

ОАО ГАЗПРОМ

**IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL INFORMATION
(UNAUDITED)**

31 MARCH 2004

REVIEW REPORT

To the Shareholders of OAO Gazprom

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 31 March 2004, and the related consolidated interim condensed statements of income, of cash flows and of changes in shareholders' equity for the three months then ended. This consolidated interim condensed financial information as set out on pages 3 to 19 is the responsibility of the Group's management. Our responsibility is to issue a report on this consolidated interim condensed financial information based on our review.
2. We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information has not been properly prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".
4. Without qualifying the results of our review, we draw your attention to Note 21 to the consolidated interim condensed financial information. The Government of the Russian Federation is the principal 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
9 September 2004

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 31 MARCH 2004
(In millions of Russian Roubles)

Notes	31 March 2004	31 December 2003
Assets		
Current assets		
6	80,912	71,396
6	24,239	33,743
	52,042	57,069
7	257,067	234,929
8	105,108	111,330
	80,967	85,909
	<u>7,482</u>	<u>6,086</u>
	607,817	600,462
Non-current assets		
9	1,994,310	1,973,781
10	54,812	56,533
11	99,582	93,769
12	<u>62,298</u>	<u>39,542</u>
	<u>2,211,002</u>	<u>2,163,625</u>
	2,818,819	2,764,087
Liabilities and equity		
Current liabilities		
	136,223	124,273
	90,825	103,799
	152,019	170,622
	<u>14,523</u>	<u>27,433</u>
	393,590	426,127
Non-current liabilities		
13	306,520	303,755
	13,944	13,715
	6,360	6,111
	40,086	34,880
14	105,785	96,823
	<u>12,207</u>	<u>12,753</u>
	<u>484,902</u>	<u>468,037</u>
	878,492	894,164
Shareholders' equity		
15	325,194	325,194
15	(32,337)	(33,889)
	<u>1,632,001</u>	<u>1,563,825</u>
	<u>1,924,858</u>	<u>1,855,130</u>
	15,469	14,793
	2,818,819	2,764,087

A.B. Miller
Chairman of the Management Committee
8 September 2004

E.A. Vasilieva
Chief Accountant
8 September 2004

The accompanying notes are an integral part of this interim financial information.

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2004
(In millions of Russian Roubles)

Notes	Three months ended 31 March		
	2004	2003	
5, 16	Sales	255,845	232,250
5, 17	Operating expenses	<u>(175,604)</u>	<u>(157,472)</u>
5	Operating profit	80,241	74,778
18	Net finance income (costs)	6,329	(2,798)
	Share of net income of associated undertakings	2,033	962
	Gains on available-for-sale investments	<u>942</u>	<u>3,117</u>
	Profit before profit tax and minority interest	89,545	76,059
	Current profit tax expense	(15,471)	(14,096)
	Deferred profit tax expense	<u>(7,450)</u>	<u>(5,799)</u>
	Profit tax expense	(22,921)	(19,895)
	Profit before minority interest	66,624	56,164
	Minority interest	<u>(582)</u>	<u>(192)</u>
	Net profit	66,042	55,972
19	Basic and diluted earnings per share (in Roubles)	3.32	2.84

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OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2004
(In millions of Russian Roubles)

Note	Three months ended 31 March	
	2004	2003
	Operating activities	
	89,545	76,059
	Profit before profit tax and minority interest	
	Adjustments to profit before profit tax and minority interest	
	31,968	31,489
	(8,854)	(3,008)
	5,523	7,627
	(2,361)	(2,815)
	(1,109)	(3,239)
	(4,138)	(2,504)
	(2,033)	(962)
	(8,369)	6,516
	<u>10,627</u>	<u>33,104</u>
	Total effect of adjustments	
	100,172	109,163
	Adjusted profit before profit tax and minority interest and before changes in working capital	
	(22,190)	(43,724)
	Total effect of working capital changes	
	(8,319)	(9,381)
	<u>69,663</u>	<u>56,058</u>
	Net cash provided by operating activities	
	Investing activities	
	(43,041)	(35,381)
	(21,133)	3,499
	1,790	1,211
	<u>(62,384)</u>	<u>(30,671)</u>
	Net cash used for investing activities	
	Financing activities	
	27,065	72,813
	(31,851)	(33,542)
	1,455	(17,968)
	(5,638)	-
	(3,528)	(3,393)
	(16,158)	(21,544)
	23,236	14,023
	9,504	(5,418)
	-	(31)
	<u>4,085</u>	<u>4,940</u>
	Net cash provided by financing activities	
	(1,848)	(280)
	Effect of exchange rate changes on cash and cash equivalents	
	9,516	30,047
	Increase in cash and cash equivalents	
6	71,396	58,354
	Cash and cash equivalents, at the beginning of reporting period	
6	80,912	88,401
	Cash and cash equivalents, at the end of reporting period	

