20,317	13,586
An international banking consortium	Deutsche mark	2000-2005	13,781	16,695
A German banking consortium	Deutsche mark	2000-2009	11,730	15,023
A German bank	Deutsche mark	2000-2002	8,425	13,490
A Cyprus banking consortium	US dollar	2000-2005	7,254	-
Other long-term borrowings			21,328	7,317
Total long-term borrowings			268,821	262,098
Less: current portion of long-term borrowings			(35,418)	(9,759)
			233,403	252,339

Due for repayment:

	31 December 1999	31 December 1998
Between one and two years	52,254	33,550
Between two and five years	135,692	135,138
After five years	45,457	83,651
	233,403	252,339

Interest rates on the borrowings are variable and linked, mainly, to LIBOR, except for interest on the Italian borrowing, which is fixed at 5.7%. The annual interest rates on US dollar denominated borrowings range from 5.7% to 10.5% per annum at 31 December 1999 and from 5.7% to 7.4% per annum at 31 December 1998. The annual interest rates on Deutsche mark ("DM") denominated borrowings range from 3.2% to 8.0% per annum at 31 December 1999 and from 3.7% to 8.5% per annum at 31 December 1998. Substantially all borrowings are secured by contractual obligations to sell gas in Western Europe. The amount payable to an international banking consortium is also secured by certain assets of ZGG-Zarubezhgaz Erdgashandels GmbH, a wholly owned subsidiary.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

14 LONG-TERM BORROWINGS (continued)

The fair value of the fixed rate Italian loan is RR 28,420 and RR 31,087 at 31 December 1999 and 1998, respectively. The carrying amounts of variable rate loans approximate fair value.

The Group has no subordinated debt and no debt which may be converted into an equity interest in the Group.

Other long-term borrowing include RR 2,585 of coupon documentary bearer bonds issued by OAO Gazprom in 1999. The issue amounted to 3.0 million bonds, each with a nominal value of RR 1,000 and a due date of 15 April 2003. The total amount recorded for the bonds excludes the discount related to future periods.

The US dollar to RR exchange rates were 27.00 and 20.65 at 31 December 1999 and 1998, respectively. The DM to RR exchange rates were 13.92 and 12.35 at 31 December 1999 and 1998, respectively.

15 PROFIT TAX

	Year ended 31 December	
	1999	1998
Profit tax expense – current	24,562	18,702
Deferred profit tax expense – recognition and reversal of temporary differences	75,110	30,723
Deferred profit tax expense – effect of reduction in tax rate	(1,304)	-
Profit tax expense	98,368	49,425

Profit tax expense in the consolidated statement of operations is stated net of RR 104 of tax attributable to gains arising on treasury share transactions for the year ended 31 December 1999. No profit tax expense was associated with treasury share transactions for the year ended 31 December 1998 (see Note 4).

The Group accrues profit tax at rates of 30.0% and 38.0% on profits from non-banking and banking activities, correspondingly, computed in accordance with the Russian tax legislation. Before enactment of such rates on 1 April 1999, the corresponding tax rates were 35.0% and 43.0%. IAS (profit) loss before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

	Year ended 31 December	
	1999	1998
IAS (profit) loss before profit tax	(19,272)	156,531
Theoretical tax (charge) benefit at a statutory rate thereon	(5,782)	54,786
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-temporary element of monetary gains and losses	(79,614)	(166,562)
Non-deductible expenses	(35,222)	(36,709)
Statutory tax concessions	10,848	-
Other non-temporary differences	6,765	5,229
Inflation effect on deferred profit tax balance at beginning of year	2,336	(8,365)
Effect of reduction in tax rate	427	-
Non-recognised deferred tax asset movement	1,874	102,196
Profit tax expense	(98,368)	(49,425)

The non-temporary impact of monetary gains and losses reflects the effect on the theoretical tax charge of inflation with respect to non-monetary items of a non-temporary nature (primarily social assets and equity).

Differences between IAS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 30.0% or 38.0% as applicable (1998: 35.0% or 43.0%).