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8 September 2004

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OA O GAZPROM
IFRS CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2004
(In millions of Russian Roubles)

Note		Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total shareholders' equity
	<u>Three months ended 31 March 2004</u>					
	Balance as of 31 December 2003	19.8	325,194	(33,889)	1,563,825	1,855,130
	Net income		-	-	66,042	66,042
15	Net treasury share transactions	0.2	-	1,552	3,857	5,409
	Translation differences		-	-	(1,676)	(1,676)
	Return of social assets to governmental authorities		-	-	(47)	(47)
	Balance as of 31 March 2004	20.0	325,194	(32,337)	1,632,001	1,924,858
	<u>Three months ended 31 March 2003</u>					
	Balance as of 31 December 2002	19.8	325,194	(30,367)	1,417,045	1,711,872
	Net income		-	-	55,972	55,972
15	Net treasury share transactions	(0.3)	-	(6,500)	(1,300)	(7,800)
	Translation differences		-	-	(179)	(179)
	Return of social assets to governmental authorities		-	-	(185)	(185)
	Balance as of 31 March 2003	19.5	325,194	(36,867)	1,471,353	1,759,680

A.B. Miller
Chairman of the Management Committee
8 September 2004

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Chief Accountant
8 September 2004

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1 NATURE OF OPERATIONS

ОАО Gazprom and its subsidiaries (the “Group”) operate one of the largest gas pipeline systems in the world and are responsible for substantially all gas production and high pressure gas transportation in the Russian Federation. The Group is a major exporter of gas to European countries.

The Group is involved in the following principal activities:

- 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; and
- Distribution – domestic and export sale of gas.

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. The volumes of gas shipped during the three months ended 31 March 2004 and 2003 represented approximately 32% and 34% of annual volumes shipped to customers in the years ended 31 December 2003 and 2002, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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.

Whilst there have been improvements in the 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.

3 BASIS OF PRESENTATION

The consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). These financial statements should be read together with the consolidated financial statements for the year ended 31 December 2003 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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 Group’s financial statements are based on the statutory records, with adjustments and reclassifications recorded in the financial statements for the purpose of proper preparation in accordance with IAS 34.

The preparation of consolidated interim condensed financial information in conformity with IAS 34 requires management to make prudent estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Estimates have principally been made in respect to fair values of financial instruments, the impairment provisions, deferred profit taxes and the provision for impairment of receivables. Actual results could differ from those estimates.

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 28.49 and 29.45 as of 31 March 2004 and 31 December 2003, respectively. The official Euro to RR exchange rates as determined by the Central Bank of the Russian Federation were 34.80 and 36.82 as of 31 March 2004 and 31 December 2003, respectively.

3 BASIS OF PRESENTATION (continued)

Accounting for the effect of inflation

Prior to 1 January 2003 the adjustments and reclassifications made to the statutory records for the purpose of presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the RR in accordance with IAS 29 (“Financial Reporting in Hyperinflationary Economies”). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Therefore, non-monetary assets and liabilities (those balance sheet items that were not expressed in terms of the monetary unit current as of 31 December 2002) and components of shareholders’ equity were restated from their historical cost by applying the change in the general price index from the date the non-monetary item originated to 31 December 2002. As the characteristics of the economic environment of the Russian Federation indicated that hyperinflation ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current as of 31 December 2002 were treated as the basis for the carrying amounts in subsequent financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation. Long-term accounts receivable and prepayments as of 31 December 2003 have been increased by RR 22,813 (see Note 11) as a result of a reclassification of certain long-term amounts due from associated undertakings, previously included within investments in associated undertakings (see Notes 10 and 21).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are consistent with those disclosed in the financial statements for the year ended 31 December 2003, except as noted below.

As of 1 January 2004 the Group early adopted IFRS 3 “Business Combinations”, IAS 36 (revised 2004) “Impairment of Assets” and IAS 38 (revised 2004) “Intangible Assets” resulting in a change in the accounting policy for goodwill and minority interest. Until 31 December 2003, goodwill was amortised using the straight-line method over the shorter of its estimated useful life or 20 years, and assessed for an indication of impairment annually. In accordance with the provisions of IFRS 3 the Group ceased amortisation of goodwill from 1 January 2004, and from the year ended 31 December 2004 onwards goodwill is tested annually for impairment as well as when there are indications of impairment. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment. Until 31 December 2003, minority interest at the balance sheet dates represented the minority shareholders’ portion of the pre-acquisition carrying amount of the identifiable assets and liabilities of the subsidiary of the acquisition date, and the minorities’ portion of movements in equity since the date of the combination. In accordance with the provisions of IFRS 3, the acquirer recognises the acquiree’s identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, any minority interest in the acquiree is stated at the minority’s proportion of the net fair value of those items. These changes did not materially impact the financial position of the Group.

Recent accounting pronouncements

During the period December 2003 to March 2004, the International Accounting Standards Board (“IASB”) revised 17 of its standards and issued 4 new standards. These standards are effective for accounting periods commencing on or after 1 January 2005 but may be adopted early. The Group has not early adopted these revised and new standards in preparing the consolidated interim condensed financial information except for IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) as described above.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2004
(In millions of Russian Roubles)

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 – 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; and
- Other – other activities, including banking.

	Production	Refining	Transport	Distribution	Other	Total
Three months ended 31 March 2004						
Segment revenues						
Inter-segment sales	38,925	5,498	56,786	7,995	-	109,204
External sales	<u>764</u>	<u>27,323</u>	<u>9,528</u>	<u>207,487</u>	<u>10,743</u>	<u>255,845</u>
Total segment revenues	39,689	32,821	66,314	215,482	10,743	365,049
Segment expenses						
Inter-segment expenses	(758)	(4,689)	(9,033)	(94,724)	-	(109,204)
External expenses	<u>(36,049)</u>	<u>(25,411)</u>	<u>(49,829)</u>	<u>(55,928)</u>	<u>(10,694)</u>	<u>(177,911)</u>
Total segment expenses	<u>(36,807)</u>	<u>(30,100)</u>	<u>(58,862)</u>	<u>(150,652)</u>	<u>(10,694)</u>	<u>(287,115)</u>
Segment result	2,882	2,721	7,452	64,830	49	77,934
Unallocated operating income						<u>2,307</u>
Operating profit						80,241
Share of net income of associated undertakings	-	-	688	836	509	2,033
Three months ended 31 March 2003						
Segment revenues						
Inter-segment sales	27,688	5,093	52,799	6,425	-	92,005
External sales	<u>929</u>	<u>19,119</u>	<u>6,888</u>	<u>194,101</u>	<u>11,213</u>	<u>232,250</u>
Total segment revenues	28,617	24,212	59,687	200,526	11,213	324,255
Segment expenses						
Inter-segment expenses	(540)	(3,885)	(7,702)	(79,878)	-	(92,005)
External expenses	<u>(20,057)</u>	<u>(18,852)</u>	<u>(46,334)</u>	<u>(57,747)</u>	<u>(11,470)</u>	<u>(154,460)</u>
Total segment expenses	<u>(20,597)</u>	<u>(22,737)</u>	<u>(54,036)</u>	<u>(137,625)</u>	<u>(11,470)</u>	<u>(246,465)</u>
Segment result	8,020	1,475	5,651	62,901	(257)	77,790
Unallocated operating expenses						<u>(3,012)</u>
Operating profit						74,778
Share of net (losses) income of associated undertakings	-	(23)	519	350	116	962

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2004
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

Internal transfer prices are established by the management of the Group 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 accounting reports of the individual subsidiaries on a cost plus basis. The change in inter-segment sales and expenses by segment in the three months ended 31 March 2004 is primarily due to changes in internal transfer prices.

6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand and balances with banks. Included within restricted cash are balances of cash and cash equivalents totalling RR 14,050 and RR 24,330 as of 31 March 2004 and 31 December 2003, respectively, which are restricted as to withdrawal under the terms of certain borrowings and other contractual obligations. In addition, restricted cash comprises cash balances of RR 10,189 and RR 9,413 as of 31 March 2004 and 31 December 2003 respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2004	31 December 2003
Trade receivables	123,201	117,868
Prepayments and advances	57,420	47,953
Other receivables	<u>76,446</u>	<u>69,108</u>
	<u>257,067</u>	<u>234,929</u>

Accounts receivable and prepayments are presented net of impairment provision of RR 130,759 and RR 130,601 as of 31 March 2004 and 31 December 2003, respectively.

8 INVENTORY

Inventories are presented net of provision for obsolescence of RR 8,454 and RR 8,761 as of 31 March 2004 and 31 December 2003, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

	Total operating assets	Social assets	Assets under construction	Total
For the three months ended 31 March 2004				
Net book value as of 31 December 2003	1,675,426	87,893	210,462	1,973,781
Depreciation	(25,962)	(866)	-	(26,828)
Additions	102	4	48,658	48,764
Transfers	10,414	12	(10,426)	-
Disposals	(672)	(711)	(744)	(2,127)
Release of prior impairment provision	-	-	<u>720</u>	<u>720</u>
Net book value as of 31 March 2004	1,659,308	86,332	248,670	1,994,310
As of 31 March 2004				
Cost	3,306,605	121,272	248,670	3,676,547
Accumulated depreciation	<u>(1,647,297)</u>	<u>(34,940)</u>	-	<u>(1,682,237)</u>
Net book value as of 31 March 2004	1,659,308	86,332	248,670	1,994,310

ОАО GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2004
(In millions of Russian Roubles)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Operating assets are shown net of provision for impairment of RR 1,985 as of 31 March 2004 and 31 December 2003. Assets under construction are presented net of a provision for impairment of RR 90,761 and RR 91,481 as of 31 March 2004 and 31 December 2003 respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 34,050 and RR 35,047 as of 31 March 2004 and 31 December 2003, respectively.