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

15 PROFIT TAX (continued)

	31 December 1999	Change in tax rate	Acquisitions	Differences recognition and reversals	31 December 1998
Tax effects of taxable temporary differences:					
Property, plant and equipment	(76,890)	305	(858)	(73,424)	(2,913)
Accounts receivable	(11,641)	1,658	-	2,550	(15,849)
Inventories	(4,150)	631	-	1,249	(6,030)
Investments	(262)	517	-	4,168	(4,947)
Tax effects of deductible temporary differences:					
Provision for doubtful accounts	15,850	(1,983)	-	(1,130)	18,963
Tax losses carryforward	4,213	(2,510)	-	(17,276)	23,999
Net tax effect of temporary differences	(72,880)	(1,382)	(858)	(83,863)	13,223
Less non-recognized deferred tax asset:	(14,240)	2,686	-	8,753	(25,679)
Total net deferred profit tax (liability) asset	(87,120)	1,304	(858)	(75,110)	(12,456)

As a result of the changes in the tax legislation in the Russian Federation, a profit tax rate of 30.0% has been enacted starting from 1 April 1999 (38.0% for banks) comparing to 35.0% in prior years (43.0% for banks). The net effect on deferred tax recognised as at 31 December 1998 of the change in tax rate amounted to RR 1,304 and was credited to tax expense for the year ended 31 December 1999.

Deferred profit tax liabilities arose mainly from differences in the taxable and financial reporting bases of property, plant and equipment. This difference is due to the fact that a significant proportion of the tax basis is based upon independent appraisal while the financial reporting basis is historical cost.

An element of exchange losses recognised in the 1998 consolidated financial statements was set off against current year base for profit tax calculation in the amount of RR 36,159. The residual loss can be carried forward for relief against any taxable profits in the next four years.

Recognition of a deferred tax asset on the bad debt provision has been limited to RR 1,610 (1998: RR 2,220), the amount expected to be claimed by the Group.

The temporary differences associated with undistributed earnings of subsidiaries amount to RR 12,238 and RR 15,018 at 31 December 1999 and 31 December 1998, respectively. A deferred profit tax liability on these temporary differences was not recognised because management controls the timing of the reversal of the temporary differences and believes that they will not reverse in the foreseeable future.

16 PROVISIONS FOR LIABILITIES AND CHARGES

Notes		31 December 1999	31 December 1998
26	Provision for losses on derivatives	13,858	20,975
25	Provision for guarantees	13,640	17,757
	Provision for environmental liabilities	3,566	4,032
	Other	5,663	4,630
		36,727	47,394
	Less: current portion of provisions for liabilities and charges	(5,629)	-
		31,098	47,394

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

17 SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR 197,903 at 31 December 1999 and 31 December 1998 and consists of 23.7 billion ordinary shares, each with a historical par value of RR 5.

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement to the equivalent purchasing power of the Rouble at 31 December 1999, and cumulative translation differences of RR 12,012 and RR 10,987 arising on the retranslating of the net assets of foreign subsidiaries and associated undertakings at 31 December 1999 and 1998, respectively.

Other reserves include a statutory fund for social assets, created at the time of privatisation. The Group is negotiating to return certain of these assets to governmental authorities, though this process is expected to be protracted. Social assets with a net book value of RR 3,763 and RR 3,782 have been transferred to governmental authorities during the years ended 31 December 1999 and 1998, respectively. These transactions have been recorded as a charge to other reserves.

The statutory accounting reports of the parent company, OAO Gazprom, are the basis for profit distribution and other appropriations. The basis of distribution is defined by legislation as the current year net profit, as calculated in accordance with RAR. For 1999, the statutory profit for the parent company was RR 52,183. However, the legislation and other statutory laws and regulations dealing with distribution rights are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

In 1999, the Group accrued interim dividends in the amount of RR 0.03 per share. In addition to the interim dividend, in 2000 the Board of Directors recommended payment of a final dividend for the year ended 31 December 1999 in the amount of RR 0.07 per share. Because this decision of the Group management was reached after the balance sheet date, the amount of final dividend proposed is not recognised in the consolidated balance sheet. Taking into account the statutory loss recorded by the parent company for the year ended 31 December 1998, dividends were not accrued for that year.