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Notes	31 March 2004	31 December 2003
21 EuRoPol GAZ S.A.	27,933	28,681
21 WINGAS GmbH	3,842	5,239
21 OAO Stroytransgaz	3,488	3,488
ZAO Armrosgazprom	3,056	3,170
AEB	2,646	2,523
Other (net of provision for impairment of RR 7,915 and RR 8,351 as of 31 March 2004 and 31 December 2003, respectively)	<u>13,847</u>	<u>13,432</u>
	<u>54,812</u>	<u>56,533</u>

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2004	31 December 2003
Long-term accounts receivable and prepayments (net of impairment provision of RR 6,720 and RR 9,976 as of 31 March 2004 and 31 December 2003, respectively)	74,767	71,875
Advances for assets under construction (net of impairment provision of RR 1,398 as of 31 March 2004 and 31 December 2003)	<u>24,815</u>	<u>21,894</u>
	<u>99,582</u>	<u>93,769</u>

12 OTHER NON-CURRENT ASSETS

	31 March 2004	31 December 2003
Available-for-sale investments (net of provision for impairment of RR 16,151 and RR 16,266 as of 31 March 2004 and 31 December 2003, respectively)	31,170	10,584
VAT related to assets under construction	20,538	17,827
Other non-current assets	<u>10,590</u>	<u>11,131</u>
	<u>62,298</u>	<u>39,542</u>

Included in available-for-sale investments is a 5.2% interest in RAO UES acquired by the Group in January 2004. As of 31 March 2004 the estimated fair value of this investment was RR 20,161.

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2004
(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS

	Currency	Due	31 March 2004	31 December 2003
Long-term borrowings payable to:				
Morgan Stanley AG	US dollar	2003-2013	50,249	53,199
Loan participation notes (issued September 2003)	Euro	2003-2010	36,202	37,593
Credit Lyonnais SA	US dollar	2001-2005	31,720	32,556
Eurobonds issued by AB Gazprombank (ZAO) in October 2003	US dollar	2003-2008	21,822	22,185
Salomon Brothers AG	US dollar	2002-2009	20,864	21,039
Bayerische Hypo-und Vereinsbank AG	US dollar	2002-2008	16,712	18,326
Salomon Brothers AG	US dollar	2002-2007	14,802	14,974
Mannesmann (Deutsche Bank AG)	Euro	2001-2008	14,674	15,424
Depfa Bank	US dollar	2003-2008	14,266	15,116
Intesa BCI	US dollar	2001-2007	12,907	16,423
Russian bonds issued in February 2004	RR	2004-2007	10,129	-
Eurobonds issued by AB Gazprombank (ZAO) in January 2004	US dollar	2004-2009	8,729	-
Deutsche Bank AG	US dollar	2003-2006	8,585	8,878
Deutsche Bank AG	US dollar	2002-2004	8,578	8,870
Commerzbank AG	US dollar	2003-2009	8,555	2,950
Societe Generale	US dollar	2002-2008	8,411	9,183
Mizuho Bank (Fuji Bank)	US dollar	2000-2010	8,382	8,816
German banking consortium	Euro	2001-2007	7,510	7,889
International banking consortium	Euro	2003-2007	7,308	7,733
SACE	US dollar	2000-2012	7,083	7,503
WestLB AG	US dollar	2003-2005	6,126	6,335
ABN AMRO	US dollar	2002-2004	5,789	5,990
Eurobonds issued by AB Gazprombank (ZAO) in October 2002	Euro	2002-2005	5,332	5,547
Russian bonds issued in October 2002	RR	2002-2005	5,265	5,071
Moscow Narodny Bank	US dollar	2001-2006	4,622	5,215
ОАО Alfa Bank	US dollar	2002-2004	4,281	4,426
Bayerische Hypo-und Vereinsbank AG	Euro	2001-2006	3,898	4,642
Dresdner Bank AG	US dollar	2001-2005	-	20,070
ОАО Vneshtorgbank	US dollar	2001-2004	-	4,720
Other long-term borrowings	Various	Various	<u>28,374</u>	<u>27,849</u>
Total long-term borrowings			381,175	398,522
Less: current portion of long-term borrowings			<u>(74,655)</u>	<u>(94,767)</u>
			306,520	303,755

	31 March 2004	31 December 2003
Due for repayment:		
Between one and two years	74,904	68,253
Between two and five years	101,316	109,521
After five years	<u>130,300</u>	<u>125,981</u>
	306,520	303,755

Long-term borrowings include fixed rate loans with a carrying value of RR 252,336 and RR 247,763 as of 31 March 2004 and 31 December 2003, respectively. Other long-term borrowings generally have variable interest rates linked to LIBOR.