18 SALES

	Year ended 31 December	
	1999	1998
Gas sales (including excise tax, net of VAT) to customers in:		
Russian Federation	76,334	145,075
Former Soviet Union (excluding Russian Federation)	53,556	51,891
Europe	212,633	186,155
Gross sales of gas	342,523	383,121
Excise tax	(59,628)	(89,618)
Net sales of gas	282,895	293,503
Sales of gas condensate and other oil products (net of sales taxes)	13,251	13,580
Gas transit sales	17,399	21,018
Other revenues	19,602	17,201
	333,147	345,302

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

18 SALES (continued)

In 1999, the Group participated in the process of establishing a number of regional companies selling gas in the Russian Federation. The equity interest of the Group in most of these companies amounts to less than 20.0 % of their respective share capital.

Gas sales (including excise tax, net of VAT) includes RR 10,039 in respect of gas (43 bcm) sold to these newly established regional companies.

Gas transit sales comprise revenues derived from charges to third party users of the Group's transportation system within the Russian Federation. Transportation charges are provided at rates established by the Federal Energy Commission.

Gas transit sales (net of VAT and excise tax) are primarily comprised of sales to companies of the Itera Group totaling RR 12,791 (57 bcm) and RR 8,139 (20 bcm) for the years ended 31 December 1999 and 1998, respectively. Itera Group is a distributor of gas in the Russian Federation and the former Soviet Union.

19 OPERATING EXPENSES

	Year ended 31 December 1999	1998
External transit costs	64,369	53,601
Depreciation	52,491	50,796
Staff costs	32,873	41,198
Taxes other than on income	29,661	39,340
Materials	18,200	19,102
Provision for doubtful accounts and debts written off	17,868	28,120
Provision for impairment of assets under construction	17,086	14,462
Impairment provision for cost of nonconsolidated subsidiaries	9,098	8,272
Disposal of property, plant and equipment	8,799	8,846
Provisions for guarantees and other charges	7,234	20,442
Provision for impairment of investments	7,134	22,691
Electricity	6,529	10,498
Research and development	2,287	3,360
Provision for inventory obsolescence	1,819	3,870
Gas purchases	1,561	1,971
Goods for resale	661	3,383
Tax penalties	354	1,351
Derivative (gains) losses	(3,342)	24,915
Other	35,158	46,125
	309,840	402,343

Operating expenses include RR 15,689 and RR 17,923 attributable to maintenance and repairs, as well as RR 5,125 and RR 8,038 of social expenditures for the years ended 31 December 1999 and 1998, respectively.

Taxes other than on income consist of:

	Year ended 31 December 1999	1998
Road use and housing fund tax	16,000	18,603
Mineral use tax (royalty)	4,770	7,755
Property tax	3,386	5,363
Mineral restoration tax	2,479	4,065
Other taxes	3,026	3,554
	29,661	39,340

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

19 OPERATING EXPENSES (continued)

Taxes other than on income included in operating expenses are computed as follows:

- Mineral use tax is imposed at rates ranging from 6.0% to 16.0% of the sales value of gas and hydrocarbons produced. The actual rates of the tax are dictated in field licenses and are based on various factors;
- Mineral restoration tax is imposed at the rate of 10.0% of the sales value of gas and hydrocarbons sold by the production subsidiaries. Under current legislation, up to 100.0% of mineral restoration tax assessments may be offset by a sum equal to the value of certain exploration works performed and paid for by the Group. In 1999 and 1998, the Group recovered 34.0% of mineral restoration tax assessments;
- Road use and housing fund tax - vary by region and locality but generally do not exceed 2.5% and 1.5%, respectively of sales in the respective region; and
- Property tax is imposed at a maximum rate of 2.0% on the average annual net book value of fixed assets, intangible assets and inventory. Legislation provides for the exclusion of trunk pipelines from the taxable base.

All taxes and rates discussed above are calculated based on amounts recorded in accordance with Russian statutory accounting regulations.

20 RECONCILIATION OF RAR PROFIT (LOSS) TO IAS NET LOSS

	Year ended 31 December	
	1999	**1998**
RAR profit (loss) per statutory accounts	46,623	(58,043)
Effects of IAS adjustments:		
Deferred profit tax	(73,806)	(30,723)
Provisions other than for doubtful accounts	(41,312)	(62,069)
Expenses charged directly to equity under RAR	(39,631)	(40,324)
Inventory indexation (effect on operating expenses)	(17,808)	(17,081)
Provision for doubtful accounts	(13,168)	(28,120)
Increase in depreciation	(11,063)	(4,919)
Reversal of exchange difference on accounts receivable written off for IAS purposes in previous periods	(4,346)	(13,785)
Monetary gain	51,243	85,944
Reversal of losses related to assets valuation	6,818	-
Decrease in prior year's interest on taxes payable	6,550	3,952
Additional gain/(loss) recognised on unsettled derivatives	3,342	(24,915)
Gain/(loss) on additional taxation	1,626	(5,193)
Elimination of loss from sale of treasury shares	243	211
Other	5,410	(6,026)
IAS net loss	(79,279)	(201,091)

21 LOSS PER SHARE

Loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year.

There were 21.1 billion and 21.4 billion weighted average shares outstanding for the years ended 31 December 1999 and 1998, respectively.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

22 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	Year ended 31 December 1999	1998
Profit (loss) before profit tax	19,272	(156,531)
Adjustments to net profit before profit tax		
Depreciation, depletion and amortisation	52,491	50,796
Impairment provisions for investments, property, plant and equipment and inventories	35,137	49,295
Foreign exchange losses	35,115	173,984
Increase in provision for doubtful accounts	17,868	28,120
Interest expense	14,748	15,011
Loss on disposal of property, plant and equipment	8,799	8,846
Monetary effects on non-operating balances	(72,814)	(156,340)
Non-cash additions to property, plant and equipment	(46,989)	(32,192)
Interest income	(10,797)	(8,890)
Non-cash additions to investments	(9,708)	(2,582)
Decrease (increase) in provisions for liabilities and charges	(6,469)	39,719
Net increase in long-term assets	(982)	(21,327)
Total effect of adjustments	16,399	144,440
Changes in working capital		
Decrease in accounts receivable and prepayments	9,546	33,624
Decrease in inventories	6,951	4,443
Decrease (increase) in other current assets	2,704	(3,112)
Decrease in accounts payable and accrued charges, excluding interest, dividends and capital construction	(7,560)	(8,122)
Decrease in taxes payable (other than profit tax)	(5,905)	(20,071)
(Increase) decrease in marketable securities	(3,964)	11,017
Total effect of working capital changes	1,772	17,779
Profit tax paid	(20,024)	(18,104)
Net cash provided by (used for) operating activities	17,419	(12,416)

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

23 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings reorganised in the reporting period

In 1999, in accordance with Decree No. 426 of the President of the Russian Federation dated 28 April 1997, and for the purpose of bringing the Group's subsidiary undertakings legal status into compliance with the Civil Code of the Russian Federation, OAO Gazprom undertook a reorganisation of its principal subsidiary undertakings. During the reorganisation, the following undertakings, carrying out their activity within OAO Gazprom, were reorganised into separate limited liability companies:

Astrakhangazprom	Gazexport	Samaratransgaz
Bashtransgaz	Dagestangazprom	Severgazprom
VNIIgaz	Kavkaztransgaz	Surgutgazprom
Volgogradtransgaz	Kubangazprom	Tattransgaz
Volgotransgaz	Lentransgaz	Tomsktransgaz
Gazkomplektimpex	Mostransgaz	TyumenNIIgiprogaz
Gaznadzor	Nadymgazprom	Tyumentransgaz
Gazobezopasnost	Novourengoysky GCC	Uraltransgaz
Gazsviaz	Noyabrskgazdobycha	Urengoygazprom
Gaztorgromstroy	Orenburggazprom	Yugtransgaz
Gazflot	Permtransgaz	Yamburggazdobycha

The above listed companies are wholly owned subsidiaries of OAO Gazprom and carry out their activity on the territory of the Russian Federation.