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NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 31 MARCH 2004
(In millions of Russian Roubles)

14 PROFIT TAX

Differences between the recognition criteria in Russian statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24%.

	31 March 2004	Differences recognition and reversals	31 December 2003	31 March 2003	Differences recognition and reversals	31 December 2002
Tax effects of taxable temporary differences:						
Property, plant and equipment	(104,410)	(5,657)	(98,753)	(71,873)	(4,868)	(67,005)
Investments	(1,351)	(213)	(1,138)	(3,623)	784	(4,407)
Inventories	<u>(3,117)</u>	<u>(169)</u>	<u>(2,948)</u>	<u>(1,371)</u>	<u>484</u>	<u>(1,855)</u>
	(108,878)	(6,039)	(102,839)	(76,867)	(3,600)	(73,267)
Tax effects of deductible temporary differences:						
Tax losses carryforward	1,071	(3,434)	4,505	7,776	(2,472)	10,248
Other deductible temporary differences	<u>2,022</u>	<u>511</u>	<u>1,511</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net deferred tax liabilities	(105,785)	(8,962)	(96,823)	(69,091)	(6,072)	(63,019)

15 SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 31 March 2004 and 31 December 2003 and consists of 23.7 billion ordinary shares, each with a historical par value of RR 5.

Treasury shares

At 31 March 2004 and 31 December 2003, subsidiaries of OAO Gazprom held 3,687 and 3,841 million, respectively, of the ordinary shares of OAO Gazprom. The management of the Group controls the voting rights of these shares.

16 SALES

	Three months ended 31 March	
	2004	2003
Gas sales (including excise tax, customs duties and net of VAT) to customers in:		
Russian Federation	86,872	70,970
Former Soviet Union (excluding Russian Federation)	18,117	18,623
Europe	<u>153,030</u>	<u>155,873</u>
Gross sales of gas	258,019	245,466
Excise tax	(2,216)	(45,000)
Customs duties	<u>(47,552)</u>	<u>(5,436)</u>
Net sales of gas	208,251	195,030
Sales of gas condensate and oil and gas products	27,323	19,119
Gas transportation sales	9,528	6,888
Other revenues	<u>10,743</u>	<u>11,213</u>
	255,845	232,250

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16 SALES (continued)

From 1 January 2004 the following changes in tax legislation of the Russian Federation became effective:

- excise tax on natural gas (produced after 1 January 2004) was abolished;
- customs duties on natural gas increased from 5% to 30%.

Gross sales of gas for the three months ended 31 March 2004 include customs duties and to conform to the current year presentation, reclassifications have been made for the three months ended 31 March 2003 as gross sales of gas were previously presented including excise tax but net of customs duties and VAT.

Included within gas transportation sales are sales to two significant customers, the Itera Group and Eural Trans Gas.

The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries. Gas transportation sales (net of VAT) to companies of the Itera Group amounted to RR 1,725 (4.2 bcm) and RR 1,839 (10 bcm) for the three months ended 31 March 2004 and 2003, respectively. Trade receivables in respect of gas transportation services supplied to the Itera Group amounted to RR 711 and RR 1,372 as of 31 March 2004 and 31 December 2003, respectively.

The Group also had gas sales in the Russian Federation (including excise tax and net of VAT) to companies of the Itera Group amounting to RR 1,547 (4.1 bcm) and RR 1,863 (4 bcm) for the three months ended 31 March 2004 and 2003, respectively. Trade receivables in respect of gas sales to the Itera Group amounted to RR 2,162 and RR 1,694 as of 31 March 2004 and 31 December 2003, respectively.

Eural Trans Gas is engaged in purchasing gas from Central Asia for resale to customers in Europe. Gas transportation sales to Eural Trans Gas, which commenced in January 2003, amounted to RR 3,706 (8 bcm) and RR 3,982 (9 bcm) in the three months ended 31 March 2004 and 2003, respectively. Trade receivables in respect of gas transportation services supplied to Eural Trans Gas amounted to RR 4,371 and RR 2,971 as of 31 March 2004 and 31 December 2003, respectively.