Other subsidiary undertakings

	Percent of share capital held at 31 December	
	1999	**1998**
Burgaz	100	100
Gazavtomatika	51	51
Gazenergoservice	51	51
Gazfund	100	100
Gazprom Finance	100	-
Gazpromavia	100	100
Gazprombank (includes 43% ownership of Altalanos Ertekforgalmi Bank Rt. ("AEB")	93	89
Gazprominvestholding	100	100
Gerosgaz	51	-
Informgaz	100	100
IRTs Gazprom	100	100
Lebedinsky GOK	57	-
Mezhregiongaz	100	100
Nadymstroygazdobytcha	100	100
National Reserve Bank	40	65
Servicegazprom	100	100
Spetsgazavtotrans	51	51
Szhizhenyi Gas	100	100
Ulianovskgazservice	100	100
Volgogradneftemash	51	51
Vostokgazprom	70	-
Yamalgazinvest	100	100
Zapsibgazprom	51	51
ZGG-Zarubezhgaz Erdgashandels GmbH ("ZGG")	100	100

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

23 PRINCIPAL SUBSIDIARY UNDERTAKINGS (continued)

All of the subsidiary undertakings are incorporated in the Russian Federation, with the exception of AEB, Gazprom Finance and ZGG which are incorporated in Hungary, the Netherlands and Germany, respectively.

In April 1999, a reorganisation of the charter capital of National Reserve Bank was approved by the Central Bank of the Russian Federation and the Group's interest in the bank's equity capital was reduced to 40.0%. However, due to the fact that the Group continues to exercise control over National Reserve Bank's activities, the bank is still considered as a subsidiary in 1999.

Minority interest

	Year ended 31 December	
	1999	1998
Minority interest at the beginning of the reporting period	4,738	9,603
Minority interest share of net profit (loss) of subsidiary undertakings	183	(4,865)
Change in minority interest as a result of acquisition	1,257	-
Minority interest at the end of reporting period	6,178	4,738

Acquisition

In August 1999, the Group acquired 46.0% of the share capital of Lebedinsky GOK (LGOK), a mining and dressing company operating in the Russian Federation. This acquisition increased the total share of the Group in the share capital of LGOK to 57.0%. The acquisition was recorded under the purchase accounting method. The acquisition was funded by cash. No goodwill resulted from this transaction.

LGOK contributed revenues of RR 2,253 and net income of RR 161 to the Group for the period from August 1999 to 31 December 1999.

The assets and liabilities arising from acquisition are as follows:

Cash and cash equivalents	82
Receivables	1,482
Inventories	578
Other current assets	250
Property, plant and equipment (Note 9)	9,540
Investments	97
Current liabilities	(2,859)
Deferred tax (Note 15)	(858)
Non-current liabilities	(5,104)
Minority interest	(1,257)
Total purchase consideration	1,951
Less:	
Cash and cash equivalents acquired	(82)
11.0 % interest acquired in 1998	(304)
Cash outflow on acquisition	1,565

There were no significant acquisitions in 1998.

24 RELATED PARTIES

Government

The Government of the Russian Federation owns approximately 38.37% of the issued shares of the Group. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

As a condition of privatisation in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices. Despite widespread non-payment by customers in Russian Federation, the Group continues to have an effective obligation to deliver to a large number of such customers.

Directors' remuneration

Compensation paid to senior management is determined by the terms of annual employment contracts. The remuneration of directors, except for representatives of the Government, is subject to approval by the Annual General Meeting of shareholders. Prior to 1999, no remuneration for representatives of the Government was calculated. Beginning in 1999, remuneration for representatives of the Government was transferred to the federal budget.

Other

Included within other long-term assets are USD denominated receivables from an associated undertaking, EuRoPol GAZ, in the amount of RR 31,337 and RR 24,293 at 31 December 1999 and 1998, respectively, including loans of RR 19,075 and RR 11,352 at 31 December 1999 and 1998, respectively, issued by Gazprombank, a subsidiary of the Group.

Also included within other long-term assets is an interest-bearing loan receivable from an associated undertaking, Wintershall Gas Gmbh, in the amount of RR 13,498 and RR 12,327 at 31 December 1999 and 1998, respectively. In determining the interest rates for related party financing, the Group follows a pricing policy which requires positive interest margins to be earned on all lendings to related parties (see Note 23).

25 COMMITMENTS AND CONTINGENT LIABILITIES

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. The nature and frequency of these developments and events associated with these risks, which generally are not covered by insurance, as well as their effect on future operations and earnings, are not predictable.

Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary 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. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material adverse effect on the result of operations or financial position of the Group.

25 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Taxation

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

Industry changes

The industry is continuing to undergo significant restructuring and reform initiatives and the future direction and effects of such reforms are unknown at this time. Potential reforms in tariff setting policies, settlements of outstanding debts by governmental entities, and other government initiatives could each have a significant, but undeterminable, effect on enterprises operating in the industry.

Environmental matters

The Group and its predecessor entities have operated in the gas exploration, extraction and transportation industry in the Russian Federation for many years. The normal activities of the Group have probably resulted in damage to the environment. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalised. Potential liabilities which might arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation or regulation cannot be estimated, but could be material. In the current enforcement climate, under existing legislation, management believes that there are no significant liabilities for environmental damage, other than amounts that have been accrued in the consolidated financial statements

Social commitments

The Group significantly contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees in the areas of its production, including contributions toward the construction, development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

Financial guarantees

The Group has issued guarantees to third parties in the amount of RR 43,366 and RR 48,499 (including guarantees denominated in USD of USD 1,600 million and USD 1,719 million) at 31 December 1999 and 1998, respectively.

Management believes that the Group will be required to settle certain of the obligations resulting from the guarantees. A provision of RR 13,640 and RR 17,757 has been recorded within provisions for liabilities and charges in respect of the guarantees issued at 31 December 1999 and 1998, respectively. It is anticipated that the majority of the provision will be used during 2000 and 2001.

25 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Capital commitments

In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. As of 31 December 1999, purchase commitments of associated companies (in respect of the share owned by the Group) amounted to RR 6,891. These commitments mainly relate to financing of construction of the YAGAL pipeline in Germany and the Polish section of the Yamal-Europe pipeline. The Board has approved a capital expenditure budget for 2000 of RR 97,890, including RR 10,800 in respect of capital expenditures related to the Yamal project (that includes, in particular, construction of the Yamal-Europe pipeline).

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. At 31 December 1999, no loss is expected to result from these long-term commitments.

26 FINANCIAL INSTRUMENTS

Financial risk management

The Group exports gas to European countries and attracts substantial amount of foreign currency denominated long-term borrowings and is thus exposed to foreign exchange risk. Foreign currency denominated assets (see Note 7) and liabilities (see Note 14) together with long-term sales commitments to European countries (see Note 25) give rise to foreign exchange exposure.

The Group is exposed to interest rate risk through market value fluctuations of interest-bearing long-term borrowings (see Note 14).

The Group does not have formal hedging arrangements to mitigate interest rate risks or foreign exchange risks of the Group's operations. However, on a long-term perspective management believes that the Group is secured from financial risks; foreign currency denominated sales are secured by long-term contracts to supply gas to European countries and the revenue from such contracts is used to cover repayment of foreign currency denominated borrowings.