17 OPERATING EXPENSES

Operating expenses include natural resources production tax in the amount of RR 16,363 and RR 5,578 for the three months ended 31 March 2004 and 2003, respectively. The increase was primarily due to the change in tax legislation. From 1 January 2004, the natural resources production tax rate changed from 16.5% of the value of natural gas produced to a fixed rate of 107 roubles per mcm, and for gas condensate – from 16.5% of the value of gas condensate produced from gas condensate fields and RR 340 per ton of gas condensate produced from oil and gas condensate fields (the latter rate was subject to adjustments depending on fluctuations of oil prices and the RR exchange rate) to a single rate of 17.5% of the value of gas condensate produced.

18 NET FINANCE INCOME (COSTS)

	Three months ended	
	31 March	
	2004	2003
Net exchange gains	9,198	2,014
Interest income	2,361	2,815
Interest expense	(5,523)	(7,627)
Gains on and extinguishment of restructured liabilities	293	-
	<u>6,329</u>	<u>(2,798)</u>

19 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares (see Note 15).

There were 19.9 and 19.7 billion weighted average shares outstanding for the three months ended 31 March 2004 and 2003, respectively.

20 SUBSIDIARY UNDERTAKINGS

Principal subsidiaries of the Group remain unchanged since 31 December 2003.

21 RELATED PARTIES

For the purpose of this consolidated interim condensed financial information, 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 IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Government

The Government of the Russian Federation is the principal shareholder of the Group and directly owns approximately 38.37% of the issued shares of the Group. As of 31 March 2004 and 31 December 2003 the subsidiaries of the Group held 15.6% and 16.2% of OAO Gazprom shares, respectively, through which they are entitled to vote as owners. Following the General Meeting of Shareholders in June 2004, the 11 seats on the Board of Directors include five state representatives and four management representatives. 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.

Associated undertakings

Included within associated undertakings (see Note 10) is the loan receivable from EuRoPol GAZ S.A., in the amount of RR 22,494 and RR 23,576 as of 31 March 2004 and 31 December 2003, respectively, issued by AB Gazprombank (ZAO), a subsidiary of the Group, at an interest rate of LIBOR + 2.6%.

Included within accounts receivable and prepayments (see Note 7) are accounts receivable from Group associated undertakings in the amount of RR 11,763 and RR 14,602 as of 31 March 2004 and 31 December 2003, respectively.

Included within long-term accounts receivable and prepayments (see Note 11) are accounts receivable from Group associated undertakings in the amount of RR 21,873 and RR 22,813 as of 31 March 2004 and 31 December 2003, respectively, including USD and Euro denominated long-term receivables from EuRoPol GAZ S.A. in the amount of RR 6,147 and RR 6,216 as of 31 March 2004 and 31 December 2003, respectively.

Also included within long-term accounts receivable and prepayments is a Euro denominated loan receivable from WINGAS GmbH in the amount of RR 14,017 and RR 14,830 as of 31 March 2004 and 31 December 2003, respectively. The interest rates vary for different loan tranches. As of 31 March 2004 and 31 December 2003 the average effective interest rate for the loan receivable from WINGAS GmbH was 3.9% and 4.4%, respectively.

During the three months ended 31 March 2004 and 2003 the Group recorded sales of gas to its associated undertakings in the amount of RR 29,446 and RR 24,117, respectively.

21 RELATED PARTIES (continued)

Gas is sold to associated undertakings, except for that sold to AO Moldovagaz, on the basis of long-term contracts, with index prices based on world oil prices. Gas prices per thousand cubic meters for such sales ranged from USD 80 to USD 146 and from USD 73 to USD 144 in the three months ended 31 March 2004 and 2003, respectively. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices of gas per thousand cubic meters sold to Moldova amounted to USD 80 and USD 81 in the three months ended 31 March 2004 and 2003, respectively.

The Group's impairment provision on accounts receivable included RR 17,107 and RR 16,450 in respect of amounts due from AO Moldovagaz as of 31 March 2004 and 31 December 2003, respectively.

In the three months ended 31 March 2004 and 2003 the Group purchased gas from ZAO KazRosGaz for RR 261 at USD 33 per mcm and RR 388 at USD 30 per mcm, respectively.

In addition, the Group purchased gas transportation services from certain of the associated undertakings, principally EuRoPol GAZ S.A., which amounted to RR 3,411 and RR 2,471 for the three months ended 31 March 2004 and 2003, respectively. The cost of these services was determined based on prices of gas sold to these companies.

ОАО АК Сибур

Prior to acquisition of additional interests in a number of these companies in 2003, ОАО АК Сибур's related party transactions were mainly with the then associated undertakings. During that period, a substantial portion of ОАО АК Сибур's transactions were executed with related parties.