Fair values

The fair value of financial instruments is determined with reference to various market information and other valuation methods as considered appropriate. At 31 December 1999 and 1998, the fair values of financial instruments other than long-term investments, trade receivables and trade payables are held by the Group did not materially differ from their carrying value. Management does not believe it is practicable to estimate the fair value of long-term investments, trade receivables and trade payables. These financial instruments are not traded at financial market and an objective estimate of fair value is not, therefore, available. Information on the fair values of off-balance sheet derivative instruments is included below.

Credit risks

Financial instruments, which potentially subject the Group to concentrations of credit risk primarily consist of accounts receivables. Credit risks related to accounts receivable are systematically monitored and are considered when bad debt provisions are established. A significant portion of the Group's accounts receivable are from local gas distribution companies and energy companies. Although collection of these receivables could be influenced by governmental and economic factors affecting these industries, management believes there is no significant risk of losses to the Group, other than to the extent to which provision for doubtful accounts has already been made.

(In millions of Russian Roubles in terms of the equivalent purchasing power of the Rouble at 31 December 1999, except as noted)

26 FINANCIAL INSTRUMENTS (continued)

Cash is placed in financial institutions which are considered at time of deposit to have minimal risk of default.

Off-balance sheet derivative instruments

At 31 December 1999, the Group had outstanding contracts with banks operating in the Russian Federation and foreign banks, whereby it had agreed to buy or sell Roubles in exchange for another currency at an exchange rate agreed at the date of the contract. Management believes that it is possible that contracts between banks operating in the Russian Federation may become void or other remedial measures may eventually become available. In the event the outstanding contracts are declared void or settled at an amount different than the amount stipulated in the contract, the losses and gains would be adjusted and the difference would be recognised in the consolidated statement of operations in the period that the settlement occurs.

Foreign exchange off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The nominal amounts for off-balance sheet financial instruments are not reflected in the consolidated balance sheet.

The following table provides an analysis of the principal or agreed amounts of contracts outstanding at the year-end and the associated losses or gains arising thereon. The table includes both the contracts for which the date of maturity has past due and no settlements had been completed as at 31 December 1999, and the contracts with maturity dates subsequent to 31 December 1999. The amounts included in the table are presented on a net basis after gross positions were grouped and netted off by counterparty.

	Domestic			Foreign		
	Principal or agreed amount	Loss	Gain	Principal or agreed amount	Loss	Gain
Deliverable forwards	1,530	-	164	-	-	-
Index forwards	73,795	(10,842)	4,694	-	-	-
Options						
Purchased	6,615	-	1,576	-	-	-
Written	-	-	-	7,101	(3,016)	-
Total gross position	81,940	(10,842)	6,434	7,101	(3,016)	-

The economic conditions in the Russian Federation have had a significant adverse effect on the ability of many banks operating principally in the Russian Federation to fulfil their contractual obligations. Accordingly, management has not recorded the receivable and above noted gains based on the evaluation of the credit worthiness of the counterparties.

27 POST BALANCE SHEET EVENTS

At 31 December 1999, the Group held collateral representing an interest of 17.1% in Media-Most. Media-Most is one of the largest media holding companies operating in the Russian Federation. The Group obtained this collateral from Media-Most, in exchange for providing certain loan guarantees on behalf of Media-Most. In March 2000, Media-Most defaulted on its payment obligation and the Group fulfilled the payment obligation, as required under the guarantee agreement. At the time of issuing these consolidated financial statements, the Group had not exercised its rights to take ownership of the 17.1% interest in Media-Most. Had the Group taken ownership of the collateral, it would have increased the Group's interest in Media-Most to 31.4% (see note 10).

27 POST BALANCE SHEET EVENTS (continued)

In June 2000, the Group concluded an agreement to acquire a 38.0% interest in Siberian-Urals Petrochemical Plant (SIBUR). SIBUR is one of the largest petrochemical companies operating in the Russian Federation. The interest in SIBUR will be obtained in exchange for both securities and a future cash consideration. At the time of issuing these consolidated financial statements, the fair value of the securities and future cash consideration have not been determined. This transaction is subject to certain regulatory approval prior to completion. If approved by the regulators, this transaction will provide the Group with effective control over the operations of SIBUR, and accordingly, will be recorded in accordance with the purchase accounting method.

In 2000, agreements were signed in connection with obtaining loans guaranteed by Italian and Japanese export credit agencies for the total amount of USD 1,760 million to finance construction of the Blue Stream pipeline. Loans were provided by a group of Italian banks for the amount of USD 1,133 million and by Japanese banks for the amount of USD 627 million. The loan agreements will become effective upon the Group complying with a number of technical requirements.

OAO GAZPROM
SUPPLEMENTAL INFORMATION ON GAS AND OIL RESERVES (UNAUDITED)

OAO Gazprom has enlisted the services of DeGolyer and MacNaughton to perform an independent evaluation of its reserve base according to internationally accepted standards. DeGolyer and MacNaughton has concluded the update of eighteen selected properties as of December 31, 1999 and has commenced work on certain other properties not previously evaluated. OAO Gazprom continues to utilise the Russian reserve classification for the fields which have not been audited at the present date by DeGolyer and MacNaughton. To date, the results obtained by DeGolyer and MacNaughton have not shown any material differences from those reported by OAO Gazprom, in accordance with the Russian reserve classification methodology. Nonetheless, for the purposes of the following disclosure, the amount of gas reserves attributable to fields not yet evaluated by DeGolyer and MacNaughton has been adjusted to reflect the coefficient of internal estimates to independent valuation. The oil and condensate reserves which have not yet been evaluated to date are disclosed according to the Russian reserve classification.

The table shown below lists proved and probable reserves estimated by DeGolyer and MacNaughton as of 31 December 1999 and 1998. Proved reserves are those that have been proved to a high degree of certainty by analysis of the producing history of a reservoir and/or by volumetric analysis of adequate geological and engineering data. Probable reserves are those that are susceptible of being proved that are based on reasonable evidence of producible hydrocarbons within the limits of a structure or reservoir above known or inferred fluid contacts, but are defined to a lesser degree of certainty because of a more limited well control and/or the lack of definitive production tests.

Numerous uncertainties are inherent in estimating quantities of proved and probable gas reserves. The accuracy of any reserve estimate is a function of the quality of the available data and engineering and geological interpretation and judgement. The results of drilling, testing, and production after the date of the estimate may require substantial upward or downward revision. In addition, changes in prices could have an effect on the OAO Gazprom reserves because the estimates of reserves are based on prices and costs at the date when such estimates are made.

OAO GAZPROM
SUPPLEMENTAL INFORMATION ON GAS AND OIL RESERVES (UNAUDITED)

GAS RESERVES

Proved and Probable (trillions of cubic meters)	31 December 1999	31 December 1998
Fields subject to independent evaluation		
Urengoi	3.538	3.708
Yamburg	3.721	3.897
Zapolarnoye	2.976	2.976
Others*	3.277	2.727
Total Western Siberia (excluding Yamal)	13.512	13.308
Yamal	4.946	4.946
Ural Volga	0.458	0.482
Total OAO Gazprom	18.916	18.736
Fields not subject to independent evaluation		
Medvezhye	-	0.641
Astrakhanovskoye	2.148	2.157
Shtokman	2.156	2.156
Others	3.035	3.358
Total	7.339	8.312
Total OAO Gazprom	**26.255**	**27.048**

* including Medvezhye as of 31 December 1999.

CONDENSATE, OIL and GAS LIQUIDS RESERVES

Proved and Probable (millions of tonnes)	31 December 1999	31 December 1998
Fields subject to independent evaluation	332.0	322.2
Fields not subject to independent evaluation	1,435.8	1,438.5
Total OAO Gazprom	**1,767.8**	**1,760.7**

The disclosure above does not contain any reserves of OAO Gazprom located outside of the Russian Federation or any reserves attributable to properties with unresolved license considerations. All exploration and production licenses were granted to OAO Gazprom in accordance with the Law of Subsoil Resources and Regulation on Licensing and Usage of the Subsoil. OAO Gazprom believes that the Group is in substantial compliance with all its material licenses.

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