ОАО Стройтрансгаз

ОАО Стройтрансгаз is a major Russian constructor of pipelines, compressor stations and oil refineries. In the normal course of business, the Group outsources pipeline construction services to third-party contractors through a tender process. ОАО Стройтрансгаз has been a successful bidder in a large number of these tenders to construct pipelines in the Russian Federation. During the three months ended 31 March 2004 and 2003 transactions with ОАО Стройтрансгаз were entered into under contracts, which had been executed by certain prior representatives of the Group's Board of Directors and members of their families who at that time owned shareholdings in ОАО Стройтрансгаз.

ОАО Стройтрансгаз rendered construction services for the Group in the amounts of RR 453 and RR 2,308 for the three months ended 31 March 2004 and 2003, respectively. As of 31 March 2004 and 31 December 2003, the Group had advances and receivables due from ОАО Стройтрансгаз in the amounts of RR 3,239 and RR 2,344, respectively. As of 31 March 2004 and 31 December 2003, the Group had accounts payable to ОАО Стройтрансгаз for construction contracts of RR 7,765 and RR 11,102, respectively.

ООО Интерпроком

During the three months ended 31 March 2004 and 2003 transactions with ООО Интерпроком were entered into under contracts which had been executed by certain prior members of the Board of Directors and a member of the Management Committee of the Company and members of their families who at that time or currently owned interests in ООО Интерпроком.

ООО Интерпроком acts as an agent for the Group in the acquisition of equipment and is remunerated for those services based on a fixed commission percentage. ООО Интерпроком acted as an agent in the Group's acquisition of RR 153 and RR 282 of equipment in the three months ended 31 March 2004 and 2003, respectively. As of 31 March 2004 and 31 December 2003, the Group had advances and receivables due from ООО Интерпроком in the amount of RR 888 and RR 3,891, respectively. Commission paid to ООО Интерпроком amounted to RR 3 and RR 12 for the three months ended 31 March 2004 and 2003, respectively. As of 31 March 2004 and 31 December 2003, the Group had accounts payable to ООО Интерпроком in respect of equipment supplies of RR 1,696 and RR 1,884, respectively.

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21 RELATED PARTIES (continued)

AB Gazprombank (ZAO), the Group's principal banking subsidiary, had outstanding import letters of credit issued on behalf of OOO Interprokom and sub-contractors of OOO Interprokom in the amount of RR 594 and RR 1,159 as of 31 March 2004 and 31 December 2003, respectively. These import letters of credit are issued to third party suppliers in connection with the purchase of equipment by OOO Interprokom on behalf of the Group.

22 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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 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. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 March 2004 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Financial guarantees

	31 March 2004	31 December 2003
Outstanding guarantees issued on behalf of:		
BSPC	35,094	36,170
Interconnector (UK) Limited	31,334	32,400
Eural Trans Gas	3,754	6,274
NAK Naftogaz Ukraine	2,501	2,945
Albustan Investments Ltd	2,317	2,396
Itera Group companies	1,637	1,731
Other	<u>6,172</u>	<u>7,848</u>
	<u>82,809</u>	<u>89,764</u>

Included in financial guarantees are amounts denominated in USD of USD 2,801 million and USD 2,993 million as of 31 March 2004 and 31 December 2003, respectively.

In April 2000, credit facilities were provided to BSPC, an associated undertaking, by a group of Italian and Japanese banks for the amount of RR 71,233 (USD 2,053 million) for the construction of the offshore portion of the Blue Stream pipeline. Beginning in 2001, the Group was obligated to provide guarantees on behalf of BSPC in respect of RR 39,152 (USD 1,187) related to these credit facilities. As of 31 March 2004 and 31 December 2003 BSPC had borrowed RR 35,094 (USD 1,232 million) and RR 36,170 (USD 1,228 million), respectively, of these credit facilities, which were guaranteed by the Group, pursuant to its obligation.

In August 2003 credit facilities in the amount of USD 227 million were provided to Eural Trans Gas by Vnesheconombank and guaranteed by the Group. The guarantee extends through December 2007. The credit facilities are for the purchase of natural gas in Central Asia which is then sold to the Group. Guarantees to NAK Naftogaz Ukraine in the amount of USD 100 million were also provided by the Group in connection with purchases of natural gas from Central Asia.

Line "Other" includes mainly guarantees issued by AB Gazprombank (ZAO) to third parties in amount of RR 3,262 and RR 4,343 as of 31 March 2004 and 31 December 2003, respectively.

23 POST BALANCE SHEET EVENTS

Financial investments

In April 2004 OAO Gazprom purchased all of the 2,275,000 newly issued additional ordinary shares of the Group's production subsidiary OAO Vostokgazprom. The new shares were purchased for RR 2,275, paid in cash. The issue was registered by the Federal Service for Financial Markets in May 2004. As a result the ownership interest of OAO Gazprom increased from 83.8% to 99.9%.

Following the acquisition of additional interests in a number of Russian petrochemical companies in November 2003 the Group signed an agreement with ZAO Gazonefteknimicheskaya kompania to acquire a 14.23% interest in OAO AK Sibur, which was transferred to the Group in April 2004. The nominal value of long-term promissory note issued by a subsidiary of OAO Gazprom in connection with this transaction was RR 669 as of 31 March 2004. In August 2004 the Group acquired a 100% interest in OOO Triodecor, an OAO AK Sibur shareholder, at the nominal value of RR 8.4 thousand paid in cash. As a result of these transactions the Group increased its controlling interest in OAO AK Sibur to 99.9%.

In June 2004 the Group acquired an additional 12.8% interest in ZAO Stimul. As a result of this transaction the Group increased its interest in the charter capital of ZAO Stimul from 38.2% to 51.0%. ZAO Stimul is a production company, which holds a license for the development of the eastern part of the Orenburg oil and gas condensate deposit. Group management has not completed a formal assessment of goodwill, if any, arising on this transaction.

In July 2004 the Group sold a 49.98% interest in its subsidiary insurance company OAO Sogaz for RR 1,690, paid in cash. In August 2004 the Group sold a further 25.99% interest for RR 800. As a result of these transactions the Group decreased its interest from 99.98% to 24.01%. Group management believes that no significant gain or loss results from these transactions.

In July 2004 the Group sold a 15.76% interest in OAO Mosenergo for RR 11,700. There was no significant gain or loss resulting from this transaction. Previously the Group's interest in OAO Mosenergo was included within short-term investments as a trading investment.

Accounts receivable

In August 2004 OAO Gazprom signed agreements to settle RR 44,456 (including fines and penalties) of accounts receivable due from NAK Naftogaz Ukraine for gas shipments made in 1997-2000, for RR 36,401. Only the principal amount of the accounts receivable from NAK Naftogaz Ukraine of RR 33,902 had previously been recognized; this amount had a full impairment provision against it in the Group's IFRS financial records. Also in August 2004, OAO Gazprom made an advance payment in the amount of RR 36,548 to NAK Naftogaz Ukraine for gas transit services to be provided by NAK Naftogaz Ukraine to OAO Gazprom from 2005-2009. Management are currently assessing the aggregate financial effect of the completion of these transactions, which will be recognized in the three month period ending 30 September 2004.

Borrowings

In April 2004 AB Gazprombank (ZAO) received USD 275 million of borrowings under a one-year syndicated loan with ABN AMRO and Deutsche Bank AG at an interest rate of LIBOR + 1.8%. AB Gazprombank (ZAO) has an option to extend the loan for one year.

In April 2004 the Group issued USD 1,200 million of Loan Participation Notes due 2034 at an interest rate of 8.625%, and have a put option on 28 April 2014. The Notes were issued under the USD 5,000 million Programme for the Issuance of Loan Participation Notes established on 22 September 2003.

In April 2004 the Company received USD 200 million of borrowings under a three-year syndicated loan with ABN AMRO at an interest rate of LIBOR + 2.75%.

23 POST BALANCE SHEET EVENTS (continued)

In April 2004 the Group received USD 200 million of borrowings from Deutsche Bank AG due in 2009 at an interest rate of LIBOR + 4.85%.

In May 2004 the Group received USD 1,100 million of borrowings from Calyon (the corporate banking unit for Credit Lyonnais SA and Credit Agricole Indosuez) due in 2010 at interest rate of LIBOR + 2.10%.

In July 2004 the Group issued USD 1,250 million of Structured Export Notes due 2020 at an interest rate of 7.201%. The notes are secured by gas receivables under certain gas export sales contracts.

In July 2004 the Group received USD 200 million of borrowings from ABN AMRO due in 2007 at an interest rate LIBOR + 2.75%.

In August 2004 OAO Gazprom signed an agreement with ABN AMRO for USD 1,100 million of borrowings due in 2010 at an interest rate LIBOR + 2.0%.

Contingencies

In July 2004 the Constitutional Court of the Russian Federation made publicly available a recently issued interpretation of existing VAT legislation that has a possible effect of deferring the point at which the Group is able to offset input VAT to the extent the arising of such VAT is deemed to be attributable to the utilization of funds other than own funds, for example, borrowings, or denying the recovery of input VAT to the extent the arising of such VAT is deemed to be attributable to the utilization of funds received free of charge (for example, contribution to charter capital of subsidiaries). In the event local taxation authorities would follow this decision and are successful in any challenge, the result, which is not practicable to determine, could have a material adverse impact on the Group's financial condition. Management is unable to fully predict the outcome of this uncertainty as of the date of issuing this interim condensed financial information.

ОАО ГАЗПРОМ
INVESTOR RELATIONS

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